

ROYAL GOLD INC

FORM 10-Q (Quarterly Report)

Filed 11/14/00 for the Period Ending 09/30/00

Address	1660 WYNKOOP STREET SUITE 1000 DENVER, CO 80202-1132
Telephone	3035731660
CIK	0000085535
Symbol	RGLD
SIC Code	6795 - Mineral Royalty Traders
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	06/30

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Address	1660 WYNKOOP STREET SUITE 1000 DENVER, Colorado 80202-1132
Telephone	303-573-1660
CIK	0000085535
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	06/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the
Quarterly Period Ended September 30, 2000

Commission File No. 0-5664

ROYAL GOLD, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation or Organization)

84-0835164

(Employer Identification Number)

1660 WYNKOOP STREET, SUITE 1000, DENVER, COLORADO

(Address of Principal Executive Offices)

80202-1132

(Zip Code)

(303) 573-1660

(Registrant's Telephone Number, including Area Code)

NOT APPLICABLE

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

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, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding At
-----	November 9, 2000
-----	-----
\$.01 PAR VALUE	17,751,596 SHARES

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PART I: FINANCIAL INFORMATION

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Cautionary "Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995. With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding future revenues, reserves, planned levels of exploration and other expenditures, and plans to rely more on acquisitions than exploration. Factors that could cause actual results to differ materially include, among others, unanticipated grade, geological, metallurgical, processing or other problems, changes in project parameters as plans continue to be refined, the timing of receipt of governmental permits, results of current or planned exploration activities, the availability of acquisitions, and changes in gold prices, as well as other factors described elsewhere in this report. Most of these factors are beyond the Company's ability to predict or control. The Company disclaims any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements. Readers should also refer to the risks sections of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

ROYAL GOLD, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	September 30, 2000	June 30, 2000
Current Assets		
Cash and equivalents	\$ 4,522,070	\$ 4,647,160
Royalty receivables	1,425,445	1,761,266
Prepaid expenses and other	285,798	235,990
Available for sale securities	890,586	920,273
	-----	-----
Total current assets	7,123,899	7,564,689
	-----	-----
Property and equipment, at cost, net	9,146,656	9,337,746
Other Assets	499,577	595,147
	-----	-----
Total Assets	\$ 16,770,132	\$ 17,497,582
	=====	=====

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

ROYAL GOLD, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2000	June 30, 2000
Current Liabilities		
Accounts payable	\$ 250,998	\$ 713,580
Dividend payable	0	885,004

Accrued compensation	226,842	212,370
Other	58,275	61,292
	-----	-----
Total current liabilities	536,115	1,872,246
Other liabilities	125,230	124,697
Commitments and contingencies (note 5)		
Stockholders' equity		
Common stock, \$.01 par value, authorized 40,000,000 shares; and issued 17,980,822 and 17,910,822 shares, respectively	179,808	179,108
Additional paid-in capital	55,854,330	55,846,280
Accumulated other comprehensive income	(429,901)	(400,215)
Accumulated deficit	(38,451,820)	(39,080,904)
	-----	-----
	17,152,417	16,544,269
Less treasury stock, at cost (210,726 shares)	(1,043,630)	(1,043,630)
	-----	-----
Total stockholders' equity	16,108,787	15,500,639
	-----	-----
Total liabilities and stockholders' equity	\$ 16,770,132	\$ 17,497,582
	=====	=====

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

ROYAL GOLD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended September 30,	
	2000	1999
	-----	-----
Royalty revenues	\$ 1,537,944	\$ 2,022,882
Interest and other income	61,789	86,087
	-----	-----
Total revenues	1,599,733	2,108,969
	-----	-----
Costs and expenses		
Costs of operations	209,827	153,453
General and administrative	385,835	376,977
Exploration and lease maintenance and holding costs	133,658	481,157
Depreciation and depletion	228,491	212,234
	-----	-----
Total costs and expenses	957,811	1,223,821
	-----	-----
Operating income	641,922	885,148
Interest and other expense	0	15,103
	-----	-----
Income before income taxes	641,922	872,751
Income tax expense	12,838	17,455
	-----	-----
Net earnings	\$ 629,084	\$ 855,296
	-----	-----
Adjustments to comprehensive income		
Unrealized loss on available for sale securities	(29,687)	0
	-----	-----

Comprehensive income	\$ 599,397	\$ 855,296
	=====	=====
Basic earnings per share	\$ 0.04	\$ 0.05
Basic weighted average shares outstanding	17,740,422	17,222,922
Diluted earnings	\$ 0.04	\$ 0.05
Diluted weighted average shares outstanding	17,872,443	17,532,246

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

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ROYAL GOLD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended September 30,	
	2000	1999
Cash flows from operating activities		
Net earnings	\$ 629,084	\$ 855,296
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and depletion	228,491	212,234
Other	90,550	(1,353)
(Increase) decrease in:		
Royalty receivables	335,821	(1,338,386)
Prepaid expense and other	(49,808)	(2,297)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(451,126)	65,160
Other liabilities	533	(6,601)
Total adjustments	154,461	(1,071,243)
Net cash provided by (used in) operating activities	783,545	(215,947)
Cash flows from investing activities		
Capital expenditures for property and equipment	(37,401)	(8,107,020)
Maturity of held-to-maturity securities, net	0	1,000,000
Purchase of available for sale securities		
Increase in other assets	5,020	10,000
Net cash provided by (used in) investing activities	(32,381)	(7,097,020)
Cash flows from financing activities		
Proceeds from issuance of common stock	8,750	1,813,751
Dividend payment	(885,004)	0
Proceeds from issuance of debt	0	2,000,000
Net cash provided by (used in) financing activities	(876,254)	3,813,751
Net increase (decrease) in cash and equivalents	(125,090)	(3,499,216)
Cash and equivalents at beginning of period	4,647,160	4,670,476
Cash and equivalents at end of period	\$ 4,522,070	\$ 1,171,260
	=====	=====

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

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For a more complete understanding of the business and operations of Royal Gold, Inc., please refer to the Report on Form 10-K of Royal Gold, Inc. for the annual period ended June 30, 2000.

1. PROPERTY AND EQUIPMENT

The carrying value of the Company's property and equipment consists of the following components at September 30, 2000:

	Gross	Accumulated Depreciation & Depletion	Net
	-----	-----	-----
Royalties			
GSR1	\$ -	\$ -	\$ -
GSR2	-	-	-
GSR3	8,105,020	1,012,627	7,092,393
Bald Mountain	2,468,762	882,982	1,585,780
Mule Canyon	180,714	-	180,714
Yamana Resources, Inc.	172,809	-	172,809
	-----	-----	-----
Total royalties	10,927,305	1,895,609	9,031,696
Office furniture, equipment and improvements	811,308	696,348	114,960
	-----	-----	-----
	\$ 11,738,613	\$ 2,591,957	\$ 9,146,656
	=====	=====	=====

Presented below is a discussion of the status of the Company's current precious metals royalties.

A. Pipeline Mining Complex

The Company holds two sliding scale gross smelter returns royalties (GSR1 and GSR2) and a fixed gross royalty (GSR3) over the Pipeline Mining Complex, which includes the Pipeline and South Pipeline gold deposits in Lander County, Nevada.

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

B. Bald Mountain

Effective January 1, 1998, the Company purchased a 50% undivided interest in a sliding-scale net smelter returns royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada.

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Bald Mountain is an open pit, heap leach mine operated by Placer Dome U.S. Inc.

C. Mule Canyon

In fiscal 1999, the Company purchased a 5% NSR royalty on a portion of the Mule Canyon mine, operated by Newmont Gold Company and located in Lander County, Nevada.

D. Yamana Resources

In fiscal 2000, the Company purchased a 2% NSR royalty on Yamana Resources' properties in Argentina.

2. AVAILABLE FOR SALE SECURITIES

During fiscal 2000, the Company acquired three million units of the securities of Yamana Resources, Inc. for \$1,293,480. Each unit consists of one share and one-half warrant to purchase an additional share for Cdn \$0.50 per share, until February 2003. The Company had an unrealized loss of \$429,901 on these securities at September 30, 2000. The unrealized loss for the three months ended September 30, 2000 was \$29,687.

3. EARNINGS PER SHARE COMPUTATION

For the three months ended September 30, 2000

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Earnings to common stockholders	\$ 629,084	17,740,422	\$ 0.04
Effect of dilutive securities Options	-	132,021	-
DILUTED EPS	\$ 629,084 =====	17,872,443 =====	\$ 0.04 =====

At September 30, 2000, options to purchase 1,000,532 shares of common stock were outstanding, at an average price of \$5.66 per share, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares.

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For the three months ended September 30, 1999

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Earnings to common stockholders	\$ 855,296	17,222,922	\$ 0.05
Effect of dilutive securities Options	-	309,324	-
DILUTED EPS	\$ 855,296 =====	17,532,246 =====	\$ 0.05 =====

At September 30, 1999, options to purchase 693,498 shares of common stock were outstanding, at an average price of \$6.35 per share, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares.

4. FINANCIAL ACCOUNTING STANDARDS NO. 133

In June 1998, the Financial Accounting Standards Board ("FASB") issues Statement of Financial Accounting Standards No. 133, Accounting for Derivatives and Hedging Activities ("SFAS 133"). SFAS 133, as amended by SFAS 137 and SFAS 138, is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000 (July 1, 2000 for the Company), and establishes accounting and reporting standards for derivative instruments and hedging activities. The Company has been engaged in limited trading activities utilizing puts. In the near term, the Company will continue to mark its open positions to market and record the difference in the carrying value to current earnings. During the first three months of fiscal 2001, the Company recorded mark to market losses of approximately \$90,000 in operations related to these puts.

5. COMMITMENTS AND CONTINGENCIES

Casmalia

The Company received notice, on March 24, 2000, that the U.S. Environmental Protection Agency ("EPA") has identified Royal Resources, Inc. (Royal Gold's corporate predecessor) as one of 22,000 potentially responsible parties ("PRPs"), along with many oil companies, for clean-up of a fully-permitted hazardous waste landfill at Casmalia, Santa Barbara County, California, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("Superfund"). The Company's alleged PRP status

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stems from oil and gas exploration activities undertaken by Royal Resources in California during 1983-84.

By letter dated June 14, 2000, the Company has provided the EPA certain exculpatory information. The EPA has not yet responded.

6. GENERAL

The unaudited financial statements as of September 30, 2000 and for the three months ended September 30, 2000 and 1999, reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of financial position, results of operations, and cash flows on a basis consistent with that of the prior audited consolidated financial statements.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, it is suggested that these financial statements be read in connection with the audited financial statements and the notes included in the Company's Annual Report on Form 10-K as of June 30, 2000.

Royal Gold is engaged in the acquisition of precious metals royalties and in the exploration and development of precious metals properties.

The Company seeks to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. The Company also explores and develops properties thought to contain precious metals and seeks to obtain royalty and other carried ownership interests in other mining companies. Substantially all of the Company's revenues are and can be expected to be derived from royalty interests, rather than from mining operations conducted by the Company.

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ROYAL GOLD, INC.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2000, the Company had a working capital surplus of \$6,587,784. Current assets were \$7,123,899, compared to current liabilities of \$536,115, for a current ratio of 13 to 1. This compares to current assets of \$7,564,689, and current liabilities of \$1,872,246, at June 30, 2000, resulting in a current ratio of 4 to 1.

The Company's liquidity needs are generally being met from its available cash resources, royalty revenues and interest income. During the first three months of fiscal 2001, the Company received \$1,452,556 from its royalty interests at the Pipeline Mining Complex, and \$85,388 from its royalty interest at Bald Mountain. The Company also earned \$61,789 in interest income on its cash and marketable securities portfolio during the three month period.

Management believes its cash resources will be adequate to fund planned operations for the foreseeable future. For fiscal 2001, the Company anticipates royalty revenues of \$8.4 million, at a \$275 gold price, based on production estimates by Cortez of 1,000,000 ounces of gold at the Pipeline Mining Complex during calendar year 2000. Depletion and depreciation from this production is estimated to be \$1.7 million. The Company has also budgeted general and administrative expenses of approximately \$1.7 million, cost of operations of approximately \$0.6 million and exploration and property holding costs of approximately \$0.8 million. The Company estimates interest income of \$0.4 million and income taxes of \$0.1 million. These amounts could increase or decrease significantly, at any time during the fiscal year, based on actual production levels achieved by Cortez, the gold price, and decisions about releasing or acquiring additional properties, among other factors. The Company will evaluate acquisition opportunities and may use cash or stock for these acquisitions. Acquisitions have become a more important part of the Company's growth strategy and could be substantial, while exploration is becoming less important.

RESULTS OF OPERATIONS

For the quarter ended September 30, 2000, compared to the quarter ended September 30, 1999

For the quarter ended September 30, 2000, the Company reported net earnings of \$629,084 or \$0.04 per basic share, as compared to net earnings

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of \$855,296, or \$0.05 per basic share, for the quarter ended September 30, 1999.

Royalty revenues for the current quarter decreased to \$1,537,944, compared to \$2,022,882 for the quarter ended September 30, 1999. The decrease in royalty revenues is attributable to lower grades of processed ore which resulted in lower production from the Pipeline mine and no royalties from the Company's 10% GSR royalty which has been exhausted. (The 10% GSR provided approximately \$600,000 in royalty revenues in the quarter ended September 30, 1999.) These effects were offset by a higher realized gold price during the current quarter and a higher rate on our GSR1 sliding- scale royalty.

Costs of operations increased to \$209,827 for the quarter ended September 30, 2000, compared to \$153,453 for the quarter ended September 30, 1999, primarily because of the mark to market of the gold hedging position.

General and administrative costs of \$385,835 for the current quarter were comparable with \$376,977 for the quarter ended September 30, 1999.

Exploration and lease maintenance and holding costs of \$133,658 for the quarter ended September 30, 2000, decreased from \$481,157 for the quarter ended September 30, 1999, primarily because the Company has significantly curtailed its exploration activity.

Depreciation, depletion, and amortization costs increased from \$212,234 to \$228,491 for the quarter ended September 30, 2000, primarily relating to a full quarter of depletion relating to the Company's GSR3 interest at the Pipeline Mining Complex, partially offset by lower depletion rates on GSR3 and the Bald Mountain royalty.

Interest income decreased from \$86,087 for the quarter ended September 30, 1999, to \$61,789 for the quarter September 30, 2000, primarily due to decreased funds available for investing.

For a more complete understanding of the business and operations of Royal Gold, Inc., please refer to the Report on Form 10-K of Royal Gold, Inc. for the annual period ended June 30, 2000.

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PART II: OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROYAL GOLD, INC. (Registrant)

Date: November 13, 2000

By: /s/ Stanley Dempsey

*Stanley Dempsey
Chairman of the Board and
Chief Executive Officer*

Date: November 13, 2000

By: /s/ John Skadow

*John Skadow
Controller and Treasurer*

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ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JUN 30 2001
PERIOD END	SEP 30 2000
CASH	4,522,070
SECURITIES	0
RECEIVABLES	1,425,445
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	7,123,899
PP&E	11,738,613
DEPRECIATION	2,591,957
TOTAL ASSETS	16,770,132
CURRENT LIABILITIES	536,115
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	56,034,138
OTHER SE	0
TOTAL LIABILITY AND EQUITY	16,770,132
SALES	0
TOTAL REVENUES	1,599,733
CGS	0
TOTAL COSTS	957,811
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	641,922
INCOME TAX	12,838
INCOME CONTINUING	629,084
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	629,084
EPS BASIC	0.04
EPS DILUTED	0.04

End of Filing

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