ROYAL GOLD INC
Form 10-K
August 10, 2017
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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, 2017

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 Incorporation or Organization)	(I.R.S. Employer 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:

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

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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, 2016, as reported on the NASDAQ Global Select Market was $4,102,671,750. There were 65,343,544 shares of the Company's common stock, par value $0.01 per share, outstanding as of August 1, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2017 Annual Meeting of Stockholders scheduled to be held on November 16, 2017, and to be filed within 120 days after June 30, 2017, 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. 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. 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 busines 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, 2017, we owned stream interests on four producing properties and two development stage properties. Our stream interests accounted for approximately 71% and 66% of our total revenue for the fiscal years ended June 30, 2017 and 2016, respectively. 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 revenue or metals produced from the project after deducting specified costs, if any. As of June 30, 2017, we owned royalty interests on 35 producing properties, 18 development stage properties and 135 exploration stage properties, of which we consider 52 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% and 34% of our total revenue for the fiscal years ended June 30, 2017 and 2016, respectively.

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

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As discussed in further detail throughout this report, some significant developments to our business during fiscal year 2017 were as follows:

(1) Our revenue increased 23% to $440.8 million, compared to $359.8 million during fiscal year 2016;
(2) We amended the terms of our Mount Milligan stream agreement upon Centerra Gold Inc.'s ("Centerra") acquisition of Thompson Creek Metals Inc. ("Thompson Creek");
(3) We acquired additional royalty interests at Cortez;
(4) We made the final commitment payments as part of our stream agreements at Rainy River and Wassa and Prestea and have no additional funding requirements as of June 30, 2017;
(5) We expanded our revolving credit facility to $1 billion from $650 million; and
(6) We increased our calendar year dividend to $0.96 per basic share, which is paid in quarterly installments throughout calendar year 2017. This represents a 4.3% increase compared with the dividend paid during calendar year 2016.

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.

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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.

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 2017 Business Developments

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

Mount Milligan Stream Amendment

On October 20, 2016, Centerra and Thompson Creek completed the Plan of Arrangement (the "Arrangement") previously announced on July 5, 2016, pursuant to which Centerra acquired all of the issued and outstanding common shares of Thompson Creek. RGLD Gold AG's ("RGLD Gold") streaming interest at Mount Milligan was amended (the "amendment") concurrently with the closing of the Arrangement.

Under the terms of the amendment, RGLD Gold's 52.25% gold stream at Mount Milligan was amended to a 35% gold stream and an 18.75% copper stream. RGLD Gold will continue to pay the lesser of $435 per ounce of gold delivered or the prevailing market price when purchased and will pay 15% of the spot price per metric tonne of copper delivered.

Mount Milligan gold in concentrate that was in transit prior to October 20, 2016 was delivered to RGLD Gold under the previous 52.25% gold stream. Under the terms of both the original and amended agreements, there is a maximum of five months between concentrate shipment and final settlement. Accordingly, RGLD Gold began receiving gold and copper deliveries reflecting the amended stream agreement in April 2017.

In connection with the amendment, RGLD Gold's first ranking security over 52.25% of gold produced from the Mount Milligan assets was amended to provide for first ranking security over 35% of produced gold and 18.75% of produced copper. RGLD Gold's other existing security over the Mount Milligan assets remains unaffected.

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% 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. With this acquisition, Royal Gold's interests at Cortez Crossroads now comprise a 4.52% NVR and a 5% sliding-scale 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 now comprise a 4.91% NVR and a 5.71% GSR royalty at current gold prices.

As of December 31, 2016, proven and probable reserves subject to Royal Gold's interests at Cortez were estimated at 3.6 million ounces of gold, including approximately 2.7 million gold ounces at Crossroads. Waste stripping at Crossroads is underway and production is expected to begin in calendar 2018.

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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, 2017			As of June 30, 2016		
	Stream interest	Royalty interest	Total stream and royalty interests, net	Stream interest	Royalty interest	Total stream and royalty interests, net
Canada	$ 852,035	$ 221,618	$ 1,073,653	$ 809,692	$ 228,566	$ 1,038,258
Dominican Republic	543,256	—	543,256	588,502	—	588,502
Chile	348,778	453,369	802,147	369,896	453,629	823,525
Africa	123,760	572	124,332	88,596	697	89,293
Mexico	—	105,889	105,889	—	118,899	118,899
United States	—	168,378	168,378	—	102,385	102,385
Australia	—	37,409	37,409	—	42,547	42,547
Other	12,030	25,162	37,192	12,029	32,649	44,678
Total	$ 1,879,859	$ 1,012,397	$ 2,892,256	$ 1,868,715	$ 979,372	$ 2,848,087

The Company's revenue, costs of sales and net revenue by reportable segment for our fiscal years ended June 30, 2017, 2016 and 2015 are geographically distributed as shown in the following table:

	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

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	Fiscal Year Ended June 30, 2016			Fiscal Year Ended June 30, 2015		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	$ 125,755	$ 47,417	$ 78,338	$ 94,104	$ 33,450	$ 60,654
Chile	49,243	7,280	41,963	—	—	—
Dominican Republic	39,684	11,625	28,059	—	—	—
Africa	23,346	4,657	18,689	—	—	—
Total streams	$ 238,028	$ 70,979	$ 167,049	$ 94,104	$ 33,450	$ 60,654
Royalties:						
United States	$ 35,483	$ —	$ 35,483	$ 42,675	$ —	$ 42,675
Mexico	35,267	—	35,267	43,008	—	43,008
Canada	30,676	—	30,676	37,496	—	37,496
Australia	10,462	—	10,462	8,494	—	8,494
Africa	1,868	—	1,868	3,075	—	3,075
Chile	84	—	84	39,508	—	39,508
Other	7,922	—	7,922	9,659	—	9,659
Total royalties	$ 121,762	$ —	$ 121,762	$ 183,915	$ —	$ 183,915
Total streams and royalties	$ 359,790	$ 70,979	$ 288,811	$ 278,019	$ 33,450	$ 244,569

Please see “Operations in foreign jurisdictions 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, 2017, Royal Gold derived approximately 93% of its revenue from precious metals (including 85% from gold and 8% from silver), 5% from copper and 2% 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 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 in the lending and mining business 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 Securities and Exchange Commission ("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 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 and operations.

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 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, over the past decade:

	Gold ($/ounce)		Silver ($/ounce)		Copper ($/pound)		Nickel ($/pound)	
Calendar Year	High	Low	High	Low	High	Low	High	Low
2007 - 2008	$ 1,011	$ 608	$ 20.92	$ 8.88	$ 4.08	$ 1.26	$ 23.41	$ 4.00
2009 - 2010	$ 1,421	$ 810	$ 30.70	$ 10.51	$ 4.42	$ 1.38	$ 12.52	$ 4.27
2011 - 2012	$ 1,895	$ 1,319	$ 48.70	$ 26.16	$ 4.60	$ 3.08	$ 13.17	$ 6.89
2013 - 2014	$ 1,694	$ 1,142	$ 32.23	$ 15.28	$ 3.74	$ 2.86	$ 9.62	$ 5.97
2015	$ 1,292	$ 1,049	$ 18.23	$ 13.71	$ 2.92	$ 2.05	$ 7.01	$ 3.70
2016	$ 1,366	$ 1,077	$ 20.71	$ 13.58	$ 2.69	$ 1.96	$ 5.32	$ 3.50
2017 to-date (August 1, 2017)	$ 1,294	$ 1,151	$ 18.56	$ 15.95	$ 2.93	$ 2.48	$ 5.01	$ 3.95

Declines in market prices for gold, silver, copper, nickel and certain other metals such as those experienced during our fiscal year 2016 and first half of fiscal 2017, decreased our revenues. 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 we might not be 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 these prices fall below certain thresholds 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.

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-product or by product metals at the properties where we hold stream and royalty interests, such as at Mount Milligan and Andacollo, respectively, 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, Peñasquito and Voisey's Bay 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, 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 (except for transactions where we finance mine development or actively fund or participate in exploration) on projects on which we hold stream or royalty interests, 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 production or capital 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 close operations;

•declines in the price of gold, silver, copper, nickel and other metals;

•mine operating and ore processing facility problems;

•economic downturns and operators' insufficient financing;

•default by an operator on its obligations to us or its creditors;

•insolvency, bankruptcy or other financial difficulty of the operator;

•significant permitting, environmental and other regulatory requirements and restrictions and any changes in those regulations or their enforcement;

•challenges by non mining interests to existing permits and mining rights, and to applications for permits and mining rights;

•opposition by local communities, indigenous populations and non governmental organizations;

•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;

•pit wall or tailings dam failures or any underground stability issues;

•fires, explosions and other industrial accidents;

•environmental hazards and natural catastrophes such as floods, earthquakes or inclement or hazardous weather conditions;

•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; and

•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 $340.7 million in revenue in fiscal year 2017, or nearly 77% of our revenue for the period. We expect these properties and others to be important to us in fiscal year 2018 and beyond. Any adverse development affecting the operation of or production from any of these properties could have a material adverse effect on our 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 and royalty interests in many jurisdictions 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 the right to receive 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 results of operations 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 and, for development projects, the geological, metallurgical and other technical aspects of the project as well as 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 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 development stage properties must obtain and maintain all necessary environmental permits and access to water, power and other raw materials, as well as financing, necessary to begin or sustain 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 and potentially our business, results of operations, financial condition or the other benefits we expect to realize from the acquisition of stream and royalty interests. For example, we experienced a write down of $75.7 million for the Phoenix Gold mining project in the third quarter of fiscal 2016 after examining updated technical reports prepared by Rubicon, the operator of the mining project.

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 and royalty interest.

For example, in December 2014, the Labrador Nickel Royalty Limited Partnership (“LNRLP”), of which the Company is the indirect majority owner, amended its 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 that Vale has breached its contractual duties of good faith and honest performance. One of the claims asserted by LNRLP relates to Vale’s calculation of the royalty since Vale began processing nickel concentrates from Voisey’s Bay at its new Long Harbour hydrometallurgical plant. Vale currently deducts full Long Harbour operating costs, depreciation and cost of capital from actual proceeds when calculating the net smelter return royalty, which has had the effect of reducing or eliminating royalty payments to LNRLP. 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. For fiscal 2015, the Voisey’s Bay royalty comprised 6% of our revenue. We did not recognize any revenue from Vale for the fourth quarter of fiscal 2016, and the Voisey’s Bay royalty contributed only 3% of our total revenue for fiscal 2016. LNRLP recognized no revenue from Vale during fiscal 2017.

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.

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 and financiers. 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 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. Most of our revenues are derived from stream and royalty interests that we acquire or finance. 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

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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 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 as has been experienced in recent years. If certain of the operators of the properties on which we have stream and royalty interests suffer these material adverse effects, then our 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 streams at Wassa and Prestea, Andacollo, Rainy River and 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 mineralization 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 mineralization, 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 estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production, and the evaluation of mine plans subsequent to the date of any estimate, may cause a revision of such estimates. 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.

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. 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 mining claims, tenements, concessions, mining licenses or other interests in land and mining rights may lose their exploration or mining rights, or have their rights to mining properties contested by private parties or the government. Internationally, 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 and similar risks. If title to mining claims or other 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 92% of our revenues from foreign sources during fiscal year 2017, compared to approximately 90% in fiscal year 2016 and approximately 85% in fiscal year 2015. 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 jurisdictions 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 foreign activities are subject to the risks normally associated with conducting business in foreign countries. These risks include, depending on the country, such things as:

•expropriation or nationalization of mining property in foreign countries;

•seizure of mineral production;

•exchange and currency controls and fluctuations;

•limitations on foreign exchange and repatriation of earnings;

•increased foreign taxation or imposition of new or increased mining royalty interests;

•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, royalty interests, imports, exports, duties, currency, foreign ownership, foreign trade, foreign investment and changes in response to U.S. laws or foreign policies;

•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;

•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;

•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 delay activities of the operators of the properties. For example, the Pascua Lama and El Morro projects have 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, as discussed further in Part I, Item 2, Properties under the heading "Pascua Lama Project (Region III, Chile)" in this Annual Report on Form 10 K. Similarly, construction activities at the El Morro project were suspended during the same period.

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

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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.

Changes in United States tax legislation or our plans regarding our foreign earnings could adversely impact our business.

We are subject to income taxes in the United States and various foreign jurisdictions. Currently, the majority of our revenue is generated from stream and royalty interests located outside the United States. Present U.S. income taxes and foreign withholding taxes have not been provided for on undistributed earnings for one of our non U.S. subsidiaries, because such earnings are intended to be indefinitely reinvested in the operations of that subsidiary. The U.S. government has proposed various international tax measures, some of which, if enacted into law, would substantially reduce our ability to defer United States taxes on such indefinitely reinvested non United States earnings, eliminate certain tax deductions until foreign earnings are repatriated to the United States and/or otherwise cause the total tax cost of U.S. multinational corporations to increase. If these or similar proposals are enacted in current or future years, they could have a negative impact on our financial position and results of operations.

In addition, the possibility exists that amounts determined to be indefinitely reinvested outside of the United States may ultimately be repatriated. Any repatriation of foreign earnings may require the accrual and payment of U.S. federal and certain state taxes, which could negatively impact our results of operations and/or the amount of available funds. While we currently have no intention to repatriate cash from our foreign subsidiaries, should the need arise domestically, there is no guarantee that we could do so without adverse consequences.

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 most 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 from ECM, Inc., 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.

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. These events also could 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. Further, any security breaches, such as misappropriation, misuse, leakage, falsification or accidental release or loss of information maintained in our information technology systems, including personnel and other data, could damage our reputation and require us to expend significant capital and other resources to remedy any such security breach. 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.

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, 2017, 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.

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, 2017, 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, 2017 there was $250 million outstanding on the revolving credit facility, resulting in $750 million of available revolver capacity. 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.

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

•increase our vulnerability to general adverse economic and industry conditions;

•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 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 $82.84 and $55.55 for the fiscal year ended June 30, 2015, $72.04 and $24.68 for the fiscal year ended June 30, 2016 and $87.74 and $60.21 for the fiscal year ended June

30, 2017. The 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;

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•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.

Certain provisions of Delaware law, our organizational documents, our rights plan 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, our rights plans 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. Furthermore, we have a stockholder rights plan that may have the effect of discouraging unsolicited takeover proposals. The rights issued under the stockholder rights plan could cause significant dilution to a person or group that attempts to acquire us on terms not approved in advance by our board of directors. This plan expires in September 2017, and an amended or new stockholder rights plan may or may not be implemented in the future. 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 and development 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 both producing and development 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

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no longer principal to our business. 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 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, 2017, approximately 90,000 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 47,900 ounces of gold during the fiscal year ended June 30, 2017, compared to approximately 41,700 ounces for the fiscal year ended June 30, 2016. Teck has indicated that they expect

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grades to continue to gradually decline in calendar 2017 and future years, which will be largely offset by planned throughput improvements in the mill. Teck expects production in calendar 2017 to be similar to calendar 2016.

Mount Milligan (British Columbia, Canada)

As discussed in further detail in Item 1, Business, Fiscal 2017 Business Developments, 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. 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 96,000 ounces of gold during the fiscal year ended June 30, 2017, compared to approximately 111,000 ounces of gold during the fiscal year ended June 30, 2016. The decrease was primarily due to the change in the gold stream rate from 52.25% to 35%, which change is further discussed in Item 1, Business, Fiscal 2017 Business Developments.

Copper stream deliveries from Mount Milligan were approximately 1,165 tonnes during the fiscal year ended June 30, 2017. Copper stream deliveries began during our June 2017 quarter.

The secondary crusher is now fully operational and a part of the comminution circuit. Centerra continues to evaluate the mine and mill to increase recovery and improve throughput. They also undertook an operational review process with subject matter experts within their organization who identified several value adding projects. When these value added projects are implemented, Centerra expects to improve recoveries, throughput and unit cost performance by the end of calendar 2017.

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 52,600 ounces of gold during the fiscal year ended June 30, 2017, compared to approximately 42,200 ounces of gold during the fiscal year ended June 30, 2016. For the six months ended June 30, 2017, Barrick reported higher throughput due to fewer planned autoclave shutdowns for maintenance compared to the prior calendar year. Barrick further reported recovery rates have improved due to a change in ore type with a reduction of organic carbon content when compared to the prior calendar year.

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Silver stream deliveries were approximately 1.8 million ounces of silver during the fiscal year ended June 30, 2017, compared to approximately 532,600 ounces of silver during the fiscal year ended June 30, 2016. Silver stream deliveries to RGLD Gold began during the March 31, 2016, quarter.

Barrick reiterated their Pueblo Viejo production guidance for calendar 2017 of between 625,000 ounces and 650,000 ounces of gold. Barrick does not provide silver guidance.

Wassa and Prestea (Western Region, Ghana)

RGLD Gold owns the right to purchase 9.25% of the gold produced from the Wassa and Prestea projects, operated by Golden Star, until the earlier of (i) December 31, 2017 or (ii) the date at which the Wassa and Prestea underground projects achieve commercial production. At that point, the stream percentage will increase to 10.5% of gold produced from the Wassa and Prestea mines 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 open pit 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 is currently an open pit 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.

Stream deliveries from Wassa and Prestea were approximately 19,900 ounces of gold during the fiscal year ended June 30, 2017, compared to approximately 21,400 ounces of gold during the fiscal year ended June 30, 2016.

On January 6, 2017, Golden Star announced commercial production at Wassa underground was achieved effective as of January 1, 2017 and that gold production from the Wassa underground operation is anticipated to continue ramping up during calendar 2017. Golden Star further reported on August 2, 2017, the Prestea underground project, currently in development, is expected to achieve commercial production in the December 2017 quarter. Prestea underground project is expected to produce between 25,000 and 30,000 ounces during calendar 2017.

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 NVR on production from the GAS Claims located on a portion of Cortez that excludes the Pipeline open pit. Refer to Item 1, Business, Fiscal 2017 Business Developments, for further detail on the recent acquisition of additional interests in the NVR1. With this acquisition, Royal Gold's interests at Cortez Crossroads now comprise a 4.52% NVR and a 5% sliding-scale 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 now comprise a 4.91% NVR and a 5.71% GSR royalty at current gold prices.

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 decreased approximately 13% during our fiscal year ended June 30, 2017, when compared to the fiscal year ended June 30, 2016, which was in-line with the mine plan. Waste stripping at Crossroads, which is subject to our NVR1 royalty interest, restarted in October 2016 and is currently ongoing. Production from Crossroads is expected to begin in 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 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, silver, lead and zinc production attributable to our royalty interest at Peñasquito decreased approximately 5%, 3%, 7% and 5%, respectively, during the fiscal year ended June 30, 2017, when compared to the fiscal year ended June 30, 2016.

Goldcorp expects mine grade to decline in the second half of calendar 2017, consistent with their earlier expectations. Starting late in the December 2017 quarter and through calendar 2018, Goldcorp expects to feed the mill a higher proportion of lower grade ore and stockpiled material. The feed will then revert back to higher grade ore in calendar 2019 when the Phase 6 stripping program exposes higher grade ore in the Peñasco pit.

Goldcorp announced the Pyrite Leach Project achieved construction progress of 14% and engineering progress of 94% at the end of the June 2017 quarter. Major procurement activities are nearing completion, material and equipment is arriving on-site and major works contractors have mobilized to site. Earthworks activities are complete, concrete works are underway, and mechanical installation work commenced and is ramping-up.

Goldcorp also announced the Carbon Pre-flotation Project ("CPP") is being constructed, which will allow Peñasquito to process ore which was previously considered uneconomic, including significant amounts already in stockpiles. CPP earthworks are substantially complete and the concrete works are underway. The mechanical works contractor is mobilizing and will ramp up during the September 2017 quarter. Goldcorp stated the project remains on budget and on schedule.

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Principal Development Stage Properties

The following is a description of our principal development stage properties (listed in alphabetical order). Reserves for our development stage properties are summarized below in Table 1 as part of this Item 2, Properties.

Pascua Lama Project (Region III, Chile)

We own a 0.78% to 5.45% sliding scale NSR royalty on the Pascua Lama project, which straddles the border between Argentina and Chile, and is being developed by Barrick. The Company owns an additional royalty equivalent to 1.09% of proceeds from copper produced from the Chilean portion of the project, net of allowable deductions, sold on or after January 1, 2017. The Pascua Lama project is located within 7 miles of Barrick's operating Veladero mine. Access to the project is from the city of Vallenar, Region III, Chile, via secondary roads C 485 to Alto del Carmen, Chile, and C 489 from Alto del Carmen to El Corral, Chile.

Our royalty interests are applicable to all gold and copper production from the portion of the Pascua Lama project lying on the Chilean side of the border. In addition, our interest at Pascua Lama contains certain contingent rights and obligations. Specifically, (i) if gold prices exceed $600 per ounce for any six month period during the first 36 months of commercial production from the project, the Company would make a one time payment of $8.4 million; (ii) approximately 20% of the royalty is limited to 14.0 million ounces of gold produced from the project, while 24% of the royalty can be extended beyond 14.0 million ounces of gold produced for a one time payment of $4.4 million; and (iii) we can also increase our interest in two one time payments from $0.5 million to $1.5 million, which are payable by Barrick upon the achievement of certain production thresholds at Pascua Lama.

The sliding scale NSR royalty is based upon the gold price as shown in the following table:

London Bullion Market Association P.M. Monthly Average Price of Gold per Ounce (US$)	NSR Royalty Percentage	
less than $325	0.78	%
$400	1.57	%
$500	2.72	%
$600	3.56	%
$700	4.39	%
$800 or greater	5.45	%

Note: Royalty rate is interpolated between the upper and lower endpoints.

Pascua Lama is one of the world's largest gold deposits with approximately 11.7 million ounces of proven and probable gold reserves subject our royalty interest, approximately 420.7 million pounds of copper contained within the gold reserves, and an expected mine life of 25 years. Barrick expects Pascua Lama to produce an average of 800,000 to 850,000 ounces of gold during its first full five years of operation, which is based on the current open-pit mining plan.

In calendar 2017, Barrick anticipates expenditures of approximately $175 to $195 million for the project, primarily related to prefeasibility studies, water management and monitoring activities as part of the project's temporary suspension plan. A decision to restart development of the project will depend on improved economics and more certainty regarding legal and permitting matters.

Barrick completed evaluation work in calendar 2016, which indicated that a modest, scalable starter project at Lama—the Argentinian portion of the Pascua-Lama project—using underground mining methods may represent the best option to begin a phased development plan for Pascua-Lama. If successful, cash flow from Lama could be used to fund additional development on both sides of the border over time. Barrick stated they initiated a prefeasibility study to evaluate the construction of an underground mine at Lama, on the Argentinean side of the Pascua-Lama project. Optimization work in Chile remains underway.

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On April 6, 2017, Barrick announced a strategic cooperation agreement with Shandong Gold Mining Co., Ltd ("Shandong Gold"). As a next step, Barrick and Shandong Gold will jointly explore the potential development of Pascua-Lama, and will evaluate additional investment opportunities.

Rainy River (Ontario, Canada)

RGLD Gold owns the right to purchase 6.50% of the gold produced from the Rainy River project until 230,000 gold ounces have been delivered, and 3.25% thereafter; and 60% of the silver produced from the Rainy River project until 3.1 million silver ounces have been delivered, and 30% thereafter. The cash purchase price for the gold and silver ounces is 25% of the spot price per ounce of gold or silver at the time of delivery.

The Rainy River project is centered within Richardson Township in northwestern Ontario, Canada, and is being developed by New Gold Inc. ("New Gold"). The project is approximately 40 miles northwest of Fort Frances, approximately 100 miles south of Kenora and approximately 260 miles west of Thunder Bay. The project site is easily accessible by a network of secondary all weather roads that branch off the well maintained Trans Canada Highways 11 and 71.

New Gold reported development activities at the Rainy River project continue to advance and the project is scheduled to transition from construction to operation during the September 2017 quarter. The mining rate during the June 2017 quarter averaged approximately 115,000 tonnes per day, in-line with New Gold's updated plan announced on January 30, 2017, with the mining rate averaging approximately 125,000 tonnes per day in the month of June 2017. Commissioning of the primary crusher and conveyor system is complete, with the first crush completed on May 11, 2017, as planned. The tailings management area corridor pipeline was completed on June 15, 2017, with the first water moved to and from the water management pond on June 20, 2017. Installation of the mechanical, piping, electrical and instrumentation in processing facilities is approximately 97% complete. Commissioning of the ball mill and SAG mill has started and is scheduled to be completed in August 2017. Commissioning of the refining portion of the process circuit has commenced with dry and wet commissioning of the full circuit also scheduled for August 2017. All key site overhead power lines, construction of the tailings pipeline corridor and have been completed. Overall earthworks are over 85% complete and are tracking in-line with New Gold's updated plan.

New Gold continues to work towards obtaining an amendment to Schedule 2 of the Metal Mining Effluent Regulations under the Fisheries Act (a Canadian federal statute), which is required to close two small creeks and deposit tailings. Such amendment is now expected to be received in the fourth calendar quarter of 2017. New Gold presently is constructing a starter tailings cell, located within the broader tailings management area that does not require a Schedule 2 amendment. This will allow New Gold to commence operations prior to completion of the Schedule 2 amendment. Based on its location and scale, the starter cell would provide capacity for approximately six months of tailings. In addition, New Gold has finalized the engineering design to construct the creek closures using sheet pile at the center of the portion of the dam which will cover the creeks. The purpose of this approach is both to reduce the construction time after receipt of the Schedule 2 amendment, and most importantly, to be able to complete the work regardless of weather conditions. New Gold has met with the Ontario Ministry of Natural Resources and Forestry ("MNRF") to review the design and has also filed its application for the required permit amendment in support of the design. It is expected that the Ontario MNRF will complete its review of the application during the third quarter of calendar 2017.

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, 2016, 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, 2016. Please refer to pages 29-31 for the footnotes to Table 1.

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Operators' Estimated Proven and Probable Gold Reserves

As of December 31, 2016(1)

Gold(2)

				PROVEN + PROBABLE		RESERVES(3)(4)(5)
PROPERTY	ROYALTY	OPERATOR	LOCATION	Tons of Ore (M)	Average Gold Grade (opt)	Gold Contained Ozs(6) (M)
Bald Mountain	1.75% - 2.5% NSR(7)	Kinross	United States	18.950	0.023	0.436
Cortez (Pipeline) GSR1	0.40 - 5.0% GSR(8)	Barrick	United States	31.643	0.021	0.671
Cortez (Pipeline) GSR2	0.40 - 5.0% GSR(8)	Barrick	United States	97.961	0.030	2.970
Cortez (Pipeline) GSR3	0.71% GSR	Barrick	United States	51.346	0.018	0.946
Cortez (Pipeline) NVR1	4.91% NVR	Barrick	United States	37.805	0.018	0.693
Cortez (Pipeline) NVR1C	4.52% NVR	Barrick	United States	78.258	0.034	2.695
Gold Hill(9)	1.0 - 2.0% NSR(10)	Kinross	United States	4.897	0.016	0.080
Goldstrike (SJ Claims)	0.6 - 0.9% NSR(11) 0.9% NSR	Barrick	United States	36.638	0.089	3.245
Hasbrouck (DEV)	1.5% NSR	West Kirkland/Clover Nevada	United States	35.616	0.017	0.588
Leeville	1.8% NSR	Newmont	United States	2.784	0.236	0.657
Marigold	2.0% NSR	Silver Standard	United States	143.205	0.012	1.728
Pinson (DEV)	3.0% NSR(12)	Waterton Precious Metals Fund	United States	7.557	0.064	0.483
Robinson	2.94% NSR(13) 3.0% NSR	KGHM	United States	159.465	0.005	0.827
Ruby Hill	3.0% NSR		United States	1.726	0.014	0.024

		Waterton Precious Metals Fund				
Soledad Mountain (DEV)	3.0% NSR(14)	Golden Queen/Gauss LLC	United States	51.052	0.019	0.984
Twin Creeks	2.0% GPR	Newmont	United States	0.419	0.086	0.036
Wharf	0.0 - 2.0% NSR(15)	Coeur	United States	23.869	0.025	0.603
Back River - Goose Lake (DEV)	1.95% NSR(16)	Sabina Gold & Silver	Canada	13.623	0.184	2.503
Canadian Malartic	1.0 - 1.5% NSR(17)	Agnico Eagle/Yamana	Canada	89.792	0.030	2.692
Holt	0.00013 × quarterly avg. gold price	Kirkland Lake	Canada	4.354	0.131	0.570
Kutcho Creek (DEV)	2.0% NSR	Capstone Mining	Canada	11.509	0.011	0.124
Mount Milligan	35.0% of gold produced(18)	Centerra Gold	Canada	550.003	0.011	5.799
Rainy River (DEV)	6.5% of gold produced(19)	New Gold	Canada	114.945	0.033	3.772
Pine Cove (DEV)	7.5% NPI	Anaconda Mining	Canada	2.905	0.060	0.175
Schaft Creek (DEV)	3.5% NPI	Copper Fox/Teck	Canada	1,037.054	0.006	5.775
Williams	0.97% NSR	Barrick	Canada	18.349	0.052	0.952
Dolores	3.25% NSR	Pan American	Mexico	70.658	0.021	1.507
Mulatos	1.0 - 5.0% NSR(20)	Alamos	Mexico	55.110	0.034	1.884
Peñasquito(21)	2.0% NSR -Oxide	Goldcorp	Mexico	11.552	0.012	0.140
	2.0% NSR -Sulfide			649.261	0.015	9.880
Andacollo	100% of gold produced(22)	Teck	Chile	385.478	0.004	1.389
El Morro (DEV)	1.4% NSR(23)	Goldcorp	Chile	198.103	0.013	2.674
El Toqui	0.0 - 3.0% NSR(24)	Laguna Gold	Chile	2.326	0.045	0.105
Pascua-Lama (DEV)(25)	0.78 - 5.23% NSR(26)	Barrick	Chile	226.536	0.052	11.684
Don Mario	3.0% NSR	Orvana	Bolivia	0.874	0.076	0.067
Don Nicolas (DEV)	2.0% NSR	Compañía Inversora en Minas	Argentina	1.327	0.148	0.196
Pueblo Viejo	7.5% of gold produced(27)	Barrick (60%)	Dominican Republic	94.601	0.085	8.087
El Limon	3.0% NSR	B2Gold	Nicaragua	1.246	0.122	0.152
La India (DEV)	3.0% NSR	Condor Gold	Nicaragua	7.606	0.089	0.675
Mara Rosa (DEV)	1.0% NSR	Amarillo Gold	Brazil	20.955	0.048	0.998
Balcooma (DEV)	1.5% NSR	Consolidated Tin	Australia	0.762	0.002	0.001
	1.5% NSR	Bligh Resources	Australia	1.507	0.064	0.097

Celtic/Wonder North (DEV)						
Gwalia Deeps	1.5% NSR	St. Barbara	Australia	10.326	0.205	2.113
Kundip (DEV)	1.0 - 1.5% GSR(28)	ACH Minerals	Australia	3.097	0.099	0.307
Meekatharra (Nannine) (DEV)	1.5% NSR	Westgold Resources	Australia	0.149	0.048	0.007
Meekatharra (Paddy's Flat) (DEV)	1.5% NSR	Westgold Resources	Australia	4.352	0.098	0.427
	A$10 per gold ounce produced(29)					
Meekatharra (Reedys) (DEV)	1.5%. 1.5 - 2.5%. 1% NSR(30)	Westgold Resources	Australia	1.347	0.082	0.110
Meekatharra (Yaloginda)	0.45% NSR	Westgold Resources	Australia	4.359	0.009	0.041
Red Dam (DEV)	2.5% NSR	Evolution Mining	Australia	1.764	0.063	0.111
South Laverton	1.5% NSR	Saracen	Australia	9.940	0.061	0.607
Southern Cross	1.5% NSR	Shandong Tianye	Australia	10.538	0.096	1.010
Inata	2.5% GSR	Avocet	Burkina Faso	5.820	0.056	0.326
Taparko(31)	2.0% GSR	Nord Gold	Burkina Faso	5.978	0.084	0.502
Wassa and Prestea	10.5% of gold produced(32)	Golden Star Resources	Ghana	21.447	0.089	1.910

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Operators' Estimated Proven and Probable Silver Reserves

As of December 31, 2016(1)

Silver(33)		
	PROVEN + PROBABLE	RESERVES (3)(4)(5)
	Average	Silver