

ROYAL GOLD INC

FORM 10-Q (Quarterly Report)

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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 period ended December 31, 2003

Commission File Number 0-5664



(a Delaware corporation)

Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202-1132
(303) 573-1660

(Name, State of Incorporation, Address and Telephone Number)

I.R.S. Employer Identification Number **84-0835164**

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐ .

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

Class of Common Stock	Outstanding at January 31, 2004
\$0.01 Par Value	20,783,359 Shares

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ITEM 1. FINANCIAL STATEMENTS**Consolidated Balance Sheets (Unaudited)**

	ASSETS	
	December 31, 2003	June 30, 2003
Current assets		
Cash and equivalents	\$38,757,146	\$33,485,543
Royalty receivables	4,312,124	3,125,437
Current deferred tax asset	3,090,703	—
Prepaid expenses and other	287,452	190,568
Total current assets	46,447,425	36,801,548
Royalty interests in mineral properties, net	41,897,803	43,559,743
Available for sale securities	561,741	457,584
Deferred tax asset	137,844	5,454,500
Other assets	121,193	85,297
Total assets	\$89,166,006	\$86,358,672

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

Consolidated Balance Sheets Continued (Unaudited)**LIABILITIES AND STOCKHOLDERS' EQUITY**

	December 31, 2003	June 30, 2003
Current liabilities		
Accounts payable	\$ 1,329,532	\$ 1,126,591
Dividend payable	779,377	1,032,735
Accrued compensation	366,500	200,000
Other	228,413	146,655
Total current liabilities	2,703,822	2,505,981
Deferred tax liability	7,685,402	8,746,702
Other liabilities	100,289	113,489
Commitments and contingencies (note 6)		
Stockholders' equity		
Common stock, \$.01 par value, authorized 40,000,000 shares; and issued 21,012,583 and 20,883,914 shares, respectively	210,125	208,838
Additional paid-in capital	101,348,938	100,612,048
Accumulated other comprehensive income	169,578	64,963
Accumulated deficit	(21,955,276)	(24,796,477)
	79,773,365	76,089,372
Less treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	78,676,493	74,992,500
Total liabilities and stockholders' equity	\$ 89,166,006	\$ 86,358,672

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

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	For The Three Months Ended	
	December 31, 2003	December 31, 2002
Royalty revenues	\$ 5,083,461	\$ 3,117,384
Costs and expenses		
Costs of operations	347,183	315,126
General and administrative	779,009	537,641
Exploration and business development	250,635	150,747
Depreciation and depletion	786,039	515,109
Total costs and expenses	2,162,866	1,518,623
Operating income	2,920,595	1,598,761
Interest and other income	100,681	121,779
Interest and other expense	(29,001)	(37,837)
Income before income taxes	2,992,275	1,682,703
Current tax expense	(16,385)	(33,654)
Deferred tax expense	(698,425)	(416,704)
Net income	\$ 2,277,465	\$ 1,232,345
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities	212,324	55,977
Comprehensive income	\$ 2,489,789	\$ 1,288,322
Basic earnings per share	\$ 0.11	\$ 0.06
Basic weighted average shares outstanding	20,778,772	19,443,692
Diluted earnings per share	\$ 0.11	\$ 0.06
Diluted weighted average shares outstanding	21,147,687	20,022,836

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

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	For The Six Months Ended	
	December 31, 2003	December 31, 2002
Royalty revenues	\$ 9,264,946	\$ 6,483,556
Costs and expenses		
Costs of operations	674,458	582,113
General and administrative	1,364,695	981,826
Exploration and business development	780,948	243,768
Depreciation and depletion	1,700,931	1,148,946
Total costs and expenses	4,521,032	2,956,653
Operating income	4,743,914	3,526,903
Interest and other income	189,684	191,676
Interest and other expense	(58,278)	(69,817)
Income before income taxes	4,875,320	3,648,762
Current tax expense	(90,090)	(72,975)
Deferred tax expense	(1,164,653)	(917,937)
Net income	\$ 3,620,577	\$ 2,657,850
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities	104,615	(22,821)
Comprehensive income	\$ 3,725,192	\$ 2,635,029
Basic earnings per share	\$ 0.17	\$ 0.14
Basic weighted average shares outstanding	20,737,794	19,040,482
Diluted earnings per share	\$ 0.17	\$ 0.14
Diluted weighted average shares outstanding	21,122,464	19,582,186

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

Consolidated Statements of Cash Flows (Unaudited)

	For The Six Months Ended	
	December 31, 2003	December 31, 2002
Cash flows from operating activities		
Net income	\$ 3,620,577	\$2,657,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and depletion	1,700,931	1,148,946
Deferred tax expense	1,164,653	917,937
Realized loss on put option contracts	—	71,564
(Increase) decrease in:		
Royalty receivables	(1,186,687)	492,752
Prepaid expenses and other assets	(96,447)	(79,711)
Increase (decrease) in:		
Accounts payable and accrued liabilities	435,962	497,525
Other liabilities	(13,200)	(3,288)
Total adjustments	2,005,212	3,045,725
Net cash provided by operating activities	\$ 5,625,789	\$5,703,575

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

Consolidated Statements of Cash Flows Continued (Unaudited)

	For The Six Months Ended	
	December 31, 2003	December 31, 2002
Cash flows from investing activities		
Acquisition	\$ —	\$ (1,298,050)
Capital expenditures for property and equipment	(59,628)	(3,997)
Net cash used in investing activities	(59,628)	(1,302,047)
Cash flows from financing activities:		
Dividends	(1,032,735)	(1,354,022)
Proceeds from issuance of common stock	738,177	14,165,215
Net cash provided by (used in) financing activities	(294,558)	12,811,193
Net increase in cash and equivalents	5,271,603	17,212,721
Cash and equivalents at beginning of period	33,485,543	11,104,140
Cash and equivalents at end of period	\$38,757,146	\$28,316,861

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Unless the context requires otherwise, references to “we,” “us,” “our,” or the “Company” are intended to mean Royal Gold, Inc. and its consolidated subsidiaries. The consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly, in all material respects, our financial results for the interim periods presented. For a more complete understanding of the business and operations of Royal Gold, Inc., please refer to our Annual Report on Form 10-K for the period ended June 30, 2003.

1. GENERAL

The unaudited consolidated financial statements as of December 31, 2003, and for the three and six months ended December 31, 2003 and 2002, 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 consolidated financial statements and the notes included in our Annual Report on Form 10-K as of June 30, 2003.

We are engaged in the acquisition and management of precious metals royalties and in the exploration and development of precious metals properties.

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also explore and develop properties thought to contain precious metals and seek to obtain royalties and other carried ownership interests in such properties through the subsequent transfer of interests to other mining companies. Substantially all of our revenues are and can be expected to be derived from royalty interests. We do not conduct mining operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. STOCKHOLDERS' EQUITY AND STOCK OPTION COMPENSATION

During the six months ended December 31, 2003, options to purchase 129,164 shares were exercised, resulting in proceeds of \$738,177.

We measure compensation cost as prescribed by APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. No compensation cost related to the granting of stock options has been recognized in the financial statements as the exercise price of all option grants was equal to the market price of the Company's Common Stock at the date of grant. In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"). SFAS 123 defines a "fair value" based method of accounting for employee options or similar equity instruments. Had compensation cost been determined under the provisions of SFAS 123, the following pro forma net income and per share amounts would have been recorded.

	For The Three Months Ended		For the Six Months Ended	
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002
Net income, as reported	\$2,277,465	\$1,232,345	\$3,620,577	\$2,657,850
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(180,104)	(458,072)	(688,707)	(514,168)
Pro forma net income	\$2,097,361	\$ 774,273	\$2,931,870	\$2,143,682
Earnings per share:				
Basic, as reported	\$ 0.11	\$ 0.06	\$ 0.17	\$ 0.14
Basic, pro forma	\$ 0.10	\$ 0.04	\$ 0.14	\$ 0.11
Diluted, as reported	\$ 0.11	\$ 0.06	\$ 0.17	\$ 0.14
Diluted, pro forma	\$ 0.10	\$ 0.04	\$ 0.14	\$ 0.11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. ROYALTY INTERESTS IN MINERAL PROPERTIES

	Gross	Accumulated Depletion & Amortization	Net
As of December 31, 2003:			
Production stage royalty interests:			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105,020	(4,418,539)	3,686,481
NVR1	2,135,107	(1,096,244)	1,038,863
Bald Mountain	1,978,547	(1,752,579)	225,968
SJ Claims	20,788,444	(1,258,488)	19,529,956
Carlin East mine	1,642,757	(692,042)	950,715
Martha mine	172,810	(143,004)	29,806
	34,822,685	(9,360,896)	25,461,789
Development stage royalty interests:			
Leeville	14,240,418	—	14,240,418
Exploration stage royalty interests:			
Leeville	2,305,845	(203,396)	2,102,449
Carlin East mine	133,052	(39,905)	93,147
	2,438,897	(243,301)	2,195,596
Total royalty interest in mineral properties	\$51,502,000	\$(9,604,197)	\$41,897,803

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Gross	Accumulated Depletion & Amortization	Net
As of June 30, 2003:			
Production stage royalty interests:			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105,020	(4,042,730)	4,062,290
NVR1	2,135,107	(929,805)	1,205,302
Bald Mountain	1,978,547	(1,729,643)	248,904
SJ Claims	20,788,444	(678,557)	20,109,887
Carlin East mine	1,642,757	(380,185)	1,262,572
Martha mine	172,810	(100,212)	72,598
	34,822,685	(7,861,132)	26,961,553
Development stage royalty interests:			
Leeville	14,240,418	—	14,240,418
Exploration stage royalty interests:			
Leeville	2,305,845	(67,819)	2,238,026
Carlin East mine	133,052	(13,306)	119,746
	2,438,897	(81,125)	2,357,772
Total royalty interest in mineral properties	\$51,502,000	\$(7,942,257)	\$43,559,743

Presented below is a discussion of the status of each of our royalty interests in mineral properties.

Pipeline Mining Complex

We own two sliding-scale gross smelter returns royalties (GSR1 and GSR2), a fixed gross royalty (GSR3), and a net value royalty (NVR1) over the Pipeline Mining Complex that 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.

Bald Mountain

We own a 1.75% to 3.5% sliding-scale net smelter returns, or NSR, royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by Placer Dome U.S. Inc. The sliding-scale royalty increases or decreases with gold price, adjusted by the 1986 Producer Price Index. Our royalty rate would increase to 2% around a gold price of \$500 per ounce. We also own a 2% NSR royalty on a number of properties in Santa Cruz Province, Argentina, including the Martha mine, which is operated by Coeur d'Alene Mines Corporation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SJ Claims

We own a 0.9% NSR on the SJ Claims that covers a portion of the Betze-Post open pit at the Goldstrike mine, in Eureka County, Nevada. The Goldstrike mine is operated by Barrick Gold Corporation.

Leeville Project

We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, which covers the majority of the Leeville Project, in Eureka County, Nevada. The Leeville Project is an underground operation, currently under development by Newmont Mining Corporation. Newmont has announced its intention to initiate production at Leeville during the fourth quarter of calendar 2005. Current production on the Leeville Project ground is derived from underground production on the Carlin East deposit, also operated by Newmont.

Leeville – We carry our interest in the proven and probable reserves at the Leeville project as a development stage royalty interest, which will be depleted using the units of production method over the life of the property. This method is estimated using proven and probable reserves. We carry our interest in the non-reserve portion of the Leeville project as an exploration stage royalty interest, which is amortized on a straight-line basis over an estimated life of eight years, using an estimated residual value of zero.

Carlin East mine – We carry our interest in the non-reserve portion of the Carlin East mine as an exploration stage royalty interest, which is amortized on a straight-line basis over an estimated remaining life of two years, using an estimated residual value of zero.

Martha Mine

We own a 2% NSR royalty on the Martha mine located in Argentina, operated by Coeur d’Alene Mining Corporation.

4. AVAILABLE FOR SALE SECURITIES

We hold equity positions in a number of mining and exploration companies. We recorded an unrealized gain of \$104,615 in these securities for the six months ended December 31, 2003, which resulted in accumulated other comprehensive gain of \$169,578 as of December 31, 2003. We recorded an unrealized loss of \$22,821 on these securities for the six months ended December 31, 2002.

5. EARNINGS PER SHARE (“EPS”) COMPUTATION

	For The Six Months Ended December 31, 2003		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$3,620,577	20,737,794	\$0.17
Effect of dilutive securities		384,670	
Diluted EPS	\$3,620,577	21,122,464	\$0.17

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At December 31, 2003, 50,000 options to purchase shares of common stock, at an average purchase price of \$23.73 per share, were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares.

	For The Six Months Ended December 31, 2002		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$2,657,850	19,040,482	\$0.14
Effect of dilutive securities		541,704	
Diluted EPS	\$2,657,850	19,582,186	\$0.14

At December 31, 2002, 35,000 options to purchase shares of common stock, at an average purchase price of \$19.97 per share, were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares.

	For The Three Months Ended December 31, 2003		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$2,277,465	20,778,772	\$0.11
Effect of dilutive securities		368,915	
Diluted EPS	\$2,277,465	21,147,687	\$0.11

At December 31, 2003, 50,000 options to purchase shares of common stock, at an average purchase price of \$23.73 per share, were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares.

	For The Three Months Ended December 31, 2002		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$1,232,345	19,443,692	\$0.06
Effect of dilutive securities		579,144	
Diluted EPS	\$1,232,345	20,022,836	\$0.06

At December 31, 2002, 35,000 options to purchase shares of common stock, at an average price of \$19.97 per share, were not included in the computation of diluted EPS because the exercise price of the options was greater than the average market price of these common shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. COMMITMENTS AND CONTINGENCIES

RG Russia

On June 20, 2003, through a newly formed wholly-owned subsidiary, RG Russia, Inc., we entered into an agreement for exploration in Russia with a subsidiary of Phelps Dodge Exploration Corporation, which holds an exploration license granted by the Russian government. We have committed to provide exploration funding totaling \$1.3 million over a period not to exceed 24 months in return for which we received a 1% NSR royalty.

As of December 31, 2003, we have funded \$661,500 of the committed \$1.3 million. We have expensed the initial funding amount as a component of Exploration and Business Development in the accompanying financial statements. We expect to fund the balance of the commitment prior to June 2005.

Casmalia

On March 24, 2000, the United States Environmental Protection Agency (“EPA”) notified Royal Gold and 92 other entities that they were considered potentially responsible parties (“PRPs”) under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“Superfund”), at the Casmalia Resources Hazardous Waste Disposal Site (the “Site”) in Santa Barbara County, California. EPA’s allegation that Royal Gold was a PRP was based on the disposal of allegedly hazardous petroleum exploration wastes at the site by Royal Gold’s predecessor, Royal Resources, Inc., during 1983 and 1984.

After extensive negotiations, on September 23, 2002, Royal Gold, along with 35 members of the PRP group targeted by EPA, entered into a Partial Consent Decree with the United States intending to settle their liability for the United States’ past and future clean-up costs incurred at the site. Based on the minimal volume of allegedly hazardous waste that Royal Resources, Inc. disposed of at the Site, our share of the \$25.3 million settlement amount was \$107,858, which we deposited into the escrow account that the PRP group set up for that purpose in January 2002. The funds were paid to the United States on May 9, 2003. The United States may only pursue Royal Gold and the other PRPs for additional clean-up costs if the United States’ total clean-up costs at the site significantly exceed the expected cost of approximately \$272 million. We believe this to be a remote possibility; therefore, we consider our potential liability to the United States to be resolved.

The Partial Consent Decree does not resolve Royal Gold’s potential liability to the State of California (“State”) for its response costs or for natural resource damages arising from the Site. The State has not expressed any interest in pursuing natural resource damages. However, on October 1, 2002, the State notified Royal Gold and the rest of the PRP group that participated in the settlement with the United States that the State would be seeking response costs totaling approximately \$12.5 million from them. It is not known what portion of these costs the State expects to recover from this PRP group in settlement. If the State agrees to a volumetric allocation, we will be liable for 0.438% of any settlement amount. However, we expect that our share of liability will be completely covered by a \$15 million, zero-deductible insurance policy that the PRP group purchased specifically to protect itself from claims such as that brought by the State.

7. INCOME TAXES

As of December 31, 2003, we had \$3,090,703 of deferred tax assets associated with net operating loss carryforwards which has been reclassified as a current asset on the balance sheet. This reclassification is based on the reassessment as of December 31, 2003 of our utilization of net operating loss carryforwards within the next twelve months at a gold price of \$350 per ounce compared to a gold price of \$300 per ounce as of June 30, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. HIGH DESERT EXPLORATION PROPERTIES

During the second quarter of fiscal 2004, we assigned some of our non-producing gold exploration properties in Nevada, which we obtained as part of our acquisition of High Desert Mineral Resources, Inc. in December 2002. As of December 31, 2003, we have assigned four properties, dropped one property and we continue to hold two remaining properties. We have retained a 0.75% NSR royalty on precious metals production from each of the four assigned properties. The four assigned exploration properties were allocated no carrying value at the time of their acquisition in December 2002. The retained royalty interests accordingly do not have any carrying value due to the exploration stage nature of the properties. We have no further obligations with respect to the four assigned properties. We are in discussions regarding the assignment of the two remaining properties.

9. MILOS GOLD

During the second quarter of fiscal 2004, we terminated our interest in the Milos Gold project, which was held through our earned right to a 25% interest in Geological Exploration and Development S.A. All exploration expenses relating to our interest in the Milos Gold project have previously been expensed and therefore, there was no effect on our financial position or results of operations resulting from the termination of our interest.

10. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", to amend and clarify financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The changes in this statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. SFAS 149 was effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have any impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" that establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 was originally effective for financial instruments entered into or modified after May 31, 2003, and otherwise at the beginning of the first interim period beginning after June 15, 2003, and was to be applied prospectively. However, on October 29, 2003, the FASB deferred the provisions of paragraphs 9 and 10 of SFAS 150 as they apply to mandatorily redeemable non-controlling interests. These provisions require that mandatorily redeemable interests within the scope of SFAS 150 be classified as the liability on the parent company's financial statements in certain situations, including when a finite-lived entity is consolidated. The deferral of those provisions is expected to remain in effect while these interests are addressed in either Phase II of the FASB's Liabilities and Equity Project or Phase II of the FASB's Business Combinations Project. The FASB also decided to (i) preclude any "early" adoption of the provisions of paragraph 9 and 10 for these non-controlling interests during the deferral period, and (ii) require the restatement of any financial statements that have been issued where these provisions were applied to mandatorily redeemable non-controlling interests. The adoption of SFAS 150 did not have any impact on our financial position or results of operations.

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

Important note about forward-looking statements: *With the exception of historical matters, this quarterly report on Form 10-Q contains forward-looking statements and other information relating to us that are based on our beliefs and assumptions as well as information currently available to management. Forward-looking statements include statements regarding sources of liquidity, the operator's announced plans for commencement of production at the Leeville Project and settlement of the Casmalia matter. Forward-looking statements are only predictions and the actual events or results may differ materially from the results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from the projections herein include changes in precious metals prices, decisions and activities of the operators of our royalty properties, unanticipated grade, geological, metallurgical, processing or other problems, changes in project parameters as plans continue to be refined, economic and market conditions, future financial needs, the availability of acquisitions, and the ability to reach a definitive court approved settlement of the Casmalia matter, as well as other factors described elsewhere in this report and in other filings made by us with the Securities and Exchange Commission, including our Annual Report on Form 10-K. Most of these factors are beyond our ability to predict or control. We disclaim any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.*

OVERVIEW

Royal Gold, Inc., together with its subsidiaries, is engaged in the business of acquisition and management of precious metals royalties.

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also explore and develop properties thought to contain precious metals and seek to obtain royalty and other carried ownership interests in these properties through the subsequent transfer of interests to other mining companies. We expect that substantially all of our revenues are and will be derived from royalty interests. We do not conduct mining operations. During the first six months of fiscal 2004, we focused on the creation of royalty interests through exploration and also the acquisition of royalty interests.

Our financial results are closely tied to the price of gold. During the three months ended December 31, 2003, the price of gold averaged \$391 per ounce compared with an average price of \$321 per ounce for the comparable prior year period. As a result of the increased gold price, our GSR1 sliding-scale royalty at the Pipeline Mining Complex was calculated at a rate of 4.0% compared with 2.6% during the prior year. This increase in our sliding-scale royalty rate contributed to increased revenues of \$5,083,461 during the quarter ended December 31, 2003 compared with revenues of \$3,117,384 during the comparative prior year quarter.

Our principal mineral property interests are:

- two sliding-scale gross smelter return, or GSR, royalty interests;
- one fixed GSR royalty interest; and
- one net value royalty interest,

all relating to a mining complex known as the Pipeline Mining Complex, which includes the Pipeline and South Pipeline gold deposits, operated by the Cortez Joint Venture;

- one 1.8% NSR royalty on the majority of the Leeville Project, which includes a portion of the Carlin East mine, operated by Newmont Mining Corporation; and
- one 0.9% NSR royalty on the SJ Claims, which covers a portion of the Betze-Post open pit at the Goldstrike mine operated by Barrick Gold Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our other producing royalty interests include a 1.75 % to 3.5% NSR sliding-scale royalty interest covering a portion of the Bald Mountain mine, operated by Placer Dome U.S. Inc. The sliding-scale royalty increases or decreases with gold price, adjusted by the 1986 Producer Price Index. Our royalty rate would increase to 2.0% around a gold price of \$500 per ounce. We also own a 2% NSR royalty on a number of properties in Santa Cruz Province, Argentina, including the Martha mine, which is operated by Coeur d'Alene Mines Corporation.

In addition, as of December 31, 2003, we own royalty interests in the following exploration stage projects:

- A 5% NSR royalty interest on a portion of the Mule Canyon project, located in Lander County, Nevada;
- A 14% net profits interest royalty on the Buckhorn South project, located in Eureka County, Nevada;
- A 1% NSR royalty interest on the Long Valley gold project, located in eastern California;
- A 1% NSR royalty, on possible production of precious metals on an exploration property in Russia;
- A 2% NSR royalty on a number of exploration properties in Santa Cruz Province, Argentina, currently under evaluation by a joint venture, which includes Yamana Gold, Inc., Compania de Minas Buenaventura S.A.A. and Mauricio Hochschild S.A.C.;
- Royalty interests on nine non-operating exploration projects in Nevada.

During the second quarter of fiscal 2004, we assigned some of our non-producing gold exploration properties in Nevada, which we obtained as part of our acquisition of High Desert Mineral Resources, Inc. in December 2002. As of December 31, 2003, we have assigned four properties, dropped one property and we continue to hold two remaining properties. We have retained a 0.75% NSR royalty on precious metals production from each of the four assigned properties. We have no further obligations with respect to the four assigned properties. We are in discussions regarding the assignment of the two remaining properties.

RESULTS OF OPERATIONS

Quarter Ended December 31, 2003, Compared with Quarter Ended December 31, 2002

For the quarter ended December 31, 2003, we recorded net earnings of \$2,277,465, or \$0.11 per basic share, as compared to net earnings of \$1,232,345, or \$0.06 per basic share, for the quarter ended December 31, 2002.

For the quarter ended December 31, 2003, we received total royalty revenues of \$5,083,461, at an average gold price of \$391 per ounce. Royalty revenues included \$4,327,998 from our royalties at the Pipeline Mining Complex, \$313,553 from the SJ Claims, \$205,783 from the Leeville Project, \$74,790 from Bald Mountain and \$161,337, reflecting adjustments to royalty payments for production over the past six quarters, from the Martha mine. For the quarter ended December 31, 2002, we received royalty revenues of \$3,117,384, at an average gold price of \$321 per ounce. This increase in revenue in the quarter ended December 31, 2003 resulted from a higher sliding-scale royalty rate of 4.0%, due to an average gold price above \$391 per ounce for the period, from the Pipeline Mining Complex and the addition of revenues from the SJ Claims and Leeville Project royalties, which we obtained as part of our acquisition of High Desert Mineral Resources, Inc. in December 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of operations increased compared to the quarter ended December 31, 2002, primarily due to Nevada net proceeds of mines tax expenditures associated with the increased royalty revenues.

General and administrative expenses of \$779,009 for the quarter ended December 31, 2003, increased compared to \$537,641 for the quarter ended December 31, 2002, primarily because of costs of approximately \$75,000 associated with the shelf registration statements filed with the SEC during the period, approximately \$95,000 of increased costs associated with corporate governance and compliance activities and increased costs of approximately \$40,000 associated with employee-related expenses due to increased staffing levels.

Exploration and business development expenses increased to \$250,635 for the quarter ended December 31, 2003, from \$150,747 for the quarter ended December 31, 2002. This increase was due to increased business development activities, including consulting, legal and travel costs, combined with exploration and lease maintenance costs of approximately \$49,000 associated with the High Desert exploration properties in Nevada. We anticipate that activity associated with our High Desert exploration properties will decrease in future periods as we complete the assignment of these properties.

Depreciation and depletion increased to \$786,039 for the quarter ended December 31, 2003, from \$515,109 for the quarter ended December 31, 2002, primarily due to depletion of approximately \$431,000 related to the SJ Claims and Leeville Project royalties. This increase was partially offset by lower depletion rates at our Pipeline Mining Complex royalties.

Interest and other income decreased from \$121,779 for the quarter ended December 31, 2002, to \$100,681 for the quarter ended December 31, 2003, primarily due to lower interest rates offset by an increase in funds available for investing.

The deferred tax expense for the quarter ended December 31, 2003 of \$698,425 reflects the utilization of the deferred tax asset in recognition of the application of the net operating loss carryforwards against current income, partially offset by a reduction of the deferred tax liability resulting from depletion of the SJ Claims and Leeville properties.

Six Months Ended December 31, 2003, Compared with Six Months Ended December 31, 2002

For the six months ended December 31, 2003, we recorded net earnings of \$3,620,577, or \$0.17 per basic share, as compared to net earnings of \$2,657,850, or \$0.14 per basic share, for the six months ended December 31, 2002.

For the six months ended December 31, 2003, we received total royalty revenues of \$9,264,946, at an average gold price of \$377 per ounce for the period. Royalty revenues included \$7,844,743 from our royalties at the Pipeline Mining Complex, \$728,391 from the SJ Claims, \$377,630 from the Leeville Project, \$139,861 from Bald Mountain and \$174,321 from the Martha mine. For the six months ended December 31, 2002, we received royalty revenues of \$6,483,556, at an average gold price of \$317 per ounce for the period. This increase resulted from higher gold prices, a higher royalty rate due to the higher gold price and the addition of the SJ Claims and Leeville Project royalties, offset by lower ounces produced at the Pipeline Mining Complex.

Cost of operations increased compared to the six months ended December 31, 2002, primarily related to Nevada net proceeds of mines tax expenditures associated with the increased royalty revenues.

General and administrative expenses increased to \$1,364,695 for the six months ended December 31, 2003, from \$981,826 for the six months ended December 31, 2002, primarily due to costs of approximately \$75,000 associated with the shelf registration statements filed with the SEC during the second quarter, approximately \$20,000 of costs incurred for Sarbanes-Oxley compliance, approximately

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

\$45,000 in additional investor relations costs associated with a substantial increase in the number of our shareholders and an increase of approximately \$150,000 in employee-related expenses due to increased staffing levels.

Exploration and business development expenses increased to \$780,948 for the six months ended December 31, 2003, from \$243,768 for the six months ended December 31, 2002. This increase was due to expenditures of \$250,000 with respect to our funding of exploration in Russia during the 2003 period, combined with exploration and lease maintenance costs of approximately \$190,000 associated with the High Desert exploration properties in Nevada and increased business development activities. We anticipate that activity associated with our High Desert Exploration properties will decrease in future periods as we complete the assignment of these properties.

Depreciation and depletion increased to \$1,700,931 for the six months ended December 31, 2003, from \$1,148,946 for the six months ended December 31, 2002, primarily due to depletion of approximately \$1 million related to the SJ Claims and Leeville Project. This increase was partially offset by lower ounces produced at the Pipeline Mining Complex royalties.

Interest and other income decreased from \$191,676 for the six months ended December 31, 2002, to \$189,684 for the six months ended December 31, 2003, primarily due to an increase in funds invested, offset by lower interest rates.

The deferred tax expense for the six months ended December 31, 2003, of \$1,164,653, reflects the utilization of the deferred tax asset in recognition of the application of the net operating loss carryforwards against current income, partially offset by a reduction of the deferred tax liability resulting from depletion of the SJ Claims and Leeville properties.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, we had current assets of \$46,447,425 compared to current liabilities of \$2,703,822 for a current ratio of 17 to 1. This compares to current assets of \$36,801,548 and current liabilities of \$2,505,981 at June 30, 2003, resulting in a current ratio of 15 to 1. This increase in our current ratio between periods resulted primarily from net cash provided by operating activities of \$5.6 million. We continue to have no long-term debt.

During the six months ended December 31 2003, liquidity needs were met from \$9,264,946 in royalty revenues, \$738,177 from common stock issuances, our available cash resources, and interest and other income of \$189,684. During the six months ended December 31, 2003, we paid dividends of \$1,032,735. On January 2, 2004, we paid a quarterly dividend of \$779,377.

We have a \$10 million line of credit from HSBC that may be used to acquire producing royalties. Any loan under the line of credit will be secured by a mortgage on our GSR3 royalty at the Pipeline Mining Complex, and by a security interest in the proceeds from any of our royalties at the Pipeline Mining Complex. Any assets purchased with the line of credit will also serve as collateral. As of December 31, 2003, no funds have been drawn under the line of credit.

We believe that our current financial resources and funds generated from operations will be adequate to cover anticipated expenditures for general and administrative expense costs, exploration and business development costs, and capital expenditures for the foreseeable future. Our current financial resources are also available for royalty acquisitions, and to fund dividends. Since we hold royalty interests rather than operating properties, we do not have material ongoing capital expenditure requirements. Our long-term capital requirements are primarily affected by our ongoing business development activities. In the event of a substantial royalty or other acquisition, we may seek additional debt or equity financing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", to amend and clarify financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The changes in this statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. SFAS 149 was effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have any impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity" that establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 was originally effective for financial instruments entered into or modified after May 31, 2003, and otherwise at the beginning of the first interim period beginning after June 15, 2003, and was to be applied prospectively. However, on October 29, 2003, the FASB deferred the provisions of paragraphs 9 and 10 of SFAS 150 as they apply to mandatorily redeemable non-controlling interests. These provisions require that mandatorily redeemable interests within the scope of SFAS 150 be classified as the liability on the parent company's financial statements in certain situations, including when a finite-lived entity is consolidated. The deferral of those provisions is expected to remain in effect while these interests are addressed in either Phase II of the FASB's Liabilities and Equity Project or Phase II of the FASB's Business Combinations Project. The FASB also decided to (i) preclude any "early" adoption of the provisions of paragraph 9 and 10 for these non-controlling interests during the deferral period, and (ii) require the restatement of any financial statements that have been issued where these provisions were applied to mandatorily redeemable non-controlling interests. The adoption of SFAS 150 did not have any impact on our financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings and cash flows are significantly impacted by changes in the market price of gold. Gold prices can fluctuate widely and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events, and the strength of the U.S. dollar relative to other currencies. During the last five years, the average annual market price of gold has fluctuated between \$256 per ounce and \$426 per ounce.

During the three-month period ended December 31, 2003, we reported royalty revenues of \$5,083,461, with an average gold price for the period of \$391 per ounce. The Company's GSR1 royalty, on the Pipeline Mining Complex, which produced the majority of the Company's revenues for the period, is a sliding-scale royalty with variable royalty rate steps based on the average London PM gold price for the period. These variable steps are described in the Company's Annual Report on Form 10-K. For the December 31, 2003 quarter, if the price of gold had averaged higher or lower by \$20 per ounce (which includes a one price step in GSR1), the Company would have recorded an increase in revenues or a decrease in revenues of approximately \$453,804 or \$473,483, respectively. Due to the set price steps in GSR1, the effects of changes in the price of gold cannot be extrapolated on a linear basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The SEC defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Our Chief Executive Officer and our Chief Accounting Officer, based on their evaluation of our disclosure controls and procedures as of December 31, 2003, concluded that our disclosure controls and procedures were effective for this purpose.

Changes in Internal Controls

During the fiscal quarter ended December 31, 2003, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 11, 2003, Royal Gold, Inc. held its 2003 Annual Meeting of Stockholders. The matters voted upon at the meeting, for shareholders of record as of October 3, 2003 and the vote with respect to each such matter are set forth below:

1. To elect directors of Royal Gold, Inc.:

	For	Withheld
Stanley Dempsey	17,072,114	1,490,260
John W. Goth	17,754,527	807,847

2. To approve the appointment of PricewaterhouseCoopers as the independent public accountants of Royal Gold, Inc. for the fiscal year ending June 30, 2004:

For: 18,486,636 Against: 39,616 Abstain: 36,122

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Form of Indemnification Agreement

(b) Reports on Form 8-K

- Form 8-K filed November 6, 2003
- Form 8-K filed November 12, 2003
- Form 8-K filed December 1, 2003
- Form 8-K filed December 29, 2003
- Form 8-K filed February 5, 2004
- Form 8-K/A filed February 9, 2004

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.

Date: February 13, 2004	By: <u>/s/ Stanley Dempsey</u> Stanley Dempsey Chairman and Chief Executive Officer
Date: February 13, 2004	By: <u>/s/ Stefan Wenger</u> Stefan Wenger Treasurer and Chief Accounting Officer

Index to Exhibits

Exhibits	
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32.2	Certification of Chief Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Form of Indemnification Agreement

Exhibit 31.1

I, Stanley Dempsey, certify that:

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

February 13, 2004

/ s/ Stanley Dempsey

Stanley Dempsey
Chairman and Chief Executive Officer

Exhibit 31.2

I, Stefan Wenger, certify that:

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

February 13, 2004

/s/ Stefan Wenger

Stefan Wenger
Treasurer and Chief Accounting Officer

Exhibit 32.1

In connection with the Quarterly Report on Form 10-Q of Royal Gold, Inc. (the “Company”), for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stanley Dempsey, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

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

February 13, 2004

/s/ Stanley Dempsey

Stanley Dempsey
Chairman and Chief Executive Officer

Exhibit 32.2

In connection with the Quarterly Report on Form 10-Q of Royal Gold, Inc. (the “Company”), for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stefan Wenger, Treasurer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

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

February 13, 2004

/s/ Stefan Wenger

Stefan Wenger
Treasurer and Chief Accounting Officer

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the **“Agreement”**) dated as of _____, 200_, is made by and between Royal Gold, Inc., a Delaware corporation (the **“Corporation”**), and the undersigned member of the Board of Directors or officer of the Corporation (**“Indemnitee”**).

WHEREAS, the Corporation’s Amended Certificate of Incorporation (the **“Certificate”**) and the Delaware General Corporation Law (the **“DGCL”**), under which the Corporation is organized, empower the Corporation to indemnify its directors, officers, employees and agents by agreement and to indemnify persons who serve, at the request of the Corporation, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by the Certificate and the DGCL are not exclusive;

WHEREAS, such Certificate and the DGCL contemplate that contracts, insurance policies and other financial arrangements may be entered into with respect to indemnification of directors, officers, employees or agents;

WHEREAS, the applicability, amendment and enforcement of statutory provisions and provisions of the Certificate and the Corporation’s bylaws (the **“Bylaws”**) have raised questions concerning the adequacy and reliability of the protection afforded directors and officers;

WHEREAS, it is reasonable, prudent and necessary for the Corporation to obligate itself contractually to indemnify Indemnitee so that Indemnitee will serve or continue to serve the Corporation free from undue concern that Indemnitee will not be adequately protected; and

WHEREAS, Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Corporation on condition that Indemnitee be so indemnified;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Corporation and Indemnitee do hereby covenant and agree as follows:

1. Definitions . As used in this Agreement,

(a) The term **“Proceeding”** shall include any threatened, pending or completed action, suit, inquiry or proceeding, whether brought by or in the right of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party, as a witness or otherwise, by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Corporation, by reason of any action taken by Indemnitee or of any inaction on Indemnitee’s part while acting as a director, officer, employee or agent or by reason of the fact that Indemnitee is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise; in each case whether or not Indemnitee is acting or serving in any such capacity at the time any liability or

expense is incurred for which indemnification or reimbursement can be provided under this Agreement; provided that any such action, suit or proceeding which is brought by Indemnitee against the Corporation or directors, officers, employees or agents of the Corporation shall not be deemed a Proceeding, except (i) with respect to actions or proceedings to establish or enforce a right to indemnify under this Agreement or any other agreement or insurance policy or under the Corporation's Certificate or Bylaws now or hereafter in effect relating to Proceedings for Indemnifiable Events (as defined below), (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Proceeding, or (iii) as otherwise required under the DGCL, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

(b) The term **"Expenses"** shall include, without limitation, any judgments, fines and penalties against Indemnitee in connection with a Proceeding; amounts paid by Indemnitee in settlement of a Proceeding; and all attorneys' fees and disbursements, accountants' fees, private investigation fees and disbursements, retainers, court costs, transcript costs, fees of experts, fees and expenses of witnesses, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements, or expenses, reasonably incurred by or for Indemnitee in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in a Proceeding or establishing Indemnitee's right of entitlement to indemnification for any of the foregoing.

(c) References to **"other enterprise"** shall include employee benefit plans; references to **"fines"** shall include any excise tax assessed with respect to any employee benefit plan; references to **"serving at the request of the Corporation"** shall include any service as a director, officer, employee, controlling person, agent or fiduciary of the Corporation which imposes duties on, or involves services by, such director, officer, employee, controlling person, agent or fiduciary with respect to an employee benefit plan, its participants or beneficiaries.

(d) The term **"substantiating documentation"** shall mean copies of bills or invoices for costs incurred by or for Indemnitee, or copies of court or agency orders or decrees or settlement agreements, as the case may be, accompanied by a sworn statement from Indemnitee that such bills, invoices, court or agency orders or decrees or settlement agreements, represent costs or liabilities meeting the definition of **"Expenses"** herein.

(e) For purposes of this Agreement, references to the **"Corporation"** shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, control person, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, control person, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(f) For purposes of this Agreement a **“Change in Control”** shall be deemed to have occurred if (i) any **“person”** (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 10% or more of the combined voting power of the Corporation’s then outstanding Voting Securities, increases his or her beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the **“beneficial owner”** (as defined in Rule 13d-3 under said Exchange Act), directly or indirectly, of securities of the Corporation representing more than 15% of the total voting power represented by the Corporation’s then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Corporation and any new director whose election by the Board of Directors or nomination for election by the Corporation’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of (in one transaction or a series of transactions) all or substantially all of the Corporation’s assets.

(g) For purposes of this Agreement, **“Independent Legal Counsel”** shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 2(f) hereof, who shall not have otherwise performed services for the Corporation or any Indemnitee within the last three years (other than with respect to matters concerning the right of any Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(h) For purposes of this Agreement, a **“Reviewing Party”** shall mean any appropriate person or body consisting of a member or members of the Corporation’s Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Proceeding for which Indemnitee are seeking indemnification, or Independent Legal Counsel.

(i) For purposes of this Agreement, **“Voting Securities”** shall mean any securities of the Corporation that vote generally in the election of directors.

2. Indemnity of Indemnitee .

(a) Agreement to Indemnify. The Corporation hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by law, even if such indemnification is not specifically authorized by the other provisions of this Agreement, the Certificate of Incorporation, the Corporation’s Bylaws or by statute. In the event of any change

after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, controlling person, agent or fiduciary, it is the intent of the parties hereto that Indemnatee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Additional Indemnification.

(i) Subject only to the limitations set forth in Section 2(b)(ii), the Corporation further agrees to indemnify and hold harmless Indemnatee, together with Indemnatee's partners, affiliates, employees, employers, agents and spouse and each person who controls any of them or who may be liable within the meaning of Section 15 of the Securities Act of 1933, as amended (the "**Securities Act**"), or Section 20 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to the fullest extent permitted by law if Indemnatee was, is, becomes or is threatened to be made a party to a Proceeding against (A) any and all Expenses, including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, incurred by Indemnatee by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnatee is or was a director, officer, employee, controlling person, agent or fiduciary of the Corporation or any subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, controlling person, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnatee while serving in such capacity including, without limitation, any and all losses, claims, damages, expenses and liabilities, joint or several (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit, proceeding or any claim asserted) under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, which relate directly or indirectly to the registration, purchase, sale or ownership of any securities of the Corporation or to any fiduciary obligation owed with respect thereto and (B) otherwise to the fullest extent as may be provided to Indemnatee by the Corporation under the non-exclusivity provisions of the Corporation's Bylaws and the DGCL.

(ii) Limitations on Additional Indemnity. No indemnity pursuant to Section 2(b) hereof shall be paid by the Corporation:

(a) with respect to remuneration paid to Indemnatee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

(b) on account of any suit in which judgment is rendered against Indemnatee for an accounting of profits made from the purchase or sale by Indemnatee of securities of Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(c) on account of Indemnitee's conduct which is the subject of an action suit or proceeding brought by the Corporation and approved by the majority of the Board which alleges willful misappropriation of corporate assets by Indemnitee, disclosure of material confidential information in violation of Indemnitee's fiduciary or contractual obligations to Corporation or any other willful and deliberate breach in bad faith of Indemnitee's duty to Corporation or its stockholders;

(d) on account of Indemnitee's conduct which is finally adjudged in a final decision by a court having jurisdiction in the matter to have been knowingly fraudulent or deliberately dishonest, or to constitute willful misconduct;

(e) on account of any action, claim or proceeding (other than a proceeding referred to in Sections 2(b), (2)(g) or 11 hereof) initiated by the Indemnitee against the Corporation unless such action, claim or proceeding was authorized in the specific case by action of the Board of Directors;

(f) if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful (and, in this respect, both Corporation and Indemnitee have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication);

(g) subject to Section 2(c), if the Reviewing Party shall have determined (in a written opinion, in any case in which the Independent Legal Counsel is involved) that Indemnitee would not be permitted to be indemnified with respect to a specific matter under applicable law; provided that any such finding shall not prejudice Indemnitee's right to indemnification with respect at any other matter; and

(h) unless Indemnitee acknowledges and agrees that the obligation of the Corporation to make an advance payment of Expenses to Indemnitee pursuant to Section 4 (an **"Expense Advance"**) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Corporation shall be entitled to be reimbursed by Indemnitee (who hereby undertakes and agrees to reimburse the Corporation) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Corporation for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Corporation for any Expense Advance shall be unsecured and no interest shall be charged by the Corporation in connection with any such amounts determined to be owed by Indemnitee.

(c) Reviewing Party. If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control, the Reviewing Party shall be the Independent Legal Counsel. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnatee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnatee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Corporation hereby consents to service of process and to appear in any such proceeding.

(d) Contribution. If the indemnification provided for in this Section 2 for any reason is held by a court of competent jurisdiction to be unavailable to an Indemnatee in respect of any losses, claims, damages, expenses or liabilities referred to therein, then the Corporation, in lieu of indemnifying Indemnatee thereunder, shall contribute to the amount paid or payable by Indemnatee as a result of such losses, claims, damages, expenses or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Corporation and Indemnatee, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Corporation and Indemnatee in connection with the action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. In connection with the registration of the Corporation's securities, the relative benefits received by the Corporation and Indemnatee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Corporation and the Indemnatee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Corporation and Indemnatee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Corporation or Indemnatee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Corporation and Indemnatee agree that it would not be just and equitable if contribution pursuant to this Section 2(d) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In connection with any registration of the Corporation's securities, in no event and notwithstanding the other provisions of this Section 2(d) shall an Indemnatee be required to contribute any amount hereunder in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement that is being sold by Indemnatee or (ii) the proceeds received by Indemnatee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

(e) Survival Regardless of Investigation. The indemnification and contribution provided for herein will remain in full force and effect regardless of any investigation made by or

on behalf of Indemnitee or any officer, director, employee, agent or controlling person of Indemnitee.

(f) **Change in Control.** After the date hereof, the Corporation agrees that if there is a Change in Control of the Corporation then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses under this Agreement or any other agreement or under the Corporation's Certificate or Bylaws as now or hereafter in effect, Independent Legal Counsel shall be selected by Indemnitee and approved by the Corporation (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Corporation and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Corporation agrees to abide by such opinion and to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all reasonable expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) **Mandatory Payment of Expenses.** Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in the defense of any action, suit, proceeding, inquiry or investigation referred to in Section 2 or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

(h) **Security/Financial Arrangements.** To the extent requested by the Indemnitee and approved by the Corporation, the Corporation may at any time and from time to time provide security or other financial arrangements to the Indemnitee for the Corporation's obligations hereunder through an irrevocable bank line of credit, funded trust, letter of credit, other collateral or other financial arrangement. Any such security or other financial arrangement, once provided to the Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

3. Choice of Counsel . If Indemnitee is not an officer of the Corporation, Indemnitee, together with the other directors who are not officers of the Corporation (the **"Outside Directors"**), shall be entitled to employ, and be reimbursed for the fees and disbursements of, counsel separate from that chosen by Indemnitees who are officers of the Corporation. The principal counsel for Outside Directors (**"Principal Counsel"**) shall be determined by majority vote of the Outside Directors, and the Principal Counsel for the Indemnitees who are not Outside Directors (**"Separate Counsel"**) shall be determined by majority vote of such Indemnitees. The obligation of the Corporation to reimburse Indemnitee for the fees and disbursements of counsel hereunder shall not extend to the fees and disbursements of any counsel employed by Indemnitee other than Principal Counsel or Separate Counsel, as the case may be, provided that (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Proceeding at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Corporation, (B) Indemnitee shall have reasonably concluded with the advice of counsel that there is a substantial possibility that Principal Counsel or Separate Counsel, as the case may be, will have a conflict of interest in representing Indemnitee, or (C) the Corporation shall not continue to retain

Principal Counsel or Separate Counsel, as the case may be, to defend such Proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Corporation.

4. Advances of Expenses . Expenses (other than judgments, penalties, fines and amounts paid in settlement) incurred by Indemnitee shall be paid by the Corporation, in advance of the final disposition of the Proceeding, as soon as practicable but in any event no later than 10 days after receipt of Indemnitee's written request accompanied by substantiating documentation and Indemnitee's undertaking to repay such amount to the extent it is ultimately determined that Indemnitee is not entitled to indemnification in accordance with the provisions of this Agreement. No objections based on or involving the question whether such charges meet the definition of "Expenses," including any question regarding the reasonableness of such Expenses, shall be grounds for failure to advance to such Indemnitee, or to reimburse such Indemnitee for, the amount claimed within such period; and the undertaking of Indemnitee set forth in Section 2(b)(ii)(h) to repay any such amount to the extent it is ultimately determined that Indemnitee is not entitled to indemnification shall be deemed to include an undertaking to repay any such amounts determined not to have met such definition.

5. Right of Indemnitee to Indemnification Upon Application; Procedure Upon Application . Any indemnification under this Agreement, other than pursuant to Section 4, shall be made no later than 25 days after receipt by the Corporation of the written request of Indemnitee, accompanied by substantiating documentation.

(a) Notice/Cooperation by Indemnitee. Indemnitee shall give the Corporation notice in writing in accordance with Section 14 of this Agreement as soon as practicable of any Proceeding made against Indemnitee for which indemnification will or could be sought under this Agreement.

(b) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Corporation to establish that Indemnitee is not so entitled.

(c) Notice to Insurers. If, at the time of the receipt by the Corporation of a notice of a Proceeding pursuant to Section 5(a) hereof, the Corporation has liability insurance in effect which may cover such Proceeding, the Corporation shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in

each of the Corporation's policies. The Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnatee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

6. Indemnification Hereunder Not Exclusive . The indemnification and advancement of expenses provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnatee may be entitled under the Certificate, the DGCL, any policy or policies of directors' and officers' liabilities insurance, any agreement, or otherwise, both as to action in Indemnatee's official capacity and as to action in another capacity while holding such office. However, Indemnatee shall reimburse the Corporation for amounts paid to Indemnatee pursuant to such other rights to the extent such payments duplicate any payments received pursuant to this Agreement.

7. Continuation of Indemnity . All agreements and obligations of the Corporation contained herein shall continue during the period Indemnatee is a director, officer, employee or agent of the Corporation (or is or was serving at the request of the Corporation as a director, officer, employee, controlling person, agent or fiduciary of another corporation, partnership, joint venture, trust, limited liability company or other enterprise) and shall continue thereafter so long as Indemnatee shall be subject to any possible Proceeding by reason of the fact that Indemnatee was a member of its Board of Directors or an officer, employee, controlling person, agent or fiduciary of the Corporation or serving in any other capacity referred to herein.

8. Partial Indemnification . If Indemnatee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of Expenses, but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnatee for the portion of such Expenses to which Indemnatee is entitled.

9. Mutual Acknowledgement . The Corporation and Indemnatee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Corporation from indemnifying its directors, officers, employees, controlling persons, agents or fiduciaries under this Agreement or otherwise and that the Securities and Exchange Commission has taken the position that indemnification is not available for violations of federal securities law. Indemnatee understands and acknowledges that the Corporation has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Corporation's rights under public policy to indemnify Indemnatee.

10. Settlement of Claims . The Corporation shall not be liable to indemnify indemnatee under this Agreement for any amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent. The Corporation shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnatee without Indemnatee's prior written consent. Neither the Corporation nor Indemnatee will unreasonably withhold or delay their consent to any proposed settlement. The Corporation shall not be liable to indemnify Indemnatee under this Agreement with regard to any judicial award if the Corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

11. Enforcement . The Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Corporation hereby in order to induce Indemnatee to serve as a director, officer, employee or agent of the Corporation, and acknowledges that Indemnatee is relying upon this Agreement in continuing as a director, officer, employee or agent.

12. Governing Law; Venue; Binding Effect; Amendment and Termination .

(a) This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

(b) The Company and Indemnatee each hereby irrevocably consent to the jurisdiction of the courts of the State of Colorado for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in Denver, Colorado, and each party hereto specifically waives the right to seek transfer of any action or proceeding out of the designated forum pursuant to 28 U.S.C. Sections 1404 and 1406, any state forum non conveniens statute or the common law doctrine of forum *non conveniens* .

(c) This Agreement shall be binding upon the Corporation, its successors and assigns, and shall inure to the benefit of Indemnatee, Indemnatee's heirs, personal representatives and assigns and to the benefit of the Corporation, its successors and assigns.

(d) No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the Corporation and Indemnatee.

13. Severability . If any provision of this Agreement shall be held to be invalid, illegal or unenforceable (a) the validity, legality and enforceability of the remaining provisions of this Agreement shall not be in any way affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Agreement shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable. Each section of this Agreement is a separate and independent portion of this Agreement. If the indemnification to which Indemnatee is entitled with respect to any aspect of any claim varies between two or more sections of this Agreement, that section providing the most comprehensive indemnification shall apply.

14. Notice . Notice to the Corporation shall be directed to Royal Gold, Inc., 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202, Attention: Chief Executive Officer. Notice to Indemnatee shall be directed to the address set forth under Indemnatee's signature hereto. The foregoing addresses may be changed from time to time by the addressee upon notice to the other parties. Notice shall be deemed received three days after the date postmarked if sent by prepaid mail, properly addressed.

15. Counterparts . This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this

Agreement by telefacsimile shall be equally as effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver a manually executed counterpart of this Agreement but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

16. Attorneys' Fees . In the event that any action is instituted by Indemnatee under this Agreement or under any liability insurance policies maintained by the Corporation to enforce or interpret any of the terms hereof or thereof, Indemnatee shall be entitled to be paid all Expenses incurred by Indemnatee with respect to such action if Indemnatee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that the material assertions made by Indemnatee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Corporation under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnatee shall be entitled to be paid all Expenses incurred by Indemnatee in defense of such action (including costs and expenses incurred with respect to Indemnatee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that the Indemnatee's material defenses to such action were made in bad faith or were frivolous.

17. No Construction as Employment Agreement . Nothing contained in this Agreement shall be construed as giving the Indemnatee any right to be retained in the employ of the Corporation or any of its subsidiaries.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

COMPANY:

ROYAL GOLD, INC.
a Delaware corporation

By: _____

Name:

Title:

INDEMNITEE:

Signature: _____

Name: _____

Address: _____
