

ROYAL GOLD INC

FORM 10-Q (Quarterly Report)

Filed 05/14/99 for the Period Ending 03/31/99

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 5/14/1999 For Period Ending 3/31/1999

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

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999

COMMISSION FILE NUMBER 0-5664

ROYAL GOLD, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

84-0835164

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

SUITE 1000
1660 WYNKOOP STREET
DENVER, COLORADO

80202-1132

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(303) 573-1660

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Not Applicable

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED
SINCE LAST REPORT)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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

CLASS OF COMMON STOCK	OUTSTANDING AT MAY 4, 1999
\$.01 PAR VALUE	17,082,596 SHARES

ROYAL GOLD, INC.

INDEX

PAGE

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets 3-4

Consolidated Statements of Operations 5-6

Consolidated Statements of Cash Flows	7-8
Notes to Consolidated Financial Statements	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
PART II: OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	23
SIGNATURES	24

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 planned levels of exploration and other expenditures, anticipated mine lives, timing of production and schedules for development. Factors that could cause actual results to differ materially include, among others, decisions and activities of Cortez regarding the Pipeline and South Pipeline deposits, unanticipated grade, geological, metallurgical, processing or other problems, conclusions of feasibility studies, changes in project parameters as plans continue to be refined, the timing of receipt of governmental permits, the failure of plant, equipment or processes to operate in accordance with specifications or expectations, results of current exploration activities, accidents, delays in start-up dates, environmental costs and risks, changes in gold prices, as well as other factors. Most of these factors are beyond the Company's ability to predict or control. The Company disclaims any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

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

ASSETS

	March 31, 1999	June 30, 1998
Current Assets		
Cash and equivalents	\$ 5,158,525	\$ 8,462,083
Marketable securities	4,018,098	3,007,505
Trade and other receivables	218,108	516,186
Royalties receivable in gold	106,011	83,194
Inventory	0	69,101
Prepaid expenses and other	46,136	70,065
	-----	-----
Total current assets	9,546,878	12,208,134
	-----	-----
Property and equipment, at cost		
Mineral properties	7,597,376	6,949,655
Furniture, equipment and improvements	691,649	681,073
	-----	-----
	8,289,025	7,630,728
	-----	-----
Less accumulated depreciation, depletion and amortization	(1,324,196)	(981,625)
	-----	-----
Net property and equipment	6,964,829	6,649,103
	-----	-----
Other assets		
Noncurrent marketable securities	1,006,875	2,012,500
Other	57,767	57,567
	-----	-----
Total other assets	1,064,642	2,070,067
	-----	-----

\$ 17,576,349	\$ 20,927,304
=====	=====

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

3

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1999	June 30, 1998
Current Liabilities		
Accounts payable	\$ 687,934	\$ 548,904
Taxes payable	0	45,280
Accrued compensation	95,000	140,000
Post retirement benefits	26,400	26,400
Other	12,225	10,190
	-----	-----
Total current liabilities	821,559	770,774
	-----	-----
Post retirement benefit liabilities	87,697	107,497
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock, \$.01 par value, authorized 40,000,000 shares; issued 17,255,602 and 17,069,602 shares, respectively	172,556	170,696
Additional paid-in capital	54,019,593	53,978,827
Accumulated deficit	(36,491,686)	(33,340,707)
	-----	-----
	17,700,463	20,808,816
Less treasury stock, at cost (204,726 and 143,726 shares, respectively)	(1,033,370)	(759,783)
Total stockholders' equity	16,667,093	20,049,033
	\$ 17,576,349	\$ 20,927,304
	=====	=====

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

4

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

	For the three months ended March 31,	
	-----	-----
	1999	1998
	-----	-----
Royalty income	\$ 139,466	\$ 128,509
Gain on gold inventory	1,215	174,054
Consulting revenues	3,000	5,940
Costs and expenses		

Costs of operations	132,419	112,925
General and administrative	391,462	430,493
Direct costs of consulting revenues	0	1,450
Exploration	699,568	368,136
Lease maintenance and holding costs	52,365	253,991
Depreciation and depletion	44,517	47,664
	-----	-----
Total costs and expenses	1,320,331	1,214,659
	-----	-----
Operating loss	(1,176,650)	(906,156)
Interest and other income	131,415	305,271
Loss on marketable securities	(8,845)	0
	-----	-----
Net loss	\$ (1,054,080)	\$ (600,885)
	=====	=====
Basic and diluted loss per share	\$ (0.06)	\$ (0.04)
	=====	=====
Basic and diluted weighted average shares outstanding	17,012,787	16,875,109
	=====	=====

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

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

	For the nine months ended March 31,	
	1999	1998
	-----	-----
Royalty income	\$ 774,418	\$ 2,007,373
Gain (loss) on gold inventory	634	(774,568)
Consulting revenues	12,575	28,291
Costs and expenses		
Costs of operations	273,654	324,893
General and administrative	1,208,084	1,209,478
Direct costs of consulting revenues	1,625	6,585
Exploration	2,245,118	1,474,960
Lease maintenance and holding costs	379,699	612,466
Depreciation and depletion	342,571	76,359
	-----	-----
Total costs and expenses	4,450,751	3,704,741
	-----	-----
Operating loss	(3,663,124)	(2,443,645)
Interest and other income	538,401	643,898
Loss on marketable securities	(26,256)	(35,083)
	-----	-----
Net loss	\$ (3,150,979)	\$ (1,834,830)
	=====	=====
Basic and diluted loss per share	\$ (0.19)	\$ (0.11)
	=====	=====
Basic and diluted weighted average shares outstanding	17,007,727	16,517,397
	=====	=====

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

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

	For the nine months ended March 31,	
	1999	1998
Cash flows from operating activities		
Net loss	\$ (3,150,979)	\$ (1,834,830)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and depletion	342,571	76,359
Unrealized (gain) loss on marketable securities	26,256	35,083
Unrealized (gain) loss on gold inventory	(634)	774,568
(Increase) decrease in:		
Trade and other receivables	298,078	(230,240)
Marketable securities	(31,224)	(58,738)
Royalties receivable in gold	(22,817)	2,532,541
Inventory	69,735	(4,878,804)
Prepaid expenses and other	(2,327)	511,040
Increase (decrease) in:		
Accounts payable and accrued liabilities	50,785	(493,515)
Post retirement liabilities	(19,800)	(19,800)
Total Adjustments	741,847	(1,751,506)
Net cash used in operating activities	(2,409,132)	(3,586,336)
Cash flows from investing activities		
Maturity (purchase) of marketable securities	(4,968)	0
Capital expenditures for property and equipment	(658,297)	(2,868,570)
Increase in other assets	(200)	(34,800)
Net cash used in investing activities	(663,465)	(2,903,370)

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

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

	For the nine months ended March 31,	
	1999	1998
Cash flows from financing activities		
Proceeds from issuance of common stock	\$ 42,626	\$ 6,538,752
Purchases of common stock	(273,587)	(646,210)
Net cash provided by (used in) financing activities	(230,961)	5,892,542
Net decrease in cash and equivalents	(3,303,558)	(597,164)

Cash and equivalents at beginning of period	8,462,083 -----	3,333,298 -----
Cash and equivalents at end of period	\$ 5,158,525 =====	\$ 2,736,134 =====

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

8

ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For a more complete understanding of the business and operations of Royal Gold, Inc., please refer to the Report on Form 10-K of Royal Gold, Inc. for the annual period ended June 30, 1998.

1. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at March 31, 1999, and June 30, 1998:

	March 31, 1999 -----	June 30, 1998 -----
Mineral Properties:		
South Pipeline-		
Net Profits Interest	\$ -	\$ -
Bald Mountain Royalty	2,068,052	2,369,353
Inyo Gold Project (formerly Long Valley)	4,375,735	4,086,233
Other	478,329	120,110
	-----	-----
	6,922,116	6,575,696
Office furniture, equipment and improvements	42,713 -----	73,407 -----
Net property and equipment	\$ 6,964,829 =====	\$ 6,649,103 =====

As discussed in the following paragraphs, activity is being conducted on substantially all of the Company's mineral properties. The recoverability of the carrying value of capitalized projects is evaluated based upon undiscounted estimated future net cash flows from each property's proven and probable reserves. Reductions in the carrying value of each property are recorded to the extent that the Company's carrying value in each property exceeds its estimated future discounted cash flows.

Presented below is a discussion of the status of each of the Company's significant mineral properties.

A. SOUTH PIPELINE (CRESCENT VALLEY)

The South Pipeline property is a claim block containing sediment-hosted gold deposits located in Lander County, Nevada. Pursuant to an agreement dated September 18, 1992,

9

the Company held a 20% net profits interest in this project. Cortez Gold Mines ("Cortez") is the project operator.

On April 1, 1999, the Company announced that it has agreed to convert its 20% net profits interest at South Pipeline into several gross smelter return royalties extending over the mining complex that includes the Pipeline and South Pipeline deposits. Pipeline is owned by Cortez Gold Mines, a joint venture between Placer Dome U.S. Inc. and Kennecott Exploration (Australia) Ltd., a subsidiary of Rio Tinto Ltd. Total ore reserves for the complex covered by the new royalties are approximately 174 million tons, at an average grade of 0.048 ounces per ton of gold.

The royalty interests that Royal Gold holds as of April 1, 1999, include:

A) A sliding scale gross smelter returns ("GSR") royalty for all gold produced from the "Reserve Claims" (some 52 claims that encompass all

of the Pipeline and South Pipeline deposits). This royalty will cover, from July 1, 1999, proven and probable ore reserves containing approximately 8.3 million contained ounces of gold. The GSR on the Reserve Claims is tied to the gold price, with a floor of 0.40% GSR below \$210 per ounce gold, and is capped at a 5% GSR for a \$470 per ounce or higher gold price. At a \$285 gold price, the GSR on the Reserve Claims is 2.25%.

B) A sliding scale GSR for all gold produced from the remaining GAS Claims (some 296 claims immediately south and east of the Reserve Claims). At present, there are no ore reserves on the GAS Claims. The GSR on the GAS Claims is tied to the gold price, with a floor of 0.72% GSR below \$210 per ounce gold, and is capped at a 9% GSR for a \$470 per ounce or higher gold price. At a gold price of \$285, the GSR on the GAS Claims is 4.05%.

C) A 10% GSR on all gold and silver produced from any of the GAS Claims from January 1, 1999 until the commencement of commercial production from the South Pipeline deposit (this interest relates primarily to stockpiled material from the Crescent Pit and from the "saddle area," at South Pipeline).

10

D) A 7% GSR on all silver produced from any of the Reserve Claims or GAS Claims, commencing July 1, 1999.

B. BALD MOUNTAIN

On March 13, 1998, Royal Gold acquired, from private parties, a 50% undivided interest in a sliding-scale net smelter return royalty that burdens approximately 81% of the current reserves at the Bald Mountain Mine, White Pine County, Nevada. Bald Mountain is owned and operated by Placer Dome U.S. Inc.

The Company anticipates that the royalty interest will pay, on a 100% basis, at the level of 3.5% net smelter returns for the balance of the mine life at Bald Mountain. Accordingly, the Company anticipates that its receipts from royalty-burdened production at Bald Mountain will be at the level of 1.75% net smelter returns.

C. INYO GOLD PROJECT (FORMERLY LONG VALLEY)

On January 13, 1999, Royal Gold announced that it had renamed the Long Valley gold project as the Inyo Gold Project.

The Inyo Gold Project, in Mono County, California, is subject to an agreement between the Company and Standard Industrial Minerals, Inc. Pursuant to the agreement, the Company was entitled, through December 31, 1997, to acquire Standard Industrial Minerals' interest in the property, upon payment of \$1,000,000. This agreement was extended through December 31, 2003, as described below.

In November 1997, the Company announced an increase in the reserve estimate for Inyo Gold Project. Based on Royal Gold's drilling results through August 1997, the Inyo Gold Project contains proven and probable reserves, at a gold price of \$350 per ounce, of approximately 39.1 million tons, averaging 0.018 opt (at a cut-off grade of 0.008 opt). The

11

Company has recalculated these reserves, at \$300 gold, to be 34.1 million tons, averaging 0.019 opt.

In December 1997, Royal Gold announced that it had secured, for \$100,000, a one-year extension of its option to acquire all of the interest of Standard Industrial Minerals, Inc. in the Inyo Gold Project. Under the terms of the extension of the option, Mono County Mining Company (formerly Royal Long Valley) was required to pay \$900,000 to Standard Industrial Minerals, on or before December 31, 1998, or else it would forfeit the right to acquire all of Standard Industrial's interest in the Inyo Gold Project.

In November 1998, Royal Gold announced that it had secured a further five-year extension of its option to acquire all of the interest of Standard Industrial Minerals in the Inyo Gold Project. Under the terms of the extension agreement, Mono County Mining Company may acquire all of Standard Industrial's interest in the property, at any time prior to December 31, 2003, upon payment of \$900,000, plus accrued interest at 6% per year. Mono County Mining Company must pay Standard Industrial a minimum of \$100,000 per year, over the five-year extension period, which is then credited against the option purchase amount.

2. INCOME TAXES

At June 30, 1998, the Company had an estimated net operating loss carryforward for federal income tax purposes of approximately \$22.8 million. If not used, the net operating loss carryforwards will expire during the years 2001 through 2016. The Company is not recognizing any benefit from its current losses, due to the uncertainty as to their ultimate realization.

3. ROYALTIES RECEIVABLE IN GOLD

At March 31, 1999, 327 ounces of gold related to the March 31 quarterly production from the Crescent Pit is recorded as a receivable. This gold was received on April 27, 1999. Royal Gold has exposure for any changes in the gold price on this receivable between the end of the quarter and the time of receipt.

12

4. INVENTORY

Gold inventory on the balance sheet consists of refined gold bullion held in uninsured accounts. This gold is stored by the Company's refiner in Utah. The inventory is carried at market value at the end of the period with unrealized gains or losses included in the results of operations for the period. During the quarter ended March 31, 1999, all gold inventory was sold and at March 31, 1999, the Company held no gold bullion in inventory.

5. EARNINGS PER SHARE COMPUTATION

At March 31, 1999, options to purchase 423,520 shares of common stock at an average price of \$0.40 per share were not included in the computation of diluted EPS because the Company experienced a net loss in both the quarter and nine month periods and these options are anti-dilutive. Options to purchase 820,498 shares of common stock at an average price of \$6.13 per share were outstanding at March 31, 1999, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

At March 31, 1998, options to purchase 646,520 shares of common stock at an average price of \$0.28 per share were not included in the computation of diluted EPS because the Company experienced a net loss in both the quarter and nine month periods and these options are anti-dilutive. Options to purchase 884,000 shares of common stock at an average price of \$9.57 per share were outstanding at March 31, 1998, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

6. CONTINGENCIES AND COMMITMENTS

The operations and activities conducted on the properties in which the Company holds various interests are subject to various federal, state, and local laws and regulations governing protection of the environment. These laws are continually changing and are generally becoming more restrictive. Management believes that the Company is in material compliance with all applicable laws and regulations.

13

7. GENERAL

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, it is suggested that these financial statements be read in connection with the financial statements and the notes included in the Company's audited consolidated financial statements as of June 30, 1998.

14

ROYAL GOLD, INC.

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

Royal Gold is engaged in the acquisition and management of gold royalty interests, and in the exploration, development, and sale of gold properties.

The Company's primary business strategy is to create and acquire royalties and other carried ownership interests in gold mining properties through exploration and development activity (and subsequent transfer of the operating interest in the subject properties to other firms), and through the direct acquisition of such interests. Substantially all of the Company's revenues are and can be expected to be derived from royalty interests, rather than from mining operations conducted by the Company.

The Company has continued to explore its properties and anticipates continued exploration activities for the remainder of the year. The Company's long-term viability is ultimately dependent upon the acquisitions of gold royalties and the successful exploration and subsequent development and operation by others of the Company's mineral interests. It can be anticipated, because of the nature of the business, that exploration on many of these properties will prove unsuccessful and that the Company will terminate its interest in such properties. As significant results are generated at any such property, the Company will re-evaluate the property and may substantially increase or decrease the level of expenditures on that particular property. The profitability and reserves of the Company are affected by the prevailing gold price.

On April 1, 1999, the Company announced that it has agreed to convert its 20% net profits interest at South Pipeline into several gross smelter

return royalties extending over the mining complex that includes the Pipeline and South Pipeline deposits. The royalty on the Pipeline operation is effective July 1, 1999 and is anticipated by management to bring significant cash flow to the Company in fiscal year 2000.

YEAR 2000 IMPACT

The Year 2000 issue relates to equipment that contains hardware and/or software programmed to read the year based on its last two digits. This equipment will not be able to differentiate between years at the turn of the Century and, if this problem is left uncorrected, may result in malfunctions of the equipment.

15

Throughout the Company, the use of computers is limited to Windows operating systems on computers linked to Local Area Networks. Software consists of standardized packages from major developers. The Year 2000 issue also relates to other office equipment, such as telephones, voice mail and the office security system. The Company is in the process of contacting all relevant vendors and manufacturers to determine whether any updates or replacements will be required. The cost of this project, to date, has not been material and the Company does not expect future costs of the project to be material. An entire system replacement of all computers and software would total approximately \$75,000. Many components have been certified by the vendor as Year 2000 compliant. Those companies that provide banking, insurance and other administrative services to the Company are also being contacted for Year 2000 compliance.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1999, the Company had a working capital surplus of \$8,725,319. Current assets were \$9,546,878, compared to current liabilities of \$821,559, for a current ratio of 12 to 1. This compares to current assets of \$12,208,134, and current liabilities of \$770,774, at June 30, 1998, resulting in a current ratio of 17 to 1.

The Company's liquidity needs are generally being met from its available cash resources, royalty income, interest income, and the issuance of common stock. During the first nine months of fiscal 1999, the Company earned \$376,884 from heap leach production at the Crescent Pit, and \$397,534 on its royalty interest at Bald Mountain. The Company also earned \$538,401 in interest income on its cash and marketable securities portfolio during the nine month period. This marketable securities portfolio is invested in U.S. treasury notes with maturities of up to fourteen, has an adjusted cost basis of \$5,021,157, and had a market value, at March 31, 1999, of \$5,032,315.

16

During the first nine months of fiscal 1999, the Company repurchased 61,000 of its common shares at a cost of \$273,587. This repurchase was made in accordance with the Company's stock repurchase program announced on May 2, 1997, in which the Board of Directors authorized the repurchase of up to \$5 million of the Company's common stock, from time-to-time, in the open market or in privately negotiated transactions. Under this plan, the Company has repurchased 189,700 shares of its common stock for \$958,197 through March 31, 1999.

Management believes its cash resources will be adequate to fund planned operations for the foreseeable future. The Company's royalty on the Pipeline deposit, effective July 1, 1999, is expected to yield approximately \$6.4 million to the Company in fiscal year 2000 at a \$290 gold price. The Company anticipates receiving \$350,000 to \$450,000 per year in revenues from its interest at Bald Mountain, assuming a constant gold price of \$290 per ounce, which will contribute approximately \$75,000 to earnings annually over the estimated mine life. Revenues from the Company's interest in the Crescent Pit will continue to decrease versus production levels obtained in fiscal 1998.

The Company anticipates total general and administrative expenses for fiscal 1999 to be approximately \$1,800,000 (revised from \$2,000,000), of which \$1,208,084 has been spent to date. The Company also anticipates expenditures for exploration and property holding costs to be approximately \$3,000,000 (revised from \$2,400,000) of which \$2,624,817 has been spent. Development expenditures at Inyo Gold are estimated at \$400,000, of which \$317,489 has been spent. Because of the seasonal nature of the Company's activities, development, exploration and holding costs are disproportionately incurred throughout the year. On a prospective basis these amounts could increase or decrease significantly, based on exploration results and decisions about releasing or acquiring additional properties, among other factors.

RESERVES

Set forth below is a chart showing the projected reserves reported by Placer Dome Inc. for the Pipeline and South Pipeline properties as of June 30, 1999:

17

Pipeline / South Pipeline

Projected Proven and Probable Reserves (1)(4)

June 30, 1999

	Tons (millions)	Average Grade (oz Au/ton)	Contained Oz Au (2)
	-----	-----	-----
Pipeline (3)	52.1	0.071	3,700,000
South Pipeline (3)	122.3	0.037	4,590,000

(1) "Reserve" is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. "Proven (Measured) Reserves" are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes and the grade is computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that the size, shape, depth and mineral content of the reserves are well-established. "Probable (Indicated) Reserves" are reserves for which the quantity and grade are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance of probable (indicated) reserves, although lower than that for proven (measured) reserves, is high enough to assume geological continuity between points of observation.

(2) Contained ounces shown are before an allowance for dilution of ore in the mining process and before losses in recovery. The assumed recovery rates are 90% for Pipeline mill-grade ore, 86% for South Pipeline mill-grade ore, and 60% for heap leach material.

(3) Amounts shown represent 100% of the reserves. The Company holds a sliding scale GSR royalty on the properties. At gold prices from \$270 to \$310, the Company receives 2.25% of revenues from these properties.

(4) These reserves are the projected reserves on the GAS Claims based on December 31, 1998 reserves adjusted for estimated six months of production.

18

EXPLORATION

On January 5, 1999, the Company announced that substantial gold mineralization has been discovered at the Milos Gold Project, on the island of Milos, Greece. The project encompasses a gold exploration license area covering Milos and three neighboring islands in the Aegean Sea. As part of an ongoing exploration program managed by Royal Gold, more than 32,800 feet of reverse circulation drilling have now been completed. Since the drilling program began in August 1998, sixty reverse circulation drill holes have been completed, testing six target areas within a 3.5 square mile area in the southwestern portion of the island of Milos.

ROYALTY ACQUISITIONS

On February 10, 1999, the Company announced that it has agreed to finance the underground development of International Skyline Gold Corporation's Bronson Slope High claims. For its investment of approximately \$150,000, Royal Gold will receive the greater of 22% of net operating profits or 2% of net smelter returns from High claim production until payback, and the greater of 8.25% of net operating profits or 1% of net smelter returns after payback. Royal Gold may extend additional funds to Skyline, up to a total of approximately \$331,000, to finance additional development and reserve definition. "Payback" is defined as 125% of Royal Gold's total investment in the High claims, together with the costs to Royal Gold of diligence and documentation of the financing transaction, with Payback estimated not to exceed approximately \$447,000.

Effective as of January 20, 1999, Royal Gold also acquired, for \$175,000 in cash, from a private individual, a 5% net smelter returns royalty interest on a portion of the Mule Canyon mine, operated by Newmont Gold Company, in Lander County, Nevada. The portion of the mine subject to this royalty interest is projected to be in production during 2001 and 2002, and is expected to produce some 24,000 ounces of gold.

19

RESULTS OF OPERATIONS

FOR THE QUARTER ENDED MARCH 31, 1999, COMPARED TO THE QUARTER ENDED MARCH 31, 1998

For the quarter ended March 31, 1999, the Company reported a net loss of \$1,054,080 or \$0.06 per share, as compared to net loss of \$600,885, or \$0.04 per share, for the quarter ended March 31, 1998.

Royalty income for the current quarter of \$139,466, compared to \$128,509 for the quarter ended March 31, 1998, relates to Royal Gold's interests in the South Pipeline property and at Bald Mountain. The increase in royalty income is primarily attributable to increased royalty income at South Pipeline. The Company anticipates modest royalties from heap leach production from the Crescent Pit through fiscal 1999.

The decrease in the gain on gold inventory in the current quarter versus the same quarter last year relates to a substantial decrease in gold inventory at March 31, 1999, versus March 31, 1998. Last year's gain related to an increase in the gold price on 23,150 ounces of gold. At

March 31, 1999, the Company held no gold in inventory.

Costs of operations increased to \$132,419 for the quarter ended March 31, 1999, compared to \$112,925 for the quarter ended March 31, 1998, primarily because of the increase in expenditures related to the renegotiation of the royalty agreement with Placer Dome Inc.

General and administrative costs of \$391,462 for the current quarter have decreased from \$430,493 for the quarter ended March 31, 1998, primarily because of decreased expenditures related to overall cost containment somewhat offset by fees related to listing on the Toronto Stock Exchange.

Exploration expenditures of \$699,568 for the quarter ended March 31, 1999, increased from \$368,136 for the quarter ended March 31, 1998, primarily from exploration activity at Milos, offset by decreased expenditures in two properties in Nevada.

Lease maintenance and holding costs decreased from \$253,991 for the quarter ended March 31, 1998, to \$52,365 for the quarter ended March 31, 1999, due to the cessation of advance minimum royalty payments on two properties in Nevada.

20

Depreciation, depletion, and amortization costs decreased from \$47,664 for the quarter ended March 31, 1998, to \$44,517 for the quarter ended March 31, 1999, primarily from a lower depletion rate related to the Company's royalty interest at Bald Mountain.

Interest income decreased from \$305,271 for the quarter ended March 31, 1998, to \$131,415 for the quarter ended March 31, 1999, primarily due to decreased return on cash investments and decreased funds available for investing.

FOR THE NINE MONTHS MARCH 31, 1999, COMPARED TO THE NINE MONTHS ENDED MARCH 31, 1998

For the nine months ended March 31, 1999, the Company reported a net loss of \$3,150,979, or \$0.19 per share, as compared to a net loss of \$1,834,830, or \$0.11 per share, for the nine months ended March 31, 1998.

Year to date royalty income was \$774,418 compared to \$2,007,373 for the prior year. The decrease primarily relates to Royal Gold's interest in the South Pipeline property, from which the Company was receiving royalty payments on the final production of mill-grade ore from the Crescent Pit in fiscal 1998. During fiscal 1999, royalty income includes \$397,533 from the Company's royalty at Bald Mountain, and the balance is from heap leach production of Crescent Pit ore.

The gain on gold inventory in the current nine month period versus the loss in the same quarter last year relates to a substantial decrease in gold inventory at March 31, 1999, versus March 31, 1998. Last year's loss related to a substantial decline in the gold price on 23,150 ounces of gold. At March 31, 1999, the Company held no gold in inventory.

Costs of operations decreased to \$273,654 for the nine months ended March 31, 1999, compared to \$324,893 for the nine months ended March 31, 1998, primarily because of decreased expenditures from Nevada Net Proceeds Tax due to lower royalty revenues.

General and administrative costs of \$1,208,084 for the nine months ended March 31, 1999 were comparable with expenditures of \$1,209,478 for the nine months ended March 31, 1998.

Exploration expenditures of \$2,245,118 for the nine months ended March 31, 1999, increased from \$1,474,960 for the nine months ended March

21

31, 1998, primarily due to a higher level of exploration activity at three properties, including two properties in Nevada and exploration on the island of Milos, in Greece. This is offset by the cessation of expenditures on properties that were under exploration by the Company last year, but have now been dropped.

Lease maintenance and holding costs decreased from \$612,466 for the nine months ended March 31, 1998, to \$379,699 for the nine months ended March 31, 1999, primarily due to decreased advance minimum royalties paid on two properties in Nevada.

Depreciation, depletion, and amortization costs increased from \$76,359 for the nine month period ended March 31, 1998, to \$342,571 for the nine month period ended March 31, 1999, primarily from the depletion expense related to the Company's royalty interest at Bald Mountain.

Interest and other income decreased from \$643,898 for the nine months ended March 31, 1998, to \$538,401 for the nine months ended March 31, 1999, primarily due to the decreased funds available for investment.

For a more complete understanding of the business and operations of Royal Gold, Inc., please refer to the Report on Form 10-K of Royal Gold, Inc. for the annual period ended June 30, 1998.

PART II: OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

- (a) Exhibits None
- (b) Reports on Form 8-K

Item 5, Other Events filed on April 12, 1999

SIGNATURES

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

ROYAL GOLD, INC.
(Registrant)

<i>Date: May 14, 1999</i>	<i>By: /s/ Stanley Dempsey</i> ----- <i>Stanley Dempsey</i> <i>Chairman of the Board and</i> <i>Chief Executive Officer</i>
<i>Date: May 14, 1999</i>	<i>By: /s/ Thomas A. Loucks</i> ----- <i>Thomas A. Loucks</i> <i>Treasurer</i> <i>(chief financial officer)</i>

ARTICLE 5

PERIOD TYPE	3 MOS	9 MOS
FISCAL YEAR END	JUN 30 1999	JUN 30 1999
PERIOD END	MAR 31 1999	MAR 31 1999
CASH	5,158,525	5,158,525
SECURITIES	4,018,098	4,018,098
RECEIVABLES	324,119	324,119
ALLOWANCES	0	0
INVENTORY	0	0
CURRENT ASSETS	9,546,878	9,546,878
PP&E	8,289,025	8,289,025
DEPRECIATION	(1,324,196)	(1,329,196)
TOTAL ASSETS	17,576,349	17,576,349
CURRENT LIABILITIES	821,559	821,559
BONDS	0	0
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	54,192,149	54,192,149
OTHER SE	0	0
TOTAL LIABILITY AND EQUITY	17,576,349	17,576,349
SALES	0	0
TOTAL REVENUES	142,466	786,993
CGS	0	0
TOTAL COSTS	1,320,331	4,450,751
OTHER EXPENSES	0	0
LOSS PROVISION	0	0
INTEREST EXPENSE	0	0
INCOME PRETAX	(1,054,080)	(3,150,979)
INCOME TAX	0	0
INCOME CONTINUING	(1,054,080)	(3,150,979)
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	(1,054,080)	(3,150,979)
EPS PRIMARY	(0.06)	(0.09)
EPS DILUTED	(0.06)	(0.09)

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