ROYAL GOLD INC

FORM 10-Q
(Quarterly Report)

Filed 02/08/06 for the Period Ending 12/31/05

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

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Filed 2/8/2006 For Period Ending 12/31/2005

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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 quarterly period ended December 31, 2005

Commission File Number 001-13357

(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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (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: 23,518,011 shares of the Company’s Common Stock, par value $0.01 per share, were outstanding as of January 31, 2006.

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ROYAL GOLD, INC.
Consolidated Balance Sheets

	December 31, 2005 (Unaudited)	June 30, 2005
Assets		
Current assets		
Cash and equivalents	$ 79,873,075	$ 48,840,371
Royalty receivables	6,391,361	6,601,329
Income taxes receivable	536,393	—
Deferred tax assets	211,653	452,730
Prepaid expenses and other (Note 9)	3,935,579	333,883
Total current assets	90,948,061	56,228,313
Royalty interests in mineral properties, net (Note 5)	68,166,253	44,817,242
Available for sale securities (Note 4)	1,110,746	554,812
Deferred tax assets	438,684	160,417
Advance to High River Gold (Note 2)	6,687,550	—
Other assets	474,667	557,771
Total assets	$167,825,961	$102,318,555
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 3,375,960	$ 1,140,509
Income taxes payable	—	253,496
Dividend payable	1,296,344	1,050,628
Accrued compensation	750,000	278,500
Other	227,211	175,095
Total current liabilities	5,649,515	2,898,228
Deferred tax liabilities	7,134,267	7,586,402
Other long-term liabilities	83,434	96,634
Total Liabilities	12,867,216	10,581,264
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, $.01 par value, authorized 40,000,000 shares; and issued 23,682,799 and 21,258,576 shares, respectively	236,827	212,585
Additional paid-in capital	163,105,445	104,163,515
Accumulated other comprehensive loss	(59,766)	(284,920)
Deferred compensation	—	(524,659)
Accumulated deficit	(7,226,889)	(10,732,358)
Treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	154,958,745	91,737,291
Total liabilities and stockholders' equity	$167,825,961	$102,318,555

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

ROYAL GOLD, INC.
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	For The Three Months Ended December 31, 2005	For The Three Months Ended December 31, 2004
Royalty revenues	$ 7,575,307	$ 6,031,833
Costs and expenses		
Costs of operations	617,509	525,016
General and administrative	1,647,996	1,088,811
Exploration and business development	1,026,540	598,843
Depreciation, depletion and amortization	1,030,444	867,121
Total costs and expenses	4,322,489	3,079,791
Operating income	3,252,818	2,952,042
Interest and other income	1,016,562	181,250
Gain on sale of available for sale securities	—	163,526
Interest and other expense	(33,773)	(29,018)
Income before income taxes	4,235,607	3,267,800
Current tax expense	(1,591,236)	(549,600)
Deferred tax benefit (expense)	262,924	(99,882)
Net income	$ 2,907,295	$ 2,618,318
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities, net of tax	139,197	25,452
Realization of the change in market value on sale of available for sale securities, net of tax	—	(104,657)
Comprehensive income	$ 3,046,492	$ 2,539,113
Basic earnings per share	$ 0.12	$ 0.13
Basic weighted average shares outstanding	23,276,477	20,814,226
Diluted earnings per share	$ 0.12	$ 0.12
Diluted weighted average shares outstanding	23,564,037	21,129,742

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

ROYAL GOLD, INC.
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	For The Six Months Ended December 31, 2005	For The Six Months Ended December 31, 2004
Royalty revenues	$14,402,927	$11,955,924
Costs and expenses		
Costs of operations	1,107,207	984,297
General and administrative	2,607,504	1,904,674
Exploration and business development	1,461,250	1,054,458
Depreciation, depletion, and amortization	1,928,469	1,727,309
Total costs and expenses	7,104,430	5,670,738
Operating income	7,298,497	6,285,186
Interest and other income	1,453,656	312,415
Gain on sale of available for sale securities	—	163,526
Interest and other expense	(54,780)	(58,035)
Income before income taxes	8,697,373	6,703,092
Current tax expense	(3,354,727)	(1,208,534)
Deferred tax benefit (expense)	622,080	(377,812)
Net income	$ 5,964,726	$ 5,116,746
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities, net of tax	225,154	76,595
Realization of the change in market value on sale of available for sale securities, net of tax	—	(104,657)
Comprehensive income	$ 6,189,880	$ 5,088,684
Basic earnings per share	$ 0.27	$ 0.25
Basic weighted average shares outstanding	22,201,543	20,798,792
Diluted earnings per share	$ 0.27	$ 0.24
Diluted weighted average shares outstanding	22,452,460	21,101,455

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

ROYAL GOLD, INC.
Consolidated Statements of Stockholders' Equity for the Six Months Ended December 31, 2005
(Unaudited)

	Common Shares		Additional Paid-In	Accumulated Other Comprehensive	D
	Shares	Amount	Capital	Income (Loss)	Con
Balance at June 30, 2005	21,258,576	$212,585	$104,163,515	$ (284,920)	$ (
Issuance of common stock for:					
Equity offering	2,227,912	22,279	54,696,743		
Exercise of stock options	192,561	1,926	2,954,653		
Vesting of Restricted Stock	3,750	37	88,500		
Tax benefit of stock option exercises			502,404		
Recognition of non-cash compensation expense for share-based compensation (Note 3)			1,224,289		
Reversal of deferred compensation (Note 3)			(524,659)		
Net income and comprehensive income for the six months ended				225,154	
Dividends					
Balance at December 31, 2005	23,682,799	$236,827	$163,105,445	$ (59,766)	$

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

ROYAL GOLD, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	For The Six Months Ended	
	December 31, 2005	December 31, 2004
Cash flows from operating activities:		
Net income	$ 5,964,726	$ 5,116,746
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,928,469	1,727,309
Gain on available for sale securities	—	(163,526)
Deferred tax (benefit) expense	(622,080)	377,812
Non-cash employee stock option compensation expense	1,312,826	119,125
Changes in assets and liabilities:		
Royalty receivables	209,968	13,919
Prepaid expenses and other assets	(3,569,200)	(330,876)
Accounts payable	2,235,451	730,167
Income taxes (receivable) payable	(789,889)	—
Accrued liabilities and other current liabilities	530,305	481,208
Other long-term liabilities	(13,200)	(13,200)
Net cash provided by operating activities	7,187,376	8,058,684
Cash flows from investing activities:		
Capital expenditures for property and equipment	(5,066)	(104,437)
Acquisition of royalty interests in mineral properties (Note 2)	(25,221,805)	(7,500,000)
Advance to High River Gold (Note 2)	(6,687,550)	—
Purchase of available for sale securities (Notes 2 and 4)	(204,715)	(1,000,000)
Proceeds from sale of available for sale securities	—	539,513
Net cash used in investing activities	(32,119,136)	(8,064,924)
Cash flows from financing activities:		
Tax benefit from exercise of stock options	502,404	—
Dividends paid	(2,213,541)	(1,558,754)
Net proceeds from issuance of common stock	57,675,601	130,554
Net cash provided by (used in) financing activities	55,964,464	(1,428,200)
Net increase (decrease) in cash and equivalents	31,032,704	(1,434,440)
Cash and equivalents at beginning of period	48,840,371	44,800,901
Cash and equivalents at end of period	$ 79,873,075	$43,366,461
Supplemental cash flow information:		
Cash paid during the period for:		
Income taxes	$ 3,382,212	$ 1,325,000
Non-cash financing activities:		
Declared dividends	$ 2,459,257	$ 1,042,662
Deferred compensation (equity offset)	$ —	$ 729,960

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. OPERATIONS, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Operations

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

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also 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 operating interests to other mining companies. Substantially all of our revenues are and will be expected to be derived from royalty interests. We do not conduct mining operations at this time.

Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation have been included in this Form 10-Q. Operating results for the three and six months ended December 31, 2005, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2006. Certain prior period amounts have been reclassified to conform to the current period presentation. These interim unaudited financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2005.

Recently Issued Accounting Pronouncements

Effective July 1, 2005, the Company adopted FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). The Company has adopted SFAS 123(R) using the modified prospective application transition method. SFAS 123(R) supersedes Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and amends FASB Statement No. 95, *Statement of Cash Flows* . SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

In October 2005, the FASB issued FSP FAS123(R)-2, *Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123(R)*, which provides guidance on the application of grant date as defined in SFAS 123(R). The guidance in the FSP has been applied upon the Company's initial adoption of SFAS 123(R).

In November 2005, the FASB issued FSP FAS123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards.* This FSP requires an entity to follow either the transition guidance for the additional-paid-in-capital pool as prescribed in SFAS 123 (R), or the alternative method as described in the FSP. An entity that adopts SFAS 123(R) using the modified prospective application may make a one-time election to adopt the transition method described in this FSP. An entity may take up to one year from the later of its adoption of SFAS 123(R) or the effective date of this FSP to evaluate its available transition alternatives and make its one-time election. This FSP became effective in November 2005. We continue to evaluate the impact that the adoption of this FSP could have on our financial statements.

2. ROYALTY ACQUISITIONS

Taranis Exploration Alliance

On November 4, 2005, Royal Gold entered into two Exploration and Earn-In Agreements (the “Agreements”) with Taranis Resources Inc. (“Taranis”) with respect to its exploration program in Finland. As part of the first Agreement, the Company will obtain a 2% net smelter return (“NSR”) royalty and future earn-in rights on any new property acquired by Taranis in Finland as a result of its regional exploration program, in exchange for a $321,638 (Cdn$375,000) investment in 937,500 shares of Taranis’ common stock and 468,750 warrants.

As part of the Agreements, the Company will fund $500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2% NSR royalty on the property. The royalty will become effective once the entire $500,000 has been expended. The Company also has an option to fund an additional $600,000, in exchange for a 51% joint venture interest in the Kettukuusikko project. If the joint venture option is exercised, the Company will contribute its 2% royalty to the joint venture, at which time the royalty shall terminate.

Taranis is publicly traded and therefore we have recorded the acquisition of the Taranis common stock and warrants as *Available for sale securities* on our consolidated balance sheets at their relative fair values. Our cost basis in the Taranis common stock and warrants is $204,715. We have expensed the remaining $116,923 of the $321,638 (Cdn$375,000) investment, plus approximately $34,000 in transaction costs, *as Exploration and business development* expense on our consolidated statements of operations and comprehensive income. Finally, amounts funded to Taranis as part of the $500,000 commitment with Taranis will be expensed as incurred by the Company to *Exploration and business development* expense on our consolidated statements of operations and comprehensive income. As of December 31, 2005, we have funded approximately $37,000 of the $500,000 commitment.

Robinson and Mulatos Royalties

On December 28, 2005, Royal Gold paid $25 million to Kennecott Minerals (“Kennecott”) in exchange for two existing royalty interests held by Kennecott, including a 3% NSR royalty on the Robinson mine, located in eastern Nevada, and a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico.

The Robinson mine is an open pit copper mine with significant gold and molybdenum credits. The mine has been owned and operated by Quadra Mining Ltd. (“Quadra”) since 2004. Royal Gold will begin receiving revenue from the Robinson royalty when a $20.0 million reclamation trust account is fully funded by Quadra. As of October 31, 2005, cumulative funding of the trust account by Quadra totaled approximately $14.7 million. The account is expected to be fully funded in the second half of calendar 2006, at which time, royalty payments will begin to accrue and be paid to Royal Gold.

The Mulatos project, owned and operated by Alamos Gold, Inc. (“Alamos”), is an open pit, heap leach gold mine, which is nearing completion of construction. According to Alamos, commercial production is expected in early calendar 2006. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from a 0.30% payout for gold prices below $300 up to a maximum rate of 1.50% for gold prices above $400.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The Kennecott transaction will be accounted for as a purchase of assets. As such, the $25 million acquisition cost, plus approximately $220,000 of allocated direct legal and other acquisition costs, will be allocated to the two acquired royalties according to their relative fair values, as separate components of *Royalty Interests in Mineral Properties* on the consolidated balance sheets of Royal Gold. Accordingly, $17.8 million has been allocated to the Robinson royalty and $7.4 million has been allocated to the Mulatos royalty.

Advance to High River Gold

On December 1, 2005, Royal Gold entered into a Funding Agreement with High River Gold Mines Ltd. ("High River") and its 90%-owned subsidiary, Societe des Mines de Taparko, also known as Somita SA ("Somita"), to acquire two initial production payments equivalent to gross smelter return ("GSR") royalties and two subsequent GSR royalty interests on the Taparko-Bouroum Project ("Taparko Project") in Burkina Faso, West Africa, operated by Somita. Royal Gold's funding of the project will total $35 million over approximately a one-year period, which will be used for the development and construction of the Taparko Project. Construction of the Taparko Project has been initiated by Somita and is expected to be completed during the fourth quarter of calendar 2006.

As part of the $35 million funding, an initial funding payment of $6.4 million was made to Somita upon closing of the transaction. Subsequent funding of the Taparko Project is contingent upon Somita's satisfaction of certain project requirements. As a condition to the completion of the initial funding tranche, Royal Gold obtained a guarantee of repayment from HRG (the "Initial Guarantee") of the initial $6.4 million payment, if the conditions precedent to completion of the second funding tranche is not completed prior to February 28, 2006. The significant conditions precedent to completion of the second tranche are as follows:

1. Completion of final due diligence with results acceptable to Royal Gold;
2. Completion of required documents, including (i) the guarantee of performance by High River, (ii) the pledge of Somita shares to Royal Gold, and (iii) the conveyances of required production payments and royalties;
3. Completion of legal opinions and other certificates;
4. Evidence of insurance provided to Royal Gold;
5. Evidence of proper title provided to Royal Gold;
6. Submittal of final development plan to Royal Gold; and
7. Evidence of executed agreement with construction contractor acceptable to Royal Gold.

In the event that Somita fails to complete the requirements for the second funding tranche, High River is obligated to repay the initial funding payment, plus interest at a rate of LIBOR plus 2%, to Royal Gold. As collateral for the Initial Guarantee by High River, Royal Gold obtained a pledge of shares (the "Initial Pledge") of two equity investments held by High River. The equity investments underlying the Initial Pledge are valued at approximately $7.8 million as of December 31, 2005. Both the Initial Pledge and Initial Guarantee will be cancelled and the shares returned to High River upon completion of the second funding tranche.

Royal Gold has classified the initial payment of $6.4 million, plus direct costs of approximately $275,000, as an *Advance to High River* on the consolidated sheets as of December 31, 2005. The funding amount will be reclassified as a component of *Royalty Interests in Mineral Properties* upon completion of the second funding tranche (expected to be completed in February 2006).

3. STOCKHOLDER'S EQUITY AND STOCK-BASED COMPENSATION

2004 Omnibus Long-Term Incentive Plan

In November 2004, we adopted the Omnibus Long-Term Incentive Plan ("2004 Plan"). The 2004 Plan replaces our Equity Incentive Plan. Under the 2004 Plan, 900,000 shares of our common stock are available for future grants to officers, directors, key employees and other persons. The Plan provides for the grant of stock options, unrestricted stock, restricted stock, dividend equivalent rights, stock appreciation rights, and cash awards. Any of these awards may, but need not, be made as performance incentives. Stock options granted under the 2004 Plan may be non-qualified stock options or incentive stock options.

For the three and six months ended December 31, 2005, we recorded total non-cash stock compensation expense related to our equity compensation plans of $1,074,485 and $1,312,826, compared to $119,125 for both the three and six month periods ended December 31, 2004. Non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the three months ended December 31, 2005, was $128,079, $619,072 and $327,334, respectively. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the six months ended December 31, 2005, was $156,664, $741,028 and $415,134, respectively. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the six months ended December 31, 2004, was $5,612, $102,198, and $11,315, respectively.

The total income tax benefit associated with non-cash stock compensation expense was approximately $337,000 and $412,000 for the three and six months ended December 31, 2005, respectively, compared to approximately $28,000 for the three and six months ended December 31, 2004. In accordance with SFAS 123(R), the Company reversed $524,659 of deferred compensation upon adoption of SFAS 123(R).

The Company granted various awards under the 2004 Plan during November 2005, as detailed below. As of December 31, 2005, there are 451,250 shares of common stock reserved for future issuance under our 2004 Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Stock Options

Stock option awards are granted with an exercise price equal to the closing market price of the Company's stock at the date of grant. Stock option awards granted to officers, key employees and other persons vest based on one to three years of continuous service. Stock option awards granted to directors vest immediately with respect to 50% of the shares granted and after one year with respect to the remaining 50% granted. Stock option awards have 10 year contractual terms.

To determine non-cash stock compensation expense for stock option awards, the fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton ("Black-Scholes") option pricing model for all periods presented. The Black-Scholes model requires key assumptions in order to determine fair value and those key assumptions are noted in the following table:

	2006	2005
Weighted average expected volatility	61.20%	69.77%
Weighted average expected option term in years	5.4	4.5
Weighted average dividend yield	1.00%	1.14%
Weighted average risk free interest rate	4.5%	3.6%
Weighted average grant fair value	$ 12.04	$ 9.23

On November 8, 2005, 92,500 stock options under the 2004 Plan were granted to certain employees and officers under the 2004 Plan. These options have an exercise price of $22.22, which was the closing market price for our common stock on the date of grant. On November 9, 2005, 15,000 stock options under the 2004 Plan were granted to the Board of Directors ("Directors") at an exercise price of $23.61, which was the closing market price of our common stock on the date of grant. The options have vesting terms ranging from one to three years. Directors' options vest 50% upon grant and 50% vest after one year.

A summary of stock option activity under our equity compensation plans as of December 31, 2005, and changes during the period is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2005	711,024	$ 13.53		
Granted	107,500	22.41		
Exercised	(192,561)	15.35		
Forfeited and Expired	—	—		
Outstanding at December 31, 2005	625,963	$ 14.50	6.7	$12,672,455
Exercisable at December 31, 2005	480,296	$ 12.60	4.3	$10,633,563

The weighted-average grant date fair value of options granted during the period ended December 31, 2005, and 2004, was $12.04 and $9.23, respectively. The total intrinsic value of options exercised during the three and six month periods ended December 31, 2005, were $3,508,035 and $3,516,560, respectively. The total intrinsic value of options exercised during the three and six month periods ended December 31, 2004, was $382,102.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A summary of the status of the Company's non-vested stock options as of December 31, 2005, and changes during the period ended December 31, 2005, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2005	133,850	$ 9.26
Granted	107,500	$12.04
Vested	(95,683)	$ 9.50
Forfeited	—	$ —
Non-vested at December 31, 2005	145,667	$11.15

As of December 31, 2005, there was $1,395,911 of total unrecognized non-cash stock compensation expense related to non-vested stock options granted under our equity compensation plans, which is expected to be recognized over a weighted-average period of 1.6 years. The total fair value of shares vested during the three months ended December 31, 2005, and 2004, was $439,827 and $224,250, respectively. The total fair value of shares vested during the six months ended December 31, 2005, and 2004 was $492,957 and $267,468, respectively.

Prior to July 1, 2005, we measured compensation cost as prescribed by APB 25. No compensation cost related to the granting of stock options has been recognized in the financial statements prior to July 1, 2005, as the exercise price of all option grants was equal to the market price of our common stock at the date of grant. In October 1995, the FASB issued SFAS 123. SFAS 123 defines a "fair value" based method of accounting for employee options or similar equity instruments. Had compensation cost been determined under the provisions of SFAS 123, the following pro forma net income and per share amounts would have been recorded:

	For The Three Months Ended December 31, 2004	For The Six Months Ended December 31, 2004
Net income, as reported	$ 2,618,318	5,116,746
Add: Stock-based compensation expense for restricted stock awards included in reported net income, net of related tax effects	76,240	76,240
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(239,906)	(312,612)
Pro forma net income	$ 2,454,652	4,880,374
Earnings per share:		
Basic, as reported	$ 0.13	0.25
Basic, pro forma	$ 0.12	0.23
Diluted, as reported	$ 0.12	0.24
Diluted, pro forma	$ 0.12	0.23

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Stock-based Compensation

On November 8, 2005, certain employees and officers were granted 41,000 shares of restricted common stock that can be earned only if either one of two defined multi-year performance goals is met within five years of the date of grant ("Performance Shares"). If the performance goals are not earned by the end of this five year period, the Performance Shares will be forfeited. Vesting of Performance Shares is subject to certain performance measures being met and can be based on an interim earn out of 25%, 50%, 75% or 100%. The defined performance goals are tied to two different performance measures: (1) growth of free cash flow per share on a trailing twelve month basis; and (2) growth of royalty ounces in reserve on an annual basis.

A summary of the status of the Company's non-vested Performance Shares as of December 31, 2005, and changes during the period ended December 31, 2005, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2005	58,250	$17.38
Granted	41,000	$22.22
Vested	—	$ —
Forfeited	—	$ —
Non-vested at December 31, 2005	99,250	$19.38

We measure the fair value of the Performance Shares based upon the market price of our common stock as of the date of grant. In accordance with SFAS 123(R), the measurement date for the Performance Shares will be determined at such time that the performance goals are attained or that it is probable they will be attained. At such time that it is probable that a performance condition will be achieved, compensation expense will be measured by the number of shares that will ultimately be earned based on the grant date market price of our common stock. Interim recognition of compensation expense will be made at such time as management can reasonably estimate the number of shares that will be earned. As of December 31, 2005, our estimates indicated that it is probable that approximately 88% of our non-vested Performance Shares as of December 31, 2005, will be earned. As a result, for the three and six months ended December 31, 2005, we recorded non-cash stock compensation expense associated with our Performance Shares of $473,029. As of December 31, 2005, total unrecognized non-cash stock compensation expense related to our Performance Shares is $1,222,022, which is expected to be recognized over the next 1.5 years, the period over which it is probable that the performance goals will be attained.

On November 8, 2005, certain employees and officers were granted 56,500 shares of restricted common stock, which vest by continued service alone ("Restricted Stock"). For employees and officers, the vesting period for Restricted Stock begins after a three-year holding period from the date of grant with one-third of the shares vesting in years four, five and six, respectively. On November 9, 2005, our non-executive directors were granted 7,500 shares of Restricted Stock. The non-executive Directors' shares of Restricted Stock vest as to 50% immediately and 50% one year after the date of grant. Shares of Restricted Stock represent issued and outstanding shares of common stock, with dividend and voting rights. We measure the fair value of the Restricted Stock based upon the market price of our common stock as of the date of grant. Restricted Stock is amortized over the applicable vesting period using the straight-line method. Unvested shares of Restricted Stock are subject to forfeiture upon termination of employment with the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A summary of the status of the Company's non-vested Restricted Stock as of December 31, 2005, and changes during the period ended December 31, 2005, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2005	37,625	$17.38
Granted	64,000	$22.38
Vested	(8,125)	$20.26
Forfeited	—	$ —
Non-vested at December 31, 2005	93,500	$20.55

For the three months ended December 31, 2005, and 2004, we recorded non-cash stock compensation expense associated with the Restricted Stock of $187,060 and $119,125, respectively. For the six months ended December 31, 2005, and 2004, we recorded non-cash stock compensation associated with the Restricted Stock of $230,149 and $119,125. As of December 31, 2005, total unrecognized non-cash stock compensation expense related to Restricted Stock was $1,727,016, which is expected to be recognized over the remaining vesting period or 5.75 years.

Stock Issuances

During the three months ended December 31, 2005, options to purchase 191,561 shares were exercised, resulting in proceeds of $2,940,538. During the six months ended December 31, 2005, options to purchase 192,561 shares were exercised, resulting in proceeds of $2,954,653. During the three and six months ended December 31, 2004, options to purchase 27,864 shares were exercised, resulting in proceeds of $130,275.

In September 2005, we sold 2,227,912 shares of our common stock in an underwritten public offering, at a price of $26.00 per share, resulting in proceeds of approximately $54.7 million, which is net of the underwriters discount of $2.9 million and estimated transaction costs of approximately $327,000. The net proceeds in this equity offering have been and will continue to be used to fund the acquisition and financing of additional royalty interests and for general corporate purposes.

4. AVAILABLE FOR SALE SECURITIES

Investments in securities that have readily determinable market values are classified as available for sale investments. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income (net of tax) as a separate component of stockholders' equity. We recorded unrealized gains (net of tax) of $139,197 and $25,452 for the three months ended December 31, 2005, and 2004, respectively. We recorded unrealized gains (net of tax) of $225,154 and $76,595 for the six months ended December 31, 2005, and 2004, respectively. When investments are sold, the realized gains and losses on the sale of these investments, as determined using the specific identification method, are included in determining net income. We had no sales of available for sale investments during the three and six months ended December 31, 2005. We recorded a gain on sale of available for sale securities of $163,526 during the three and six months ended December 31, 2004.

We hold 1.3 million shares of Revett Silver Company ("Revett") that are recorded as an investment in available for sale securities on the Consolidated Balance Sheets. The market value for our investment in the shares of Revett was $861,360 as of December 31, 2005. Our cost basis in the Revett shares is $1.0 million. We also hold 937,500 and 468,750 shares of common stock and warrants, respectively, in Taranis as part of the alliance with Taranis as explained in Note 2. Our cost basis in the Taranis common

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

stock and warrants is $204,715. The market value for our investment in Taranis common stock and warrants was $249,386 as of December 31, 2005.

According to our policy for the evaluation of available for sale securities for impairment, management has determined that our investment in shares of Revett is not impaired on an other than temporary basis at this time. During the second quarter of calendar 2005, Revett experienced a permitting issue with respect to the Rock Creek project, which caused the market price of its shares to decline. Based on public statements from Revett, it is expected that the United States Fish and Wildlife Service will re-issue a Biological Opinion related to the Rock Creek project permitting issue. We will re-evaluate the carrying value of our investment in Revett each reporting period as new information becomes available. We recorded unrealized gains (net of tax) of $110,234 and $196,191 in this investment for the three and six months ended December 31, 2005, respectively. Accordingly, we view the decline in fair value of our investment in Revett as temporary.

5. ROYALTY INTERESTS IN MINERAL PROPERTIES

The following table summarizes the net book value of each of our royalty interests in mineral properties as of December 31, 2005 and June 30, 2005.

As of December 31, 2005:

	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ —	$ —	$ —
GSR2	—	—	—
GSR3	8,105,020	(5,853,506)	2,251,514
NVR1	2,135,107	(1,533,566)	601,541
Bald Mountain	1,978,547	(1,801,056)	177,491
SJ Claims	20,788,444	(4,031,413)	16,757,031
Robinson mine	17,793,451	—	17,793,451
Mulatos mine	7,428,355	—	7,428,355
Troy mine GSR royalty	7,250,000	(696,946)	6,553,054
Leeville South	1,775,809	(1,713,323)	62,486
Leeville North	14,240,418	(53,864)	14,186,554
Martha	172,810	(172,810)	—
	81,667,961	(15,856,484)	65,811,477
Exploration stage royalty interests:			
Leeville North	2,305,845	(271,186)	2,034,659
Troy mine Perpetual royalty	250,000	—	250,000
Buckhorn South	70,117	—	70,117
	2,625,962	(271,186)	2,354,776
Total royalty interests in mineral properties	$84,293,923	$(16,127,670)	$68,166,253

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of June 30, 2005:

	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ —	$ —	$ —
GSR2	—	—	—
GSR3	8,105,020	(5,586,436)	2,518,584
NVR1	2,135,107	(1,475,264)	659,843
Bald Mountain	1,978,547	(1,785,945)	192,602
SJ Claims	20,788,444	(2,936,632)	17,851,812
Troy mine GSR royalty	7,250,000	(388,594)	6,861,406
Leeville South	1,775,809	(1,638,007)	137,802
Martha	172,810	(172,810)	—
	42,205,737	(13,983,688)	28,222,049
Development stage royalty interests:			
Leeville North	14,240,418	—	14,240,418
Exploration stage royalty interests:			
Leeville North	2,305,845	(271,187)	2,034,658
Troy mine Perpetual royalty	250,000	—	250,000
Buckhorn South	70,117	—	70,117
	2,625,962	(271,187)	2,354,775
Total royalty interests in mineral properties — Tangible	$59,072,117	$(14,254,875)	$44,817,242

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

Pipeline Mining Complex

We own two sliding-scale gross smelter return royalties (GSR1 ranging from 0.40% to 5.0% and GSR2 ranging from 0.72% to 9.0%), a 0.71% fixed gross smelter royalty (GSR3), and a 0.39% 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Bald Mountain

We own a 1.75% to 3.5% sliding-scale net smelter return, 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 the gold price, adjusted by the 1986 Producer Price Index. Our royalty rate would increase to 2% at a gold price of approximately $535 per ounce.

SJ Claims

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

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. Current production from the Leeville Project is derived from Leeville South (formerly the Carlin East deposit) and Leeville North underground mines, which are operated by Newmont Mining Corporation ("Newmont").

During our first fiscal quarter of 2006, Newmont began mining operations at Leeville North. Accordingly, during our first fiscal quarter of 2006, we reclassified our cost basis in Leeville North as a production stage royalty interest. As such, we began depleting our cost basis using the units of production method during the quarter ended September 30, 2005. Prior to our first fiscal quarter of 2006, we carried our interest in the proven and probable reserves at Leeville North as a development stage royalty interest.

We carry our interest in the non-reserve portion of Leeville North as an exploration stage royalty interest, which is not subject to periodic amortization. In the event that future proven and probable reserves are developed at Leeville North associated with our royalty interest, the cost basis of our exploration stage royalty interest will be reclassified as a development stage royalty interest or a production stage royalty interest in future periods, as appropriate. In the event that future circumstances indicate that the non-reserve portion of Leeville North will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

Martha Mine

We own a 2% NSR royalty on the Martha mine located in the Santa Cruz Province of Argentina, operated by Coeur d'Alene Mining Corporation.

Troy Mine

We own a production payment equivalent to a 7.0% GSR royalty from all metals and products produced and sold from the Troy mine, located in northeastern Montana and operated by Revett. The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or the Company receives $10.5 million in cumulative payments, whichever occurs first. As of December 31, 2005, we have received payments associated with the GSR royalty totaling $1.4 million. We carry our interest in the proven and probable reserves for the GSR royalty as a production stage royalty interest, which is depleted using the units of production method estimated by using proven and probable reserves. Mining operations commenced at the Troy mine during December 2004, with the first shipment of concentrate occurring during January 2005. Amortization of our production stage interest commenced with the first concentrate shipment from the Troy mine during the third quarter of our fiscal year 2005.

We also own a perpetual GSR royalty (“Perpetual royalty”) at the Troy mine. The royalty rate for the Perpetual royalty begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a perpetual 2% after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper. We carry our interest in the non-reserve portion of the Perpetual royalty as an exploration stage royalty, which is not subject to periodic amortization. In the event that future proven and probable reserves are developed that are associated with our Perpetual royalty interest, the cost basis of our exploration stage royalty interest will be reclassified as a development stage royalty interest or a production stage royalty interest in future periods, as appropriate. In the event that future events or circumstances indicate that the non-reserve portion of the Perpetual royalty will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

Robinson Mine

We own a 3% NSR royalty on the Robinson mine, located in eastern Nevada. The Robinson mine is an open pit copper mine with significant gold and molybdenum credits. The mine has been owned and operated by Quadra since 2004. Royal Gold will begin receiving revenue from the Robinson royalty when a $20.0 million reclamation trust account is fully funded by Quadra. As of October 31, 2005, cumulative funding of the trust account by Quadra totaled approximately $14.7 million. The account is expected to be fully funded during the second half of calendar 2006, at which time, royalty payments will begin to accrue and be paid to Royal Gold.

Mulatos Mine

We own a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico. The Mulatos mine, owned and operated by Alamos is an open pit, heap leach gold mine, which is nearing completion of construction. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from a 0.30% payout for gold prices below $300 up to a maximum rate of 1.50% for gold prices above $400.

Buckhorn South

We hold a 16.5% net profits interest royalty on the Buckhorn South property, located in Eureka County, Nevada. Buckhorn South is a property of approximately 5,000 acres, subject to 265 unpatented mining claims, located approximately 2 miles south of the Buckhorn mine. The Buckhorn South interest is classified as an exploration stage royalty interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

6. EARNINGS PER SHARE ("EPS") COMPUTATION

	For The Three Months Ended December 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 2,907,295	23,276,477	$ 0.12
Effect of dilutive securities		287,560	
Diluted EPS	$ 2,907,295	23,564,037	$ 0.12

As of December 31, 2005, all outstanding options were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of the common shares for the period.

	For The Three Months Ended December 31, 2004		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 2,618,318	20,814,226	$ 0.13
Effect of dilutive securities		315,516	
Diluted EPS	$ 2,618,318	21,129,742	$ 0.12

Options to purchase 409,540 shares of common stock, at an average purchase price of $19.11 per share, were outstanding at December 31, 2004, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the period.

	For The Six Months Ended December 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 5,964,726	22,201,543	$ 0.27
Effect of dilutive securities		250,917	
Diluted EPS	$ 5,964,726	22,452,460	$ 0.27

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of December 31, 2005, all outstanding options were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of the common stock for the period.

	For The Six Months Ended December 31, 2004		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 5,116,746	20,798,792	$ 0.25
Effect of dilutive securities		302,663	
Diluted EPS	$ 5,116,746	21,101,455	$ 0.24

Options to purchase 409,540 shares of common stock, at an average purchase price of $19.11 per share, were outstanding at December 31, 2004, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the period.

7. INCOME TAXES

For the three months ended December 31, 2005, we recorded current and deferred tax expense of $1,328,312 compared with $649,482 during the three months ended December 31, 2004. Our effective tax rate for the three months ended December 31, 2005, was 31.4%, compared with 19.9% for the three months ended December 31, 2004. The increase in our effective tax between periods was the result of the release of a valuation allowance associated with the sale of available for sale securities of approximately $320,000 during the three months ended December 31, 2004.

For the six months ending December 31, 2005, we recognized current and deferred tax expense totaling $2,732,647 compared with $1,586,346 during the six months ended December 31, 2004. This resulted in an effective tax rate of 31.4% in the current period compared with 23.7% in the prior period. The increase in our effective tax rate is the result of the utilization of our remaining net operating loss carryforwards during fiscal year 2005.

During the six months ending December 31, 2005, and December 31, 2004, we remitted $3,382,212 and $1,325,000 in cash taxes, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

8. COMMITMENTS AND CONTINGENCIES

Taparko Project

As discussed in Note 2, on December 1, 2005, Royal Gold entered into a Funding Agreement with HRG and its 90%-owned subsidiary, Somita, to acquire two initial production payments equivalent to GSR royalties and two subsequent GSR royalty interests burdening the Taparko-Bouroum Project ("Taparko Project") in Burkina Faso, West Africa, operated by Somita. Royal Gold's funding of the project will total $35 million over approximately a one-year period, which will be used for the development and construction of the Taparko Project. Construction of the Taparko Project has been initiated by Somita and is expected to be completed during the fourth quarter of calendar 2006.

As part of the $35 million funding commitment, an initial payment of $6.4 million was made to Somita upon closing. Subsequent funding of the Taparko Project will be made in installments over the construction period. Each funding installment is contingent upon Somita's satisfaction of certain project requirements. The Funding Agreement outlines the completion requirements and construction milestones that must be met prior to each specific investment installment. The project is projected to meet the project completion requirements (as defined in the Funding Agreement) no later than May 31, 2007, at which time the entire $35 million will be funded by Royal Gold.

Taranis

As discussed in note 2, on November 4, 2005, we entered into an agreement for exploration in Finland with Taranis. We have committed to provide exploration funding totaling $500,000 over a period not to exceed 36 months in return for a 2% NSR royalty. In addition to the $500,000 commitment, the Company has an option to fund an additional $600,000 over the same period in return for a 51% joint venture in Taranis' Kettukuusikko exploration project in Finland.

As of December 31, 2005, we have funded $37,027 of the committed $500,000. We have expensed the funding amount as a component of Exploration and Business Development in the accompanying financial statements.

Revett

Under the terms of the Revett purchase agreement, the Company has the right, but not the obligation, to cure any default by Revett under their obligations pursuant to an existing mortgage payable, secured by a promissory note, to Kennecott Montana Company, a third party and prior joint venture interest owner of the Troy mine. If the Company elects to exercise its right, it would have the subsequent right to reimbursement from Revett for any amounts disbursed in curing such defaults. The principal and accrued interest under the promissory note as of December 31, 2005, was approximately $6.2 million with a maturity date of February 2008.

Casmalia

On March 24, 2000, the United States Environmental Protection Agency ("EPA") notified Royal Gold and 92 other entities that they were considered potentially responsible parties ("PRPs") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("Superfund"), at the Casmalia Resources Hazardous Waste Disposal Site (the "Site") in Santa Barbara County, California. EPA's allegation that Royal Gold was a PRP was based on the disposal of allegedly

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

hazardous petroleum exploration wastes at the Site by Royal Gold's predecessor, Royal Resources, Inc., during 1983 and 1984.

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

9. RELATED PARTY RECEIVABLE

As of December 31, 2005, we had a related party receivable with various employees of approximately $3.5 million. The receivable is the result of various employees exercising non-qualified stock options prior to December 31, 2005. This amount was collected by the Company in January 2006.

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

General

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our 2005 Annual Report on Form 10-K.

This MD&A contains forward-looking information. Our important note about forward-looking statements, which you will find following this MD&A and following the MD&A in our 2005 Annual Report on Form 10-K, apply to these forward-looking statements.

We refer to "GSR," "NSR" and other types of royalty interests throughout this MD&A. These terms are defined in our 2005 Annual Report on Form 10-K.

Overview

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

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also explore and develop properties thought to contain precious metals and seek to obtain royalty interests 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 at this time. During the quarter ended December 31, 2005, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and exploration.

Our financial results are closely tied to the price of gold. For the quarter ended December 31, 2005, the price of gold averaged $486 per ounce, compared with an average price of $434 per ounce for the quarter ended December 31, 2004. As a result of the increased gold price, our GSR1 sliding-scale royalty at the Pipeline Mining Complex was 5.0% compared with a rate of 4.5% during the prior period. The increase in our sliding-scale royalty rate, the addition of revenues from the acquired Troy mine royalties, and increased production at SJ Claims contributed to revenues of $7,575,307 during the quarter ended December 31, 2005, compared with revenues of $6,031,833 for the quarter ended December 31, 2004.

Our principal mineral property interests are set forth below:

- We hold four royalty interests at the Pipeline Mining Complex, which includes the Pipeline and South Pipeline gold deposits. The Pipeline Mining Complex is operated by the Cortez Joint Venture, which is 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 plc. Our four royalty interests at the Pipeline Mining Complex are:
  - GSR1, a sliding-scale GSR royalty that covers the current mine footprint which includes the Pipeline and South Pipeline deposits and ranges from 0.4% at a gold price below $210 per ounce to 5.0% at a gold price of $470 per ounce or above;

  - o GSR2, a sliding-scale GSR royalty that covers areas outside the current Pipeline mine footprint and ranges from 0.72% at a gold price below $210 per ounce to 9.0% at a gold price of $470 per ounce or above;
  - o GSR3, a 0.71% fixed rate GSR royalty on the production covered by GSR1 and GSR2; and
  - o NVR1, a fixed rate 0.39% net value royalty on all production on the South Pipeline and Crossroads area, not covering the Pipeline deposit.

- We hold 1.8% NSR royalty on the majority of the Leeville Project, which includes Leeville South (formerly the Carlin East deposit) and Leeville North underground mines, located in Nevada and operated by Newmont Mining Corporation.
- We hold a 0.9% NSR royalty on the SJ Claims, which covers a portion of the Betze-Post open pit mine, at the Goldstrike operation, located in Nevada and operated by Barrick Gold Corporation.

Our other producing royalty interests include:

- Two royalty interests in the Troy underground silver and copper mine, operated by Revett, located in northwestern Montana:
  - o A production payment equivalent to a 7.0% GSR royalty until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or we receive $10.5 million in cumulative payments, whichever occurs first; and
  - o A GSR royalty which begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a 2% GSR royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper;
- A 2% NSR royalty on a number of properties in Santa Cruz Province, Argentina, including the Martha silver mine, which is operated by Coeur d'Alene Mines Corporation;
- A 1.75% NSR sliding-scale royalty interest that increases at a gold price of approximately $535 and covers a portion of the Bald Mountain mine in Nevada, operated by Placer Dome U.S. Inc.

Estimates received early in 2005 from the mine operators indicated that gold production, attributable to our royalty interests, for calendar year 2005 was expected to be approximately 860,000 ounces from the Pipeline Mining Complex, 90,000 ounces from the Leeville South mine and 51,000 from the Leeville North mine at the Leeville Project, 674,000 ounces from the SJ Claims and 40,000 ounces from the Bald Mountain mine. The Martha silver mine was expected to produce 1.7 million ounces of silver attributable to our royalty interest for the 2005 calendar year.

For calendar 2005, the mine operators have reported production attributable to our royalty interests of 930,049 ounces from the Pipeline Mining Complex, 72,562 ounces from Leeville South, 9,063 ounces from Leeville North, 742,841 ounces from the SJ Claims and approximately 40,000 ounces from the Bald Mountain mine. Martha mine does not provide production data.

Revett revised its production estimates downward during the course of calendar year 2005 and reported that the Troy mine produced 957,598 ounces of silver and 8.1 million pounds of copper during calendar 2005.

Royalty Acquisitions

Taranis Exploration Alliance

On November 4, 2005, we entered into two Exploration and Earn-In Agreements (the “Agreements”) with Taranis Resources Inc. (“Taranis”) with respect to its exploration program in Finland. As part of the first Agreement, we will obtain a 2% NSR royalty and future earn-in rights on any new property acquired by Taranis in Finland as a result of its regional exploration program, in exchange for a $321,638 (Cdn$375,000) investment in 937,500 shares of Taranis’ common stock and 468,750 warrants.

As part of the Agreements, we will fund $500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2% NSR royalty on the property. The royalty will become effective once the $500,000 has been expended. We also have an option to fund an additional $600,000, in exchange for a 51% joint venture interest in the Kettukuusikko project. If the joint venture option is exercised, we will contribute our 2% royalty to the joint venture, at which time the royalty shall terminate.

High River Gold - Taparko Project Financing

On December 1, 2005, we entered into a Funding Agreement with High River Gold Mines Ltd. and its 90%-owned subsidiary, Societe des Mines de Taparko, also known as Somita SA, to acquire two initial production payments equivalent to GSR royalties and two subsequent GSR royalty interests on the Taparko-Bouroum Project in Burkina Faso, West Africa, operated by Somita. Royal Gold’s funding of the project will total $35 million over approximately a one-year period, which will be used for the development and construction of the Taparko Project. Construction of the Taparko Project has been initiated by Somita and is expected to be completed during the fourth quarter of calendar 2006.

As part of the $35 million funding, an initial funding payment of $6.4 million was made to Somita upon closing of the transaction. Subsequent funding of the Taparko Project is contingent upon Somita’s satisfaction of certain project requirements. As a condition to the completion of the initial funding tranche, we obtained a guarantee of repayment from High River (the “Initial Guarantee”) of the initial $6.4 million payment, if the conditions precedent to completion of the second funding tranche is not completed prior to February 28, 2006. The significant conditions precedent to completion of the second tranche are as follows:

1. Completion of final due diligence with results acceptable to Royal Gold;
2. Completion of required documents, including (i) the guarantee of performance by HRG, (ii) the pledge of Somita shares to Royal Gold, and (iii) the conveyances of required production payments and royalties;
3. Completion of legal opinions and other certificates;
4. Evidence of insurance provided to Royal Gold;
5. Evidence of proper title provided to Royal Gold;
6. Submittal of final development plan to Royal Gold; and
7. Evidence of executed agreement with construction contractor acceptable to Royal Gold.

In the event that Somita fails to complete the requirements for the second funding tranche, High River is obligated to repay the initial funding payment, plus interest at a rate of LIBOR plus 2%, to Royal Gold. As collateral for the Initial Guarantee by High River, Royal Gold obtained a pledge of shares of Somita (the “Initial Pledge”). The shares underlying the Initial Pledge are valued at approximately $7.8 million as of December 31, 2005. Both the Initial Pledge and Initial Guarantee will be cancelled and the shares returned to High River upon completion of the second funding tranche.

Royal Gold has classified the initial payment of $6.4 million, plus direct transaction costs of approximately $275,000, as an *Advance to High River* on the consolidated balance sheets as of December 31, 2005. The funding amount will be reclassified as a component of *Royalty Interests in Mineral Properties* upon completion of the second funding tranche (expected to be completed in February 2006).

Upon completion of the second funding tranche, we will obtain the following mineral interests, all related to the Taparko Project:

1. TB-GSR1 – A fifteen percent (15%) gross smelter return (“GSR”) royalty on all gold produced from the Taparko Project. TB-GSR1 remains in force until cumulative production of 100% of the currently identified recoverable proven and probable reserve (804,420 ounces of gold, is achieved or until cumulative payments of $35 million have been made to us, whichever is earlier. Payments under TB-GSR1 are to be paid to us on a quarterly basis and will be calculated by taking the product of (i) total gold ounces produced during the quarter, (ii) the average price of gold (London P.M Fix) for the quarter, and (iii) the 15% GSR royalty rate.

2. TB-GSR2 – A GSR sliding-scale royalty on all gold produced from the Taparko Project. TB-GSR2 remains in force until the termination of TB-GSR2. Payments under TB-GSR2 are to be paid to us on a quarterly basis and will be calculated by taking the product of (i) total gold ounces produced during the quarter, (ii) the average price of gold (London P.M Fix) for the quarter, and (iii) the sliding-scale royalty rate, which is to be determined as follows:

   a. When the average price of gold is $430 per ounce or more, the rate will be equal to the average price divided by 100 (e.g ., a $440 gold price divided by 100 = 4.4%).

   b. When the average gold price is $385 per ounce or less, the rate will be equal to the average price divided by 90 (e.g ., a $350 gold price divided by 90 = 3.88%).

   c. When the average price is between $385 and $430 per ounce, the rate is 4.3%.

3. TB-GSR3 – A perpetual 2% GSR royalty on all gold contained in and produced from the Taparko Project area (as defined in the Funding Agreement). Payments under TB-GSR3 are calculated in the same manner as the TB-GSR1 royalty, are perpetual and will commence upon termination of the TB-GSR1 and TB-GSR2 royalties.

4. TB-MR1 – A 0.75% milling fee royalty, calculated in the same manner as the TB-GSR1 royalty, on all gold processed through the Taparko Project processing facilities that is mined from any area outside of the Taparko Project area (as defined in the Funding Agreement). TB-MR1 royalty is subject to 1.1 million tons (1.0 million tonnes) per annum cap (e.g ., if in a given year, the Taparko Project processing facility processes 881,854 tons (800,000 tonnes) of ore from the Taparko Project area and 551,159 tons (500,000 tonnes) of ore from areas outside the Taparko Project area, the 881,854 tons (800,000 tonnes) from the Taparko Project area would be subject to TB-GSR3 and the TB-MRI would only apply to 220,463 tons (200,000 tonnes) of ore.

High River has completed an ore reserve statement under Canada's National Instrument 43-101 which, as of May 2005, states that proven and probable reserves at the Taparko Project total approximately 8.6 million tons (7.8 million tonnes) of ore, at an average grade of 0.084 opt (3.0 gpt) containing about 720,000 ounces of gold. High River expects initial average annual production of 90,000 ounces of gold from the Taparko Project.

Robinson and Mulatos Royalties

On December 28, 2005, we paid $25 million to Kennecott Minerals ("Kennecott") in exchange for two existing royalty interests held by Kennecott, including a 3% NSR royalty on the Robinson mine, located in eastern Nevada, and a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico.

The Robinson mine is an open pit copper mine with significant gold and molybdenum credits. The mine has been owned and operated by Quadra Mining Ltd. ("Quadra") since 2004. Quadra has reported that as of December 31, 2004, proven and probable reserves include 142.6 million tons (129.4 million tonnes) of ore, at an average grade of 0.0085 ounces of gold per ton (0.29 grams per tonne) and 0.69% copper, containing approximately 1.2 million ounces of gold and 2.0 billion pounds of copper. Quadra estimates that calendar year 2006 production will be in the range of 55,000 to 65,000 ounces of gold and 145 to 150 million pounds of copper. Quadra also stated that its molybdenum circuit is near completion, which is expected to produce in the range of 1.0 to 1.6 million pounds of molybdenum in calendar 2006.

We will begin receiving revenue from the Robinson royalty when a $20.0 million reclamation trust account is fully funded by Quadra. As of October 31, 2005, cumulative funding of the trust account by Quadra totaled approximately $14.7 million. The account is expected to be fully funded in the second half of calendar 2006, at which time royalty payments will begin to accrue and be paid to us.

The Mulatos project, owned and operated by Alamos Gold, Inc. ("Alamos"), is an open pit, heap leach gold mine, which is nearing completion of construction. According to Alamos, commercial production is expected in early calendar 2006. Based on the operator's estimates, proven and probable reserves, as of June 1, 2004, include 40.1 million tons (36.4 million tonnes) of ore, at an average grade of 0.048 ounces per ton of gold (1.64 grams per tonne), containing approximately 1.9 million ounces of gold. Alamos anticipates that once full production is reached, yearly production is expected to average 150,000 ounces of gold. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from a 0.30% payout for gold prices below $300 up to a maximum rate of 1.50% for gold prices above $400.

Results of Operations

Quarter Ended December 31, 2005, Compared to Quarter Ended December 31, 2004

For the quarter ended December 31, 2005, we recorded net earnings of $2,907,295, or $0.12 per basic and diluted share, as compared to net earnings of $2,618,318, or $0.13 per basic share and $0.12 per diluted share, for the quarter ended December 31, 2004.

For the quarter ended December 31, 2005, we received total royalty revenues of $7,575,307 consisting of $5,526,543 from our royalties at the Pipeline Mining Complex, $1,196,313 from the SJ Claims, $138,600 from Leeville South, $74,711 from Leeville North, $380,789 from the Troy mine, $142,572 from Bald Mountain and $115,719 from the Martha mine, compared to total royalty revenues of $6,031,833 for the quarter ended December 31, 2004. This increase in royalty revenue compared with the quarter ended December 31, 2004, resulted from a higher sliding scale-royalty rate from the Pipeline Mining Complex due to a higher gold price during the period, the addition of revenue from the acquired Troy mine royalties, and increased production at the SJ Claims.

Cost of operations increased to $617,509 for the quarter ended December 31, 2005, compared to $525,016 for the quarter ended December 31, 2004. The increase was primarily due to non-cash employee compensation expense of $128,078, discussed below, and an increase in the Nevada Net Proceeds Tax, which is due to increased royalty revenue. These increases were partially offset by a decrease in consulting services.

General and administrative expenses increased to $1,647,996 for the quarter ended December 31, 2005, compared to $1,088,811 for the quarter ended December 31, 2004. The increase was primarily due to non-cash employee compensation expense of $619,072, discussed below.

Exploration and business development expenses increased to $1,026,540 for the quarter ended December 31, 2005, compared to $598,843 for the quarter ended December 31, 2004. The increase was primarily due to non-cash employee compensation expense of $327,334, discussed below, and an increase in our exploration funding of approximately $187,000, due to the Taranis Resources acquisition, as discussed in Note 2 in the accompanying Notes to Consolidated Financial Statements. These increases were partially offset due to the Company fully funding the RG Russia project during fiscal year 2005.

Depreciation, depletion and amortization increased to $1,030,444 for the quarter ended December 31, 2005, compared to $867,121 for the quarter ended December 31, 2004. The increase was primarily due to increased production at our SJ Claims royalty along with the addition of production at the Troy mine, both resulting in additional depletion.

As discussed in Note 3 in the accompanying Notes to Consolidated Financial Statements, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock, and performance shares, to be recognized in the financial statements based on their fair values. The Company has adopted SFAS 123(R) as of July 1, 2005, using the modified prospective application transition method. As a result of the adoption of SFAS 123(R), the Company recorded total non-cash stock compensation expense related to our equity compensation plans of $1,074,485 for the quarter ended December 31, 2005, which is allocated among cost of operations, general and administrative, and exploration and business development in our Consolidated Statements of Operations and Comprehensive Income. The total non-cash compensation expense allocated to cost of operations, general and administrative expenses, and exploration and business development expenses for the quarter ended December 31, 2005, was $128,079, $619,072 and $327,334, respectively. The total income tax benefit associated with non-cash stock compensation expense was approximately $337,000 for the three months ended December 31, 2005. As of December 31, 2005, there was $1,395,911, $1,222,022, and $1,727,016 of total unrecognized non-cash stock compensation expense related to our non-vested stock options, Restricted Stock and Performance Shares, respectively, granted under our equity compensation plan. We expect to recognize the non-cash compensation expense related to our non-vested stock options, Restricted Stock and Performance Shares over the remaining vesting period or 1.6 years, 5.75 years, and 1.5 years, respectively.

Interest and other income increased to $1,016,562 for the quarter ended December 31, 2005, compared to $181,250 for the quarter ended December 31, 2004. The increase is primarily due to higher interest rates and an increase in funds available for investing over the prior period, as a result of our public offering, of our common stock, during the first quarter of fiscal 2006 and cash flow from operations.

For the quarter ended December 31, 2004, we sold nearly all of our available for sale securities. The sale resulted in a gain of approximately $164,000, which is included in gain on sale of available for sale securities in the accompanying Consolidated Statements of Operations and Comprehensive Income. We had no sales of our available for sale securities for the quarter ended December 31, 2005.

For the quarter ended December 31, 2005, we recorded current and deferred tax expense of $1,328,312 compared with $649,482 during the three months ended December 31, 2004. Our effective tax rate for the three months ended December 31, 2005, was 31.4%, compared with 19.9% for the three months ended December 31, 2004. The increase in our effective tax between periods was the result of the release of a valuation allowance associated with the sale of available for sale securities of approximately $320,000 during the three months ended December 31, 2004.

Six Months Ended December 31, 2005, Compared to Six Months Ended December 31, 2004

For the six months ended December 31, 2005, we recorded net earnings of $5,964,726, or $0.27 per basic and diluted share, as compared to net earnings of $5,116,746, or $0.25 per basic and $0.24 per diluted share, for the six months ended December 31, 2004.

For the six months ended December 31, 2005, we received total royalty revenues of $14,402,927, consisting of $10,896,963 from our royalties at the Pipeline Mining Complex, $2,109,374 from the SJ Claims, $292,077 from Leeville South, $79,438 from Leeville North, $649,303 from the Troy mine, $211,791 from Bald Mountain and $163,980 from the Martha mine, compared to total royalty revenues of $11,955,924 for the six months ended December 31, 2004. This increase in royalty revenue compared with the six months ended December 31, 2004, resulted from a higher sliding scale-royalty rate from the Pipeline Mining Complex due to a higher gold price during the period, the addition of production from the Troy mine royalties, and increased production at the SJ Claims.

Cost of operations increased to $1,107,207 for the six months ended December 31, 2005, compared to $984,297 for the six months ended December 31, 2004. The increase was primarily due to non-cash employee compensation expense of $156,664, discussed below, and an increase in the Nevada Net Proceeds Tax, which is due to increased royalty revenue. These increases were partially offset by a decrease in consulting services.

General and administrative expenses increased to $2,607,504 for the six months ended December 31, 2005, compared to $1,904,674 for the six months ended December 31, 2004. The increase was primarily due to non-cash employee compensation expense of $741,028, discussed below. This increase was partially offset by a decrease in investor relations expenses of approximately $40,000.

Exploration and business development expenses increased to $1,461,250 for the six months ended December 31, 2005, compared to $1,054,458 for the six months ended December 31, 2004 . The increase was primarily due to non-cash employee compensation expense of $415,134, discussed below, and an increase in our exploration funding of approximately $187,000, due to the Taranis Resources acquisition, as discussed in Note 2 in the accompanying Notes to Consolidated Financial Statements. These increases were partially offset due to the Company fully funding the RG Russia project during fiscal year 2005.

Depreciation, depletion and amortization increased to $1,928,469 for the six months ended December 31, 2005, compared to $1,727,309 for the six months ended December 31, 2004. The increase was primarily due to increased production at our SJ Claims royalty along with the addition of the Troy mine royalty, both resulting in additional depletion.

As discussed in Note 3 in the accompanying Notes to Consolidated Financial Statements, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock, and performance shares, to be recognized in the financial statements based on their fair values. The Company has adopted SFAS 123(R) as of July 1, 2005, using the modified prospective application transition method. As a result of the adoption of SFAS 123(R), the Company recorded total non-cash stock compensation expense related to our equity compensation plans of $1,312,826 for the six months December 31, 2005, which is allocated among cost of operations, general and administrative expenses, and exploration and business development expenses in our consolidated statements of operations and comprehensive income. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the six months ended December 31, 2005, was $156,664, $741,028 and $415,134, respectively. The total income tax benefit associated with non-cash stock compensation expense was approximately $412,000 for the six months ended December 31, 2005.

Interest and other income increased to $1,453,656 for the six months ended December 31, 2005, compared to $312,415 for the six months ended December 31, 2004. The increase is primarily due to higher interest rates and an increase in funds available for investing over the prior period, as a result of our public offering, of our common stock, during the first quarter of fiscal 2006 and cash flow from operations.

For the six months ended December 31, 2004, we sold certain available for sale securities. The sale resulted in a gain of approximately $164,000, which is included in gain on sale of available for sale securities in the accompanying Consolidated Statements of Operations and Comprehensive Income. We had no sales of our available for sale securities for the quarter ended December 31, 2005.

For the six months ending December 31, 2005, we recognized current and deferred tax expense totaling $2,732,647 compared with $1,586,346 during the six months ended December 31, 2004. This resulted in an effective tax rate of 31.4% in the current period compared with 23.7% in the prior period. The increase in our effective tax between periods was the result of the release of a valuation allowance associated with the sale of available for sale securities of approximately $320,000 during the six months ended December 31, 2004.

Liquidity and Capital Resources

At December 31, 2005, we had current assets of $90,948,061 compared to current liabilities of $5,649,515 for a current ratio of nearly 16 to 1. This compares to current assets of $56,228,313 and current liabilities of $2,898,228 at June 30, 2005, resulting in a current ratio of 19 to 1. The decrease is due primarily to an increase in accounts payable and dividends payable. We continue to have no long-term debt.

During the six months ended December 31, 2005, liquidity needs were met from $14,402,927 in royalty revenues, net proceeds from the issuance of common stock of approximately $57,800,000, our available cash resources, and interest and other income of $1,453,656.

We have a line of credit from HSBC that may be used to acquire producing royalties and for general corporate purposes. During the period ended December 31, 2005, we finalized a line of credit expansion with HSBC to raise the availability under the line of credit from $10 million to $30 million. Any loan under the line of credit will be secured by a mortgage on our GSR1, GSR3 and NVR1 royalties at the Pipeline Mining Complex, and by a security interest in the cash proceeds from our royalty interests. As of December 31, 2005, no funds have been drawn under the line of credit. Cost associated with the line of credit expansion were approximately $78,000. These costs were capitalized as a component of other assets on the consolidated balance sheets and will be amortized over the life of the credit facility.

We believe that our current financial resources and funds generated from operations will be adequate to cover anticipated expenditures for general and administrative expense costs, exploration and business development costs, and capital expenditures for the foreseeable future. Our current financial resources are also available for royalty acquisitions and to fund dividends. Our long-term capital requirements are primarily affected by our ongoing business development activities. In the event of a substantial royalty or other acquisition, we may seek additional debt or equity financing.

Recently Issued Accounting Pronouncements

Effective July 1, 2005, the Company adopted FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). The Company has adopted SFAS 123(R) using the modified prospective application transition method. SFAS 123(R) supersedes Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and amends FASB Statement No. 95, *Statement of Cash Flows* . SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

In October 2005, the FASB issued FSP FAS123(R)-2, *Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123(R),* which provides guidance on the application of grant date as defined in SFAS 123(R). The guidance in the FSP has been applied upon the Company's initial adoption of SFAS 123(R).

In November 2005, the FASB issued FSP FAS123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards.* This FSP requires an entity to follow either the transition guidance for the additional-paid-in-capital pool as prescribed in SFAS 123 (R), or the alternative method as described in the FSP. An entity that adopts SFAS 123(R) using the modified prospective application may make a one-time election to adopt the transition method described in this FSP. An entity may take up to one year from the later of its adoption of SFAS 123(R) or the effective date of this FSP to evaluate its available transition alternatives and make its one-time election. This FSP became effective in November 2005. We continue to evaluate the impact that the adoption of this FSP could have on our financial statements.

Forward-Looking Statements

Cautionary "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding projected production estimates from the operators of our royalty properties, the adequacy of financial resources and funds to cover anticipated expenditures for general and administrative expenses as well as capital expenditures and costs associated with business development and exploration, settlement of the Casmalia matter, the potential need for additional funding for acquisitions, our future capital commitments and our expectation that substantially all our revenues will be derived from royalty interests. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

- changes in gold and other metals prices;
- the performance of the Pipeline Mining Complex;
- decisions and activities of the operators of our royalty properties;
- unanticipated grade, geological, metallurgical, processing or other problems at these properties;
- changes in project parameters as plans of the operators are refined;
- changes in estimates of reserves and mineralization by the operators of our royalty properties;
- economic and market conditions;
- future financial needs;
- the availability and size of acquisitions; and
- the ultimate additional liability, if any, to the State of California in connection with Casmalia matter;

as well as other factors described elsewhere in our Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings and cash flow 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. Please see "Risk Factors - Decreases in prices of precious metals would reduce our royalty revenues," under Part I, Items 1 & 2 "Business and Properties" of our 2005 Annual Report on Form 10-K for more information on factors that can affect gold prices. During the last five years, the market price for gold has fluctuated between \$255 per ounce and \$537 per ounce.

During the six month period ended December 31, 2005, we reported royalty revenues of $14,402,927, with an average gold price for the period of $463 per ounce. Our GSR1 royalty on the Pipeline Mining Complex, which produced the majority of our revenues for the period, is a sliding-scale royalty with variable royalty rate steps based on the average London PM gold price for the period. These variable steps are described in our 2005 Annual Report on Form 10-K. For the quarter ended December 31, 2005, if the price of gold had averaged higher or lower by $20 per ounce (which includes a one price step in GSR1), we would have recorded an increase in revenues of approximately $295,301 or a decrease in revenues of approximately $524,137. 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

Disclosure Controls and Procedures

The Securities and Exchange Commission (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 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The definition further states that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executives and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Our chief executive officer and our chief accounting officer, based on their evaluation of our disclosure controls and procedures as of December 31, 2005, concluded that our disclosure controls and procedures were effective for this purpose.

Changes in Internal Controls Over Financial Reporting

During the fiscal quarter ended December 31, 2005, there was no change in our internal controls and procedures 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 controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Item 2 “MD&A - Forward-Looking Statements,” and various risks faced by us are also discussed elsewhere in Item 2 “MD&A” of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I - Items 1 and 2 “Business and Properties” of our 2005 Annual Report on Form 10-K. There have been no material changes from the risk factors previously disclosed in our 2005 Annual Report on Form 10-K except as reflected in this Item 1A or in Item 2 “MD&A” of this Quarterly Report on Form 10-Q.

Foreign operations are subject to many risks.

Note: In addition to the other risks presented in the risk factor with this heading in our 2005 Annual Report on Form 10-K, language has been added in this risk factor to reflect our investments in Burkina Faso, West Africa and Mexico. We have not repeated language here that specifically describes risks regarding Russia and Argentina already included in the Form 10-K.

Our foreign activities are subject to the risks normally associated with conducting business in foreign countries. This includes exchange controls and currency fluctuations, limitations on repatriation of earnings, foreign taxation, foreign environmental laws and enforcement, expropriation or nationalization of property, labor practices and disputes, and uncertain political and economic environments. There are also risks of war and civil disturbances, as well as other risks that could cause exploration or development difficulties or stoppages, restrict the movement of funds or result in the deprivation or loss of contract rights or the taking of property by nationalization or expropriation, without fair compensation. Exploration licenses granted by some foreign countries, like Bulgaria, do not include the right to mine. Each country has discretion in determining whether to grant a license to mine. If an operator cannot secure a mining license following exploration of a property, the value of our royalty interest would be negatively affected. Foreign operations could also be adversely impacted by laws and policies of the United States affecting foreign trade, investment and taxation. We currently have interests in projects in Argentina, Burkina Faso, Finland, Mexico and Russia. We also pursue precious metal royalty acquisitions or development opportunities in other parts of the world, including Canada, Central America, Northern Europe, Australia, other Republics of the former Soviet Union, Asia, Africa and South America.

We are also subject to the risks of operating in Burkina Faso, West Africa. Countries in the region have historically experienced periods of political uncertainty, exchange rate fluctuations, balance of payments and trade difficulties as well as problems associated with extreme poverty and unemployment. Any of these economic or political risks could adversely affect the Taparko Project.

Our operations in Mexico are subject to risks such as the effects of local political developments and unrest and environmental regulations that have become increasingly stringent over the past decade. In the past, Mexico has experienced prolonged periods of weak economic conditions characterized by exchange rate instability, increased inflation and negative economic growth which could occur again in the future. Any of these risks could adversely affect the Mulatos mine.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

On November 9, 2005, we held our 2005 Annual Meeting of Stockholders. The matters voted upon at the meeting, for shareholders of record as of September 16, 2005, and the vote with respect to each such matters are set forth below:

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

	For	Withheld
S. Oden Howell, Jr.	18,210,725	63,129
Edwin W. Peiker, Jr.	18,102,776	171,078
Donald Worth	18,218,992	54,862

2. To approve the appointment of PricewaterhouseCoopers as the independent registered public accounting firm of Royal Gold, Inc. for the fiscal year ending June 30, 2006:

For:	Against:	Abstain:
18,214,250	31,140	28,464

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

10.1 Funding Agreement, dated as of December 1, 2005, by and between Societe des Mines de Taparko, also know as Somita SA, and Royal Gold, Inc.

10.2 Initial Guarantee Agreement, dated as of December 1, 2005, by High River Gold Mines, Ltd. in favor of Royal Gold, Inc.

10.3 Initial Pledge Agreement, dated as of December 1, 2005, by High River Gold Mines, Ltd. in favor of Royal Gold, Inc.

31.1 Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Treasurer and Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chairman and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32.2 Certification of the Treasurer and Chief Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

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 8, 2006

By: */s/ Stanley Dempsey*
Stanley Dempsey
Chairman and Chief Executive Officer

Date: February 8, 2006

By: */s/ Stefan Wenger*
Stefan Wenger
Treasurer and Chief Accounting Officer

Exhibit Index

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Exhibit 10.1

FUNDING AGREEMENT

SOCIETE DES MINES DE TAPARKO (SOMITA, SA)

AND

ROYAL GOLD, INC.

TAPARKO - BOUROUM PROJECT
REPUBLIC OF BURKINA FASO

$35,000,000

DATED AS OF DECEMBER 1, 2005

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SCHEDULES AND EXHIBITS

FUNDING AGREEMENT

This FUNDING AGREEMENT (this "Agreement") dated as of December 1, 2005, is by and between Societe des Mines de Taparko, also known as SOMITA, SA, a societe anonyme formed under the laws of the Republic of Burkina Faso ("Somita"), and ROYAL GOLD, INC., a corporation formed under the laws of Delaware, USA ("Royal Gold").

RECITALS

A. Somita intends to develop the Taparko/Bouroum gold mine project in the Republic of Burkina Faso, which will include construction of a mine, support facilities and CIL plant capable of milling and processing one million (1,000,000) tonnes of ore per year.

B. Somita desires to obtain funding in the amount of US $35,000,000 for additional costs of development of the Taparko/Bouroum gold mine project and has requested that Royal Gold provide such funding.

C. Royal Gold is in the business of acquiring and managing precious metals royalty interests and providing funding to enterprises in exchange for such interests. Royal Gold is agreeable to provide such funding to Somita on the terms and conditions set forth herein.

AGREEMENT

In consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS AND REFERENCES

SECTION 1.1 DEFINED TERMS. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power to:

(a) vote 5% or more of the securities or other equity interests (on a fully diluted basis) having ordinary voting power for the election of directors, the managing general partner or partners or the managing member or members; or

(b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agreement" means this Funding Agreement.

"Availability Period" means the period commencing on the Closing Date and ending on the earliest to occur of (i) February 28, 2007, (ii) the Completion Date (provided, however, that Somita shall have the right to request disbursement of the full amount of the Funding if the Completion Date occurs prior to February 28, 2007, and total amount of the Funding has not yet been disbursed to Somita), or (iii) the date on which Royal Gold has disbursed the total amount of the Funding to Somita.

"Average Gold Price" means, for any calendar month, the average daily P.M. price fixed for gold by the London Bullion Association as reported in the Wall Street Journal or any other agreed-upon successor publication for the applicable calendar month.

"Bouroum Mining Convention" means the mining investment convention to be executed by HRG and the Minister for Energy and Mines on behalf of the Government, at a date not later than as set forth in the Project Milestones Schedule.

"Bouroum Permit" means Decree No. 2005-342/PRES/PM/MCE/MFB issued by the Government on June 21, 2005, a copy of which is attached hereto as Schedule I.

"Bouroum Lands" means all of the land included in the Bouroum Permit, being approximately 11.7 square kilometers, which land is more particularly described in Schedule I attached hereto.

"Business Day" means any day, other than a Saturday, Sunday or a legal holiday in Colorado or Ontario or Ouagadougo or a day on which banking institutions are required or authorized to close in any of such cities.

"Canadian GAAP" means those generally accepted accounting principles and practices which are set out from time to time in the Handbook of the Canadian Institute of Chartered Accountants (or any generally recognized successor) If any change in any accounting principle or practice is required by the Canadian Institute of Chartered Accountants (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder or in connection herewith may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to Royal Gold.

"CAT" means Caterpillar Financial Services Corporation or such other equipment financier as suggested by Somita and accepted by Royal Gold, acting reasonably.

"CAT Agreement" means the CAT Agreement entered into or to be entered into between Somita and CAT, substantially in the form of Exhibit C.

"Change of Control" means the occurrence of any of the following: (a) the adoption of a plan relating to the merger, consolidation, liquidation or dissolution of Somita, or (b) HRG shall cease to own, directly or indirectly, at least 51%, in the aggregate, of the stock or voting interests of Somita.

"Closing Date" means the date on which Royal Gold funds the First Tranche of the Funding.

"Completion Date" means the date on which Project Completion occurs.

"Completion Test" means the requirements described on Schedule III.

"Conveyance of Production Payments" means the Conveyance of Production Payments, which contains the grant of PP1 and PP2 production payments, to be executed by Somita in form and substance as set forth in Exhibit D-1 hereto.

"Conveyance of Tail Royalty and Grant of Milling Fee" means the Conveyance of Tail Royalty and Grant of Milling Fee, which contains the grant of the Tail Royalty and the agreement to pay the Milling Fee, to be executed by Somita in form and substance as set forth in Exhibit D-2 hereto.

"Corrupt Practices Laws" means (a) the Foreign Corrupt Practices Act of 1977 (Pub.L. No. 95-213, Sections 101-104), as amended, and (b) any other law, regulation, order, decree or directive having the force of law and relating to bribery, kick-backs, or similar business practices.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Development Plan" or "Plan" means the Bankable Feasibility Study for the Taparko/Bouroum Gold Project prepared by HRG dated May 2004, which describes, among other things, details for the completion and installation of the processing plant, equipment and related infrastructure, together with the updates to the financial projections contained therein as have been furnished to Royal Gold prior to the date hereof.

"Distribution" means (a) any dividend or other distribution made by Somita on or in respect of any stock, partnership interest, membership interest, or other equity interest in Somita (including any option or warrant to buy such an equity interest) or (b) any payment made by Somita to purchase, redeem, acquire or retire any stock, partnership interest, membership interest or other equity interest in Somita (including any such option or warrant).

"Dollars" or "$" means the lawful money of the United States of America.

"Environmental Laws" means any and all Laws of the Government of the Republic of Burkina Faso relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Events of Default" has the meaning given to such term in Section 7.1.

"Financial Model" means the cash flow model, which shall reflect all relevant pre and post construction and operating information from the Development Plan.

"Financial Statements" means, with respect to any Person, such Person's quarterly or annual balance sheet and statements of income, retained earnings, and sources and application of funds for such fiscal period, together with all notes thereto and with comparable figures for the corresponding period of its previous Fiscal Year, each prepared in Dollars (except those prepared in respect of HRG, which are prepared in Canadian dollars) in accordance with Canadian GAAP, provided, however, that any such quarterly balance sheets or statements of income, retained earnings or sources and application of funds will be unaudited, will be subject to normal year-end audit adjustments and, to the extent that they will not include footnotes, need not be in accordance with Canadian GAAP.

"First Tranche" means the initial Tranche of the Funding in the amount of $6,414,000 (as set forth in the Funding Schedule), which tranche shall be funded on the Closing Date.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Funding" means on any date, the aggregate of the amount of the Tranches disbursed by Royal Gold.

"Funding Documents" means this Agreement, the Initial Guaranty, the Initial Pledge, the Guaranty, the Pledge, the Somita Assignments and all other agreements, certificates, documents, notices, instruments and writings delivered pursuant to Sections 3.1 through 3.3 and all other writings executed by Somita, HRG, International or Shareholder and delivered in connection herewith or therewith.

"Funding Request" means a written request, or a telephonic request followed by a written confirmation, made by Somita which meets the requirements of
Section 2.2.

"Government" means the Government of the Republic of Burkina Faso, including, without limitation, the executive, legislative and judicial branches thereof, and each and every ministry, board, bureau, department and commission thereof, including, without limitation, the Ministry for Energy and Mines.

"Guaranty" means the Guaranty by HRG, in form and substance set forth in Exhibit A-2 hereto.

"HRG" has means High River Gold Mines Ltd., a corporation formed under the federal laws of Canada.

"HRG Equity Commitment" means the contribution by HRG, or other arrangement for funding by third parties, of at least $24,000,000, inclusive of amounts contributed as of the date of this Agreement, as detailed in the Financial Model.

"ICC" has the meaning set forth in Section 8.12.

"Indebtedness" of any Person means Liabilities in any of the following categories (without duplication):

(a) Liabilities for borrowed money or arising out of any credit facility, including without limitation, any obligation or credit facility denominated in gold or any other commodity;

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services;

(c) Liabilities evidenced by a bond, debenture, note or similar instrument;

(d) Liabilities which (i) would under Canadian GAAP be shown on such Person's balance sheet as a liability, and (ii) are payable more than one year from the date of creation or incurrence thereof (other than reserves for taxes and reserves for contingent obligations);

(e) Liabilities arising under conditional sales or other title retention agreements with respect to property acquired by such Person;

(f) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection;

(g) Liabilities consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arise out of or in connection with the sale or issuance of the same or similar securities or property (for example, obligations of such type under repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements);

(h) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor;

(i) Liabilities with respect to banker's acceptances; or

(j) Liabilities with respect to other obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 120 days after the date the respective goods are delivered or the respective services are rendered, other than Liabilities contested in good faith by appropriate proceedings, if required, and for which adequate reserves are maintained on the books of such Person in accordance with Canadian GAAP.

"Initial Guaranty" means the Guaranty Agreement by HRG, to be executed in connection with the funding by Royal Gold of the First Tranche, in form and substance set forth in Exhibit A-1 hereto.

"Initial Pledge" means the Pledge Agreement by HRG and Royal Gold, to be executed in connection with the funding by Royal Gold of the First Tranche, in form and substance as set forth in Exhibit B-1 hereto.

"International" means High River Gold Mines (International) Ltd., a corporation formed under the laws of the Cayman Islands.

"Investment" means any investment, made directly or indirectly, in any Person, whether by purchase or acquisition of equity interests, indebtedness or other obligations or securities or by extension of credit, loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property, or by any other means.

"Law" means any statute, law (including Environmental Laws), regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the Republic of Burkina Faso, the United States, or Canada or any securities exchange, province, state or political subdivision thereof or of any other foreign country or any department, province or other political subdivision thereof having jurisdiction. Any reference to a Law includes any amendment or modification to such Law, and all regulations, rulings, and other Laws promulgated under such Law.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to Canadian GAAP.

"LIBOR" means the rate per annum (rounded upwards if necessary to the nearest whole one-sixteenth of one percent (1/16%)) equal to (a) the average of the offered rates as of 11:00 a.m., London time, on the date of determination appearing on the display designated as page "LIBO" on the Reuter Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks) for Dollar deposits for the relevant period of time, or (b) if fewer than two offered rates appear o the display referred to in clause (a) above, the rate determined by the Lender (which determination shall be conclusive in the absence of manifest error) to be the average of the rates at which banks are offered Dollar deposits for the relevant period of time in the interbank Eurodollar market at about 11:00 a.m., London time.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Material Adverse Effect" means a material and adverse change in (i) the Project, (ii) the business, operations, prospects, condition (financial or otherwise), or property of Somita or (until the Completion Date) HRG, (iii) the ability of Somita or any other party to perform in a timely manner its material obligations under any of the Funding Documents, (iv) the validity or enforceability of any material provision of any Funding Document, or (v) the rights and remedies of Royal Gold under any of the Funding Documents.

"Maximum Amount" means the amount of $35,000,000, or such other amount to which the parties to the Agreement may agree in writing.

"MDM" means MDM Ferroman (Proprietary) Limited, a company incorporated under the laws of South Africa.

"Milling Fee" means the mill throughput fee identified as the "Milling Fee" in the Conveyance of Tail Royalty and Grant of Milling Fee.

"Mining Law" means, collectively, the Kiti Decree No. AN VIII-0328 of 4/6/91 on land reform in Burkina Faso as amended by decree 93-252; Act No. 14-93/ADP instituting a mining investments code; Decree No. 2000-629 relating to operations conducted under mining titles; and Act No. 031-2003/AN instituting a new mining code.

"Mining Rights" means all interests in the surface of any lands, the minerals in or that may be extracted from any lands, all water rights, all easements, rights-of-way, inurements and other rights and interests used by Somita or necessary or advisable to implement the Development Plan and operate the Project.

"Obligations" means all Liabilities from time to time owing by Somita or any Responsible Party to Royal Gold under or pursuant to any of the Funding Documents, and "Obligation" means any part of the Obligations.

"Parties" means Royal Gold and Somita, together with any other Person that may be a party to this Agreement from time to time.

"Permitted Liens" means:

(a) Liens created pursuant to this Agreement or the other Funding Documents;

(b) Liens imposed by statute for amounts not yet due and payable;

(c) Liens imposed by the Taparko Mining Convention or governing law for taxes, assessments or charges not yet due and payable;

(d) Carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens which do not secure Indebtedness arising in the ordinary course of business for amounts which are not more than sixty (60) days past due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, and for which adequate reserves are maintained on the books of Somita in accordance with Canadian GAAP;

(e) Liens in respect of purchase money obligations, operating leases, and equipment financing, provided that such Indebtedness is permitted under Section 7.1; or

(f) Liens arising under or pursuant to the CAT Agreement, provided such Liens affect only the equipment financed thereby.

"Person" means an individual, corporation, general partnership, limited partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, Tribunal, or any other legally recognizable entity.

"Pledge" means the Pledge Agreement to be executed by Somita, International, Shareholder and Royal Gold in form and substance as set forth in Exhibit B-2 hereto.

"PP1" means the production payment identified as "PP1" in the Conveyance of Production Payments.

"PP2" means the production payment identified as "PP2" in the Conveyance of Production Payments.

"PP1 and PP2 Obligations" means all obligations and amounts owing under PP1 and PP2.

"Project" means the development and exploitation of the Taparko Lands and the Bouroum Lands for production of gold and associated precious metals, including construction of a mine, support facilities and a plant capable of milling and processing 1,000,000 tonnes of ore per year, all as more particularly set forth in the Development Plan.

"Project Assets" means all properties, assets or other rights, whether real or personal, tangible or intangible, now owned or hereafter acquired by or for the benefit of Somita, which are used or intended for use in or forming part of the Project.

"Project Completion" means satisfaction of all requirements of the Completion Test.

"Project Engineer" has the meaning set forth in Section 2.5.

"Project Milestones Schedule" means the milestones to be completed in the construction of the Project and the dates therefor set forth in Schedule VI hereto.

"Properties" means the Taparko Lands and the Bouroum Lands, collectively.

"Refining Contracts" means, at any time, all agreements then in force pursuant to which Somita has the right to sell, or to have toll refined, gold, gold dore or gold ore.

"Request for Arbitration" has the meaning set forth in Section 8.12.

"Responsible Officer" means, with respect to Persons other than Somita, a Director, President, Vice President or Chief Financial Officer of such Person, and with respect to Somita, a Director of Somita.

"Responsible Party" means in respect of each of the Funding Documents, each of Somita, HRG, International and Shareholder who is a signatory to such Funding Document, and their respective successors and assigns.

"Royal Gold" has the meaning set forth in the Preamble.

"Rules" has the meaning set forth in Section 8.12.

"Second Tranche" means the second Tranche of the Funding, the request for which shall be received by Royal Gold in a Funding Request and shall be disbursed by Royal Gold to Somita following the satisfaction or waiver by Royal Gold of all of the conditions precedent set forth in Section 3.2 and Section 3.3, together with any other restriction placed upon the funding of Tranches in this Agreement.

"Secretariat" has the meaning set forth in Section 8.12.

"Shareholder" means High River Gold Mines (West Africa) Ltd., a corporation formed under the laws of the Cayman Islands.

"Somita" has the meaning set forth in the Preamble.

"Somita Assignments" means, collectively, the Conveyance of Production Payments and the Conveyance of Tail Royalty and Grant of Milling Fee.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled by or owned fifty percent or more by such Person.

"Tail Royalty" means the royalty identified as the "Tail Royalty" in the Conveyance of Tail Royalty and Grant of Milling Fee.

"Taparko Mining Convention" means the mining investment convention signed by HRG and the Minister for Energy and Mines on behalf of the Government on December 15, 1995, a copy of which is attached here to as Schedule IV.

"Taparko Permit" means Decree No. 2004-329/PRES/PM/MCE/MFB/ MEDE/MECV issued by the Government on August 6, 2004, a copy of which is attached hereto as Schedule II.

"Taparko Lands" means that portion of the land included in the Taparko Permit that is more particularly described in Schedule II hereto, being approximately 34.7 square kilometers out of the total 666.5 square kilometers included in such permit.

"Tranche" means the amount of each disbursement of the Funding by Royal Gold, as set forth in the Tranche Funding Schedule, including, without limitation, the First Tranche and the Second Tranche.

"Tranche Funding Schedule" means the amounts and the dates on which such amounts are to be funded, subject to the conditions set forth in this Agreement, set forth on Schedule V hereto.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the Republic of Burkina Faso, the United States of America, Canada or any other country having jurisdiction, or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality thereof, whether now or hereafter constituted or existing.

SECTION 1.2 EXHIBITS AND SCHEDULES; ADDITIONAL DEFINITIONS. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes.

SECTION 1.3 AMENDMENT OF DEFINED INSTRUMENTS. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

SECTION 1.4 REFERENCES AND TITLES. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all documents, instruments, or agreements issued or executed in replacement thereof. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation." Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Accounting terms have the meanings assigned to them by Canadian GAAP, as applied by the accounting entity to which they refer. References to "days" shall mean calendar days, unless the term "Business Day" is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

SECTION 1.5 JOINT PREPARATION; CONSTRUCTION OF INDEMNITIES AND RELEASES. This Agreement and the other Funding Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto which would require or allow any Funding Document to be construed against any party because of its role in drafting such Funding Document. All indemnification and release provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification or being released.

SECTION 1.6 CURRENCY. All amounts stated herein are in Dollars unless specifically stated otherwise.

ARTICLE II

THE FUNDING

SECTION 2.1 COMMITMENT TO FUND. Subject to the terms and conditions hereof, Royal Gold shall disburse Tranches to Somita upon Somita's request during the Availability Period, up to the Maximum Amount. As consideration for the Funding, Somita shall deliver to Royal Gold the Somita Assignments. Notwithstanding anything contained herein to the contrary, in the event that Project Completion is achieved prior to disbursement of the total amount of the Funding to Somita, and provided that all conditions precedent to funding of a Tranche have been satisfied, Somita shall be entitled to request, on or before February 28, 2007, disbursement of the undisbursed amount of the Funding.

SECTION 2.2 REQUESTS FOR TRANCHES. Subject to the conditions set forth in Article III, Somita may request Tranches to be disbursed in accordance with the Tranche Funding Schedule. To request the disbursement of a Tranche (other than the First Tranche), Somita shall deliver to Royal Gold a funding request (a "Funding Request") in the form set forth as Exhibit E, together with a Project Engineer Certificate in the form set forth as Exhibit F and a Certificate from a Responsible Officer of Somita in the form set forth as Exhibit G. Each Funding Request must be received by Royal Gold not later than 10:00 a.m., Denver, Colorado time, at least five (5) Business Days prior to the date on which such Tranche is requested to be made. Unless Royal Gold shall have notified Somita within five (5) Business Days after receipt of such Funding Request of a reason why such funding should not be made (such as failure of a condition precedent), Royal Gold shall disburse such Tranche to Somita on the requested funding date by wire transfer to High River's Toronto bank account, the details of which shall be provided in the Funding Request. Somita hereby directs Royal Gold to disburse each Tranche to HRG on behalf of Somita, to be used by Somita as provided in Section 2.3 below. For greater certainty, in the event that the Project Engineer has not responded within five (5) Business Days to Somita in respect of any Project Engineer Certificate submitted to the Project Engineer for approval as part of the request process set forth herein, the Project Engineer shall be deemed to have approved the form and content of such Project Engineer Certificate.

SECTION 2.3 USE OF FUNDS. Somita shall use each Tranche only for repayment of intercompany loans, as contemplated by the Funding Schedule, and development and operation of the Project pursuant to the Development Plan.

SECTION 2.4 SECURITY. As security for the Funding, Somita shall cause Shareholder and International to execute and deliver the Pledge to Royal Gold on the date of disbursement of the Second Tranche. As security for the First Tranche, Somita shall cause HRG to execute and deliver the Initial Guaranty and Initial Pledge to Royal Gold.

SECTION 2.5 PROJECT ENGINEER.

(a) Until the Completion Test shall have been satisfied, Royal Gold, at the expense of HRG, shall engage Don Beesley as the project engineer ("Project Engineer"); provided that Royal Gold may engage any other person in replacement of Don Beesley, at the expense of HRG, with the consent of Somita and HRG, not to be unreasonably withheld, to act on behalf of Royal Gold as the Project Engineer.

(b) Royal Gold shall engage the Project Engineer, to do, without limitation, the following: (i) review the Development Plan, (ii) review requests for disbursement of Tranches, (iii) monitor the application of proceeds of the Funding, (iv) monitor the pace and quality of construction of the Project under the construction plan, (v) monitor and provide certification that the terms of the Completion Test have been passed satisfactorily, (vi) conduct a detailed technical, social and environmental review of the Project and the completeness and appropriateness of the provisions in all material Project contracts and any warranty provisions contained therein, (vii) review the updates to the Development Plan, (viii) certify the achievement of items under the Project Milestones Schedule, and (ix) review all monthly reports produced by Somita and major contractors for the Project.

(c) Until the Completion Test shall have been satisfied, the Project Engineer shall conduct site visits in accordance with Section 5.6.

(d) Royal Gold shall request that the Project Engineer (i) submit all reports in connection with the Project simultaneously to HRG and Royal Gold for comment, and (ii) deliver to HRG a copy of all finalized reports as submitted to Royal Gold.

ARTICLE III

CONDITIONS PRECEDENT AND SUBSEQUENT TO FUNDING

SECTION 3.1 CONDITIONS TO DISBURSEMENT OF FIRST TRANCHE. The agreement of Royal Gold to disburse the First Tranche shall become effective on the date on which the following conditions precedent and the conditions precedent set forth in Section 3.3 shall have been satisfied (unless another time period is specified herein), or shall have been waived in writing by Royal Gold or made subject to post-closing covenants:

(a) Due Diligence. The results of technical, financial and legal due diligence shall be acceptable to Royal Gold, including:

(i) a technical review of the Development Plan by the Project Engineer;

(ii) Project Engineer confirmation that the Development Plan is designed to meet all applicable local laws, and is in accordance with acceptable industry practice including maintaining a minimum of local standards and World Bank environmental guidelines (applicable under, World Bank and IFC Pollution, Prevention and Abatement Guidelines and the applicable IFC Safeguard Policies), and where practicable, the International Cyanide Code and the Equator Principles;

(iii) review by or on behalf of Royal Gold of the Financial Model prior to the Closing Date to the satisfaction of Royal Gold, acting reasonably, which shall include verification of the following inputs: capital expenditure, operating costs, working capital and production; and

(iv) confirmation to the satisfaction of Royal Gold and warranty by HRG that all necessary authorizations have been obtained for the execution and performance of this Agreement, the Initial Guaranty and the Initial Pledge, including, without limitation, all authorizations required by each of Somita's and HRG's organizational documents.

(b) Required Documents. Royal Gold shall have received the following documents, duly executed and delivered and in form, substance and date satisfactory to Royal Gold:

(i) this Agreement;

(ii) the Initial Guaranty (which shall be released and returned to HRG upon disbursement of the Second Tranche);

(iii) the Initial Pledge (which shall be released and returned to HRG upon disbursement of the Second Tranche); and

(iv) any other documents to be executed to ensure the effectiveness of
(i) - (iii) above.

(c) Legal Opinions. Royal Gold shall have received the executed legal opinions of legal counsel to Somita and/or HRG reasonably acceptable to Royal Gold with respect to matters under the laws of Canada and the Republic of Burkina Faso, in the forms attached hereto as Exhibit H-1.

(d) Additional Certificates. Royal Gold shall have received an "Omnibus Certificate" of the Responsible Officers of each of Somita and HRG, which shall contain the names and signatures of the officers of such entity authorized to execute Funding Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (i) a copy of resolutions duly adopted by the members or board of directors of such entity and in full force and effect at the Closing Date, authorizing the execution of this Agreement and the other Funding Documents delivered or to be delivered on the Closing Date in connection herewith and the consummation of the transactions contemplated herein and therein, and (ii) certified or notarial or otherwise conformed copies of constituent documents and all amendments thereto, certified by the appropriate official of such entity's place of organization.

(e) Material Adverse Effect. No Material Adverse Effect, nor any event or circumstance that could have a Material Adverse Effect, shall have occurred with respect to Somita, HRG, International or Shareholder on or before the Closing Date.

SECTION 3.2 CONDITIONS TO DISBURSEMENT OF SECOND TRANCHE. The agreement of Royal Gold to disburse the Second Tranche shall become effective on the date on which the following conditions precedent shall have been satisfied (unless (i) another time period is specified herein, or (ii) such condition precedent was satisfied on the Closing Date and the continuing satisfaction of such condition precedent in connection with the disbursement of the Second Tranche is not required by Royal Gold), or shall have been waived in writing by Royal Gold:

(a) Due Diligence. The results of technical, financial and legal due diligence shall be acceptable to Royal Gold, including:

(i) a technical review of the Development Plan by the Project Engineer (to the extent of any changes since the Closing Date);

(ii) Project Engineer confirmation that the Development Plan is designed to meet all applicable local laws, and is in accordance with acceptable industry practice including maintaining a minimum of local standards and World Bank environmental guidelines (applicable under, World Bank and IFC Pollution, Prevention and Abatement Guidelines and the applicable IFC Safeguard Policies), and where practicable, the International Cyanide Code and the Equator Principles;

(iii) evidence that all Tribunal and third party consents, licenses, approvals and authorizations necessary in connection with the commencement of construction of the Project are in place, and Somita and, to the best knowledge of Somita, contractors for the Project are in compliance therewith;

(iv) review by or on behalf of Royal Gold of the Financial Model prior to the date of disbursement of the Second Tranche to the satisfaction of Royal Gold, acting reasonably, which shall include verification of the following inputs: capital expenditure, operating costs, working capital and production;

(v) Project Engineer and Royal Gold satisfaction, acting reasonably and without delay, with the terms and conditions of any proposed construction, materials supply or services contracts for the Project (but only if available in form being considered by Somita for execution), including, without limitation, Royal Gold's approval of the primary contractor and significant subcontractors to be retained for Project construction, and inclusion of performance and delay liquidated damages provisions satisfactory to Royal Gold in such contracts; and

(vi) confirmation to the satisfaction of Royal Gold and warranty by HRG that (A) the Taparko Mining Convention is valid and in full force and effect, as set forth therein, (B) Somita enjoys the benefits of the Taparko Mining Convention, which HRG holds for the benefit of HRG and Somita, with all rights thereunder indirectly through HRG as if Somita were a party to such agreement, and (C) all necessary authorizations have been obtained for the execution and performance of the Pledge, including, without limitation, all authorizations required by Somita's organizational documents and the Taparko Mining Convention, including, without limitation, Article 8.2 of the Taparko Mining Convention.

(b) Required Documents. Royal Gold shall have received the following documents, duly executed and delivered and in form, substance and date satisfactory to Royal Gold:

(i) the Guaranty;

(ii) the Pledge;

(iii) the Somita Assignments;

(iv) any other documents to be executed to ensure the effectiveness of
(i) - (iii) above;

(v) any document related to Project construction requested by Royal Gold;

(vi) all such other agreements, documents or actions which in the opinion of Royal Gold or legal counsel to Royal Gold in the Republic of Burkina Faso are necessary or advisable to secure the payment of all amounts due or to become due hereunder and under the Somita Assignments;

(vii) all other agreements and instruments pursuant to the terms of which Somita has or could in the future have any obligation or liability, contingent or actual, to HRG or any Affiliate of HRG (other than agreements or instruments for compensation of officers of Somita for their services as such at a rate established on an arm's length basis); and

(viii) other construction, supply, lease, management or other relevant contracts reasonably required as conditions of Funding.

(c) Legal Opinions. Royal Gold shall have received the executed legal opinions of legal counsel to Somita and/or HRG reasonably acceptable to Royal Gold with respect to matters under the laws of Canada, the Republic of Burkina Faso and the Cayman Islands, in the forms attached hereto as Exhibit H-2.

(d) Evidence of Insurance. Royal Gold shall have received certificates or binders, acceptable to Royal Gold in its reasonable discretion, evidencing that insurance as required by Section 5.10 is in effect on the date of disbursement of the Second Tranche.

(e) Additional Certificates. Royal Gold shall have received an "Omnibus Certificate" of the Responsible Officers of each of Somita, HRG, International and Shareholder, which shall contain the names and signatures of the officers of such entity authorized to execute Funding Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (i) a copy of resolutions duly adopted by the members or board of directors of such entity and in full force and effect as of the date of the disbursement of the Second Tranche, authorizing the execution of the Funding Documents delivered or to be delivered in connection therewith and the consummation of the transactions contemplated therein, and (ii) certified or notarial or otherwise conformed copies of constituent documents and all amendments thereto, certified by the appropriate official of such entity's place of organization.

(f) Material Adverse Effect. No Material Adverse Effect, nor any event or circumstance that could have a Material Adverse Effect, shall have occurred with respect to Somita, HRG, International or Shareholder on or before the date of disbursement of the Second Tranche.

(g) Government Approvals. To the extent that Royal Gold shall have requested the same, and if available, Royal Gold shall have received copies, certified by a Responsible Officer of Somita as true and complete and in full force and effect, of any registration, declaration, filing, governmental consent, license, approval, authorization, or permit required by the Government or, in the opinion of legal counsel to Royal Gold in the Republic of Burkina Faso, necessary or advisable to implement and complete the Development Plan and operate the Project.

(h) Rights in Project Assets and Mining Rights. Royal Gold shall have received evidence in form and substance satisfactory to it that Somita has good title to (i) all of the Project Assets and Mining Rights that it owns or purports to own, free and clear of all liens or claims (other than Permitted Liens) and (ii) such other surface and other rights as are necessary for access rights, water rights, plant sites, tailings disposal, waste dumps, ore dumps, abandoned heaps or ancillary facilities which are required in connection with the development of the Project substantially in accordance with the Development Plan. All such Project Assets, Mining Rights and other rights shall be sufficient in scope and substance for the development of the Project as contemplated by the Development Plan.

(i) Development Plan. Royal Gold shall have received and approved all updates to the Development Plan to the extent such updates were not provided on the Closing Date.

(j) Construction Contractor. Royal Gold shall have received evidence of (i) an executed agreement with MDM, or alternate construction contractor, with respect to the Project, and (ii) completion guarantees, bonds and/or cash deposits to be provided by MDM, or alternate construction contractor, and major contractors and subcontractors, all of which shall be satisfactory in form, substance and amount to Royal Gold, and with financial institutions or other issuers acceptable to Royal Gold.

For certainty, the Second Tranche shall be in an amount sufficient, and is intended to be used by Somita, to reimburse HRG for all amounts expended on the Project by HRG through Somita for the period from the date of the First Tranche to the date of the Second Tranche.

SECTION 3.3 ADDITIONAL CONDITIONS PRECEDENT. Royal Gold shall have no obligation to disburse any Tranche (including the First Tranche), unless the following conditions precedent have been satisfied:

(a) All representations, warranties and covenants made by any Responsible Party in this Agreement and any other Funding Document shall be true and accurate on and as of the date of disbursement of such Tranche as if such representations, warranties and covenants had been made as of the date of disbursement of such Tranche, except to the extent that such representation, warranty or covenant was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Royal Gold.

(b) No Default shall exist at the date of disbursement of such Tranche.

(c) No Material Adverse Effect, nor any event or circumstance that could have a Material Adverse Effect, shall have occurred.

(d) The disbursement of such Tranche shall not be prohibited by any Law and shall not subject Royal Gold to any penalty or other onerous condition under or pursuant to any such Law.

(e) A "Compliance Certificate" of a Responsible Officer of Somita, of even date with each disbursement of a Tranche, in which such officers certify to the satisfaction of the conditions set out in subsections (a), (b), (c) and (d) of this Section 3.3.

(f) All requirements of Somita in Section 2.2 shall have been met.

(g) Royal Gold shall have received all documents and instruments that it has then reasonably requested, in addition to those described in Section 3.1 in connection with the First Tranche and Section 3.2 in connection with the Second Tranche (including opinions of legal counsel for the Responsible Parties; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of the Responsible Parties), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by Responsible Officers in this Agreement and the other Funding Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be reasonably satisfactory to Royal Gold in form, substance and date.

For further certainty, disbursements of Tranches after disbursement of the First Tranche and the Second Tranche shall only be subject to the conditions set forth in this Section 3.3.

SECTION 3.4 CONDITION SUBSEQUENT. Somita shall reimburse Royal Gold for all amounts then funded by Royal Gold under the Funding, together with interest thereon at the annual rate of LIBOR plus 2.00%, unless, by February 28, 2006, or such later date up to 30 days set by Royal Gold in its sole discretion, all conditions precedent to the funding of the Second Tranche shall have been satisfied. If by such date, all of (i) the conditions precedent to disbursement of the Second Tranche have not been satisfied, or have not been waived by Royal Gold, (ii) Somita shall have reimbursed Royal Gold as set forth in this Section 3.4, (iii) Somita shall have paid all amounts due under Section 8.4(a), and (iv) no Default shall have occurred and be continuing, this Agreement shall terminate and shall be of no further force and effect, and neither Party shall have any further obligation to the other hereunder.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Somita represents and warrants to Royal Gold, as of the Closing Date and at all times that this Agreement is in effect, as follows:

SECTION 4.1 ORGANIZATION AND GOOD STANDING. Somita is duly organized, validly existing and in good standing under the Laws of the Republic of Burkina Faso, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Somita is duly qualified, in good standing, and authorized to do business in all other jurisdictions wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary, except where the failure to so qualify could not have a Material Adverse Effect.

SECTION 4.2 POWER; AUTHORIZATION. Somita has the requisite power to own and operate its properties, to carry on its business and the Project, to obtain funding and to create and assign royalties, production payments and milling fees in connection with its rights, properties and assets as and to the extent contemplated by the Funding Documents and to execute, deliver, and perform this Agreement and each of the other Funding Documents to which it is or will be a party. Somita has duly taken all action necessary to authorize the execution and delivery by it of the Funding Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder.

SECTION 4.3 NO CONFLICTS OR CONSENTS. The execution and delivery by Somita of the Funding Documents to which it is a party, the performance of its obligations under such Funding Documents, and the consummation of the transactions contemplated by the various Funding

Documents, do not and will not (a) conflict with any provision of (i) any Law,
(ii) its organizational documents, or (iii) any material agreement, judgment, license, order or permit applicable to or binding upon it or to which its assets are subject, (b) result in the acceleration of any Indebtedness owed by it, or
(c) result in or require the creation of any Lien upon any assets or properties owned by it except as expressly contemplated or permitted in the Funding Documents. Except as expressly contemplated in the Funding Documents, no permit, consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required (x) in connection with the execution, delivery or performance of any Funding Document, (y) to consummate any transactions contemplated by the Funding Documents, or (z) for continuous performance of the Project.

SECTION 4.4 ENFORCEABLE OBLIGATIONS. This Agreement is, and the other Funding Documents when duly executed and delivered will be, legal, valid and binding obligations of Somita, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

SECTION 4.5 OTHER OBLIGATIONS AND RESTRICTIONS. Somita (a) does not have any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to Somita or material with respect to Somita's financial condition, and (b) is not subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could have a Material Adverse Effect.

SECTION 4.6 FINANCIAL CONDITION.

(a) Somita's Financial Statements, dated September 30, 2005, which have been furnished to Royal Gold, are complete and correct and fairly present, in all material respects, its financial condition and results of its operations for the period then ended. Somita has no contingent obligation, liability for taxes, material or long-term commitment, or outstanding Indebtedness of any kind except as disclosed in such Financial Statements other than liabilities not in excess of $100,000 in the aggregate outstanding at any one time incurred in ordinary course of business which would not be required to be disclosed in such Financial Statements in accordance with Canadian GAAP. Since the date of such Financial Statements there has been no change in Somita's financial condition or prospects that could have a Material Adverse Effect, and as of the date of this Agreement Somita has not made any Distribution.

(b) Following the execution of the Funding Documents by Somita and the consummation of the transactions contemplated hereby, (a) Somita will be solvent (as such term is used in applicable federal and state bankruptcy, liquidation, receivership, insolvency or similar Laws), (b) the sum of the absolute and contingent liabilities of Somita, including the Obligations or guarantees thereof, will not exceed the fair market value of Somita's assets, and (c) the capital of Somita will be adequate for the businesses in which Somita is engaged and intends to be engaged. Somita has not incurred (whether under the Funding Documents or otherwise), does not intend to incur or believe that it will incur, debts which will be beyond its ability to pay as such debts mature. Somita, by executing, delivering or performing its obligations under the

Funding Documents or other documents to which it is a party or by taking any action with respect thereto, does not intend to hinder, delay or defraud either its present or future creditors.

SECTION 4.7 CAPITALIZATION OF SOMITA.

(a) The authorized capital of Somita consists of 1,000 ordinary shares having a par value of 10,000 CFA (Central Franc Afrique) per share of which 1,000 shares are issued and outstanding. All such issued and outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable. Ninety percent (90%) of the issued and outstanding shares are owned beneficially and of record by Shareholder, and ten percent (10%) the issued and outstanding shares are owned beneficially and of record by the Government. There are no outstanding subscriptions, options, warrants, calls, agreements, preemptive rights, acquisition rights, redemption rights or any other rights or claims of any character that restrict the transfer of, require the issuance of, or otherwise relate to any class of the capital stock of Somita.

(b) One hundred percent (100%) of the issued and outstanding shares of capital stock of Shareholder is owned beneficially and of record by International, and all such issued and outstanding shares of capital stock have been duly authorized and validly issued and are fully paid and non-assessable. There are no outstanding subscriptions, options, warrants, calls, agreements, preemptive rights, acquisition rights, redemption rights or any other rights or claims of any character that restrict the transfer of, require the issuance of, or otherwise relate to any class of the capital stock of Shareholder.

SECTION 4.8 RELATIONSHIP BETWEEN SOMITA AND ITS PARENT COMPANIES. Other than (a) subrogation rights of the HRG arising from the Guaranty, (b) arrangements for compensation of officers, employees or directors of Somita for their services as such at a rate established on an arm's length basis, (c) intercompany indebtedness as referred to in the Financial Statements described in Section 4.6 and (d) fees payable in respect of the Project as per the Financial Model, Somita has no obligation or liability, contingent or actual, to HRG or any Affiliate of HRG, and there are no agreements or arrangements in existence pursuant to the terms of which Somita could in the future have any obligation or liability, contingent or actual, to HRG or any Affiliate of HRG.

SECTION 4.9 FULL DISCLOSURE. No certificate, written statement or other written information (taken as a whole), provided by Somita or HRG, delivered herewith or heretofore by Somita or HRG to Royal Gold in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby, contains any untrue statement of a material fact or omits to state any material fact known to Somita or HRG necessary to make the statements contained herein or therein, in light of the circumstances under which they were made and taken together, not materially misleading as of the date made or deemed made. All certificates, written statements and other written reports and information provided by an officer of Somita or HRG after the date hereof by or on behalf of Somita or HRG to Royal Gold in connection with this Agreement and the other Funding Documents and the transactions contemplated hereby and thereby (taken as a whole) will be true, complete and accurate in every material respect in light of the circumstances in which made, or based on reasonable estimates on the date as of which such information is stated or certified. There is no fact known to Somita or

HRG that has not been disclosed to Royal Gold in writing which could have a Material Adverse Effect.

SECTION 4.10 LITIGATION.

(a) There are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of Somita threatened, against Somita or affecting the Properties (including any which challenge or otherwise pertain to Somita's ownership of the interests in the Properties) before any Tribunal.

(b) There are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against Somita or affecting any part of the Properties or any of Somita's assets or property.

(c) There is, to the best knowledge of Somita, no remedial work required to comply with any Law, license or approval.

SECTION 4.11 LABOR DISPUTES AND ACTS OF GOD. Neither the business nor the properties of Somita has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could have a Material Adverse Effect.

SECTION 4.12 SUBSIDIARIES. Somita does not presently have any Subsidiaries. Somita has no equity investments in any other Person.

SECTION 4.13 BANK ACCOUNTS. Somita has no bank accounts except those listed on Schedule 4.13 of the Disclosure Schedule and the to-be-established Channel Islands account specified in the Conveyance of Production Payments.

SECTION 4.14 EASEMENTS, PROPERTY INTERESTS, PERMITS, UTILITIES, ETC. All easements, leasehold and other property interests, permits and authorizations (whether from private third parties or governmental entities) and all utility and other services, means of transportation, facilities, other materials and other rights that can reasonably be expected to be necessary for the construction, completion and operation of the Project in accordance with applicable requirements of Law and the Funding Documents (including, without limitation, gas, electrical, water and sewage services and facilities) have been procured or are commercially available for the Project, and, to the extent appropriate, arrangements have been made on commercially reasonable terms for such easements, interests, services, means of transportation, facilities, materials and rights. No material licenses, trademarks, patents or other similar agreements are necessary for the construction, ownership, operation and maintenance of the Project.

SECTION 4.15 ENVIRONMENTAL MATTERS. Somita has duly complied, in all material respects, with, and its business, operations, assets, equipment, property, leaseholds, and other facilities are materially in compliance with, the provisions of all applicable environmental, health and safety laws, codes, ordinances and directives, and all rules and regulations promulgated thereunder. Somita (a) has been issued and will maintain all required permits, licenses, certificates and approvals relating to, and (b) has received no complaint, order, directive, claim, citation or notice by any governmental authority with respect to: (i) air emissions, (ii) discharges to surface water or ground water, (iii) noise emissions, (iv) solid or liquid waste disposal, (v) the use, generation, storage, transportation or disposal of toxic or hazardous substances or wastes, or (vi) other environmental, health or safety matters.

SECTION 4.16 PROJECT COST AND PROJECT COMPLETION. Somita's good faith estimate of the total cost of the Project (including provisions for contingencies) is $59,747,000 and Somita's good faith estimate of the date by which it will achieve Project Completion is May 31, 2007.

SECTION 4.17 PROJECTIONS. The projections of the cash flows of Somita set forth in the Financial Model, a copy of which has been provided to Royal Gold before the date hereof, are Somita's best good faith estimates of the cash flows of Somita for the period(s) covered therein.

SECTION 4.18 INTEREST IN LAND. Somita, either directly or indirectly, has complete rights to use the land necessary for the Project, subject only to Permitted Liens.

SECTION 4.19 PROJECT DOCUMENTS.

(a) The Taparko Mining Convention, the Taparko Permit and the Bouroum Permit are valid and binding obligations of the Government, enforceable in accordance with their terms. Somita has all rights as a party under each of the Taparko Permit and the Bouroum Permit, and Somita has all rights in the Taparko Mining Convention indirectly through HRG as a party as if Somita had been a signatory to agreement. Neither Somita nor, to the best knowledge of Somita, the Government is in breach of any provision of the Taparko Mining Convention, the Taparko Permit or the Bouroum Permit.

(b) Somita has complied with terms of all mining leases and/or licenses and all other agreements relating to the Properties, and there is no subsisting failure to comply with any term or condition thereof, except where failure to comply could not have a Material Adverse Effect.

(c) True, correct and complete copies of all material documents related to the Project have been provided to Royal Gold.

SECTION 4.20 NO SOVEREIGN IMMUNITY. Somita is subject to civil and commercial law with respect to its obligations under this Agreement and each of the other Funding Documents to which it is a party, that the making and performance of this Agreement and such other Funding Documents by Somita pursuant hereto constitute private and commercial acts rather than governmental or public acts and that neither Somita nor any of its properties or revenues has any right of immunity from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, set-off, execution of a judgment or from any other legal process with respect to its obligations under this Agreement and such other Funding Documents. To the extent that Somita may hereafter be entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to this Agreement or any other Funding Document to which it is a party, to claim for itself or its revenues or assets any such immunity, and to the extent that in any such jurisdiction there may be attributed to Somita such an immunity (whether or not claimed), Somita hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity. The foregoing waiver of immunity shall have effect under the United States Foreign Sovereign Immunities Act of 1976.

SECTION 4.21 TAXES AND REPORTS. All tax returns and reports of Somita required by law to be filed in the Republic of Burkina Faso, and each governmental subdivision thereof, have been duly filed for periods ending prior to the date of this Agreement, and all Taxes, assessments, fees and other governmental charges due or reasonably anticipated to become due in respect of Somita, or any assets, income, or franchises of Somita, that if not paid could have a Material Adverse Effect, have been duly paid or have been adequately provided for on the books of Somita.

SECTION 4.22 DEFAULTS. No Event of Default, and no event or condition that with the passage of time or the giving of notice, or both, could constitute an Event of Default, has occurred and is continuing. Neither Somita nor, to the best knowledge of Somita, any other party is in breach of any provision of any contract to which Somita is a party, which breach could have a Material Adverse Effect.

ARTICLE V

AFFIRMATIVE COVENANTS

To conform with the terms and conditions under which Royal Gold is willing to provide the Funding to Somita, and to induce Royal Gold to enter into this Agreement and provide the Funding hereunder, Somita covenants and agrees as follows:

SECTION 5.1 PROJECT COMPLETION. Somita shall construct and implement the Project promptly, shall apply the proceeds of the Funding exclusively to the Project and in accordance with the Tranche Funding Schedule, and shall use its best efforts to cause Project Completion to be achieved on or prior to May 31, 2007. If Somita becomes unable to achieve the completion undertakings set out in the preceding sentence, or becomes unable to meet its other obligations prior to Project Completion, Somita shall promptly so notify Royal Gold.

SECTION 5.2 COMPANY OPERATIONS; MAINTENANCE OF PROJECT.

(a) Somita shall duly and punctually perform its obligations under this Agreement and each of the other Funding Documents to which it is a party. Somita shall conduct its operations on the basis of customary commercial practice and arm's-length arrangements, with due diligence and efficiency and under the supervision of qualified and experienced management. Somita shall update the Financial Model with its updated budget on an annual basis.

(b) Somita shall maintain, preserve, protect, and keep the Project and all other material property used or useful in the conduct of its business in good condition (ordinary wear and tear and obsolescence excepted) in accordance with prudent industry standards, and in compliance with all applicable Laws, in conformity with all applicable contracts, servitudes, leases and agreements, and shall from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times, except where failure to do so could not have a Material Adverse Effect.

SECTION 5.3 PAYMENT AND PERFORMANCE. Somita shall pay all amounts due for which Somita is obligated under the Funding Documents, in accordance with the terms thereof, and will observe, perform and comply with every covenant, term and condition of each Funding Document.

SECTION 5.4 COMPLIANCE WITH AGREEMENTS AND LAW. Somita shall perform all obligations it is required to perform under the terms of the Funding Documents and each other lease, agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound except where failure to comply could not have a Material Adverse Effect. Somita shall conduct its business and affairs, including the Project, (a) in compliance with all Laws applicable thereto except where failure to comply could not have a Material Adverse Effect; (b) in all material respects in accordance with the Development Plan; (c) in accordance with acceptable industry practice including maintaining a minimum of local standards and World Bank environmental guidelines (applicable under, World Bank and IFC Pollution, Prevention and Abatement Guidelines and the applicable IFC Safeguard Policies), and where practicable, the International Cyanide Code and the Equator Principles; and (d) in compliance, and causing its affiliates, subsidiaries, agents, employees, subcontractors, directors and officers to be in compliance, with the Corrupt Practices Laws. Somita shall obtain and cause all licenses and permits necessary or appropriate for the conduct of its business and the ownership and operation of its property used and useful in the conduct of its business to be at all times maintained in good standing and in full force and effect, except where failure to comply could not have a Material Adverse Effect.

SECTION 5.5 BOOKS, FINANCIAL STATEMENTS AND REPORTS. Somita shall at all times maintain full and accurate books of account and records. Somita shall maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to Royal Gold at Somita's expense:

(a) As soon as available, and in any event within one hundred twenty (120) days after the end of each Fiscal Year, complete financial statements of Somita together with all notes thereto, prepared in reasonable detail in accordance with Canadian GAAP, reviewed using generally accepted standards by an independent certified public accounting firm selected by Somita and reasonably acceptable to Royal Gold. These financial statements shall contain a balance sheet as of the end of such Fiscal Year and statements of earnings, of cash flows, and of changes in owners' equity for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year.

(b) As soon as available, and in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, Somita's balance sheet as of the end of such Fiscal Quarter and statements of Somita's earnings and cash flows for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with Canadian GAAP, subject to changes resulting from normal year-end adjustments and without footnotes. In addition Somita shall, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form attached hereto as Exhibit I signed by the chief financial officer of Somita stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), stating that he has reviewed the Funding Documents, and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Until Somita shall have achieved Project Completion, a report within 20 days after the end of each month certified by a Responsible Officer setting forth in reasonable detail the progress of the Project, including (i) expenditures of funds, (ii) estimated future costs, (iii) unexpended funds available to Somita, (iv) the progress and percentage of completion of the major phases of Project construction and the total construction work of the Project,
(v) the monthly report(s) provided to Somita by its major contractor(s) on the Project, and (vi) the acquisition of fixtures and equipment, to be reviewed by the Project Engineer, in the format attached hereto as Exhibit J;

(d) Until Somita shall have achieved Project Completion, within 45 days after the end of each Fiscal Year, a report certified by a Responsible Officer setting forth in reasonable detail all transactions during such Fiscal Year between (i) Somita and (ii) HRG or Affiliates of HRG (other than arrangements for compensation of officers, employees or directors of Somita for their services as such at a rate established on an arm's length basis).

(e) Within 30 days after Somita is required to make any report to the Government, a copy of each such report.

(f) Until satisfaction of the PP1 and PP2 Obligations, not later than 30 days prior to the beginning of each Fiscal Year, an annual operating forecast for Somita, including its projected quarterly Financial Statements for such Fiscal Year, together with a statement of the assumptions on which such forecast is based.

(g) Within 90 days after the end of each Fiscal Year, an environmental compliance report summarizing the environmental performance of the Project during such Fiscal Year and providing sufficient information for Royal Gold to monitor the performance of the Project with respect to environmental protection, including, at a minimum, narrative summaries of (i) the results of any environmental monitoring or sampling activity conducted at the Project, (ii) accidents at the Project impacting the environment or resulting in the loss of life, and (iii) environmental deficiencies at the Project identified by the Republic of Burkina Faso environmental regulatory authorities and any remedial actions taken or proposed to be taken with respect thereto.

(h) Within 90 days after the date of effectiveness of any amendment to any Mining Law, a copy of such amendment together with a statement from Somita's legal counsel in the Republic of Burkina Faso describing in reasonable detail what effect (if any) such amendment will have on Somita and the Project.

(i) Copies of all other annual or interim audit reports and management letters submitted to the Company by its independent accountants and such other information and data with respect to its operations (including without limitation supporting information as to compliance with this Agreement and the other Funding Documents) as Royal Gold may reasonably request from time to time.

(j) After Project Completion, Somita shall also provide monthly operating reports, to be reviewed by the Project Engineer, in the format attached hereto as Exhibit K;

(k) Somita shall provide Royal Gold, quarterly reports on drilling and exploration results, ore reserve calculations and engineering and economic studies, to the extent such items are prepared by or on behalf of Somita, within 15 Business Days of Somita's receipt of same; and

(l) Somita shall provide Royal Gold with copies of the annual business plan and budget, operating forecast and mineral reserve and resource report for the Properties.

SECTION 5.6 ACCESS AND INSPECTIONS. Somita shall permit representatives appointed by Royal Gold (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of Somita's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and Somita shall permit Royal Gold or its representatives to investigate and verify the accuracy of the information furnished to Royal Gold in connection with the Funding Documents and to discuss all such matters with its officers and, upon prior notice to Somita, its employees and representatives (so long as Somita's officers and other representatives are entitled to be present), provided that so long as no Event of Default has occurred that is continuing, Royal Gold shall provide reasonable advance notice to Somita. Royal Gold and such representatives shall maintain the confidentiality of all such information in accordance with
Section 8.6. For greater certainty, the fees and expenses of all professionals appointed by Royal Gold (except the Project Engineer) shall be for the account of Royal Gold.

SECTION 5.7 NOTICE OF MATERIAL EVENTS. Somita will promptly notify Royal Gold in writing, and in no event later than two (2) Business Days after any officer of Somita has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) any matter that could have a Material Adverse Effect;

(b) the occurrence of any Default,

(c) any default by Somita under any Funding Document or any indenture, mortgage, agreement, contract or other instrument to which it is a party or by which it or any of its properties is bound;

(d) any force majeure event affecting the Project;

(e) the filing of any suit or proceeding, or the assertion in writing of a claim against Somita or with respect to the Project;

(f) any decision to accelerate, expand or reduce the level of production beyond the levels outlined in the Development Plan; and

(g) any proposed material change in mining or processing methods with respect to the Project.

Upon the occurrence of any of the foregoing, Somita shall take all necessary or appropriate steps to remedy promptly any such Material Adverse Effect, Default, acceleration or default, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing.

SECTION 5.8 MAINTENANCE OF EXISTENCE AND QUALIFICATIONS. Each of Somita, HRG, International and Shareholder shall maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify could not have a Material Adverse Effect.

SECTION 5.9 PAYMENT OF TRADE LIABILITIES, TAXES, ETC. Somita shall (a) timely file all required tax returns including any extensions; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property before the same become delinquent; (c) pay before the same become delinquent all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with Canadian GAAP. Somita may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings, if necessary, and has set aside on its books adequate reserves therefor.

SECTION 5.10 INSURANCE.

(a) Somita shall, at its expense, obtain, maintain or cause to be maintained in effect insurance with respect to the Project insuring against liability for death of, or loss, injury or damage to, the person or property of others, and with respect to equipment or other assets being acquired for use in the Project as to which Somita has an insurable interest, against such hazards (including, without limitation, fire, lightning, collapse, wind and hail, explosion, smoke, aircraft and vehicles, riot, civil commotion, terrorism, vandalism, other extended coverage risks, marine cargo losses, flood and earthquake, environmental impairment liability and environmental remediation, and any other hazards to the extent that properties of a nature similar to those included in the Project and in the same or similar localities are usually insured), in such form (including the form of the loss payable clauses) as is normally considered to be covered under an "all risks" policy, and with such insurers as shall be selected by Somita and approved by Royal Gold (such approval not to be withheld unreasonably), such insurance to be in such amount as Somita would, in the prudent management of its property, maintain, or would be maintained by others similarly situated in respect of property similar to the Project; provided, however, that (i) the amount of such insurance with respect to the Project shall not at any time be less than the greater of the total cost of the construction and acquisition of the Project (other than the cost of the land underlying the Project) or $35,000,000; and (ii) such insurance shall be on a "no co-insurance/agreed-amount" basis.

(b) Somita shall carry workers' compensation insurance, disability benefits insurance, and such other form of insurance which Somita is required by law to provide, covering loss resulting from injury, sickness, disability, or death of the employees of Somita in such amounts as is customary in Burkina Faso in the gold mining business.

(c) Somita shall carry business interruption insurance covering risk of loss as a result of the cessation or material interruption of the business of Somita which insurance shall be in force once Somita has commenced operations.

(d) All insurance policies required hereby covering business interruption, loss or damage to the Project shall name Somita and Royal Gold as additional insureds as their interests may appear and, prior to achievement of Project Completion, shall provide that any payment thereunder for any loss or damage shall be made to Royal Gold and HRG jointly. Such proceeds shall be first used to pay $35,000,000 as advance payments of amounts payable under the Somita Assignments, and the remainder to Somita.

(e) All policies shall (i) be primary and non-contributory over any other insurance carried by or on behalf of Royal Gold; (ii) insure the interests of Royal Gold regardless of any breach or violation by Somita of warranties, declarations or conditions contained in such policies or any action or inaction of Somita or others; (iii) expressly provide that all provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group), shall operate in the same manner as if there were a separate policy covering each such insured; (iv) waive any right of subrogation of the insurers to any rights of Somita or Royal Gold in respect of any liability of Somita or Royal Gold and any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of Somita or Royal Gold; (v) provide that, if such insurance is canceled, terminated or materially changed for any reason whatsoever (other than non-payment of premium), the insurers will promptly notify Somita and Royal Gold in writing and any such cancellation, termination or change shall not be effective as to Somita or Royal Gold for 30 days after receipt of such notice, and appropriate certification shall be made to Somita and Royal Gold by each insurer with respect thereto; (vi) carry appropriate loss payee endorsements acceptable to Royal Gold; and (vii) provide, or each insurer shall agree with Royal Gold, that the insurer shall give Royal Gold 35 days' prior written notice of the expiration of insurance under such policy in accordance with its terms if Somita has failed by such time to pay any premium due in respect of the renewal of insurance under such policy.

(f) Somita shall cause the insurers with whom it maintains such insurance to agree to advise Somita and Royal Gold in writing promptly of any default in the payment of any premiums or any other act or omission on the part of Somita of which they have knowledge and which might invalidate or render unenforceable, in whole or in part, any such insurance.

(g) In the event Somita fails to take out or maintain the full insurance coverage required by this Agreement or fails to keep the Project in good order and repair and in as reasonably safe condition as its operations permit, Royal Gold, upon 30 days' written notice (unless the aforementioned insurance would lapse within such period in which event notice should be given as soon as reasonably possible) to Somita of any such failure on its part, may (but shall not be obligated to) take out the required policies of insurance and pay the premiums on the same, pay such taxes or other charges or complete the Project or make such repairs, renewals and replacements as may be necessary to maintain the Project in good order and repair and in as reasonably safe conditions as Somita's operations permit. All amounts so advanced therefor by Royal Gold shall become additional obligations of Somita to Royal Gold, and Somita will forthwith pay such amounts to Royal Gold, together with interest thereon at the annual rate of LIBOR plus 3.00% from the date so advanced.

SECTION 5.11 STUDIES, PROTOCOLS AND ACTION PLANS. On or before Project Completion, Somita shall conclude the existing studies, reports, protocols and action plans, all in form and substance reasonably satisfactory to Royal Gold, in the following areas:

(a) Social Action Plan. The Social Action Plan shall (i) address short and long term plans for meetings, interactions, training, etc. for local and indigenous people, including (A) meeting plans and logs of minutes of meetings and (B) indigenous sacred sites - impacts, access enhancement, and preservation; and (ii) plan to address issues identified to date, or evolving from meetings, including (A) a plan regarding compensation for relocation or removal of lands from farming and artisanal mining activities.

(b) Environmental Action Plan. The Environmental Action Plan shall consist of (i) hydrologic study, ground water chemical characteristics, local water supply impacts, including (A) dewatering, which shall include (1) water quality and (2) disposition (i.e., Where does this water go? What is the storage plan? What are the alternatives if water volume is too great?), and (B) local water supply impacts, which shall include (1) plans for monitoring and (2) plans for mitigation; (ii) threatened and endangered species, including (A) a statement of those potentially present, (B) impacts and (C) an action plan; (iii) chemical inventory action plan, including (A) transport policy, (B) storage policy and (C) containment facilities, and spill containment and response plans; (iv) waste rock and tailings characterization (acid-base accounting and kinetic leach characteristics) and impacts, including (A) a proactive plan to generate sufficient data (acid-base accounting and kinetic leach characterization) to address waste rock, tailings and abandoned pit lake issues; and (v) a concurrent reclamation plan.

(c) Closure Plan. The Closure Plan shall consist of (i) issue identification and mitigation plan, including (A) waste rock, tailings, pit lake and local water supply issues; and (ii) a closure cost estimate.

SECTION 5.12 GOVERNMENT APPROVALS AND NOTICES. Somita shall (i) obtain, and shall at all times maintain in full force and effect, all material registrations, declarations, filings, governmental consents, licenses, approvals, authorizations, and permits necessary for the performance by Somita of this Agreement and each of the other Funding Documents to which it is or will be a party, and (ii) undertake reasonable efforts to arrange for Royal Gold to receive from the Government and any Tribunal copies of all correspondence, notices, decrees, orders and other writings issued by the Government or any Tribunal to Somita or HRG regarding the Project or the Properties, but in any event, Somita shall send copies of such materials to Royal Gold promptly after receipt thereof.

SECTION 5.13 REFINING CONTRACTS. Upon Project Completion and during the entire term of the Somita Assignments, Somita shall maintain in full force and effect Refining Contracts with smelters and/or refiners reasonably acceptable to Royal Gold. Somita shall use its best efforts to cause such Refining Contracts to provide for, where possible, payment by the refiner and/or smelter directly to Royal Gold of amounts due under PP1, PP2, the Tail Royalty and the Milling Fee, in cash or, at Royal Gold's request and where possible, in kind.

SECTION 5.14 EVIDENCE OF COMPLIANCE. Each of Somita and HRG shall furnish to Royal Gold, at Somita's expense, all evidence that Royal Gold from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by each of Somita and HRG in the Funding Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

SECTION 5.15 FURTHER ASSURANCES. Somita shall, and shall cause HRG, International and Shareholder to, promptly cure any defects, errors or omissions in the execution and delivery of the Funding Documents and, upon notice, take such other action and immediately execute and deliver to Royal Gold all such other and further instruments as may be reasonably required or desired by Royal Gold from time to time in compliance with the covenants and agreements made in this Agreement and the other Funding Documents.

ARTICLE VI

NEGATIVE COVENANTS

To conform with the terms and conditions under which Royal Gold is willing to provide the Funding to Somita, and to induce Royal Gold to enter into this Agreement and provide the Funding hereunder, Somita covenants and agrees as follows, unless Royal Gold shall have previously agreed in writing otherwise:

SECTION 6.1 INDEBTEDNESS. Until Project Completion, Somita shall not in any manner owe or be liable for Indebtedness except:

(a) Indebtedness under the CAT Agreement not to exceed 6,200,000 Euros;

(b) Additional Indebtedness not to exceed one million dollars (US $1,000,000), which is incurred in the ordinary course of business; and

(c) Refinancings, renewals or extensions of any of the foregoing without any increase in the principal amount thereof.

SECTION 6.2 LIMITATION ON LIENS. Except for Permitted Liens, until satisfaction of the PP1 and PP2 Obligations, Somita shall not create, assume or permit to exist any material Lien, encumbrance or unsatisfied judgment upon any of the properties or assets which it now owns or hereafter acquires.

SECTION 6.3 PROJECT ABANDONMENT. Until satisfaction of the PP1 and PP2 Obligations, Somita shall not abandon the Project, which shall include, without limitation, suspension of construction, operation or maintenance of the Project, except for cessation of operations under care and maintenance.

SECTION 6.4 LIMITATION ON MERGERS, ISSUANCES OF SECURITIES. Until satisfaction of the PP1 and PP2 Obligations, Somita shall not (a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (b) acquire any business or property from, or capital stock of, or be a party to any acquisition of, any Person except for purchases of property to be sold or used in the ordinary course of business and Investments permitted under Section 6.7 hereof; or (c) issue any additional shares of its capital stock, membership or partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, interests or other securities; provided, however, that with respect to clause (c), Somita may make such issuances after Project Completion so long as the same could not result in a Change of Control.

SECTION 6.5 LIMITATION ON ASSET DISPOSITION. Until satisfaction of the PP1 and PP2 Obligations, Somita shall not sell, transfer, lease, exchange, alienate or dispose of any of its material assets or properties or any material interest therein, including any sale or other transfer or issuance of any equity interests of Somita (except as permitted pursuant to Section 6.4 above), or discount, sell, pledge or assign any notes payable to it, accounts receivable or future income, except:

(a) material assets or properties not to exceed five hundred thousand dollars (US $500,000) in the aggregate in any year, or a greater amount if the Project Engineer has agreed with Somita, acting reasonably, that such material assets above such $500,000 aggregate are not necessary for the Project;

(b) equipment which is worthless or obsolete or no longer necessary or useful to the proper conduct of its business or which is replaced by equipment of equal suitability and value; and

(c) assets, lands and permits that are unrelated to the Lands or the Project, in the ordinary course of business.

SECTION 6.6 LIMITATION ON DIVIDENDS AND REDEMPTIONS. Except as expressly provided in this Section 6.6, Somita will not declare, pay or make, whether in cash or other property, any Distribution on, or purchase, redeem or otherwise acquire for value, any of its capital stock. Notwithstanding the foregoing, Somita shall be entitled to make Distributions provided that at the time of making any such Distribution (i) it is current with respect its obligations under the PP1 and PP2 Obligations and the Conveyance of Tail Royalty and Grant of Milling Fee, (ii) there is no Default or Event of Default hereunder and (iii) the making of such Distribution will not cause a Default or Event of Default hereunder.

SECTION 6.7 LIMITATION ON INVESTMENTS AND NEW BUSINESSES. Until Project Completion, Somita shall not (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to the Project or other business of Somita as of the Closing Date, or (c) make any acquisitions of or capital contributions to or other Investments in any Person.

SECTION 6.8 TRANSACTIONS WITH AFFILIATES. Somita will not engage in any material transaction with any of its Affiliates on terms which are less favorable to it than those which would have been obtainable at the time in arm's-length dealing with Persons other than such Affiliates.

SECTION 6.9 CONTRACTS. Until satisfaction of the PP1 and PP2 Obligations, Somita shall not amend or permit any amendment to, or waiver or termination of, any material contract, agreement, permit or lease without the prior written consent of Royal Gold, which consent shall not be unreasonably withheld.

SECTION 6.10 NO SUBSIDIARIES. Until Project Completion, Somita shall neither form nor own any Subsidiaries.

SECTION 6.11 SATISFACTION OF CONDITIONS PRECEDENT. Somita shall use commercially reasonable best efforts to cause all of the conditions precedent set forth in Article III to be satisfied.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1 EVENTS OF DEFAULT. Each of the following events constitutes an Event of Default under this Agreement:

(a) Somita fails to pay any amounts earned under PP1 or PP2 or any other amount to be paid to Royal Gold when due and payable;

(b) The Project is abandoned prior to satisfaction of the Completion Test, the Completion Date has not occurred by August 31, 2007, or a Material Adverse Effect occurs;

(c) Any "default" or "event of default" occurs under any Funding Document which defines either such term, and the same is not remedied within the applicable period of grace (if any) provided in such Funding Document;

(d) Somita fails to duly observe, perform or comply with any covenant, agreement or provision of Article V or Article VI;

(e) Any of Somita, HRG, International or Shareholder fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Funding Document, and such failure remains unremedied for a period of fifteen (15) days after notice of such failure is given by Royal Gold to Somita;

(f) Any representation or warranty previously, presently or hereafter made in writing by any of Somita, HRG, International or Shareholder in connection with any Funding Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Funding Document or any material obligation thereunder at any time ceases to be valid, legal, binding and enforceable for any reason other than its release by Royal Gold, or any material agreement, concession, mining lease, approval or license relating to the Project is terminated, expropriated, suspended, revoked or varied;

(g) Somita shall default in the payment when due of any principal of or interest on any of its Indebtedness in excess of $100,000 in the aggregate (other than Indebtedness the validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves with respect thereto are maintained on the books of Somita in accordance with Canadian GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(h) Until satisfaction of the obligations of Somita with respect to payments under PP1 and PP2, (i) any Change of Control occurs, or (ii) any successor to Somita or HRG fails to assume all obligations and liabilities of Somita or HRG, as applicable;

(i) Until Project Completion, HRG or Somita fails to continue to employ Daniel Vanin in his current or similar position, provided HRG or Somita does not employ an individual to replace Daniel Vanin who is consented to by Royal Gold, acting reasonably;

(j) Either Somita or HRG, and, until Project Completion, either International or Shareholder:

(i) suffers the entry against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the Bankruptcy Code of any country, as from time to time amended, or has any such proceeding commenced against it which remains undismissed for a period of sixty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the Bankruptcy Code of any country, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally unable to pay (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets or the Shares in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in excess of $100,000, unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; provided, however, that any such judgment or order shall not be an Event of Default under this Section 7.1(j)(iv) if and for so long as the amount of such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment of such amount (less any portion of any deductible payable in respect of such judgment or order under such policy), as confirmed by Royal Gold; or

(v) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets or any part of the Project, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(k) One of the following events shall occur with respect to, or in connection with, the Project: (i) confiscation, expropriation, nationalization, (ii) cancellation of concession, (iii) selective discrimination, (iv) forced divestiture, (v) forced abandonment, (vi) export embargo, (vii) import embargo,
(viii) contingent currency inconvertibility and exchange transfer, and (ix) political violence including war on land;

(l) The security interest created granted under the Initial Pledge or the Pledge shall become invalid in any material respect or any obligation of Somita under any Funding Document shall become invalid in any material respect and, with respect to both of the foregoing, the same remains unremedied for 30 days after an executive officer of Somita has knowledge thereof, or the validity of such security interest or obligation shall be challenged by Somita in writing;

(m) The Taparko Mining Convention, the Bouroum Mining Convention, the Taparko Permit or the Bouroum Permit shall be amended or terminated without Royal Gold consent, or Somita shall violate any term of the Taparko Mining Convention, the Bouroum Mining Convention, the Taparko Permit or the Bouroum Permit that would result in the termination thereof or give the Government the right to terminate any thereof; or

(n) Any governmental authority condemns, nationalizes, seizes or otherwise expropriates any substantial portion of the assets or the capital stock of Somita or takes any other action that would prevent Somita from carrying on any material part of its business or operations.

SECTION 7.2 REMEDIES. If any Default shall occur and be continuing, Royal Gold may protect and enforce its rights under the Funding Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Funding Document, and Royal Gold may enforce the payment of any amounts due it or enforce any other legal or equitable right which it may have, including, without limitation, if Project Completion is not achieved by August 31, 2007, Royal Gold may elect in its sole and absolute discretion (a) to foreclose on the Shareholder's shares of Somita, or (b) require Somita to reimburse any and all of the Funding made by Royal Gold prior to such date. All rights, remedies and powers conferred upon Royal Gold under the Funding Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Funding Documents or at Law or in equity.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1 WAIVERS AND AMENDMENTS; ACKNOWLEDGMENTS.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by Royal Gold in exercising any right, power or remedy which Royal Gold may have under any of the Funding Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by Royal Gold of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Funding Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on Somita, HRG, International or Shareholder shall in any case of itself entitle such party to any other or further notice or demand in similar or other circumstances. This Agreement and the other Funding Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Funding Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Somita, HRG, International or Shareholder, by such party and (ii) if such party is Royal Gold, by Royal Gold.

(b) Acknowledgments and Admissions. Somita hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Funding Documents, (ii) it has made an independent decision to enter into this Agreement and the other Funding Documents, without reliance on any representation, warranty, covenant or undertaking by Royal Gold, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Funding Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by Royal Gold as to the Funding Documents except as expressly set out in this Agreement or in another Funding Document delivered on or after the date hereof, (iv) Royal Gold has no fiduciary obligation toward any of Somita, HRG, International or Shareholder with respect to any Funding Document or the transactions contemplated thereby, (v) no partnership or joint venture exists

with respect to the Funding Documents between Somita and Royal Gold, (vi) should an Event of Default or Default occur or exist, Royal Gold will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (vii) without limiting any of the foregoing, Somita is not relying upon any representation or covenant by Royal Gold, or any representative thereof, and no such representation or covenant has been made, that Royal Gold will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Funding Documents with respect to any such Event of Default or Default or any other provision of the Funding Documents, and
(viii) Royal Gold has relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Joint Acknowledgment. THIS AGREEMENT AND THE OTHER FUNDING DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

SECTION 8.2 SURVIVAL OF AGREEMENTS; CUMULATIVE NATURE. All of the various representations, warranties, covenants and agreements of each of Somita, HRG, International and Shareholder in the Funding Documents shall survive the execution and delivery of this Agreement and the other Funding Documents and the performance hereof and thereof. All statements and agreements contained in any certificate or other instrument delivered by an officer of any of Somita, HRG, International or Shareholder to Royal Gold under any Funding Document shall be deemed representations and warranties by such party or agreements and covenants of such party under this Agreement. The representations, warranties, indemnities, and covenants made by any of Somita, HRG, International or Shareholder in the Funding Documents, and the rights, powers, and privileges granted to Royal Gold in the Funding Documents, are cumulative, and, except for expressly specified waivers and consents, no Funding Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to Royal Gold of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Funding Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Funding Documents.

SECTION 8.3 NOTICES. All notices, requests, consents, demands and other communications required or permitted under any Funding Document shall be in writing, unless otherwise specifically provided in such Funding Document, and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, or by delivery service with proof of delivery, to any of the Parties at the address below (unless changed by similar notice in writing given by the particular Person whose address is to be changed):

To Royal Gold:

Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000 Denver, CO 80202
Attention: President
Facsimile: 303-595-9385

To Somita:

Somita SA

01 B.P. 2509 OUAGADOUGOU 01

1648 Boulevard Tansoba TAB-KOM,

Secteur 25
Burkina Faso
Attention: Directeur Generale
Facsimile: 226-50-358187

with a copy to HRG:

High River Gold Mines Ltd.
155 University Avenue
Suite 1700
Toronto, Ontario M5H 3B7
Attention: President
Facsimile: (416) 360-0010

with a copy to Cassels Brock & Blackwell LLP:

Cassels Brock & Blackwell LLP

2100 Scotia Plaza, 40 King Street W. Toronto, Ontario M5H 3C2
Attention: David Poynton
Facsimile: (416) 644-9348

Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile, upon receipt, or (c) in the case of other electronic transmission, upon acknowledgment of receipt by the recipient within twenty-four (24) hours of first attempted delivery; provided, however, that no Funding Request shall become effective until actually received by Royal Gold.

SECTION 8.4 PAYMENT OF EXPENSES; INDEMNITY.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Somita will promptly (and in any event, within thirty (30) days after any invoice or other statement or notice) pay: (i) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Funding Documents or any other document or transaction referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Royal Gold (including reasonable attorneys' fees, consultants' fees and engineering fees, travel costs, other costs related to its due diligence process and miscellaneous expenses) in connection with (A) the negotiation, preparation, execution and delivery of the Funding Documents, and any and all consents, waivers or other documents or instruments relating thereto, (B) the filing, recording, refiling and re-recording of any Funding Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Funding Document, (C) the due diligence with respect to the Project, (D) monitoring or confirming (or preparation or negotiation of any document related to) the compliance of any of Somita, HRG, International or Shareholder with any covenants or conditions contained in this Agreement or in any Funding Document, and (E) all reasonable costs and expenses incurred by or on behalf of Royal Gold (including without limitation attorneys' fees, consultants' fees and accounting fees) in connection with the preservation of any rights under the Funding Documents or the defense or enforcement of any of the Funding Documents (including this section), any attempt to cure any breach thereunder by Somita, or the defense of Royal Gold's exercise of its rights thereunder.

(B) INDEMNITY. SOMITA AGREES TO INDEMNIFY ROYAL GOLD, UPON DEMAND, FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, BROKER'S FEES, CLAIMS, LOSSES, DAMAGES, PENALTIES, FINES, ACTIONS, JUDGMENTS, SUITS, SETTLEMENTS, COSTS, EXPENSES OR DISBURSEMENTS (INCLUDING REASONABLE FEES OF ATTORNEYS, ACCOUNTANTS, EXPERTS AND ADVISORS) OF ANY KIND OR NATURE WHATSOEVER (IN THIS SECTION COLLECTIVELY CALLED "LIABILITIES AND COSTS") WHICH TO ANY EXTENT (IN WHOLE OR IN PART) MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST SUCH PARTY ARISING OR RESULTING FROM OR IN ANY OTHER WAY ASSOCIATED WITH THE PROJECT, THE FUNDING DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT OR DEFENSE THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN (WHETHER ARISING IN CONTRACT OR IN TORT OR OTHERWISE). AMONG OTHER THINGS, THE FOREGOING INDEMNIFICATION COVERS ALL LIABILITIES AND COSTS INCURRED BY ROYAL GOLD RELATED TO ANY BREACH OF A FUNDING DOCUMENT BY ANY OF SOMITA, HRG, INTERNATIONAL OR SHAREHOLDER, ANY BODILY INJURY TO ANY PERSON OR DAMAGE TO ANY PERSON'S PROPERTY.

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ROYAL GOLD,

provided only that Royal Gold shall not be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including any Somita or any Affiliate of Somita) ever alleges such gross negligence or willful misconduct by Royal Gold, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Royal Gold" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, agent, trustee, attorney, employee, representative and Affiliate of or for such Person.

SECTION 8.5 PARTIES IN INTEREST; ASSIGNMENTS.

(a) All grants, covenants and agreements contained in the Funding Documents shall bind and inure to the benefit of the parties thereto and their respective successors and assigns; provided, however, that, prior to Project Completion, neither Somita nor HRG shall assign or transfer any of its rights or delegate any of its duties or obligations under any Funding Document without the prior written consent of Royal Gold.

(b) Until the Maximum Amount under the Funding has been funded, but in no event later than December 31, 2006, Royal Gold shall not assign or transfer any of its rights or delegate any of its duties or obligations under any Funding Document without the prior written consent of Somita; provided, however, that, upon the occurrence of an Event of Default by Somita or High River under any Funding Document, Royal Gold shall have no restrictions on its assignment or transfer of the Funding Documents. In addition, Royal Gold agrees to notify Somita in the event Royal Gold decides to solicit third parties for the purpose of assigning or transferring any of its rights or delegating any of its duties or obligations under any Funding Document.

SECTION 8.6 CONFIDENTIALITY. Each of the Parties agrees to keep confidential any information furnished or made available to it by the other Party pursuant to this Agreement; provided that nothing herein shall prevent a Party from disclosing such information (a) to an Affiliate, or any officer, director, employee, agent, or advisor of an Affiliate, (b) to any other Person if reasonably incidental to the administration of the funding provided herein,
(c) as required by any Law, (d) upon the order of any court or administrative agency, (e) upon the request or demand of any Tribunal, (f) that is or becomes available to the public or that is or becomes available to such Party other than as a result of a disclosure by such Party prohibited by this Agreement, (g) in connection with any litigation to which such Party or any of its Affiliates may be a party, (h) to the extent necessary in connection with the exercise of any right or remedy under this Agreement or any other Funding Document, and (i) subject to provisions substantially similar to those contained in this section, to any actual or proposed participant or assignee or any actual or proposed contractual counterparty (or its advisors) to any securitization, hedge, or other derivative transaction relating to the parties' obligations hereunder. Any Person required to maintain the confidentiality of information described in this section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord to its own confidential information.

SECTION 8.7 GOVERNING LAW. Except with respect to any security or title matters, which shall be governed by the appropriate law and jurisdiction, the Funding Documents shall be deemed contracts and instruments made under the laws of the State of Colorado and shall be construed and enforced in accordance with and governed by the laws of the State of Colorado and the laws of the United States of America, without regard to principles of conflicts of law.

SECTION 8.8 LIMITATION ON INTEREST. Royal Gold and Somita intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Funding Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received by applicable Law from time to time in effect. Neither Somita nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully contracted for, charged, or received under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Funding Documents which may be in conflict or apparent conflict herewith.

SECTION 8.9 TERMINATION; LIMITED SURVIVAL. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by Somita or HRG in any Funding Document, and any obligations which any Person may have to indemnify or compensate Royal Gold shall survive any termination of this Agreement or any other Funding Document. At the request and expense of Somita, Royal Gold shall prepare and execute all necessary instruments to reflect and effect such termination of the Funding Documents.

SECTION 8.10 SEVERABILITY. If any term or provision of any Funding Document shall be determined to be illegal or unenforceable all other terms and provisions of the Funding Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

SECTION 8.11 COUNTERPARTS; FACSIMILE EXECUTION. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement. This Agreement and the Funding Documents may be validly executed and delivered by facsimile or other electronic transmission.

SECTION 8.12 DISPUTE RESOLUTION.

(a) Arbitration Conducted by International Chamber of Commerce. All disputes between the Parties (which for purposes of this Section 8.12 includes the Parties and their respective parents, affiliates and subsidiaries) that arise out of, relate to or are in connection with this Agreement or any related agreement, will be exclusively, finally and conclusively settled by binding international arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "ICC") then in effect (the "Rules"), except as specifically modified by this Agreement. The Parties shall continue to perform their respective obligations under this Agreement pending conclusion of any such arbitration.

(b) Initiation of Arbitration.

(i) Prior to initiating an arbitration proceeding with the ICC, the Parties shall negotiate in good faith to resolve the dispute. To that end, the Party wishing to initiate negotiations shall notify the other Party in writing about its intention to do so, including a brief summary of the disputed issue, its estimate of the amount in controversy, and suggesting a date and venue for a first meeting, at which the Parties shall be represented by officers duly empowered to resolve the dispute. In the event that the Parties are unable to resolve the dispute within a period of 15 days after commencement of such good faith negotiations, or upon agreement by the Parties to submit the dispute to arbitration, either Party may commence an arbitration proceeding by delivering a Request for Arbitration (the "Request for Arbitration") to the Secretariat of the ICC (the "Secretariat") in accordance with the terms of this Section 8.12 and the Rules.

(ii) For all disputes, the arbitration hereunder shall be by three independent and impartial arbitrators. Royal Gold and Somita shall each appoint one arbitrator within 30 days after the Request for Arbitration has been delivered to the Secretariat and the two arbitrators so appointed shall select a third arbitrator within 60 days after the Request for Arbitration has been delivered to the Secretariat. In the event that the Parties or the arbitrators fail to select arbitrators as required above, the ICC shall select such arbitrators in accordance with the terms of this Section 8.12.

(iii) Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms. Accordingly, notwithstanding the provisions of Section 8.12(b)(i), pending completion of arbitration pursuant to this Section 8.12, either Royal Gold or Somita shall have the right to seek a temporary restraining order, injunctive relief or other interim or provisional relief on the ground that such relief would otherwise be available at law or in equity. If any such relief is obtained, the arbitration panel will address the continuance, modification or termination of such relief and their order and any such decision regarding relief shall be binding on the Parties

(c) Arbitration Procedures.

(i) The arbitration shall be conducted in the English language in London, England or at such other location as the Parties may agree.

(ii) All disputes arising out of or in connection with this Agreement and relating to the Parties' rights and obligations in connection with this Agreement (including without limitation the validity of the agreement of the Parties to arbitrate, the arbitrability of the issues submitted to arbitration hereunder, the existence and validity of the Agreement, and any conflict of laws issues arising in connection with the Agreement or this agreement to arbitrate) shall be finally settled in accordance with the Rules. In addition, where the Rules are silent, the proceedings before the "Arbitral Tribunal" (as defined in the Rules) shall be governed by the procedural rules established by the Arbitral Tribunal.

(iii) The arbitration panel shall conduct a hearing no later than 90 days after delivery of the Request for Arbitration, and a decision shall be rendered by the arbitration panel within 30 days after the final hearing.

(iv) At the hearing, the Parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required but the Arbitral Tribunal shall consider any evidence and testimony that it determines to be relevant, in accordance with procedures that it determines to be appropriate.

(d) Arbitral Awards.

(i) The arbitration award shall be in writing and shall specify the factual and legal bases for the award.

(ii) Neither Royal Gold nor Somita shall be entitled to, and no award shall include any amount for, lost profits or revenues, lost business opportunities, business interruption, or punitive or exemplary damages for any claim arbitrated pursuant to this Section 8.12.

(iii) The arbitrators shall be entitled to a fee commensurate with their fees for professional services requiring similar time and effort. The fees of the arbitrators and other costs of the arbitration shall be borne equally by the Parties, except when the arbitrators decide to impose the total cost on the defeated Party.

(e) Enforcement. All decisions of the Arbitral Tribunal shall be final and binding on the Parties and may be entered against them in any court of competent jurisdiction. Any judgment rendered by the Arbitral Tribunal against a Party may be executed against such Party's assets in any jurisdiction where the Party has assets. Each of the Parties irrevocably submits to the non-exclusive jurisdiction of the appropriate courts in the State of Colorado in any legal action or proceeding relating to such execution of judgment.

(f) Limitations.

(i) Any dispute brought pursuant to the terms of this Section 8.12 must be brought within two years of the date that the Party aggrieved by the event or condition, or notice of such event or condition giving rise to the dispute becomes aware of the same.

(ii) This agreement to arbitrate shall survive the rescission or termination of this Agreement.

SECTION 8.13 SERVICE OF PROCESS. Service of process in any matter shall be made to Somita at the following address:

Somita SA

01 B.P. 2509 OUAGADOUGOU 01

1648 Boulevard Tansoba TAB-KOM,

Secteur 25
Burkina Faso
Attention: Directeur Generale
Facsimile: 226-50-358187

with a copy to Cassels Brock & Blackwell LLP:

Cassels Brock & Blackwell LLP

2100 Scotia Plaza, 40 King Street W. Toronto, Ontario M5H 3C2
Attention: David Poynton
Facsimile: (416) 644-9348

Somita agrees that service of process, writ, judgment, or other notice of legal process at the address above shall be (i) deemed and held in every respect to be effective personal service upon it, and (ii) deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, or by delivery service with proof of delivery. Somita shall maintain a presence at the address above (unless changed by similar notice in writing given by Somita) continuously at all times while Somita is obligated under this Agreement or any of the other Funding Documents. Nothing herein shall affect Royal Gold's right to serve process in any other manner permitted by applicable law.

SECTION 8.14 ENGLISH LANGUAGE. All documents to be furnished or communications to be given or made under this Agreement and each of the other Funding Documents to which Somita is a party shall be in the English language or, if in another language, shall be accompanied by a translation into English certified by a Responsible Officer of Somita, which translation shall be the governing version between Royal Gold and Somita; provided, however, that the foregoing shall not apply to (a) documents with or communications to or from the Government of Burkina Faso or (b) documents or communications to or with third parties in the ordinary course of Somita's business.

SECTION 8.15 TERMINATION OF AGREEMENT. This Agreement shall terminate and be of no further force and effect upon satisfaction of the PP1 and PP2 Obligations, provided that no Default shall then be continuing.

SECTION 8.16 GOOD FAITH AND FAIR DEALING. The Parties shall conduct their activities hereunder with respect to each other in accordance with principles of good faith and fair dealing.

[The remainder of this page is intentionally left blank.]

This Agreement is executed as of the date first written above.

SOCIETE DES MINES DE TAPARKO

By: /s/ David Mosher
David Mosher
Director

By: /s/ Daniel Vanin
Daniel Vanin
Director

ROYAL GOLD, INC.

By: /s/ Stanley Dempsey
Name: Stanley Dempsey
Title: CEO

[EXECUTION PAGE TO FUNDING AGREEMENT]

SCHEDULE III

COMPLETION TEST AND PROCESS

(1) COMPLETION TEST REQUIREMENTS

Satisfaction of the Completion Test by Somita shall require the following:

(a) The receipt and approval by Royal Gold of a certificate from the Project Engineer confirming its satisfaction (i) with the achievement of appropriate tests or completion of certain projects performed by Project contractors, and (ii) that the plant, equipment and related infrastructure have been completed and installed as described in the Development Plan (except that certain components may be sourced from other suppliers) and have been commissioned and (iii) that the plant is operating substantially in accordance with the Development Plan.

(b) Royal Gold shall have received documentation (i) that all construction costs have been paid in full, other than those of a non-material nature which are not yet due and payable and for which Somita has cash available, (ii) that the Project is free and clear of any lien, charge or encumbrance of any kind not permitted under the Funding Documents except for Permitted Liens, and that there are no other claims under the construction contracts, and (iii) including, without limitation, opinions of counsel of Somita, HRG, International and Shareholder, which legal opinions shall evidence the continuing perfection of liens, the enforceability of certain project agreements, continuing compliance with laws and regulations (including environmental compliance) and other legal matters.

(c) All Tribunal, regulatory and third party permits, licenses, consents and approvals necessary for continuous performance and operation of the Project are in full force and effect, except to the extent that absence thereof could not have a Material Adverse Effect in the judgment of Royal Gold, acting reasonably; provided that these documents may be written in French.

(d) Insurance required by this Agreement shall be in full force and effect as certified by Royal Gold's insurance advisor, acting reasonably. Security protocols and insurance coverage provisions for dore shipments to the refinery shall be in place.

(e) No Material Adverse Effect, nor any event or circumstance that could have a Material Adverse Effect, shall have occurred.

(f) No Default shall exist.

(g) Environmental, social and closure protocols, reasonably satisfactory to Royal Gold, as described in Section 5.11, are in place; provided that these documents may be written in French.

(h) Execution of material agreements in form and substance reasonably acceptable to Royal Gold including, without limitation, (i) refining agreements for the refining/sale of dore produced from the Project, (ii) agreements for supply of power, fuel, major reagents, explosives, carbon (activated), grinding media (or the identification of reasonable suppliers of the aforementioned items), and (iii) leases on any non-owned equipment.

(i) Sampling Equipment installed and performing

- Sampling protocols and nomograph developed

- Mass balance procedure established and practiced

(j) Consumables and spare parts inventory (based on scheduled replacement, and delivery times) adequate to support continued production under the Plan.

(k) Somita has all O&M manuals and manufacturers control documents in its possession.

(l) Somita operations reporting protocols to Royal Gold are in place

- Reporting template provided as Exhibit K

(m) Engineering and Management Processes developed and in practice (these documents may be written in French):

- Management authorization and separation of powers procedures

- Financial and accounting control procedures

- Safety and training procedures

- Security procedures

- Emergency response procedures

- Critical works procedures (critical to production and safety)

- Environmental and regulatory compliance procedures

- Reserve estimation and reconciliation protocol

- Mine production protocol (grade, tonnage, material tracking and balances)

- Mine and processing equipment maintenance program and schedule

- Grade control protocol (sampling, assay procedures, ore determination/definition and segregation)

- Metallurgical accounting protocol (grade, tonnage, recovery, water balance, solution and carbon sampling)

- Assay laboratory management and quality control program

- Metal accounting protocol (contained metal reconciliation, production, recovery, metals shipment)

(2) OPERATIONAL COMPLETION TEST; PROCESS AND SATISFACTION OF COMPLETION TEST

Satisfaction of the Completion Test by Somita shall also require the following:

(a) Issuance of a Construction Completion Certificate (Practical Completion as defined in the Process Plant contract) by the Project Engineer is a prerequisite to initiation of the Operational Completion Test outlined below. The Construction Completion Certificate is issued upon successful demonstration that all components necessary to production as outlined in the Development Plan are installed and in working order.

(b) The Operational Completion Test requires that the following minimum or other indicated operating levels, expressed as a percentage of the rates indicated in the Development Plan, or other accomplishments, are achieved throughout a continuous ninety (90) day operating period following issuance of the Construction Completion Certificate, with a start date announced by written notice by Somita to Royal Gold in advance of commencing the Operational Completion Test:

	Percent of the Plan	Plan Rate
MINING RATE		
- Waste mining	100%	TBD*
- Ore mining	100%	83,333 tpm**

* The mining Plan Rate is calculated using the ore mining rate of 1,000,000 tonnes per year.

CRUSHING/MILLING RATE, each	>90%	125 tph***
- Includes separate test of tooth roll crusher circuit		
- 20 day continuous test	100%	Design Rate
- Total milling, over at least 20 days	100%	125 tph
- Crushed product size	100%	100%<250 mm
- Milled product	100%	80%<75 microns

* Crushing and milling rates and other specifications are taken from the MDM LSTK Contract dated July 2005. The crusher circuit test will incorporate expected routine throughput from the tooth roll crusher to ensure performance adequate to process saprolite ores at a rate consistent with the Plan, and complementary to oxide ores processed through the crushing circuit.

PLANT RECOVERY OF GOLD	>95%	96%

- Includes detail of both gravity and CIL circuits The Plan Rate is taken from the Plan for the first year expected recovery rate.

HEAD GOLD GRADES	>90%, <110%	TBD

- The plan grade will be taken from the Development Plan for the period of the Completion Test, and will be agreed prior to initiation of the Completion Test.

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* To be determined by reference to the details of the Development Plan prior to initiation of the Completion Test and by mutual agreement between Somita and Royal Gold.

** tonnes per month

*** tonnes per hour

METAL PRODUCTION - RECOVERED	>83%	TBD

- The Plan Rate will be taken from the Development Plan for the period of the Completion Test, and will be agreed prior to initiation of the Completion Test.

RECONCILIATION OF TONNES & GRADE OF RESERVE DEPLETED, AND SUPPORTS THE PLAN	>90%

(c) Somita shall give notice to Royal Gold of commencement of the ninety
(90) day period for operational completion testing for the Project, as contemplated in (1)(a) above, and up to a thirty (30) day period thereafter for receipt and review of results. The Operational Completion Test shall be as set out above and, for certainty, shall not include any financial tests. The Operational Completion Test results shall be summarized in a second notice to Royal Gold, and to the Project Engineer, which shall, if applicable, also state Somita's conclusion as to attainment of the Completion Test (the "Completion Test Notice").

Upon receipt of the Completion Test Notice, the Project Engineer shall have thirty (30) calendar days to either, by notice in writing to Somita:

(i) confirm Somita's conclusion as to attainment of the Completion Test; or

(ii) dispute such conclusion, giving the reasons therefor in writing.

A failure by the Project Engineer to provide either such notice within the thirty (30) day period shall be deemed confirmation of Somita's conclusion.

(d) If the Completion Test Notice is so confirmed by the Project Engineer, and Somita and HRG shall have, by certificate or otherwise, demonstrated satisfaction with all remaining points (1)(b) through (1)(m) above, Royal Gold shall relieve Shareholder of its pledge of its shareholding in Somita (90% of the outstanding shares) and International of its pledge of its shareholding in Shareholder, and all obligations of HRG, Shareholder and International to Royal Gold under this or any other document or understanding in connection with the Project shall absolutely cease and terminate, but only to the extent set forth in such document or understanding, and all security documents from such parties shall be released, but only to the extent set forth in such document (with Royal Gold filing such discharges, releases or other like documentation as may be necessary or desirable, and all as reasonably requested by High River).

(e) If the Completion Test Notice is disputed by the Project Engineer, High River and the Project Engineer shall make immediate arrangements to meet to discuss, in bona fide good-faith manner, the reasons for the Project Engineer's dispute, and the plan to address such concerns, and then undertake a second Completion Test process, which shall be conducted on a basis mutatis mutandis with the process set out above. As a result of such discussions between Somita and the Project Engineer, Somita shall, not later than fourteen (14) calendar days after written notice from Royal Gold providing details of such failure, submit a detailed proposal covering the equipment replacement addition, repairs, remedial work, alterations or additions (collectively the "Remedial Work") that Somita believes are necessary to enable achievement and satisfaction of the Completion Test. Following Royal Gold review of and comment on the proposal, the parties shall agree to a reasonable test period, following completion of the Remedial Work at Somita's expense, to determine satisfaction of the Completion Test. If Somita and the Project Engineer are not able to agree upon such further process within thirty (30) days of the Project Engineer's dispute of Somita's conclusion as to the Completion Test, or otherwise as to Project Completion, either party may immediately initiate arbitration proceedings in respect of the dispute in accordance with Section 8.12 of the Agreement.

SCHEDULE V

TRANCHE FUNDING SCHEDULE

Funding of the Royal Gold financing of the Taparko Bouroum project will occur based upon anticipated expenditures, and progress achieved.

The initial funding by Royal Gold will be $6,414,000 and will be paid to Somita for repayment of intercompany loans made by HRG to Somita prior to the funding date.

Monthly funding requests will be presented to Royal Gold in the format shown in Exhibit E - Form of Funding Request. These funding requests will be based upon the anticipated expenditures for the upcoming month for the Project development as outlined on the spreadsheet attached hereto. The funding requests will be reviewed and certified by the Project Engineer.

Upon reaching the cumulative funding amounts related to total Project percent progress ("Milestone Progress" in the table on the following page), Somita and the Project Engineer will together review the overall progress of the Project, and verify that the expected progress for the level of funding has been achieved. The milestone achievement will be confirmed or rejected by the Project Engineer using the Project Engineer Certificate shown in Exhibit F - Form of Project Engineer Certificate.

If the overall Project progress is at the level anticipated relative to the cumulative funding amounts shown in the table below, payments of funding requests will continue. If the progress of the overall Project is lagging the anticipated progress figures in the table below, payments by Royal Gold will be suspended until overall Project progress has achieved the corresponding level expected.

TRANCHE FUNDING SCHEDULE

MILESTONE PROGRESS	CUMULATIVE PROGRESS*	EXPECTED FUNDING**	CUMULATIVE AMOUNT	ANTICIPATED DATE	YEAR
INITIAL	15%	$6,414,000	$ 6,414,000	November	2005
	17%	$1,200,000	$ 7,614,000	November	2005
	19%	$ 180,000	$ 7,794,000	December	2005
20%***	25%	$4,257,000	$12,051,000	January	2006
	32%	$4,528,000	$16,579,000	February	2006
	39%	$1,639,000	$18,218,000	March	2006
40%	49%	$3,465,000	$21,683,000	April	2006
	58%	$2,251,000	$23,934,000	May	2006
60%	68%	$3,999,000	$27,933,000	June	2006
	78%	$1,115,000	$29,048,000	July	2006
	87%	$2,394,000	$31,442,000	August	2006
90%	94%	$1,352,000	$32,794,000	September	2006
	97%	$1,100,000	$33,894,000	October	2006
	99%	$1,106,000	$35,000,000	November	2006
100%	100%	$ 0	$35,000,000	December	2006

* End of month progress

** Expenditure expectation for the month

*** 20% Completion Certificate required before approval of February funding request and similarly for each Milestone indicated

EXHIBIT D-1

CONVEYANCE OF PRODUCTION PAYMENTS
(PP1 AND PP2)

This CONVEYANCE OF PRODUCTION PAYMENTS (this "Conveyance"), dated as of ___________, 200__ (the "Effective Date"), is from SOCIETE DES MINES DE TAPARKO, also known as SOMITA, SA, a societe anonyme formed under the laws of the Republic of Burkina Faso ("Grantor") to ROYAL GOLD, INC., a corporation formed under the laws of Delaware, USA. ("Grantee").

RECITALS

A. Grantor and Grantee have entered into a Funding Agreement dated as of ______________, 2005 (the "Funding Agreement"), pursuant to which Grantee has agreed to provide Grantor funding in the amount of U.S. $35,000,000 to be used in the development of the Taparko - Bouroum Project (defined below) in Burkina Faso.

B. As consideration for such funding, Grantor has agreed to grant to Grantee, among other things, certain production payments relating to the Taparko
- Bouroum Project, as more specifically described herein.

AGREEMENT

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee agree as follows:

ARTICLE I

DEFINITIONS AND REFERENCES

1.1 General Definitions. As used herein the terms "Conveyance," "Grantor" and "Grantee" shall have the meanings ascribed thereto above, and the following terms shall have the following meanings:

"Average Gold Price" means, for any calendar month, the average daily P.M. price fixed for gold by the London Bullion Association as reported in the Wall Street Journal or any other agreed-upon successor publication for the applicable calendar month; provided. however, that for the purposes of calculating PP2, in no event shall the Average Gold Price exceed $1000 per ounce.

"Bouroum Lands" means all of the land included in the Bouroum Permit, being approximately 11.7 square kilometers, which land is more particularly described in Schedule A attached hereto.

"Bouroum Permit" means Decree No. 2005-342/PRES/PM/MCE/MFB issued by the Government of the Republic of Burkina Faso on June 21, 2005, a copy of which is attached hereto as Schedule A.

"Funding Agreement" has the meaning set forth in Recital A.

"Grantor's Account" means Grantor's metals account at Royal Bank of Canada Channel Islands, or such other metals account as Grantor may hereafter establish.

"Lands" means the Bouroum Lands and the Taparko Lands.

"Month" means a calendar month.

"PP1" has the meaning set forth in Section 2.1(a) below.

"PP2" has the meaning set forth in Section 2.2(b) below.

"PP2 Production Payment Rate" means the rate, expressed as a percentage, calculated as follows:

(a) when the Average Gold Price for such Month is $430 per ounce or more, the Average Gold Price for such Month divided by 100 (e.g., a $440 gold price divided by 100 = 4.4%);

(b) when the Average Gold Price for such Month is $385 per ounce or less, the Average Gold Price for such Month divided by 90; and

(c) when the Average Gold Price for such month is between $385 and $430 per ounce, 4.3%.

"Planned Recoverable Ounces" means 804,420 troy ounces of gold.

"Production Payments" shall have the meaning given such term in Section 2.1 hereof.

"Taparko - Bouroum Project" means development and exploitation of the Taparko Lands and the Bouroum Lands for production of gold and associated precious metals, including construction of a mine, support facilities and the Taparko Processing Facility.

"Taparko Lands" means that portion of the land included in the Taparko Permit that is more particularly described in Schedule B hereto, being approximately 34.7 square kilometers out of the total 666.5 square kilometers included in such permit.

"Taparko Permit" means Decree No. 2004-329/PRES/PM/MCE/MFB/MEDE/MECV issued by the Government of the Republic of Burkina Faso on August 6, 2004, a copy of which is attached hereto as Schedule B.

"Taparko Processing Facility" means the CIL processing facility to be constructed by Grantor on or adjacent to the Taparko Lands, capable of milling and processing at least 1,000,000 tonnes of ore per year.

"Through-Put Production" means all production processed through the Taparko Processing Facility, whether or not the same was mined from the Taparko Lands or the Bouroum Lands.

1.2 Exhibits. All Exhibits attached to this Conveyance are part hereof for all purposes.

1.3 References and Titles. All references in this Conveyance to Exhibits, Articles, Sections, Subsections, and other subdivisions refer to the Exhibits, Articles, Sections, Subsections and other subdivisions of this Conveyance unless expressly provided otherwise. Titles and headings appearing at the beginning of any subdivision are for convenience only and do not constitute any part of any such subdivision and shall be disregarded in construing the language contained in this Conveyance. The words "this Conveyance," "herein," "hereby," "hereunder" and words of similar import refer to this Conveyance as a whole and not to any particular subdivision unless expressly so limited. The phrases "this Section" and "this Subsection" and similar phrases refer only to the Sections or Subsections hereof in which the phrase occurs. The word "or" is not exclusive. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender. Words in the singular form shall be construed to include the plural and words in the plural form shall be construed to include the singular, unless the context otherwise requires.

ARTICLE II

CONVEYANCE

2.1 Conveyance. Subject to the limitations set forth in this Article II, Grantor hereby grants, bargains, sells, conveys, assigns, sets over and delivers unto Grantee, as production payments, the following (each, a "Production Payment" and collectively, the "Production Payments"):

(a) A fifteen percent (15%) production payment in and to all gold contained in the Through-Put Production, such production payment to be calculated as follows: (i) the total troy ounces of gold contained in Through-Put Production that are outturned to Grantor's Account during a given Month as reported by the applicable metal refinery, times (ii) the Average Gold Price for such Month, times (iii) fifteen percent (15%) (the foregoing production payment is hereinafter called "PP1"); and

(b) A variable rate production payment in and to all gold contained in the Through-Put Production, such production payment to be calculated as follows:
(i) the total troy ounces of gold contained in Through-Put Production that are outturned to Grantor's Account during a given Month as reported by the applicable metal refinery, times (ii) the Average Gold Price for such Month, times (iii) the PP2 Production Payment Rate (the foregoing production payment is hereinafter called "PP2").

To have and to hold the Production Payments unto Grantee, its successors and assigns forever, subject to the terms, provisions and conditions contained in this Conveyance.

2.2 Limitations and Termination.

(a) PP1 shall remain in full force and effect until the earlier of (i) payments made to Grantee under PP1 equaling US $35,000,000 (which, for greater certainty, shall include payments on account of withholdings if and to the extent required by applicable law, and all other applicable taxes) or (ii) the amount of the Through-Put Production is equal to or greater than the Planned Recoverable Ounces, and Grantor has made all payments under PP1 required to be made with respect thereto.

(b) PP2 shall remain in full force and effect until the termination of PP1.

(c) Upon termination of the Production Payments as above provided, all rights, titles and interests herein conveyed by Grantor shall automatically terminate and vest in Grantor and, upon request of Grantor, Grantee shall execute and deliver such instrument or instruments as may be necessary to evidence the termination of the Production Payments.

2.3 Limitation on Recourse. Grantee shall look solely to the Lands and, with respect to production from lands other than the Lands, the Through-Put Production, for satisfaction and discharge of the Production Payments, and Grantor shall not be personally liable for the payment and discharge thereof.

2.4 Non-Operating, Non-Expense-Bearing Interests. The Production Payments conveyed hereby are non-operating, non-expense-bearing interests in and to production from the Lands and the Through-Put Production from lands other than the Lands, limited as set forth above, free of all cost and expense of production, operations, milling, smelting, refining and delivery prior to being outturned at Grantor's Account. In no event shall Grantee ever be liable or responsible in any way for payment of any costs, expenses or liabilities attributable to the Taparko - Bouroum Project (or any part thereof) or incurred in connection with the production, operations, milling, smelting, refining and delivery of Through-Put Production prior to being outturned at Grantor's Account.

2.5 Free of Royalties and Other Burdens. The Production Payments shall be free of (and without deduction therefrom of) any and all royalties and other burdens on production and shall bear no part of same; and Grantor shall defend, indemnify and hold Grantee harmless from and against any loss or claim with respect to any such royalties and other burdens on production or any claim by the owners or holders of such royalties and other burdens on production. For greater certainty, all Production Payments made hereunder shall be net of any withholdings or other amounts, if and to the extent required by applicable law, in respect of applicable taxes thereon.

ARTICLE III

PAYMENT PROCEDURES; REPORTS

3.1 Payments of Production Payments. Payments of the Production Payments shall be made on a calendar quarter basis, within ten (10) business days after the end of each calendar quarter, by check or wire transfer, at the election of Grantee, to the address set forth in Section 5.2. The amount of each payment shall be equal to the sum of the monthly amounts due for each Month during such calendar quarter. All payments shall be accompanied by statements that describe in reasonable detail the basis of calculation of the amounts paid under the Production Payments.

3.2 Financial Reports. Subject to the confidentiality requirements of Section 4.4, Grantee shall have the right to be supplied monthly with duplicate settlement sheets from any refinery, mill, smelter or other purchaser of Through-Put Production, whether or not Through-Put Production has been sold, and shall contain sufficient information as to the value, pricing and amounts of intermediate product and final product sold for Grantor's account so that Grantee will have access to all information and data that are reasonably necessary and appropriate for it to determine the amount of Production Payments due it under this Conveyance.

3.3 Objection, Finality of Payments. Grantee, at its sole election and expense, shall have the right to perform, not more frequently than once annually following the close of each calendar year, an audit by any authorized representative of Grantee of Grantor's accounts relating to the Production Payments. Any such inspection shall be for a reasonable length of time during regular business hours, at a mutually convenient time, upon at least ten (10) business days' prior written notice by Grantee. All payments of Production Payments made in any calendar year shall be considered final and in full accord and satisfaction of all obligations of Grantor, unless Grantee gives written notice describing and setting forth a specific objection to the calculation thereof within one (1) year following the end of that calendar year. Grantor shall account for any agreed upon deficit or excess in payments of Production Payments made to Grantee by adjusting the next monthly statement and payment following completion of such audit to account for such deficit or excess.

ARTICLE IV

ADDITIONAL RIGHTS, OBLIGATIONS AND COVENANTS OF THE PARTIES

4.1 Commingling of Production. Subject to the limitations, conditions and requirements of this Section 4.1, Grantor shall have the right to mix or commingle, either underground, at the surface, or at a processing plant or any other treatment facilities, any production from the Lands with ores or material derived from other lands or properties whether or not owned, leased or controlled by Grantor. Before commingling, Grantor shall weigh, measure, sample and analyze the respective ores and materials in accordance with sound mining and metallurgical practices such that the amount of gold recovered from the Lands can be reasonably and accurately determined. As products are produced from the commingled ores, Grantor shall calculate from representative samples the average percentage recovery of products produced from the commingled ores during each month. In obtaining representative samples and calculating the average grade of commingled ores and average percentage of recovery, Grantor may use procedures that are in accordance with best practices in the mining and metallurgical industry. The records relating to commingled ores shall be made available for inspection by Grantee, at Grantee's sole expense, at all reasonable times and shall be retained by Grantor for a period of one (1) year after the calendar year in which the commingling occurred. Notwithstanding the foregoing provisions of this Section 4.1, Grantor shall not commingle production from the Lands with ores or minerals derived from other lands or properties if such commingling has a reasonable likelihood of reducing the recovery rate of metals from the Lands below what the recovery rate would have been without commingling. Any disputes concerning commingling procedures or results or the applicability of the prohibition in the preceding sentence shall be resolved pursuant to the procedure set forth in Section 5.9.

4.2 Geological and Other Data and Reports. From and after the date of execution of this Conveyance, Grantor shall deliver to Grantee not less frequently that quarterly, or otherwise shall make available, the following data and information relating to operations conducted on or for the benefit of the Lands and with respect to the Taparko Processing Facility:

(a) The monthly operations and exploration report prepared by Grantor for operations on the Lands and with respect the Taparko Processing Facility;

(b) The annual reserve report for the Lands prepared by Grantor, along with any updates, as and when any of the same have been finalized and approved by Grantor;

(c) Grantor's life of mine plan relating to the Taparko - Bouroum Project;

(d) The annual plan and budget prepared by Grantor relating to the Taparko - Bouroum Project and any amendments thereto, as and when any of the same have been finalized and approved by Grantor; and

(e) Any additional material engineering or economic studies or analyses prepared by Grantor and relating to the Lands and the Taparko - Bouroum Project as and when any of the same have been finalized and approved by Grantor.

4.3 Inspection. Grantee and its authorized agents who are experienced in mining operations, at Grantee's sole risk and expense, shall have the right, exercisable at reasonable intervals and during regular business hours, at a mutually convenient time, and in a reasonable manner conforming to Grantor's safety rules and regulations and so as not to interfere with Grantor's operations, to go upon the Lands and the premises of the Taparko Processing Facility for the purposes of inspecting same. Grantee shall furnish Grantor with prior written notice of the time and place of any inspection by Grantee pursuant to this Section 4.3. Grantee shall defend, indemnify and hold Grantor harmless from and against all costs incurred (including reasonable attorneys' fees and the costs of defending any such claims) based on claims for damages, including injury or damage to other persons or property, arising out of any death, personal injury or property damage sustained by Grantee, its agents or employees, while in or upon the Properties, unless such death, injury or damage results from Grantor's gross negligence or willful misconduct.

4.4 Confidentiality. Grantee shall not, without the prior written consent of Grantor, disclose to any third party (excluding, however, any representative, affiliate, agent, consultant or contractor of Grantee who has a bona fide need to be informed) any information concerning

operations, including exploration, on the Properties which is not generally available to the public; provided, however, that upon not less than five (5) days' prior written notice to Grantor setting forth the nature and content of the proposed disclosure, Grantee may disclose information or data pertaining to the Lands, the Taparko - Bouroum Project and the Taparko Processing Facility to:
(a) any third party to whom Grantee in good faith anticipates selling or assigning all or a part of its interest hereunder, or (b) any lender or underwriter from whom Grantee is seeking to obtain funds. Grantee shall require those parties to keep the information so provided confidential. If either Grantor or Grantee determines in good faith that a disclosure is required for compliance with applicable laws, rules, regulations or orders of any government agency or stock exchange having jurisdiction, that party shall provide as much prior notice to the other party of the nature and contents of the proposed disclosure, for the review and comment of the other party, as is reasonably possible under the circumstances.

4.5 No Abandonment of Properties. Until satisfaction of the Production Payments, Grantor shall not abandon the Taparko - Bouroum Project, which shall include, without limitation, suspension of construction, operation of maintenance of the Taparko - Bouroum Project, except for cessation of operations under care and maintenance.

4.6 Processing of Ore from the Lands. Grantor hereby covenants and agrees with Grantee that all ore produced from the Lands shall be processed in the Taparko Processing Facility.

4.7 Refining Contracts. Grantor hereby covenants and agrees with Grantee that during the entire term of this Conveyance, Grantor shall maintain in full force and effect refining contracts with smelter and/or refiners reasonably acceptable to Grantee, and Grantor shall use its best efforts to cause such refining contracts to provide for, where possible, payment by the refiner and/or smelter directly to Grantee of amounts due hereunder (i) in cash or, (ii) upon request by Grantee and if not prohibited by applicable law, in kind.

ARTICLE V

GENERAL PROVISIONS

5.1 Assignment. After Completion (as defined in the Funding Agreement) of the Taparko - Bouroum Project, either party may assign its interests under this Conveyance freely, in whole or in part; provided, however, that any transfer or conveyance by either party of any interest in the Production Payments or in the Lands or the Taparko Processing Facility shall be expressly made subject to, and the assignee or transferee shall commit in writing to be bound by, all of the terms and conditions and covenants of this Conveyance.

5.2 Notices. Any notice, election, report or other correspondence required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, or by delivery service with proof of delivery, to each of the parties at its address below (unless changed by similar notice in writing given by the party whose address is to be changed):

If to Grantor:

Somita SA
01 B.P. 2509 OUAGADOUGOU 01
1648 Boulevard Tansoba TAB-KOM,

Secteur 25
Burkina Faso
Attention: Directeur Generale Facsimile: 226-50-358187

with a copy to Cassels Brock & Blackwell LLP:

Cassels Brock & Blackwell LLP

2100 Scotia Plaza, 40 King Street W.

Toronto, Ontario M5H 3C2

Attention: David Poynton Facsimile: (416) 644-9348

If to Grantee:

Royal Gold, Inc.

1660 Wynkoop St.
Suite 1000
Denver, Colorado 80202-1132 Attention: President
Facsimile Number: 303-595-9385

Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile, upon receipt, or (c) in the case of other electronic transmission, upon acknowledgment of receipt by the recipient within twenty-four (24) hours of first attempted delivery.

5.3 Amendments and Waiver. No modifications or waivers of the terms and conditions of this Conveyance shall be binding upon either party unless in writing, dated subsequent to the date of this Conveyance, and executed by an authorized representative of each party. No waiver by either party of a breach of any of the provisions of this Conveyance shall be construed as a waiver of any subsequent breach, whether of the same or of a different character.

5.4 Relationship of the Parties. The relationship of the parties hereto is contractual only. The Production Payments shall not grant to Grantee any rights to participate or influence management or decision-making regarding operations on the Lands, Taparko - Bouroum Project or the Taparko Processing Facility, nor shall it obligate the Grantee to assume any responsibilities for costs of Grantor's operations on the Lands, Taparko - Bouroum Project or the Taparko Processing Facility or any liabilities resulting therefrom.

5.5 Further Instruments. The parties hereto agree that they will execute any and all instruments as may be necessary or required to carry out and effectuate any and all of the provisions of this Conveyance.

5.6 Binding Effect. This Conveyance shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

5.7 Continuation and Priority. The Production Payments granted to Grantee by this Conveyance shall continue for so long as Grantor, its successors and assigns retain any interest in the Lands, Taparko - Bouroum Project or the Taparko Processing Facility. These Production Payments shall have priority over, and in no event shall be subordinated to, any project or other financing that Grantor may obtain with respect to the Lands, Taparko - Bouroum Project or the Taparko Processing Facility after the Effective Date of this Conveyance, unless Grantee specifically so provides in writing. Grantee's rights to payments under the Production Payments shall not be subordinated to any other person or source by Grantor or any related party, except for statutory liens for amounts not yet due and payable and liens imposed by the Mining Convention applicable to the Lands or governing law to the extent not yet due and payable.

5.8 Governing Law. Without regard to principles of conflicts of law, this Conveyance is made under and shall be interpreted and enforced in accordance with the laws of the State of Colorado applicable to contracts made and to be performed entirely within such state and the laws of the United States of America, except that, to the extent that the law of the jurisdiction in which the real property is located (or which is otherwise applicable to the real property) necessarily governs with respect to procedural and substantive matters relating to the creation and enforcement of the interests created herein, the law of such other jurisdiction shall apply.

5.9 Arbitration Conducted by International Chamber of Commerce. All disputes between the parties hereto (which for purposes of this Section 5.9 includes Grantor and Grantee and their respective parents, affiliates and subsidiaries) that arise out of, relate to or are in connection with this Agreement or any related agreement, will be exclusively, finally and conclusively settled by binding international arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "ICC") then in effect (the "Rules"), except as specifically modified by this Agreement. The Parties shall continue to perform their respective obligations under this Agreement pending conclusion of any such arbitration.

(a) Initiation of Arbitration.

(i) Prior to initiating an arbitration proceeding with the ICC, the parties shall negotiate in good faith to resolve the dispute. To that end, the party wishing to initiate negotiations shall notify the other party in writing about its intention to do so, including a brief summary of the disputed issue, its estimate of the amount in controversy, and suggesting a date and venue for a first meeting, at which the parties shall be represented by officers duly empowered to resolve the dispute. In the event that the parties are unable to resolve the dispute within a period of 15 days after commencement of such good faith negotiations, or upon agreement by the parties to submit the dispute to arbitration, either party may commence an arbitration proceeding by delivering a Request for Arbitration (the "Request for Arbitration") to the Secretariat of the ICC (the "Secretariat") in accordance with the terms of this Section 5.9 and the Rules.

(ii) For all disputes, the arbitration hereunder shall be by three independent and impartial arbitrators. Grantor and Grantee shall each appoint one arbitrator within 30 days after the Request for Arbitration has been delivered to the Secretariat and the two arbitrators so appointed shall select a third arbitrator within 60 days after the Request for Arbitration has been delivered to the Secretariat. In the event that the parties or the arbitrators fail to select arbitrators as required above, the ICC shall select such arbitrators in accordance with the terms of this Section 5.9.

(iii) Each of the parties acknowledges and agrees that the other party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms. Accordingly, notwithstanding the provisions of Section 5.9(a)(i), pending completion of arbitration pursuant to this Section 5.9, either Grantor or Grantee shall have the right to seek a temporary restraining order, injunctive relief or other interim or provisional relief on the ground that such relief would otherwise be available at law or in equity. If any such relief is obtained, the arbitration panel will address the continuance, modification or termination of such relief and their order and any such decision regarding relief shall be binding on the parties

(b) Arbitration Procedures.

(i) The arbitration shall be conducted in the English language in London, England or at such other location as the parties may agree.

(ii) All disputes arising out of or in connection with this Agreement and relating to the Parties' rights and obligations in connection with this Agreement (including without limitation the validity of the agreement of the parties to arbitrate, the arbitrability of the issues submitted to arbitration hereunder, the existence and validity of the Agreement, and any conflict of laws issues arising in connection with the Agreement or this agreement to arbitrate) shall be finally settled in accordance with the Rules. In addition, where the Rules are silent, the proceedings before the "Arbitral Tribunal" (as defined in the Rules) shall be governed by the procedural rules established by the Arbitral Tribunal.

(iii) The arbitration panel shall conduct a hearing no later than 90 days after delivery of the Request for Arbitration, and a decision shall be rendered by the arbitration panel within 30 days after the final hearing.

(iv) At the hearing, the parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required but the Arbitral Tribunal shall consider any evidence and testimony that it determines to be relevant, in accordance with procedures that it determines to be appropriate.

(c) Arbitral Awards.

(i) The arbitration award shall be in writing and shall specify the factual and legal bases for the award.

(ii) Neither Grantor nor Grantee shall be entitled to, and no award shall include any amount for, lost profits or revenues, lost business opportunities, business interruption, or punitive or exemplary damages for any claim arbitrated pursuant to this Section 5.9.

(iii) The arbitrators shall be entitled to a fee commensurate with their fees for professional services requiring similar time and effort. The fees of the arbitrators and other costs of the arbitration shall be borne equally by the parties, except when the arbitrators decide to impose the total cost on the defeated party.

(c) Enforcement. All decisions of the Arbitral Tribunal shall be final and binding on the parties and may be entered against them in any court of competent jurisdiction. Any judgment rendered by the Arbitral Tribunal against a party may be executed against such party's assets in any jurisdiction where the party has assets. Each of the parties irrevocably submits to the non-exclusive jurisdiction of the appropriate courts in the State of Colorado in any legal action or proceeding relating to such execution of judgment.

(d) Limitations.

(i) Any dispute brought pursuant to the terms of this Section 5.9 must be brought within two years of the date that the party aggrieved by the event or condition, or notice of such event or condition giving rise to the dispute becomes aware of the same.

(ii) This agreement to arbitrate shall survive the rescission or termination of this Conveyance.

5.10 Rule Against Perpetuities. Any right or interest granted under this Conveyance (including but not limited to Grantor's obligations under Sections 4.5 and 4.6) that would violate any applicable Rule Against Perpetuities or any similar rule of law, shall terminate twenty-one (21) years after the death of the last survivor of the children and grandchildren of Robert F. Kennedy who are alive on the Effective Date.

5.11 Recordation of Conveyance. Grantor and Grantee shall file and record executed counterparts of this Conveyance in official records as may be necessary and possible for the purpose of providing constructive notice to third parties of Grantor's and Grantee's respective rights and obligations hereunder with respect to the matters set forth herein.

This Conveyance has been executed on the dates set forth below, to be effective as of the Effective Date.

GRANTOR:

SOCIETE DES MINES DE TAPARKO

By:

Name:
Title:
Date:

By:
Name:
Title:
Date:

GRANTEE:

ROYAL GOLD, INC.

By:

Name:
Title:
Date:

[Add Appropriate Acknowledgments]

CONVEYANCE OF TAIL ROYALTY
AND GRANT OF MILLING FEE

This CONVEYANCE OF TAIL ROYALTY AND GRANT OF MILLING FEE (this "Conveyance"), dated as of ___________, 200__ (the "Effective Date"), is from SOCIETE DES MINES DE TAPARKO, also known as SOMITA, SA, a societe anonyme formed under the laws of the Republic of Burkina Faso ("Grantor") to ROYAL GOLD, INC., a corporation formed under the laws of Delaware, USA. ("Grantee").

RECITALS

A. Grantor and Grantee have entered into a Funding Agreement dated as of December 1, 2005 (the "Funding Agreement"), pursuant to which Grantee has agreed to provide Grantor funding in the amount of U.S. $35,000,000 to be used in the development of the Taparko - Bouroum Project (defined below) in Burkina Faso.

B. As consideration for such funding, Grantor granted to Grantee, among other things, certain production payments relating to the Taparko - Bouroum Project, as more specifically described in Conveyance of Production Payments (PP1 and PP2) dated _____________, 200__, from Grantor to Grantee (the "Production Payment Conveyance").

C. As additional consideration for such funding, Grantor has agreed to grant to Grantee a tail royalty interest in all gold in, on and under and produced from the Taparko Lands and the Bouroum Lands (defined below), and a milling fee on all gold produced from lands other than the Taparko Lands and the Bouroum Lands and processed at the Taparko Processing Facility (defined below), such payments to commence upon satisfaction of the obligations of Grantor under the Production Payment Conveyance.

AGREEMENT

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee agree as follows:

ARTICLE I

DEFINITIONS AND REFERENCES

1.1 General Definitions. As used herein the terms "Conveyance," "Grantor" and "Grantee" shall have the meanings ascribed thereto above, and the following terms shall have the following meanings:

"Average Gold Price" means, for any calendar month, the average daily P.M. price fixing for gold by the London Bullion Association as reported in The Wall Street Journal or any other agreed upon successor publication for the applicable calendar month.

"Bouroum Lands" means all of the land included in the Bouroum Permit, being approximately 11.7 square kilometers, which land is more particularly described in Schedule A attached hereto.

"Bouroum Permit" means Decree No. 2005-342/PRES/PM/MCE/MFB issued by the Government of the Republic of Burkina Faso on June 21, 2005, a copy of which is attached hereto as Schedule A.

"Funding Agreement" has the meaning set forth in Recital A.

"Government" means the Government of the Republic of Burkina Faso, including, without limitation, the executive, legislative and judicial branches thereof, including, without limitation, the Ministry for Energy and Mines.

"Grantor's Account" means Grantor's metals account at Royal Bank of Canada Channel Islands, or such other metals account as Grantor may hereafter establish.

"Interests" means the Tail Royalty and the Milling Fee, collectively.

"Lands" means the Bouroum Lands and the Taparko Lands.

"Milling Fee" has the meaning set forth in Section 2.2.

"Month" means a calendar month.

"Tail Royalty" has the meaning set forth in Section 2.1.

"Taparko - Bouroum Project" means development and exploitation of the Taparko Lands and the Bouroum Lands for production of gold and associated precious metals, including construction of a mine, support facilities and the Taparko Processing Facility.

"Taparko Lands" means that portion of the land included in the Taparko Permit that is more particularly described in Schedule B hereto, being approximately 34.7 square kilometers out of the total 666.5 square kilometers included in such permit.

"Taparko Permit" means Decree No. 2004-329/PRES/PM/MCE/MFB/MEDE/MECV issued by the Government of the Republic of Burkina Faso on August 6, 2004, a copy of which is attached hereto as Schedule B.

"Taparko Processing Facility" means the CIL processing facility to be constructed by Grantor on or adjacent to the Taparko Lands, capable of milling and processing at least 1,000,000 tonnes of ore per year.

"Through-Put Production" means all production processed through the Taparko Processing Facility, whether or not the same was mined from the Taparko Lands or the Bouroum Lands.

"Year" means a calendar year.

1.2 Exhibits. All Exhibits attached to this Conveyance are part hereof for all purposes.

1.3 References and Titles. All references in this Conveyance to Exhibits, Articles, Sections, Subsections, and other subdivisions refer to the Exhibits, Articles, Sections, Subsections and other subdivisions of this Conveyance unless expressly provided otherwise. Titles and headings appearing at the beginning of any subdivision are for convenience only and do not constitute any part of any such subdivision and shall be disregarded in construing the language contained in this Conveyance. The words "this Conveyance," "herein," "hereby," "hereunder" and words of similar import refer to this Conveyance as a whole and not to any particular subdivision unless expressly so limited. The phrases "this Section" and "this Subsection" and similar phrases refer only to the Sections or Subsections hereof in which the phrase occurs. The word "or" is not exclusive. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender. Words in the singular form shall be construed to include the plural and words in the plural form shall be construed to include the singular, unless the context otherwise requires.

ARTICLE II

CONVEYANCE AND GRANT

2.1 Conveyance of Tail Royalty. Subject to the limitations set forth in this Article II, Grantor hereby grants, bargains, sells, conveys, assigns, sets over and delivers unto Grantee a two percent (2%) royalty in and to all gold contained in, on and under and produced from the Lands, such royalty to be calculated as follows: (i) the total troy ounces of gold produced from the Lands and contained in Through-Put Production that are outturned to Grantor's Account during a given Month as reported by the applicable metal refinery, times (ii) the Average Gold Price for such Month, times (iii) two percent (2%) (the "Tail Royalty").

To have and to hold the Tail Royalty unto Grantee, its successors and assigns forever, subject to the terms, provisions and conditions contained in this Conveyance.

2.2 Grant of Milling Fee. Subject to the limitations set forth in this Article II, Grantor hereby grants, assigns and conveys to Grantee an interest in the Taparko - Bouroum Project in the form of a milling fee equal to 0.75% of the total amount of gold passed through the Taparko Processing Facility that is produced from lands other than the Lands, calculated as follows: (i) the total troy ounces of gold produced from lands other than the Lands and contained in Through-Put Production that are outturned to Grantor's Account during a given Month as reported by the applicable metal refinery, times (ii) the Average Gold Price for such Month, times (iii) 0.75% (the "Milling Fee"); provided, however, that the Milling Fee shall only apply to the milling and processing of the first one million (1,000,000) tonnes of ore per Year from lands other than the Lands; provided further that such amount shall be reduced by the number of tonnes of ore per Year from the Lands (e.g., if in a given Year, the Taparko Processing Facility processes 800,000 tonnes of ore from the Lands and 500,000 tonnes of ore from Lands other than the Lands, then the Milling Fee would only apply to 200,000 tonnes of ore); provided further that for the Year in which the first payment of the Milling Fee is made (which is likely to be less than a full calendar year), the 1,000,000 limit shall be proportionately reduced to the number of days

remaining in such year after commencement of payment of the Milling Fee (e.g., if the payment of the Milling Fee commences on September 14, the limit of the payment on the Milling Fee would be 108/ 365 of 1,000,000 - i.e., 295,890
- tonnes of ore during such year).

2.3 Calculation and Commencement of Payments. The calculation and payment of amounts owing under the Tail Royalty and the Milling Fee shall not commence until satisfaction of all obligations of Grantor under the Production Payment Conveyance.

2.4 Limitation on Recourse. Grantee shall look solely to the Lands for satisfaction and discharge of the Tail Royalty, and shall look solely to the Through-Put Production for satisfaction and discharge of the Milling Fee, and Grantor shall not be personally liable for the payment and discharge thereof.

2.5 Non-Operating, Non-Expense-Bearing Interests. The Tail Royalty conveyed hereby is a non-operating, non-expense-bearing interest in and to production from the Lands. The Milling Fee conveyed hereby is a non-operating, non-expense bearing limited royalty interest in and to the Through-Put Production from lands other than the Lands. Each of the Interests is limited as set forth above, free of all cost and expense of production, operations, milling, smelting, refining and delivery prior to being outturned at Grantor's Account. In no event shall Grantee ever be liable or responsible in any way for payment of any costs, expenses or liabilities attributable to the Taparko - Bouroum Project (or any part thereof) or incurred in connection with the production, operations, milling, smelting, refining and delivery of Through-Put Production prior to being outturned at Grantor's Account.

2.5 Free of Royalties and Other Burdens. The Interests shall be free of (and without deduction therefrom of) any and all royalties and other burdens on production and shall bear no part of same; and Grantor shall defend, indemnify and hold Grantee harmless from and against any loss or claim with respect to any such royalties and other burdens on production or any claim by the owners or holders of such royalties and other burdens on production. For greater certainty, all payments made hereunder shall be net of any withholdings or other amounts, if and to the extent required by applicable law, in respect of applicable taxes thereon.

ARTICLE III

PAYMENT PROCEDURES; REPORTS

3.1 Payments of Tail Royalty and Milling Fee. Payments of the Interests shall be made on a calendar quarter basis, within ten (10) business days after the end of each calendar quarter, by check or wire transfer, at the election of Grantee, to the address set forth in Section 5.2. The amount of each payment shall be equal to the sum of the monthly amounts due for each Month during such calendar quarter. All payments shall be accompanied by statements that describe in reasonable detail the basis of calculation of the amounts paid under the Interests.

3.2 Financial Reports. Subject to the confidentiality requirements of
Section 4.4, Grantee shall have the right to be supplied monthly with duplicate settlement sheets from any

refinery, mill, smelter or other purchaser of Through-Put Production, whether or not Through-Put Production has been sold, and shall contain sufficient information as to the value, pricing and amounts of intermediate product and final product sold for Grantor's account so that Grantee will have access to all information and data that are reasonably necessary and appropriate for it to determine the amount of the Interests due it under this Conveyance.

3.3 Objection, Finality of Payments: Grantee, at its sole election and expense, shall have the right to perform, not more frequently than once annually following the close of each calendar year, an audit by any authorized representative of Grantee of Grantor's accounts relating to the Interests. Any such inspection shall be for a reasonable length of time during regular business hours, at a mutually convenient time, upon at least ten (10) business days' prior written notice by Grantee. All payments under the Interests made in any Year shall be considered final and in full accord and satisfaction of all obligations of Grantor, unless Grantee gives written notice describing and setting forth a specific objection to the calculation thereof within one (1) year following the end of that Year. Grantor shall account for any agreed upon deficit or excess in payments of the Interests made to Grantee by adjusting the next monthly statement and payment following completion of such audit to account for such deficit or excess.

3.4 Copies of Reports to Government. Grantor shall provide Grantee with copies of any reports that Grantor is required to make to the Government within thirty (30) days after submitting same to the Government.

3.5 Annual Environmental Compliance Report. Within ninety (90) days after the end of each Year, Grantor shall provide to Grantee an environmental compliance report summarizing the environmental performance of operations at the Taparko-Bouroum Project during that Year and provide sufficient information for Grantee to monitor the performance of such operations with respect to environmental protection, including, at a minimum, narrative summaries of (i) the results of any environmental monitoring or sampling activity, (ii) accidents that impact the environment or result in the loss of life, and (iii) environmental deficiencies that are identified by environmental regulatory authorities of the Government and any remedial actions taken or proposed to be taken with respect thereto.

ARTICLE IV

ADDITIONAL RIGHTS, OBLIGATIONS AND COVENANTS OF THE PARTIES

4.1 Commingling of Production.

(a) Subject to the limitations, conditions and requirements of this
Section 4.1, Grantor shall have the right to mix or commingle, either underground, at the surface, or at a processing plant or any other treatment facilities, any production from the Lands with ores or material derived from other lands or properties whether or not owned, leased or controlled by Grantor.

(b) Before commingling, Grantor shall weigh, measure, sample and analyze the respective ores and materials in accordance with sound mining and metallurgical practices such that the amount of gold recovered from the Lands can be reasonably and accurately determined. As products are produced from the commingled ores, Grantor shall calculate from representative samples the average percentage recovery of products produced from the commingled ores during each month. In obtaining representative samples and calculating the average grade of commingled ores and average percentage of recovery, Grantor may use procedures that are in accordance with best practices in the mining and metallurgical industry. The records relating to commingled ores shall be made available for inspection by Grantee, at Grantee's sole expense, at all reasonable times and shall be retained by Grantor for a period of one (1) year after the calendar year in which the commingling occurred.

(c) Notwithstanding the foregoing provisions of this Section 4.1, Grantor shall not commingle production from the Lands with ores or minerals derived from other lands or properties if such commingling has a reasonable likelihood of reducing the recovery rate of metals from the Lands below what the recovery rate would have been without commingling. Any disputes concerning commingling procedures or results or the applicability of the prohibition in the preceding sentence shall be resolved pursuant to the procedure set forth in Section 5.9.

4.2 Geological and Other Data and Reports. From and after the date of execution of this Conveyance, Grantor shall deliver to Grantee not less frequently that quarterly, or otherwise shall make available, the following data and information relating to operations conducted on or for the benefit of the Lands and with respect to the Taparko Processing Facility:

(a) The monthly operations and exploration report prepared by Grantor for operations on the Lands and with respect the Taparko Processing Facility;

(b) The annual reserve report for the Lands prepared by Grantor, along with any updates, as and when any of the same have been finalized and approved by Grantor;

(c) Grantor's life of mine plan relating to the Taparko - Bouroum Project;

(d) The annual plan and budget prepared by Grantor relating to the Taparko - Bouroum Project and any amendments thereto, as and when any of the same have been finalized and approved by Grantor; and

(e) Any additional material engineering or economic studies or analyses prepared by Grantor and relating to the Lands and the Taparko - Bouroum Project as and when any of the same have been finalized and approved by Grantor.

4.3 Inspection. Grantee and its authorized agents who are experienced in mining operations, at Grantee's sole risk and expense, shall have the right, exercisable at reasonable intervals and during regular business hours, at a mutually convenient time, and in a reasonable manner conforming to Grantor's safety rules and regulations and so as not to interfere with Grantor's operations, to go upon the Lands and the premises of the Taparko Processing Facility for the purposes of inspecting same. Grantee shall furnish Grantor with prior written notice of the time and place of any inspection by Grantee pursuant to this Section 4.3. Grantee shall defend, indemnify and hold Grantor harmless from and against all costs incurred (including reasonable attorneys' fees and the costs of defending any such claims) based on claims for damages, including injury or damage to other persons or property, arising out of any death, personal injury or property damage sustained by Grantee, its agents or employees, while in or upon the Properties, unless such death, injury or damage results from Grantor's gross negligence or willful misconduct.

4.4 Confidentiality. Grantee shall not, without the prior written consent of Grantor, disclose to any third party (excluding, however, any representative, affiliate, agent, consultant or contractor of Grantee who has a bona fide need to be informed) any information concerning operations, including exploration, on the Properties which is not generally available to the public; provided, however, that upon not less than five (5) days' prior written notice to Grantor setting forth the nature and content of the proposed disclosure, Grantee may disclose information or data pertaining to the Lands, the Taparko - Bouroum Project and the Taparko Processing Facility to: (a) any third party to whom Grantee in good faith anticipates selling or assigning all or a part of its interest hereunder, or (b) any lender or underwriter from whom Grantee is seeking to obtain funds. Grantee shall require those parties to keep the information so provided confidential. If either Grantor or Grantee determines in good faith that a disclosure is required for compliance with applicable laws, rules, regulations or orders of any government agency or stock exchange having jurisdiction, that party shall provide as much prior notice to the other party of the nature and contents of the proposed disclosure, for the review and comment of the other party, as is reasonably possible under the circumstances.

4.5 Abandonment of Properties. From and after satisfaction of the obligations under the Production Payment Conveyance, Grantor may elect at any time to terminate or abandon its interests in the Lands and the Taparko Processing Facility at any time as it may in its sole discretion deem appropriate, subject only to the provisions of this Section 4.5. In the event that Grantor wishes to abandon any or all of it interest in the Lands or the Taparko Processing Facility, except for cessation of operations under care and maintenance, Grantor shall provide Grantee with not less than forty-five (45) days prior notice of its intention to do so and offer to transfer such interests to Grantee. At any time during the forty-five (45) day period, Grantee may notify Grantor that it elects to accept transfer of such interests. In that event, Grantor shall transfer those interests to Grantee by quitclaim deed.

4.6 Processing of Ore from the Lands. Grantor hereby covenants and agrees with Grantee that all ore produced from the Lands shall be processed in the Taparko Processing Facility.

4.7 Refining Contracts. Grantor hereby covenants and agrees with Grantee that during the entire term of this Conveyance, Grantor shall maintain in full force and effect refining contracts with smelter and/or refiners reasonably acceptable to Grantee, and Grantor shall use its best efforts to cause such refining contracts to provide for, where possible: (i) payment by the refiner and/or smelter directly to Grantee of amounts due hereunder in cash or,
(ii) upon request by Grantee, and if not prohibited by law, in kind.

4.8 Grantor Operations and Maintenance of the Taparko-Bouroum Project. Grantor shall conduct its operations on the basis of customary commercial practice and arm's-length arrangements, with due diligence and efficiency and under the supervision of qualified and experienced management. Grantor shall maintain, preserve, protect and keep the Taparko-Bouroum Project, and all of Grantor's property used or useful in connection therewith, in good condition (ordinary wear and tear and obsolescence excepted) in accordance with prudent industry standards, and in compliance with all applicable laws, in conformity with all applicable contracts, servitudes, leases, permits and agreements, and shall from time to time make all repairs renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times, except where failure to do so could not nave a material adverse effect upon the Taparko-Bouroum Project.

4.9 Compliance with Agreements and Law. Grantor shall perform all obligations it is required to perform under each lease, permit, agreement, contract or other instrument or obligation to which it is a party with respect to the Taparko-Bouroum Project, except where the failure to do so could not have a material adverse effect upon its ownership or operation of same. Grantor shall conduct its business and affairs with respect to the Taparko-Bouroum Project,
(i) in material compliance with all laws applicable thereto, (ii) in all material respects in accordance with the Development Plan, as defined in the Funding Agreement, (iii) in accordance with acceptable industry practice including maintaining a minimum of local standards and World Bank environmental guidelines (applicable under, World Bank and IFC Pollution, Prevention and Abatement Guidelines and the applicable IFC Safeguard Policies), and, where practicable, the International Cyanide Code and the Equator Principles; and (iv) in compliance, and causing its affiliates, subsidiaries, agents, employees, subcontractors, directors and officers to be in compliance, with the Foreign Corrupt Practices Act of 1977 (Pub.L. No. 95-213, Sections 101-104), as amended, and any other law, regulation, order, decree or directive having the force of law and relating to bribery, kick-backs, or similar business practices. Grantor shall obtain and cause all licenses and permits necessary or appropriate for the conduct of its business and the ownership and operation of its property used and useful in the conduct of its business to be at all times maintained in good standing and in full force and effect, except where failure to comply could not have a material adverse effect upon the Taparko-Bouroum Project.

4.10 Government Approvals and Notices. Grantor shall (i) obtain, and shall at all times maintain in full force and effect, all material registrations, declarations, filings, governmental consents, licenses, approvals, authorizations, and permits necessary for Grantor's operation of the Taparko-Bouroum Project, and (ii) undertake reasonable efforts to arrange for Grantee to receive from the Government copies of all correspondence, notices, decrees, orders and other writings issued by the Government to Grantor regarding the Taparko-Bouroum Project, but in any event, Grantor shall send Grantee copies of such materials promptly after receipt thereof.

ARTICLE V

GENERAL PROVISIONS

5.1 Assignment. After Completion (as defined in the Funding Agreement) of the Taparko - Bouroum Project, either party may assign its interests under this Conveyance freely, in whole or in part; provided, however, that any transfer or conveyance by either party of any interest in the Interests or in the Lands or the Taparko Processing Facility shall be expressly made subject to, and the assignee or transferee shall commit in writing to be bound by, all of the terms and conditions and covenants of this Conveyance.

5.2 Notices. Any notice, election, report or other correspondence required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, or by delivery service with proof of delivery, to each of the parties at its address below (unless changed by similar notice in writing given by the party whose address is to be changed):

If to Grantor:

Somita SA

01 B.P. 2509 OUAGADOUGOU 01

1648 Boulevard Tansoba TAN-KOM,

Secteur 25
Burkina Faso
Attention: Directeur Generale
Facsimile: 226-50-358187

With copies to:

High River Gold Mines Ltd.
155 University Avenue
Suite 1700
Toronto, Ontario M5H 3B7
Attention: President
Facsimile: (416) 360-0010

and

Cassels Brock & Blackwell LLP
2100 Scotia Plaza, 40 King Street W. Toronto, Ontario M5H 3C2
Attention: David Poynton
Facsimile: (416) 644-9348

If to Grantee:

Royal Gold, Inc.
1660 Wynkoop St.
Suite 1000
Denver, Colorado 80202-1132
Attention: President
Facsimile Number: 303-595-9385

Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile, upon receipt, or (c) in the case of other electronic transmission, upon acknowledgment of receipt by the recipient within twenty-four (24) hours of first attempted delivery.

5.3 Amendments and Waiver. No modifications or waivers of the terms and conditions of this Conveyance shall be binding upon either party unless in writing, dated subsequent to the date of this Conveyance, and executed by an authorized representative of each party. No waiver by either party of a breach of any of the provisions of this Conveyance shall be construed as a waiver of any subsequent breach, whether of the same or of a different character.

5.4 Relationship of the Parties. The relationship of the parties hereto is contractual only. The Interests shall not grant to Grantee any rights to participate or influence management or decision-making regarding operations on the Lands, Taparko - Bouroum Project or the Taparko Processing Facility, nor shall it obligate the Grantee to assume any responsibilities for costs of Grantor's operations on the Lands, Taparko - Bouroum Project or the Taparko Processing Facility or any liabilities resulting therefrom.

5.5 Further Instruments. The parties hereto agree that they will execute any and all instruments as may be necessary or required to carry out and effectuate any and all of the provisions of this Conveyance.

5.6 Binding Effect. This Conveyance shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

5.7 Continuation and Priority. The Tail Royalty and Milling Fee granted to Grantee by this Conveyance shall continue for so long as Grantor, its successors and assigns retain any interest in the Lands, Taparko - Bouroum Project or the Taparko Processing Facility. The Interests shall have priority over, and in no event shall be subordinated to, any project or other financing that Grantor may obtain with respect to the Lands, Taparko - Bouroum Project or the Taparko Processing Facility after the Effective Date of this Conveyance, unless Grantee specifically so provides in writing. Grantee's rights to payments under the Interests shall not be subordinated to any other person or source by Grantor or any related party, except for statutory liens for amounts not yet due and payable and liens imposed by the Mining Convention applicable to the Lands or governing law to the extent not yet due and payable.

5.8 Governing Law. Without regard to principles of conflicts of law, this Conveyance is made under and shall be interpreted and enforced in accordance with the laws of the State of Colorado applicable to contracts made and to be performed entirely within such state and the laws of the United States of America, except that, to the extent that the law of the jurisdiction in which the real property is located (or which is otherwise applicable to the real property) necessarily governs with respect to procedural and substantive matters relating to the creation and enforcement of the interests created herein, the law of such other jurisdiction shall apply.

5.9 Arbitration Conducted by International Chamber of Commerce. All disputes between the parties hereto (which for purposes of this Section 5.9 includes Grantor and Grantee and their respective parents, affiliates and subsidiaries) that arise out of, relate to or are in connection with this Agreement or any related agreement, will be exclusively, finally and conclusively settled by binding international arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "ICC") then in effect (the "Rules"), except as specifically modified by this Agreement. The Parties shall continue to perform their respective obligations under this Agreement pending conclusion of any such arbitration.

(a) Initiation of Arbitration.

(i) Prior to initiating an arbitration proceeding with the ICC, the parties shall negotiate in good faith to resolve the dispute. To that end, the party wishing to initiate negotiations shall notify the other party in writing about its intention to do so, including a brief summary of the disputed issue, its estimate of the amount in controversy, and suggesting a date and venue for a first meeting, at which the parties shall be represented by officers duly empowered to resolve the dispute. In the event that the parties are unable to resolve the dispute within a period of 15 days after commencement of such good faith negotiations, or upon agreement by the parties to submit the dispute to arbitration, either party may commence an arbitration proceeding by delivering a Request for Arbitration (the "Request for Arbitration") to the Secretariat of the ICC (the "Secretariat") in accordance with the terms of this Section 5.9 and the Rules.

(ii) For all disputes, the arbitration hereunder shall be by three independent and impartial arbitrators. Grantor and Grantee shall each appoint one arbitrator within 30 days after the Request for Arbitration has been delivered to the Secretariat and the two arbitrators so appointed shall select a third arbitrator within 60 days after the Request for Arbitration has been delivered to the Secretariat. In the event that the parties or the arbitrators fail to select arbitrators as required above, the ICC shall select such arbitrators in accordance with the terms of this Section 5.9.

(iii) Each of the parties acknowledges and agrees that the other party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms. Accordingly, notwithstanding the provisions of Section 5.9(a)(i), pending completion of arbitration pursuant to this Section 5.9, either Grantor or Grantee shall have the right to seek a temporary restraining order, injunctive relief or other interim or provisional relief on the ground that such relief would otherwise be available at law or in equity. If any such relief is obtained, the arbitration panel will address the continuance, modification or termination of such relief and their order and any such decision regarding relief shall be binding on the parties

(b) Arbitration Procedures.

(i) The arbitration shall be conducted in the English language in London, England or at such other location as the parties may agree.

(ii) All disputes arising out of or in connection with this Agreement and relating to the Parties' rights and obligations in connection with this Agreement (including without limitation the validity of the agreement of the parties to arbitrate, the arbitrability of the issues submitted to arbitration hereunder, the existence and validity of the Agreement, and any conflict of laws issues arising in connection with the Agreement or this agreement to arbitrate) shall be finally settled in accordance with the Rules. In addition, where the Rules are silent, the proceedings before the "Arbitral Tribunal" (as defined in the Rules) shall be governed by the procedural rules established by the Arbitral Tribunal.

(iii) The arbitration panel shall conduct a hearing no later than 90 days after delivery of the Request for Arbitration, and a decision shall be rendered by the arbitration panel within 30 days after the final hearing.

(iv) At the hearing, the parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required but the Arbitral Tribunal shall consider any evidence and testimony that it determines to be relevant, in accordance with procedures that it determines to be appropriate.

(c) Arbitral Awards.

(i) The arbitration award shall be in writing and shall specify the factual and legal bases for the award.

(ii) Neither Grantor nor Grantee shall be entitled to, and no award shall include any amount for, lost profits or revenues, lost business opportunities, business interruption, or punitive or exemplary damages for any claim arbitrated pursuant to this Section 5.9.

(iii) The arbitrators shall be entitled to a fee commensurate with their fees for professional services requiring similar time and effort. The fees of the arbitrators and other costs of the arbitration shall be borne equally by the parties, except when the arbitrators decide to impose the total cost on the defeated party.

(c) Enforcement. All decisions of the Arbitral Tribunal shall be final and binding on the parties and may be entered against them in any court of competent jurisdiction. Any judgment rendered by the Arbitral Tribunal against a party may be executed against such party's assets in any jurisdiction where the party has assets. Each of the parties irrevocably submits to the non-exclusive jurisdiction of the appropriate courts in the State of Colorado in any legal action or proceeding relating to such execution of judgment.

(d) Limitations.

(i) Any dispute brought pursuant to the terms of this Section 5.9 must be brought within two years of the date that the party aggrieved by the event or condition, or notice of such event or condition giving rise to the dispute becomes aware of the same.

(ii) This agreement to arbitrate shall survive the rescission or termination of this Conveyance.

5.10 Rule Against Perpetuities. Any right or interest granted under this Conveyance (including but not limited to Grantor's obligations under Sections 4.5 and 4.6) that would violate any applicable Rule Against Perpetuities or any similar rule of law, shall terminate twenty-one

(21) years after the death of the last survivor of the children and grandchildren of Robert F. Kennedy who are alive on the Effective Date.

5.11 Recordation of Conveyance. Grantor and Grantee shall file and record executed counterparts of this Conveyance in official records as may be necessary and possible for the purpose of providing constructive notice to third parties of Grantor's and Grantee's respective rights and obligations hereunder with respect to the matters set forth herein.

This Conveyance has been executed on the dates set forth below, to be effective as of the Effective Date.

GRANTOR:

SOCIETE DES MINES DE TAPARKO

By:

Name:
Title:
Date:

and

By:
Name:
Title:
Date:

GRANTEE:

ROYAL GOLD, INC.

By:

Name:
Title:
Date:

ACKNOWLEDGMENT CERTIFICATES

[Forms that conform to Burkina Faso law to be provided by Burkina Faso Counsel prior to execution]

Exhibit 10.2

GUARANTEE AGREEMENT

WHEREAS SOCIETE DES MINES DE TAPARKO (the "DEBTOR") may hereafter become indebted or liable to ROYAL GOLD, INC. (the "CREDITOR") pursuant to certain discussions of that certain Funding Agreement, dated December 1, 2005 (the "Funding Agreement") between Debtor and the Creditor;

AND WHEREAS HIGH RIVER GOLD MINES LTD. (the "GUARANTOR") has agreed to guarantee the Obligations (as hereinafter defined) of the Debtor to the Creditor;

NOW THEREFORE for good and valuable consideration including payment to the Guarantor of the sum of ten dollars, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees with the Creditor as follows:

GUARANTEE

1. The Guarantor hereby unconditionally guarantees payment and performance to the Creditor, forthwith on demand by the Creditor, of the reimbursement of the First Tranche (as defined in the Funding Agreement) and interest thereon, if same becomes due pursuant to Section 3.4 of the Funding Agreement (the "Obligations"). This guarantee shall be a continuing guarantee and shall guarantee the Obligations and any ultimate balance thereof, notwithstanding that the Debtor may from time to time satisfy the Obligations in whole or in part and thereafter incur further Obligations.

DEBTOR'S STATUS AND AUTHORITY

2. All monies obtained from the Creditor by the Debtor or by persons purporting to act on behalf of the Debtor pursuant to the First Tranche under the Funding Agreement shall be deemed to form part of the Obligations, notwithstanding any lack or limitation of status, power, or authorization, any incapacity or disability of the Debtor or its directors, officers, employees or agents, or that the Debtor may not be a legal entity or that such borrowing or obtaining of monies, advances, renewals or credits or the execution and delivery of any agreement or document by or on behalf of the Debtor is in excess of the powers of the Debtor or any of its directors, officers, employees or agents or is in any way irregular, defective, fraudulent or informal. The Creditor has no obligation to enquire into the powers or authority of the Debtor or any of its directors, officers, employees or agents acting or purporting to act on its behalf, and shall be entitled to rely on this provision notwithstanding any actual or imputed knowledge regarding any of the foregoing matters.

LIABILITY UNAFFECTED BY CERTAIN MATTERS

3. The liability of the Guarantor hereunder shall be absolute and unconditional irrespective of, and shall not be released, discharged, limited or otherwise affected by:

(a) the lack of validity or enforceability of the Obligations in whole or in part for any reason whatsoever, including without limitation by reason of prescription, by operation of law or as a result of any applicable statute, law or regulation;

(b) any prohibition or restriction imposed in respect of any rights or remedies of the Creditor in respect of any Obligations, including without limitation any court order which purports to prohibit or suspend the acceleration of the time for payment of any Obligations, the payment by the Debtor of any Obligations or the rights or remedies of the Creditor against the Debtor in respect of any Obligations;

(c) the lack of validity or enforceability in whole or in part of:

(i) the Funding Agreement or any other agreement made from time to time between the Debtor and the Creditor in connection with any Obligations;

(ii) any security given by the Debtor in favour of the Creditor from time to time in connection with any Obligations;

(iii) any guarantee given by any person in favour of the Creditor from time to time in connection with or relating to any Obligations; or

(iv) any security given by any such guarantor in favour of the Creditor from time to time in connection with any of its obligations to the Creditor,

(collectively, the "CREDIT DOCUMENTS");

(d) any change in the corporate existence, structure, ownership or control of the Debtor (including any of the foregoing arising from any merger, consolidation, amalgamation, reorganization or similar transaction); any change in the name, objects, capital stock, constating documents or by-laws of the Debtor; or the dissolution, winding-up, liquidation or other distribution of the assets of the Debtor, whether voluntary or otherwise;

(e) the Debtor's becoming insolvent or bankrupt or subject to any proceeding under the provisions of the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), or any similar law in Burkina Faso, the arrangement provisions of applicable corporate legislation, any legislation similar to the foregoing in any other jurisdiction, or any legislation enacted substantially in replacement of any of the foregoing, or the Creditor's voting in favour of any proposal, arrangement or compromise in connection with any of the foregoing;

(f) the failure or neglect of the Creditor to demand payment of Obligations by the Debtor, any guarantor of Obligations or any other person;

(g) the valuation by the Creditor of any security held in respect of the Obligations, which shall not be considered as a purchase of such security or as payment on account of the Obligations;

(h) any right or alleged right of set-off, combination of accounts, counterclaim, appropriation or application or any claim or demand that the Debtor or the Guarantor may have or may allege to have against the Creditor; or

(i) any other circumstances which might otherwise constitute a legal or equitable defence available to, or complete or partial discharge of, the Debtor in respect of the Obligations or of the Guarantor in respect of this agreement.

LIABILITY UNAFFECTED BY ACTIONS OF CREDITOR

4. The liability of the Guarantor hereunder shall be absolute and unconditional irrespective of, and shall not be released, discharged, limited or otherwise affected by anything done, suffered or permitted by the Creditor in connection with the Debtor, or any Obligations. For greater certainty and without limiting the generality of the foregoing, without releasing, discharging, limiting or otherwise affecting in whole or in part the liability of the Guarantor under this agreement, and without notice to or the consent of the Guarantor, the Creditor may from time to time:

(a) make advances and extend credit to the Debtor (including new loans and credit facilities, whether in addition to or in replacement for other loans and credit facilities previously established by the Creditor for the Debtor), convert revolving lines of credit to non-revolving lines of credit, increase or decrease the amount of credit available to the Debtor and receive payments in respect of the Obligations;

(b) increase the interest rates, fees and charges applicable to all or any portion of the Obligations from time to time;

(c) amend, renew, waive, release or terminate any Credit Document or any provisions thereof in whole or in part from time to time (including, without limitation, any provisions relating to interest rates, fees, margin requirements, conditions for the extension of credit and the determination of the amount of credit available, positive and negative covenants, payment provisions, the application of payments received by or on behalf of the Debtor, and events of default);

(d) extend, renew, settle, compromise, waive, release or terminate the Obligations in whole or in part from time to time;

(e) grant time, renewals, extensions, indulgences, releases and discharges to the Debtor;

(f) take, refrain from taking or release guarantees from other persons in respect of Obligations;

(g) accept compromises or arrangements from the Debtor, any guarantor of Obligations or any other person;

(h) refrain from demanding payment from or exercising any rights or remedies in respect of the Debtor or any guarantor of Obligations;

4.

(i) apply all monies received from the Debtor, any guarantor of the Debtor or any other person or from the proceeds of any security to pay such part of the Obligations as the Creditor may see fit, or change any such application in whole or in part from time to time, notwithstanding any direction which may be given regarding application of such monies by the Debtor, any guarantor of the Debtor or any other person; and

(j) otherwise deal with the Debtor, any guarantor of Obligations or any other person and any security held by the Creditor in respect of Obligations, as the Creditor may see fit in its absolute discretion.

LIABILITY UNAFFECTED BY FAILURE OF CREDITOR TO TAKE, HOLD OR ENFORCE SECURITY

5. The Guarantor agrees that the Guarantor has provided this agreement to the Creditor on the express understanding that the Creditor has no obligation to obtain any security from the Debtor or from others to secure payment or performance of any Obligations; and if the Creditor in its absolute discretion obtains any such security from the Debtor or others, the Creditor shall have no obligation to continue to hold such security or to enforce such security. The Guarantor shall not be entitled to rely on or benefit from, directly or indirectly, any such security which the Creditor may obtain. In furtherance of the foregoing, the liability of the Guarantor hereunder shall be absolute and unconditional irrespective of, and shall not be released, discharged, limited or otherwise affected by:

(a) the loss of or failure by the Creditor to register, perfect or maintain any security given by the Debtor or by other persons in respect of Obligations, whether intentionally or through failure, neglect or otherwise;

(b) the failure or neglect of the Creditor to enforce any security held in respect of the Debtor or in respect of any guarantor of Obligations;

(c) the Creditor's having released, discharged, compromised or otherwise dealt with any such security in any manner whatsoever (and for greater certainty the Creditor shall not be bound to exhaust its recourse against the Debtor, guarantors of the Debtor or other persons or enforce any security held in respect of Obligations or take any other action or legal proceeding before being entitled to payment from the Guarantor under this agreement, and the Guarantor hereby waives all benefits of discussion and division); or

(d) the enforcement by the Creditor of any such security in an improvident or commercially unreasonable manner (including the sale or other disposition of any assets encumbered by such security at less than the fair market value thereof) whether as a result of negligence, recklessness or wilful action or inaction on the part of the Creditor or otherwise, and regardless of any duty which the Creditor might have to the Debtor under applicable law (including applicable personal property security legislation) in respect of the enforcement of any such security.

WAIVERS

6. No delay on the part of the Creditor in exercising any of its options, powers, rights or remedies, or any partial or single exercise thereof, shall constitute a waiver thereof. No

waiver, modification or amendment of this agreement or of any such options, powers, rights or remedies shall be deemed to have been made unless made in writing and signed by an authorized officer of the Creditor, and any such waiver shall apply only with respect to the specific instance involved, and shall not impair the rights of the Creditor or the liability of the Guarantor hereunder in any other respect or at any other time.

FOREIGN CURRENCY OBLIGATIONS

7. The Guarantor shall make payment to the Creditor hereunder in the same currency as is required to be paid by the Debtor to the Creditor in respect of the Obligations (the "REQUIRED CURRENCY"). If the Guarantor makes payment to the Creditor hereunder in any other currency (the "PAYMENT CURRENCY"), such payment shall constitute satisfaction of the said liability of the Guarantor hereunder only to the extent that the Creditor is able to purchase Required Currency with the amount of the Payment Currency received from the Guarantor on the date of receipt, in accordance with the Creditor's normal practice; and the Guarantor shall remain liable to the Creditor for any deficiency.

WITHHOLDING TAXES

8. Except as otherwise required by law, each payment by the Guarantor hereunder shall be made without withholding for or on account of any present or future tax imposed by or within the jurisdiction in which the Guarantor is domiciled, any jurisdiction from which the Guarantor makes any payment or any other jurisdiction, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is required by law, the Guarantor shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay to the Creditor such additional amount as may be necessary to ensure that the net amount actually received by the Creditor (after payment of such taxes including any taxes on such additional amount paid) is equivalent to the amount which the Creditor would have received if no amounts had been withheld.

REPRESENTATIONS AND WARRANTIES

9. The Guarantor represents and warrants to the Creditor as follows, and acknowledges that the Creditor is relying on such representations and warranties as a basis for extending and maintaining the extension of credit to the Debtor:

(a) the Guarantor is duly incorporated, existing and in good standing under the laws of its jurisdiction of incorporation; it has full corporate power, authority and capacity to enter into and perform its obligations hereunder; all necessary action has been taken by its directors or shareholders and otherwise to authorize the execution and delivery of this agreement and the performance of its obligations hereunder; the Guarantor has, to the extent required by law, disclosed to its shareholders all information required with respect to the delivery of this agreement; there is no provision in any unanimous shareholder agreement which restricts or limits its powers to enter into or perform its obligations under this agreement; and none of the execution or delivery of this agreement, or compliance with the provisions of this agreement conflicts with, or results in a breach of its charter documents or by-laws; and

(b) none of the execution or delivery of this agreement, or compliance by the Guarantor with the provisions of this agreement conflicts with or results in a breach of any agreement or instrument to which the Guarantor is a party or by which the Guarantor or any of the Guarantor's assets are bound or affected, or requires the consent of any other person (other than any consents which have been obtained).

REVIVAL OF INDEBTEDNESS AND LIABILITY

10. If at any time all or any part of any payment previously applied by the Creditor to any portion of the Obligations is rescinded or returned by the Creditor for any reason whatsoever, whether voluntarily or involuntarily (including, without limitation, as a result of or in connection with the insolvency, bankruptcy or reorganization of the Debtor or the Guarantor, or any allegation that the Creditor received a payment in the nature of a preference), then to the extent that such payment is rescinded or returned, such portion of the Obligations shall be deemed to have continued in existence notwithstanding such initial application, and this agreement shall continue to be effective or be reinstated, as the case may be, as to such portion of the Obligations as though such payment had not been made.

RESTRICTIONS ON RIGHT OF SUBROGATION

11. The Guarantor agrees not to exercise or enforce any right of indemnity, exoneration, contribution, reimbursement, recourse or subrogation against the Debtor or any other guarantor of Obligations, or as to any security therefor, unless and until all Obligations have been paid and satisfied in full and the Creditor has no further obligation to extend credit to the Debtor. The Guarantor shall have no right to be subrogated hereunder unless:

(a) the Guarantor has paid to the Creditor an amount equivalent to all Obligations together with all interest, expenses and other amounts due hereunder;

(b) any other person having a potential right of subrogation has waived such right and consented to the assignment by the Creditor to the Guarantor of the Obligations and any security held by the Creditor;

(c) the Creditor has received from the Debtor a release of all claims which the Debtor may have against the Creditor, including any obligation to grant additional credit to the Debtor;

(d) the Guarantor has executed and delivered to the Creditor a release of any claims which the Guarantor may have against the Creditor in respect of the Obligations or this agreement; and

(e) if required by the Creditor, three months shall have elapsed from the time of the last payment made by the Debtor to the Creditor and the last payment made by the Guarantor to the Creditor hereunder.

The Guarantor shall cause all such documents to be in form and substance satisfactory to the Creditor. Any such assignment of loans and security by the Creditor to the Guarantor shall be on an "AS IS, WHERE IS" basis without representations, warranties or conditions, and without recourse to the Creditor.

EXPENSES

12. The Guarantor agrees to pay to the Creditor, forthwith on demand by the Creditor, all expenses (including legal fees on a solicitor and his own client basis) incurred by the Creditor in connection with the preservation or enforcement of any of the Creditor's rights and remedies hereunder.

NOTICE

13. Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered in the same manner as provided for notices under the Funding Agreement.

SEVERABILITY

14. If any provision of this agreement shall be invalid or unenforceable, all other provisions hereof shall remain in full force and effect and all changes rendered necessary by the context shall be deemed to have been made.

INTERPRETATION

15. This agreement shall be construed as if all changes in grammar, number and gender rendered necessary by the context have been made. As used in this agreement, "PERSON" includes an individual, corporation, partnership, joint venture, trust, unincorporated association or any government, crown corporation or governmental agency or authority or any combination of the foregoing.

MERGER OF DEBTOR

16. In this agreement, "MERGER" in respect of two or more corporations means an amalgamation of such corporations, the transfer of the assets of one corporation to another in connection the dissolution of the first-mentioned corporation, the transfer of substantially all of the businesses and assets of one corporation to another pursuant to plan of arrangement or court order, or any other corporate reorganization or transaction with similar effect to any of the foregoing; the corporations involved in a Merger are herein referred to as the "MERGING ENTITIES"; and the corporation resulting from a Merger is herein referred to as the "MERGED ENTITY". If the Debtor effects a Merger with any other corporation or corporations, the Guarantor agrees that the Obligations shall include:

(a) all obligations of each Merging Entity to the Creditor in existence at the time of such Merger; and

(b) all obligations of the Merged Entity to the Creditor at the time of such merger or incurred or arising from time to time after such Merger.

After such Merger, all references herein to the "DEBTOR" shall mean the Merged Entity, and all other provisions of this agreement shall be deemed to have been amended to the extent required by the context in order to reflect such Merger.

FURTHER ASSURANCES

17. The Guarantor agrees, at the Guarantor's own expense, to promptly execute and deliver or cause to be executed and delivered to the Creditor, upon the Creditor's request from time to time, all such other and further documents, agreements, opinions, certificates and instruments as are required under this agreement or as may be reasonably requested by the Creditor if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein and pursuant to the Pledge of Securities of even date (the "Pledge") between Creditor and Guarantor.

ENTIRE AGREEMENT; AMENDMENTS; CONCLUSIVE DELIVERY

18. This agreement and the Pledge constitute the entire agreement between the Guarantor and the Creditor relating to the subject matter hereof, and no amendment of this agreement shall be effective unless made in writing and executed by the Guarantor and the Creditor. Possession by the Creditor of an original executed copy of this agreement shall constitute conclusive evidence that:

(a) this agreement was executed and delivered by the Guarantor to the Creditor free of all conditions;

(b) there is no agreement or understanding between the Creditor and the Guarantor that this agreement was delivered in escrow or is not intended to be effective until the occurrence of any event or the satisfaction of any condition;

(c) the Creditor has not made any representation, warranty, statement or promise to the Guarantor regarding the Debtor, the Creditor's intention to obtain any security in respect of Obligations or guarantees from other persons in respect of Obligations, the circumstances under which the Creditor may enforce this agreement, the manner in which the Creditor might enforce this agreement or any other matter which might conflict with any provision expressly set out herein; and

(d) there is no representation, warranty, statement, promise, understanding, condition or collateral agreement between the Creditor and the Guarantor relating to this agreement or the subject matter of this agreement, other than as expressly set out herein.

GOVERNING LAW

19. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Without prejudice to the right of the Creditor to commence any proceedings with respect to this agreement in any other proper jurisdiction, the Guarantor hereby irrevocably attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario.

SUCCESSORS AND ASSIGNS

20. This agreement shall enure to the benefit of the Creditor and its successors and assigns, and shall be binding on the Guarantor and its successors and assigns; "SUCCESSORS" includes any Merged Entity resulting from the Merger of a corporation with any other corporation. Without limiting the generality of the foregoing, if the Creditor assigns or transfers all or any portion of the Obligations and this agreement or any interest therein to any other person, such person shall thereafter be entitled to the benefit of this agreement to the extent of the interest so transferred or assigned, and the Obligations or portion thereof or interest therein so transferred or assigned shall be and shall remain part of the "OBLIGATIONS" hereunder.

LEGAL ADVICE

21. The Guarantor acknowledges that the Guarantor has had ample opportunity to review and consider this agreement, fully understands the provisions hereof and has received legal advice from the Guarantor's solicitors in connection with this agreement.

RECEIPT OF COPY OF AGREEMENT

22. The Guarantor hereby acknowledges receipt of a copy of this agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF this agreement has been executed and delivered by the Guarantor as of the 1st day of December, 2005.

HIGH RIVER GOLD MINES LTD.

By: /s/ D.A. Whalen
Name: D.A. Whalen
Title: Executive Chairman

By: /s/ Steven Poad
Name: Steven Poad
Title: Chief Financial Officer

Guarantor's Address for Service:

1200 - 155 University Avenue
Toronto, Ontario
M5H 3B7
Fax no. 416-360-0010

with a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza, 40 King Street W.
Toronto, Ontario M5H 3C2
Attention: David Poynton
Fax no. 416-644-9348

Creditor's Address for Service:

1600 Wynkoop Street
Suite 1000
Denver, Colorado
USA 80202-1132
Attention: President
Fax no. 303-595-9385

Exhibit 10.3

TO: Royal Gold, Inc.

RE: Funding Agreement dated as of the date hereof (as supplemented, amended or otherwise modified or restated from time to time, the "FUNDING AGREEMENT") between Societe des Mines de Taparko ("Debtor") and Royal Gold, Inc.

Guarantee dated as of the date hereof (as supplemented, amended or otherwise modified from time to time, the "GUARANTEE") by the undersigned ("Guarantor") in favour of Royal Gold, Inc. in respect of the present and future indebtedness, liabilities and obligations of Debtor to Royal Gold, Inc.

PLEDGE OF SECURITIES

OBLIGATIONS SECURED

1. In consideration of Royal Gold, Inc. (the "SECURED PARTY") dealing with or extending credit for the benefit of Debtor, an indirectly owned subsidiary of Guarantor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Guarantor, the Guarantor hereby enters into this Agreement with the Secured Party as security for the payment and performance of all Obligations (as hereinafter defined). Insofar as it affects personal property located in Ontario, this Agreement is governed by the PPSA.

DEFINITIONS AND INTERPRETATION

2. In this Agreement, the following words shall, unless otherwise provided, have the meanings set out below:

"BUSINESS DAY" means a day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario;

"CHARGED SECURITIES" means all Securities of the Guarantor charged pursuant to Section 9 of this Agreement;

"COLLATERAL" means all Securities and other property and assets of the Guarantor and the Proceeds thereof charged pursuant to Section 9 of this Agreement;

"MONEY" means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"OBLIGATIONS" means all present and future indebtedness, liabilities and obligations, direct or indirect, matured or unmatured, joint or several, absolute or contingent, of the Guarantor to the Secured Party arising pursuant to or in respect of the Guarantee including, without limitation, any liability of the Guarantor arising in respect of any bill of exchange issued, accepted or endorsed by the Guarantor of which the Secured Party is the holder;

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership or other entity;

"PPSA" means the Personal Property Security Act (Ontario), as amended from time to time, and any statute substituted therefor and any amendments thereto;

"PROCEEDS" means identifiable or traceable personal or real property in any form derived directly or indirectly from any dealing with any of the Collateral or the proceeds therefrom;

"SECURITY" means a document that is,

(a) issued in bearer, order or registered form,

(b) of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment,

(c) one of a class or series or by its terms is divisible into a class or series of documents, and

(d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer,

and includes an uncertificated security within the meaning of Part VI (Investment Securities) of the Business Corporations Act (Ontario).

"SECURITY INTEREST" means the interest in the Collateral created in favour of the Secured Party by this Agreement that secures or is intended to secure payment or performance by the Guarantor of the Obligations.

3. The headings in this Agreement are included for convenience of reference only, and shall not constitute a part of this Agreement for any other purpose.

4. In construing this Agreement, terms herein shall have the same meaning as defined in the PPSA, unless the context otherwise requires. The word "GUARANTOr", the personal pronoun "IT" or "ITS" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "SUCCESSORS" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, a word importing the singular shall include the plural and vice versa and a word importing gender shall include all genders.

5. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

6. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.

7. The Secured Party may in writing (and not otherwise) waive any breach by the Guarantor of any provision of this Agreement or any default by the Guarantor in the observance or performance of any provision of this Agreement; provided always that no waiver by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default, whether of the same or a different nature, or the rights resulting therefrom.

8. This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario. For the purpose of legal proceedings, this Agreement shall be deemed to have been made in the said Province and to be performed therein and the courts of that Province shall have jurisdiction over all disputes which may arise under this Agreement. The Guarantor hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of such courts, provided always that nothing herein shall prevent the Secured Party from proceeding at its election against the Guarantor in the courts of any other province, country or jurisdiction.

CREATION OF SECURITY INTEREST

9. The Guarantor hereby pledges, grants, mortgages, charges, hypothecates, transfers assigns and creates to the Secured Party and grants to and in favour of the Secured Party a security interest in the following:

(a) 12,015,000 common shares in the capital stock of Pelangio Mines Inc. and 1,790,941 common shares in the capital stock of Intrepid Minerals Corporation; and

(b) all Proceeds derived directly or indirectly from any dealing with the foregoing.

REGISTRATION OF CHARGED SECURITIES

10. With respect to any Charged Securities in certificated form, the certificates representing such Charged Securities may remain registered in the name of the Guarantor, and the Guarantor shall at the option of the Secured Party either duly endorse such certificates in blank for transfer or execute stock powers of attorney in respect thereof; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Secured Party and any transfer agent appointed from time to time in respect of the Charged Securities. With respect to any Charged Securities in uncertificated form evidenced in the records of a clearing agency or custodian or a nominee of either, the Guarantor shall cause the Security Interest to be recorded in the records of such clearing agency, custodian, or nominee in a manner which will satisfy the Secured Party that the Security Interest in such Charged Securities has been perfected by possession. Notwithstanding the foregoing, at any time and from time to time upon request by the Secured Party, the Guarantor shall cause any or all of the Charged Securities to be registered in the name of the Secured Party or its nominee, and the Secured Party is hereby appointed the irrevocable attorney of the Guarantor with full power of substitution to cause any or all of the Charged Securities to be registered in the name of the Secured Party or its nominee.

FURTHER DESCRIPTION OF COLLATERAL

11. Without limiting the generality of the description of Collateral as set out in section 9, for greater certainty the Collateral shall include all present and future Securities described in any schedule now or hereafter attached hereto. The Guarantor agrees to promptly inform the Secured Party in writing of the acquisition by the Guarantor of any securities which are received in substitution for, as stock dividends on, or as Proceeds of any Charged Securities, and the Guarantor hereby irrevocably constitutes and appoints the Secured Party or any officer thereof as its true and lawful attorney, with full power of substitution, to attach additional schedules to this Agreement from time to time to identify any such additional Securities which are so intended by the parties to be subject to the Security Interest.

ATTACHMENT

12. The parties acknowledge that value has been given, the Guarantor has rights in the Collateral and the parties have not agreed to postpone the time for attachment of the Security Interest.

VOTING RIGHTS

13. Until the Secured Party makes demand pursuant to the Guarantee, the Guarantor shall be entitled to exercise all voting rights attached to the Charged Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which may materially adversely affect the interests of the Secured Party or the value of the Charged Securities or which would impose any restriction on the transferability of any of the Charged Securities.

All such rights of the Guarantor to vote and give consents, waivers and ratifications hereunder shall cease immediately upon the Secured Party making demand pursuant to the Guarantee.

DEALING WITH INCOME AND PROCEEDS

14. Upon the Secured Party making demand pursuant to the Guarantee, all dividends, interest and other income in respect of Collateral and all Proceeds received by the Guarantor in respect of Collateral shall be received by the Guarantor as trustee for the Secured Party and shall forthwith be paid over to the Secured Party, to be applied against the Obligations or, at the option of the Secured Party, to be held as additional security for the Obligations.

REPRESENTATIONS AND WARRANTIES

15. The Guarantor hereby represents and warrants to the Secured Party as follows and acknowledges that the Secured Party is relying upon such representations and warranties in its present and future dealings with the Guarantor and the Obligations:

(a) the Guarantor has the capacity and authority to incur the Obligations, create the Security Interest and observe and perform all its obligations under this Agreement;

(b) the execution and delivery of this Agreement and the performance by the Guarantor of its obligations hereunder have been duly authorized by all necessary proceedings;

(c) except for the Security Interest, the Collateral is owned by the Guarantor free from any mortgage, lien, charge, encumbrance, pledge, security interest or other claim whatsoever; and

(d) the chief executive office of the Guarantor is located at the address of the Guarantor set out on the signing page of this Agreement.

COVENANTS

16. The Guarantor covenants and agrees with the Secured Party as follows:

(a) it will not, without the Secured Party's prior written consent, sell, exchange, transfer, assign, lend, charge, pledge, encumber or otherwise dispose of or deal in any way with the Collateral or any interest therein save and except to the Secured Party hereunder, or enter into any agreement or undertaking to do so;

(b) it will do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be required by the Secured Party to grant to the Secured Party the Security Interest with the priority intended hereby and generally to accomplish the intention of this Agreement;

(c) it will pay all reasonable expenses, including solicitors' and receivers' fees and disbursements, incurred by the Secured Party or its agents in connection with the preparation, perfection, preservation and enforcement of this Agreement; including all reasonable expenses incurred by the Secured Party or such agents in dealing with other creditors of the Guarantor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable by the Guarantor forthwith upon demand by the Secured Party and shall form part of the Obligations;

(d) it will pay when due any and all calls, subscription monies and other amounts payable on or in respect of any Collateral and, if the Guarantor fails to do so, the Secured Party may (but shall not be obligated to) do so and, if the Secured Party does so, the Guarantor shall, upon demand by the Secured Party, reimburse the Secured Party for such payment and the Secured Party may debit any account or accounts of the Guarantor with such amount; and

(e) it will, unless otherwise agreed by the Secured Party in writing, cause all tangible Collateral to be situated at the Denver, Colorado offices of the Secured Party at all times including when the Security Interest attaches to such tangible Collateral.

ENFORCEMENT

17. The Security Interest shall become enforceable immediately upon demand by the Secured party pursuant to the Guarantee.

REMEDIES

18. Upon the Security Interest becoming enforceable, in addition to any other remedies available at law or equity or contained in any other agreement between the Guarantor and the Secured Party, the Secured Party may:

(a) obtain, by any method permitted by law, possession of any Charged Securities which it does not then already hold;

(b) realize upon, collect, sell, transfer, assign, give options to purchase, or otherwise dispose of and deal with the Collateral or any part thereof;

(c) notify any parties obligated in respect of any Proceeds to make payment thereof to the Secured Party;

(d) exercise all voting rights attached to the Charged Securities (whether or not registered in the name of the Secured Party or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;

(e) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Charged Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Charged Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Charged Securities, and in connection therewith, to deposit and deliver any of the Charged Securities with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it;

(f) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Charged Securities as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Guarantor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Secured Party be liable or accountable to the Guarantor for any discount in the sale price of the Charged Securities which may be given by reason of the fact that such Charged Securities are sold in compliance with any such limitation or restriction; and

(g) file proofs of claim and other documents in order to have the claims of the Secured Party lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Guarantor.

FAILURE OF SECURED PARTY TO EXERCISE REMEDIES

19. The Secured Party shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

COMBINATION OF ACCOUNTS AND SET-OFF

20. The Secured Party may debit any account of the Guarantor with any and all Obligations, combine accounts or set off any amount now or hereinafter owing by the Secured Party to the Guarantor against any Obligations, in order to reduce the Obligations.

APPLICATION OF PAYMENTS AND LIABILITY FOR DEFICIENCY

21. All monies received by the Secured Party in respect of the Obligations and in respect of the enforcement of the Security Interest may be held by the Secured Party as security for the Obligations or applied by the Secured Party to reduce Obligations in such manner as the Secured Party may determine in its discretion, and the Secured Party may at any time apply or change any such appropriation of such payments or monies and apply them to such other part or parts of the Obligations as the Secured Party may determine in its discretion. The Guarantor shall remain liable to the Secured Party for any deficiency; and any surplus funds realized after the satisfaction of all Obligations shall be paid in accordance with applicable law.

STANDARDS OF SALE

22. (a) The Guarantor acknowledges that the Charged Securities are of a type customarily sold on a recognized market, and accordingly the Guarantor agrees that in connection with any enforcement of the Security Interest, the Secured Party may sell the Charged Securities pursuant to this agreement on a recognized market without notice to the Guarantor.

(b) The Guarantor and the Secured Party acknowledge that any sale of Charged Securities must occur in compliance with the relevant provisions of the Securities Act (Ontario), as amended from time to time and any statute substituted therefor and any amendments thereto and, as may otherwise be applicable, corresponding legislation in other jurisdictions ("SECURITIES LAWS"), and that the Secured Party shall not be obliged to effect a public sale of the Charged Securities and may sell the Charged Securities pursuant to one or more private trades to a restricted group of purchasers who may be obliged to agree, among other things, to acquire the Charged Securities as principal and to comply with certain resale restrictions. The Secured Party shall be under no obligation to delay a sale of such Charged Securities for any period of time in order to permit the issuer thereof or any other person to qualify such Charged Securities for public sale under applicable Securities Laws. The Secured Party shall be under no obligation to sell the Charged Securities as a "control block" or at a premium to the "market price", as defined under applicable Securities Laws. The Guarantor acknowledges that any private sale may be at prices and on other terms which may be less favourable than a public sale or a control block sale; and the Guarantor agrees that any such sale shall not, solely by reason of its being a private sale, be deemed to have been made otherwise than in a commercially reasonable manner. Upon the Security Interest becoming enforceable, the Guarantor consents, and agrees to use reasonable efforts to cause the issuer of such Charged Securities to consent, to the disclosure by the Secured Party to the public generally and to any prospective purchaser of the Charged Securities of any information relating to the Charged Securities, whether or not such information may be considered confidential at such time.

(c) The Secured Party shall be entitled to purchase for itself any or all of the Collateral, whether in connection with a sale made under the power of sale herein contained or pursuant to judicial proceedings or otherwise.

DEALINGS BY SECURED PARTY

23. The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Guarantor, debtors of the Guarantor, sureties of the Guarantor, and others as the Secured Party may see fit, without prejudice to the Obligations and the rights of the Secured Party to hold and realize upon the Security Interest. The Secured Party has no obligation to keep Collateral or any portion thereof identifiable.

NOTICES

24. Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee pursuant to the terms of the Guarantee.

SEPARATE SECURITY

25. This Agreement and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Secured Party in respect of the Guarantor, the Obligations or the Collateral.

POWER OF ATTORNEY

26. The Guarantor hereby constitutes and appoints the Secured Party or any officer thereof as its true, lawful and irrevocable attorney, with full power of substitution, to execute all documents and take any and all actions as may be necessary or desirable to perform any obligations of the Guarantor arising pursuant to this Agreement, and in executing such documents and taking such actions, to use the name of the Guarantor whenever and wherever it may be considered necessary or expedient. This power of attorney is coupled with an interest and may not be revoked.

ENTIRE AGREEMENT

27. This Agreement and the Guarantee including any schedules attached hereto constitutes the entire agreement between the Guarantor and the Secured Party relating to the subject matter hereof and no amendment to this agreement shall be effective unless it is in writing and signed by the Guarantor and the Secured Party. There are no representations, warranties or collateral agreements in effect between the Guarantor and the Secured Party relating to the Security Interest and the Collateral and possession of an executed copy of this Agreement by the Secured Party constitutes conclusive evidence that it was executed and delivered by the Guarantor free of all conditions.

ENUREMENT

28. This Agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding on the Guarantor and the Guarantor's successors and permitted assigns, as may be applicable. The Guarantor shall have no right to assign any benefit which it may be entitled to hereunder without the prior written consent of the Secured Party.

COPY OF AGREEMENT

29. The Guarantor acknowledges receipt of an executed copy of this Agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF this Agreement has been executed and delivered by the Guarantor as of the 1st day of December, 2005.

HIGH RIVER GOLD MINES LTD.

By: /s/ D.A. Whalen
Name: D.A. Whalen
Title: Executive Chairman

By: /s/ Steven Poad
Name: Steven Poad
Title: Chief Financial Officer

We have the authority to bind the Corporation

Guarantor's Address For Notice Purposes:

1700-155 University Avenue
Toronto, Ontario
M5H 3B7

Fax No. 416-360-0010

With a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza, 40 King Street W.
Toronto, Ontario M5H 3C2
Attention: David Poynton
Fax no. 416-644-9348

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-a5(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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; and

(d) 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 8, 2006

/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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-a5(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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; and

(d) 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 8, 2006

/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 ended December 31, 2005, 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. 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, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 8, 2006

/ *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 ended December 31, 2005, 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. 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, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 8, 2006

/s/ Stefan Wenger

Stefan Wenger
Treasurer and Chief Accounting Officer