# ROYAL GOLD INC

## FORM 10-Q
(Quarterly Report)

Filed 05/09/06 for the Period Ending 03/31/06

| | |
|---|---|
| Address | 1660 WYNKOOP STREET<br>SUITE 1000<br>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 |

# ROYAL GOLD INC

## FORM 10-Q
(Quarterly Report)

## Filed 5/9/2006 For Period Ending 3/31/2006

| | |
|---|---|
| Address | 1660 WYNKOOP STREET SUITE 1000 |
| | DENVER, Colorado 80202-1132 |
| Telephone | 303-573-1660 |
| CIK | 0000085535 |
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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 March 31, 2006**

**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: 23,532,811 shares of the Company's Common Stock, par value $0.01 per share, were outstanding as of April 30, 2006.

**INDEX**

**ROYAL GOLD, INC.**

Consolidated Balance Sheets

| | March 31, 2006 (Unaudited) | June 30, 2005 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and equivalents | $ 79,910,270 | $ 48,840,371 |
| Royalty receivables | 4,729,696 | 6,601,329 |
| Deferred tax assets | 152,707 | 452,730 |
| Prepaid expenses and other | 739,206 | 333,883 |
| Total current assets | 85,531,879 | 56,228,313 |
| Royalty interests in mineral properties, net (Note 5) | 81,000,050 | 44,817,242 |
| Available for sale securities (Note 4) | 2,016,564 | 554,812 |
| Deferred tax assets | 623,386 | 160,417 |
| Other assets | 405,086 | 557,771 |
| Total assets | $169,576,965 | $102,318,555 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 2,418,215 | $ 1,140,509 |
| Income taxes payable | 67,398 | 253,496 |
| Dividend payable | 1,297,620 | 1,050,628 |
| Accrued compensation | 187,500 | 278,500 |
| Other | 243,621 | 175,095 |
| Total current liabilities | 4,214,354 | 2,898,228 |
| Deferred tax liabilities | 7,290,639 | 7,586,402 |
| Other long-term liabilities | 76,834 | 96,634 |
| Total liabilities | 11,581,827 | 10,581,264 |
| Commitments and contingencies (Note 8) | | |
| Stockholders' equity | | |
| Common stock, $.01 par value, authorized 40,000,000 shares; and issued 23,762,035 and 21,258,576 shares, respectively | 237,619 | 212,585 |
| Additional paid-in capital | 165,043,413 | 104,163,515 |
| Accumulated other comprehensive income (loss) | 516,348 | (284,920) |
| Deferred compensation | — | (524,659) |
| Accumulated deficit | (6,705,370) | (10,732,358) |
| Treasury stock, at cost (229,224 shares) | (1,096,872) | (1,096,872) |
| Total stockholders' equity | 157,995,138 | 91,737,291 |
| Total liabilities and stockholders' equity | $169,576,965 | $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 | |
|---|---|---|
| | March 31, 2006 | March 31, 2005 |
| Royalty revenues | $ 5,760,750 | $ 5,868,538 |
| Costs and expenses | | |
| Costs of operations | 475,682 | 400,885 |
| General and administrative | 1,325,572 | 939,935 |
| Exploration and business development | 1,210,452 | 391,980 |
| Depreciation, depletion and amortization | 1,006,467 | 695,152 |
| Total costs and expenses | 4,018,173 | 2,427,952 |
| Operating income | 1,742,577 | 3,440,586 |
| Interest and other income | 815,692 | 202,827 |
| Gain on sale of available for sale securities | — | 51 |
| Interest and other expense | (61,537) | (22,034) |
| Income before income taxes | 2,496,732 | 3,621,430 |
| Current tax expense | (976,681) | (599,445) |
| Deferred tax benefit (expense) | 299,088 | (295,896) |
| Net income | $ 1,819,139 | $ 2,726,089 |
| Adjustments to comprehensive income | | |
| Unrealized change in market value of available for sale securities, net of tax | 576,114 | 65,448 |
| Realization of the change in market value on sale of available for sale securities, net of tax | — | (33) |
| Comprehensive income | $ 2,395,253 | $ 2,791,504 |
| Basic earnings per share | $ 0.08 | $ 0.13 |
| Basic weighted average shares outstanding | 23,522,539 | 20,894,921 |
| Diluted earnings per share | $ 0.08 | $ 0.13 |
| Diluted weighted average shares outstanding | 23,810,698 | 21,099,404 |

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 Nine Months Ended | |
|---|---|---|
| | March 31, 2006 | March 31, 2005 |
| Royalty revenues | $20,163,677 | $17,824,462 |
| Costs and expenses | | |
| Costs of operations | 1,582,889 | 1,385,182 |
| General and administrative | 3,933,077 | 2,844,608 |
| Exploration and business development | 2,671,702 | 1,446,438 |
| Depreciation, depletion, and amortization | 2,934,936 | 2,422,461 |
| Total costs and expenses | 11,122,604 | 8,098,689 |
| Operating income | 9,041,073 | 9,725,773 |
| Interest and other income | 2,269,347 | 515,241 |
| Gain on sale of available for sale securities | — | 163,577 |
| Interest and other expense | (116,315) | (80,069) |
| Income before income taxes | 11,194,105 | 10,324,522 |
| Current tax expense | (4,331,408) | (1,807,979) |
| Deferred tax benefit (expense) | 921,168 | (673,708) |
| Net income | $ 7,783,865 | $ 7,842,835 |
| Adjustments to comprehensive income | | |
| Unrealized change in market value of available for sale securities, net of tax | 801,268 | 142,042 |
| Realization of the change in market value on sale of available for sale securities, net of tax | — | (104,689) |
| Comprehensive income | $ 8,585,133 | $ 7,880,188 |
| Basic earnings per share | $ 0.34 | $ 0.38 |
| Basic weighted average shares outstanding | 22,635,447 | 20,830,368 |
| Diluted earnings per share | $ 0.34 | $ 0.37 |
| Diluted weighted average shares outstanding | 22,909,476 | 21,027,613 |

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

**ROYAL GOLD, INC.**

Consolidated Statement of Stockholders' Equity for the Nine Months Ended March 31, 2006
(Unaudited)

| | Common Shares | | Additional Paid-In | Accumulated Other Comprehensive | Deferred | Accumulated | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Income (Loss) | Compensation | Deficit | Shares | Amount | Equity |
| Balance at June 30, 2005 | 21,258,576 | $212,585 | $104,163,515 | $ (284,920) | $ (524,659) | $(10,732,358) | 229,224 | $(1,096,872) | $ 91,737,291 |
| Issuance of common stock for: | | | | | | | | | |
| Equity offering | 2,227,912 | 22,279 | 54,696,157 | | | | | | 54,718,436 |
| Exercise of stock options | 271,797 | 2,718 | 3,809,158 | | | | | | 3,811,876 |
| Vesting of Restricted Stock | 3,750 | 37 | 88,500 | | | | | | 88,537 |
| Tax benefit of stock option exercises | | | 890,695 | | | | | | 890,695 |
| Recognition of non-cash compensation expense for share-based compensation (Note 3) | | | 1,920,047 | | | | | | 1,920,047 |
| Reversal of deferred compensation (Note 3) | | | (524,659) | | 524,659 | | | | — |
| Net income and comprehensive income for the nine months ended | | | | 801,268 | | 7,783,865 | | | 8,585,133 |
| Dividends declared | | | | | | (3,756,877) | | | (3,756,877) |
| Balance at March 31, 2006 | 23,762,035 | $237,619 | $165,043,413 | $ 516,348 | $ — | $ (6,705,370) | 229,224 | $(1,096,872) | $ 157,995,138 |

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

**ROYAL GOLD, INC.**

Consolidated Statements of Cash Flows
(Unaudited)

| | For The Nine Months Ended | |
|---|---|---|
| | March 31, 2006 | March 31, 2005 |
| Cash flows from operating activities: | | |
| Net income | $ 7,783,865 | $ 7,842,835 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 2,934,936 | 2,422,461 |
| Gain on available for sale securities | — | (163,577) |
| Deferred tax (benefit) expense | (921,168) | 673,708 |
| Non-cash employee stock option compensation expense | 2,008,584 | 162,213 |
| Tax benefit from exercise of stock options | (890,695) | — |
| Changes in assets and liabilities: | | |
| Royalty receivables | 1,871,633 | 95,846 |
| Prepaid expenses and other assets | (321,728) | 33,403 |
| Accounts payable | 1,277,706 | 755,936 |
| Income taxes payable | 704,597 | — |
| Accrued liabilities and other current liabilities | (15,822) | 86,310 |
| Other long-term liabilities | (19,800) | (19,800) |
| Net cash provided by operating activities | 14,412,108 | 11,889,335 |
| Cash flows from investing activities: | | |
| Capital expenditures for property and equipment | (9,618) | (130,558) |
| Acquisition of royalty interests in mineral properties (Note 2) | (39,039,035) | (7,500,000) |
| Purchase of available for sale securities (Notes 2 and 4) | (204,715) | (1,000,000) |
| Proceeds from sale of available for sale securities | — | 539,960 |
| Net cash used in investing activities | (39,253,368) | (8,090,598) |
| Cash flows from financing activities: | | |
| Tax benefit from exercise of stock options | 890,695 | — |
| Dividends paid | (3,509,885) | (2,601,415) |
| Net proceeds from issuance of common stock | 58,530,349 | 882,766 |
| Net cash provided by (used in) financing activities | 55,911,159 | (1,718,649) |
| Net increase in cash and equivalents | 31,069,899 | 2,080,088 |
| Cash and equivalents at beginning of period | 48,840,371 | 44,800,901 |
| Cash and equivalents at end of period | $ 79,910,270 | $46,880,989 |
| Supplemental cash flow information: | | |
| Cash paid during the period for: | | |
| Income taxes | $ 3,642,212 | $ 1,755,000 |
| Non-cash financing activities: | | |
| 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 fund exploration on 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 nine months ended March 31, 2006, 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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 investment in 937,500 shares of Taranis' common stock and 468,750 warrants.

As part of the Agreements, we have funded $500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2% NSR royalty on the property. As of March 31, 2006, we have funded and expensed the entire $500,000 commitment. We also have an option to fund up to an additional $600,000. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2% NSR royalty. The Company has elected to exercise this option. In the event that Royal Gold does not fully fund the $600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

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 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 Kettukuusikko exploration commitment have been expensed as a component of *Exploration and business development* expense on our consolidated statements of operations and comprehensive income. As of March 31, 2006, we have funded and expensed the entire $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 March 31, 2006, cumulative funding of the trust account by Quadra totaled approximately $18.4 million. The account is expected to be fully funded near the beginning of the first quarter of fiscal 2007, 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. According to Alamos, commercial production has been achieved effective April 1, 2006. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from 0.30% for gold prices below $300 up to 1.50% for gold prices above $400.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

The Kennecott transaction has been accounted for as a purchase of assets. As such, the $25 million acquisition cost, and approximately $267,000 of our direct legal and other acquisition costs, have been allocated to the two acquired royalties according to their relative fair values, as separate components of *Royalty Interests in Mineral Properties* on our consolidated balance sheets. Accordingly, $17.8 million has been allocated to the Robinson royalty and $7.4 million has been allocated to the Mulatos royalty.

**Taparko Project Royalties**

On March 1, 2006, Royal Gold entered into an Amended and Restated Funding Agreement ("Funding Agreement") with Societe des Mines de Taparko, also known as Somita SA ("Somita"), a 90% owned subsidiary of High River Gold Mines Ltd. ("High River"), 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. The Funding Agreement amended and restated the initial Funding Agreement dated December 1, 2005, among Royal Gold, High River and Somita. The Taparko Project is 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 largely completed during the fourth quarter of calendar 2006, with production commencing during the first quarter of calendar 2007.

As of March 31, 2006, Royal Gold completed the second funding tranche and scheduled funding totaling approximately $7.1 million with High River, which resulted in total funding by Royal Gold of approximately $13.8 million. Upon completion of the second tranche funding, we obtained the following mineral interests, all related to the Taparko Project:

1. TB-GSR1 – A production payment equivalent to 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 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 production payment equivalent to a GSR sliding-scale royalty on all gold produced from the Taparko Project. TB-GSR2 will be paid concurrently with, and remains in force until the termination of TB-GSR1. 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. This royalty is perpetual and will commence upon termination of the TB-GSR1 and TB-GSR2 royalties.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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 a cap of 1.1 million tons per year ( e.g ., if in a given year, the Taparko Project processing facility processes 881,854 tons of ore from the Taparko Project area and 551,159 tons of ore from areas outside the Taparko Project area, the 881,854 tons from the Taparko Project area would be subject to TB-GSR1, TB-GSR2, or TB-GSR3 and the TB-MR1 would only apply to 220,463 tons of ore.

The Taparko transaction has been accounted for as a purchase of assets. Accordingly, the four components of the transaction noted above have been recorded at their allocated relative fair values as components of *Royalty Interests in Mineral Properties* on our consolidated balance sheets. The remaining funding amounts will be allocated according to their relative fair values as funding occurs. The first funding tranche was classified as an *Advance to High River Gold* on our consolidated balance sheets as of December 31, 2005.

In order to secure our investment during the period between funding by Royal Gold and project completion (as defined in the funding agreement), High River has pledged its 90% interest in the equity of Somita. Royal Gold will maintain its security interest, in the form of the Somita shares, through the construction period. The security interest will be released upon the project meeting Project Completion, as defined in the Funding Agreement.

In addition to the 90% interest in Somita, Royal Gold also obtained as collateral a pledge of shares of two equity investments held by High River. The equity value underlying the pledge of these shares is valued at approximately $12.7 million and includes 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. The purpose of this collateral is to maintain a construction reserve that can be used to remedy any construction defects noted during the construction contract warranty period. This collateral can only be used to remedy identified construction defects and cannot be used to repay any of Royal Gold's investment. This security interest will be released by Royal Gold at the end of the construction contract warranty period.

## 3. STOCKHOLDER'S EQUITY AND STOCK-BASED COMPENSATION

### 2004 Omnibus Long-Term Incentive Plan

In November 2004, our shareholders approved and we adopted an Omnibus Long-Term Incentive Plan ("2004 Plan"). The 2004 Plan replaced our Equity Incentive Plan. Under the 2004 Plan, 900,000 shares of common stock are available for future grants to officers, directors, key employees and other persons. The 2004 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 nine months ended March 31, 2006, we recorded total non-cash stock compensation expense related to our equity compensation plans of $695,758 and $2,008,584, respectively, compared to $43,088 and $162,213 for the three and nine month periods ended March 31, 2005, respectively. 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 March 31, 2006, was $103,097, $337,237 and $255,424, respectively, compared to $5,613, $26,160 and $11,315 for the three months ended March 31, 2005, respectively. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the nine

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

months ended March 31, 2006, was $259,761, $1,078,265 and $670,558, respectively, compared to $11,225, $128,358 and $22,630 for the nine months ended March 31, 2005.

The total income tax benefit associated with non-cash stock compensation expense was approximately $253,000 and $731,000 for the three and nine months ended March 31, 2006, respectively, compared to approximately $16,000 and $58,000 for the three and nine months ended March 31, 2005. 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 March 31, 2006, there are 451,875 shares of common stock reserved for future issuance under our 2004 Plan.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

A summary of stock option activity under our equity compensation plans as of March 31, 2006, 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 | (271,797) | $ 14.03 | | |
| Forfeited and Expired | — | — | | |
| Outstanding at March 31, 2006 | 546,727 | $ 15.02 | 6.7 | $ 11,574,102 |
| Exercisable at March 31, 2006 | 401,060 | $ 12.95 | 4.1 | $ 9,322,537 |

The weighted-average grant date fair value of options granted during the period ended March 31, 2006, and 2005, was $12.04 and $9.23, respectively. The total intrinsic value of options exercised during the three and nine month periods ended March 31, 2006, were $1,992,609 and $5,516,335, respectively. The total intrinsic value of options exercised during the three and nine month periods ended March 31, 2005, was $2,128,630 and $2,510,732, respectively.

A summary of the status of the Company's non-vested stock options as of March 31, 2006, and changes during the period ended March 31, 2006, 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 March 31, 2006 | 145,667 | $ 11.15 |

As of March 31, 2006, there was $1,142,254 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 1.8 years. The total fair value of shares vested during the three months ended March 31, 2006, and 2005, was $0. The total fair value of shares vested during the nine months ended March 31, 2006, and 2005 was $503,472 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:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

| | For The Three Months Ended March 31, 2005 | For The Nine Months Ended March 31, 2005 |
|---|---|---|
| Net income, as reported | $ 2,726,089 | 7,842,835 |
| Add: Stock-based compensation expense for restricted stock awards included in reported net income, net of related tax effects | 27,576 | 103,816 |
| Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (174,960) | (487,572) |
| Pro forma net income | $ 2,578,705 | 7,459,079 |
| Earnings per share: | | |
| Basic, as reported | $ 0.13 | 0.38 |
| Basic, pro forma | $ 0.12 | 0.36 |
| Diluted, as reported | $ 0.13 | 0.37 |
| Diluted, pro forma | $ 0.12 | 0.35 |

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 reserves on an annual basis.

A summary of the status of the Company’s non-vested Performance Shares as of March 31, 2006, and changes during the period ended March 31, 2006, 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 March 31, 2006 | 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

made at such time as management can reasonably estimate the number of shares that will be earned. As of March 31, 2006, our estimates indicated that it is probable that approximately 70% of our non-vested Performance Shares will be earned. As a result, for the three and nine months ended March 31, 2006, we recorded non-cash stock compensation expense associated with our Performance Shares of $343,578 and $817,207, respectively. As of March 31, 2006, total unrecognized non-cash stock compensation expense related to our Performance Shares is $527,658, which is expected to be recognized over the next 2.25 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.

A summary of the status of the Company's non-vested Restricted Stock as of March 31, 2006, and changes during the period ended March 31, 2006, 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 | (625) | $17.38 |
| Non-vested at March 31, 2006 | 92,875 | $20.58 |

For the three months ended March 31, 2006, and 2005, we recorded non-cash stock compensation expense associated with the Restricted Stock of $98,523 and $43,088, respectively. For the nine months ended March 31, 2006, and 2005, we recorded non-cash stock compensation associated with the Restricted Stock of $328,672 and $162,213. As of March 31, 2006, total unrecognized non-cash stock compensation expense related to Restricted Stock was $1,628,493, which is expected to be recognized over the remaining vesting period or 5.50 years.

Stock Issuances

During the three months ended March 31, 2006, options to purchase 79,236 shares were exercised, resulting in proceeds of $854,505. During the nine months ended March 31, 2006, options to purchase 271,797 shares were exercised, resulting in proceeds of $3,809,158. During the three months ended March 31, 2005, options to purchase 156,339 shares were exercised, resulting in proceeds of $752,212. During the nine months ended March 31, 2005, options to purchase 184,203 shares were exercised, resulting in proceeds of $882,766.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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 $576,114 and $65,448 for the three months ended March 31, 2006, and 2005, respectively. We recorded unrealized gains (net of tax) of $801,268 and $142,042 for the nine months ended March 31, 2006, and 2005, 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 nine months ended March 31, 2006. We recorded a gain on sale of available for sale securities of $51 and $163,577 during the three and nine months ended March 31, 2005.

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 $1.5 million as of March 31, 2006. 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 stock and warrants is $204,715. The market value for our investment in Taranis common stock and warrants was $473,186 as of March 31, 2006.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### 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 March 31, 2006, and June 30, 2005.

As of March 31, 2006:

| | Gross | Accumulated Depletion & Amortization | Net |
|---|---|---|---|
| Production stage royalty interests: | | | |
| Pipeline Mining Complex | | | |
| GSR1 | $ — | $ — | $ — |
| GSR2 | — | — | — |
| GSR3 | 8,105,020 | (5,923,212) | 2,181,808 |
| NVR1 | 2,135,107 | (1,545,913) | 589,194 |
| Bald Mountain | 1,978,547 | (1,809,371) | 169,176 |
| SJ Claims | 20,788,444 | (4,597,642) | 16,190,802 |
| Robinson mine | 17,824,776 | — | 17,824,776 |
| Mulatos mine | 7,441,779 | — | 7,441,779 |
| Troy mine GSR royalty | 7,250,000 | (916,734) | 6,333,266 |
| Troy mine Perpetual royalty | 250,000 | — | 250,000 |
| Leeville South | 1,775,809 | (1,741,551) | 34,258 |
| Leeville North | 14,240,418 | (132,681) | 14,107,737 |
| Martha | 172,810 | (172,810) | — |
| | 81,962,710 | (16,839,914) | 65,122,796 |
| Development stage royalty interest: | | | |
| Taparko Project | | | |
| TB-GSR1 | 10,230,622 | — | 10,230,622 |
| TB-GSR2 | 2,994,216 | — | 2,994,216 |
| TB-GSR3 | 418,670 | — | 418,670 |
| | 13,643,508 | — | 13,643,508 |
| Exploration stage royalty interests: | | | |
| Taparko Project | | | |
| TB-GSR3 | 78,061 | — | 78,061 |
| TB-MR1 | 50,910 | — | 50,910 |
| Leeville North | 2,305,845 | (271,187) | 2,034,658 |
| Buckhorn South | 70,117 | — | 70,117 |
| | 2,504,933 | (271,187) | 2,233,746 |
| Total royalty interests in mineral properties | $98,111,151 | $(17,111,101) | $81,000,050 |

**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 | $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 Barrick Gold Corporation (60%), and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto plc.

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 Barrick Gold Corporation ("Barrick"). The sliding-scale royalty increases or decreases with the gold price, adjusted by the 1986 Producer Price Index. Our royalty rate is calculated quarterly and would currently increase to 2% at a quarterly average gold price of approximately $630 per ounce in today's dollars.

**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 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 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 March 31, 2006, we have received payments associated with the GSR royalty totaling $1.8 million. We carry our interest in the proven and probable reserves for the GSR royalty as a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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. Effective January 1, 2006, we have re-classified our interest in the Perpetual Royalty from an exploration stage royalty interest to a production stage interest due to an increase in reserves at the Troy mine. We will deplete our interest in the Perpetual Royalty using the units of production method as production occurs in future periods.

**Taparko Mine**

We own a production payment equivalent to a 15.0% GSR (TB-GSR1) royalty on all gold produced from the Taparko Project, located in Burkina Faso and operated by Somita. TB-GSR1 remains in-force until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of $35 million have been made to Royal Gold, whichever is earlier. We also own a production payment equivalent to a GSR sliding-scale royalty (TB-GSR2) on all gold produced from the Taparko Project. TB-GSR2 is effective concurrently with TB-GSR1, and remains in-force until the termination of TB-GSR1. We carry our interests in TB-GSR1 and TB-GSR2 as development stage royalty interests, which are not currently subject to periodic amortization.

We also own a perpetual 2% GSR royalty (TB-GSR3) royalty on all gold contained in and produced from the Taparko Project area. TB-GSR3 will commence upon termination of TB-GSR1 and TB-GSR2 royalties. A portion of the TB-GSR3 royalty is associated with existing proven and probable reserves and has been classified as a development stage royalty interest, which is not subject to periodic amortization at this time. The remaining portion of the TB-GSR3 royalty, which is not currently associated with proven and probable reserves, is classified as an exploration stage royalty interest, which is also not subject to periodic amortization at this time.

In addition, we own a 0.75% milling fee royalty (TB-MR1) on all gold processed through the Taparko Project processing facilities that is mined from any area outside of the Taparko Project area, subject to a 1.1 million tons per year cap. TB-MR1 is classified as an exploration stage royalty interest and is not subject to periodic amortization at this time.

**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 March 31, 2006, cumulative funding of the trust account by Quadra totaled approximately $18.4 million. The account is expected to be fully funded near the beginning of the first quarter of our fiscal year 2007, 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. The Mulatos mine sliding-scale

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

royalty, capped at two million ounces of gold production, ranges from 0.30% for gold prices below $300 up to 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.

**6. EARNINGS PER SHARE ("EPS") COMPUTATION**

| | For The Three Months Ended March 31, 2006 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | | | |
| Income available to common stockholders | $ 1,819,139 | 23,522,539 | $ 0.08 |
| Effect of dilutive securities | | 288,159 | |
| Diluted EPS | $ 1,819,139 | 23,810,698 | $ 0.08 |

As of March 31, 2006, 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 March 31, 2005 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | | | |
| Income available to common stockholders | $ 2,726,089 | 20,894,921 | $ 0.13 |
| Effect of dilutive securities | | 204,483 | |
| Diluted EPS | $ 2,726,089 | 21,099,404 | $ 0.13 |

Options to purchase 409,540 shares of common stock, at an average purchase price of $19.11 per share, were outstanding at March 31, 2005, 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

| | For The Nine Months Ended March 31, 2006 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | | | |
| Income available to common stockholders | $ 7,783,865 | 22,635,447 | $ 0.34 |
| Effect of dilutive securities | | 274,029 | |
| Diluted EPS | $ 7,783,865 | 22,909,476 | $ 0.34 |

As of March 31, 2006, 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 Nine Months Ended March 31, 2005 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | | | |
| Income available to common stockholders | $ 7,842,835 | 20,830,368 | $ 0.38 |
| Effect of dilutive securities | | 197,245 | |
| Diluted EPS | $ 7,842,835 | 21,027,613 | $ 0.37 |

Options to purchase 409,540 shares of common stock, at an average purchase price of $19.11 per share, were outstanding at March 31, 2005, 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 March 31, 2006, we recorded current and deferred tax expense of $677,593 compared with $895,341 during the three months ended March 31, 2005. Our effective tax rate for the three months ended March 31, 2006, was 27.1%, compared with 24.7% for the three months ended March 31, 2005. The increase in our effective tax rate between periods was the result of the release of a valuation allowance associated with the available for sale securities of approximately $320,000 during fiscal year 2005.

For the nine months ending March 31, 2006, we recognized current and deferred tax expense totaling $3,410,240 compared with $2,481,687 during the nine months ended March 31, 2005. This resulted in an effective tax rate of 30.5% in the current period compared with 24.0% in the prior period. The increase in our effective tax rate is the result of the release of a valuation allowance associated with the sale of available for sale securities of approximately $320,000 during the nine months ended March 31, 2005.

During the nine months ending March 31, 2006, and March 31, 2005, we remitted $3,642,212 and $1,755,000 in cash taxes, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### 8. COMMITMENTS AND CONTINGENCIES

#### Taparko Project

As discussed in Note 2, on March 1, 2006, Royal Gold entered into a Funding Agreement with Somita to acquire two initial production payments equivalent to GSR royalties and two subsequent GSR royalty interests burdening the Taparko Project in Burkina Faso, West Africa. The Funding Agreement amended and restated the initial Funding Agreement, dated December 1, 2005, among Royal Gold, High River and Somita. The Taparko Project is 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 first quarter of calendar 2007.

As part of the $35 million funding commitment, Royal Gold has completed the second funding tranche, which resulted in total funding by Royal Gold of approximately $13.8 million as of March 31, 2006. Subsequent funding of the Taparko Project will be made in installments over the construction period. The Funding Agreement outlines the construction milestones that must be met prior to each specific funding installment. The project is projected to meet all construction requirements (as defined in the Funding Agreement) no later than September 30, 2007, at which time the entire $35 million will have been funded by Royal Gold.

Under a separate Contribution Agreement between Royal Gold and High River, once Royal Gold has funded $13.8 million (this funding level has been completed by Royal Gold as of March 31, 2006), High River is responsible for contributing additional equity contributions in the amount of $10.8 million to cover currently anticipated cost overruns prior to any additional funding by Royal Gold. High River is expected to complete its additional equity contributions by July 1, 2007. High River is also responsible for any additional cost overruns incurred during the construction and construction warranty periods.

If High River is unable to make the required equity contributions, Royal Gold has the right to either (a) provide funding that High River failed to fund, or (b) declare a default under the Funding agreement. In the event that Royal Gold elects to provide funding in the amount that High River fails to fund, Royal Gold may elect to acquire either an equity interest in High River, consisting of units of common shares and warrants of High River as defined, or to obtain additional royalty interests in the Taparko Project in an amount in proportion to the amount of the additional funding compared with Royal Gold's original $35 million funding commitment. As of April 26, 2006, High River has made all required equity commitments as scheduled, under its Contribution Agreement.

#### Taranis

As discussed in note 2, on November 4, 2005, we entered into an agreement for exploration of the Taranis Kettukuusikko project in Finland with Taranis. We have funded exploration totaling $500,000 in return for a 2% NSR royalty. We also have an option to fund up to an additional $600,000. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2% NSR royalty. The Company has elected to exercise this option. In the event that Royal Gold does not fully fund the $600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### 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 March 31, 2006, was approximately $6.0 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 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.

## 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, applies 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 March 31, 2006, 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 and production from our royalty properties. For the quarter ended March 31, 2006, the price of gold averaged $554 per ounce, compared with an average price of $427 per ounce for the quarter ended March 31, 2005. 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 4.25% during the prior period. Lower production at the Pipeline Mining Complex, which was largely offset by rising metal prices and an increase in our sliding-scale royalty, along with increased revenues from SJ Claims and Bald Mountain resulted in revenues of $5,760,750 during the quarter ended March 31, 2006, compared with revenues of $5,868,538 for the quarter ended March 31, 2005. We believe, based on estimates from the operators of our royalty properties, that the expected continued ramp-up of production at the Leeville and Troy mines, increased levels of production attributable to our royalty interest at Bald Mountain, the start of royalty payments at the Mulatos property in the fourth quarter of fiscal 2006, and the commencement of payments from the Robinson and Tarparko royalties in fiscal 2007 will provide revenue growth in future periods.

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 Barrick Gold Corporation ("Barrick") (60%), 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;
- 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;
- GSR3, a 0.71% fixed rate GSR royalty on the production covered by GSR1 and GSR2; and
- 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 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.

Our other producing royalty interests include:

- Two royalty interests in the Troy underground silver and copper mine, operated by Revett, located in northwestern Montana:
  - 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
  - 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 to 2% at a gold price of approximately $630 and covers a portion of the Bald Mountain mine in Nevada, operated by Barrick.

During the nine months ended March 31, 2006, we acquired the following royalty interests (see below for further discussion of these royalty acquisitions):

- We hold four royalty interests on the Taparko-Bouroum Project ("Taparko Project"), located in Burkina Faso and operated by High River Gold Mines Ltd. ("High River"). Our four royalty interests at the Taparko Project are:
  - TB-GSR1, a production payment equivalent to a 15% GSR royalty on all gold produced from the Taparko Project until either cumulative production of 100% of the currently identified recoverable proven and probable reserve (804,420 ounces of gold) is achieved or until we receive $35 million in cumulative payments;

  - TB-GSR2, a production payment equivalent to a GSR sliding-scale royalty on all gold produced from the Taparko Project. TB-GSR2 remains in-force until the termination of TB-GSR1;
  - TB-GSR3, a perpetual 2% GSR royalty on all gold contained in and produced from the Taparko Project area. TB-GSR3 will commence upon the termination of the TB-GSR1 and TB-GSR2 royalties; and
  - TB-MR1, a 0.75% milling fee royalty, calculated in the same manner as the TB-GSR1 royalty, on all gold, subject to annual caps, processed through the Taparko Project processing facilities that is mined from any area outside the Taparko Project area.
- A 3% NSR royalty on the Robinson mine, located in eastern Nevada and operated by Quadra Mining Ltd. ("Quadra");
- A sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico, and operated by Alamos Gold, Inc. ("Alamos"). The sliding-scale NSR royalty, capped at two million ounces of gold production, ranges from 0.30% payout for gold prices below $300 up to a maximum rate of 1.50% for gold prices above $400.

Estimates received from the mine operators during the first quarter of calendar year 2006 indicated that gold production, attributable to our royalty interests, for calendar year 2006 was expected to be approximately 385,000 ounces from the Pipeline Mining Complex, 32,000 ounces from the Leeville South mine and 209,000 from the Leeville North mine at the Leeville Project, 903,000 ounces from the SJ Claims, 53,500 ounces from the Robinson mine, and 139,000 ounces from the Mulatos mine. The Martha silver mine is expected to produce 2.5 million ounces of silver attributable to our royalty interest for the 2006 calendar year. The Troy mine is expected to produce 1.8 million ounces of silver and 15.6 million pounds of copper attributable to our royalty interest for the 2006 calendar year. The Robinson mine is expected to produce 128 to 132 million pounds of copper and 0.5 to 1.0 million pounds of molybdenum.

We will begin earning royalty payments from our Mulatos mine royalty in the fourth quarter of fiscal 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 March 31, 2006, cumulative funding of the trust account by Quadra totaled approximately $18.4 million. The account is expected to be fully funded near the beginning of our first quarter of fiscal 2007, at which time royalty payments will begin to accrue and be paid to us.

As of March 31, 2006, the mine operators have reported production attributable to our royalty interests of 98,802 ounces from the Pipeline Mining Complex, 13,200 ounces from the Leeville South, 12,382 ounces from Leeville North, and 261,602 ounces from the SJ Claims. Revett reported that the Troy mine produced 225,580 ounces of silver and 1,754,517 pounds of copper during the three months ended March 31, 2006.

**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 investment in 937,500 shares of Taranis' common stock and 468,750 warrants.

As part of the Agreements, we have funded $500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2% NSR royalty on the property. As of March 31, 2006, we have funded and expensed the entire $500,000 commitment. We also have an option to fund up to an additional $600,000. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2% NSR royalty. We have elected to exercise this option. In the event that we do not fully fund the $600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

High River Gold – Tarparko Project Financing

On March 1, 2006, Royal Gold entered into an Amended and Restated Funding Agreement ("Funding Agreement") Societe des Mines de Taparko, also known as Somita SA ("Somita"), a 90% owned subsidiary of High River Gold Mines Ltd. ("High River"), 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. The Funding Agreement amended and restated the initial Funding Agreement dated December 1, 2005, among Royal Gold, High River and Somita. The Taparko Project is 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 near completion during the fourth quarter of calendar 2006, with production commencing during the first quarter of calendar 2007.

As of March 31, 2006, we completed the second funding tranche and additional scheduled funding totalling approximately $7.1 million with High River, which resulted in total funding by us of approximately $13.8 million. Upon completion of the second funding tranche, we obtained the following mineral interests, all related to the Taparko Project:

1. TB-GSR1 – A production payment equivalent to 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 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 production payment equivalent to a GSR sliding-scale royalty on all gold produced from the Taparko Project. TB-GSR2 will be paid concurrently with TB-GSR1, and remains in force until the termination of TB-GSR1. 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 a cap of 1.1 million tons per year ( e.g ., if in a given year, the Taparko Project processing facility processes 881,854 tons of ore from the Taparko Project area and 551,159 tons of ore from areas outside the Taparko Project area, the 881,854 tons from the Taparko Project area would be subject to TB-GSR1, TB-GSR2, or TB-GSR3 and the TB-MRI would only apply to 220,463 tons of ore).

As part of the $35 million funding commitment, we have completed the second funding tranche, which resulted in total funding by us of approximately $13.8 million as of March 31, 2006. Subsequent funding of the Taparko Project will be made in installments over the construction period. The Funding Agreement outlines the construction milestones that must be met prior to each specific funding installment. The project is projected to meet all construction requirements (as defined in the Funding Agreement) no later than September 30, 2007, at which time the entire $35 million will have been funded by us.

Under a separate Contribution Agreement, High River is responsible for contributing additional equity contributions in the amount of $10.8 million to cover currently anticipated cost overruns prior to any additional funding by us. High River is expected to complete its additional equity contributions by July 1, 2007. High River is also responsible for any additional cost overruns incurred during the construction and construction warranty periods.

If High River is unable to make the required equity contributions, we have the right to either (a) provide funding that High River failed to fund, or (b) declare a default under the Funding Agreement. In the event that we elect to provide funding in the amount that High River fails to fund, we may elect to acquire either an equity interest in High River, consisting of units of common shares and warrants of High River as defined, or to obtain additional royalty interests in the Taparko Project in an amount in proportion to the amount of the additional funding compared with our original $35 million funding commitment. As of April 30, 2006, High River has made all required equity commitments as scheduled, under its Contribution Agreement.

In order to secure our investment during the period between funding by us and project completion (as defined in the Funding Agreement), High River has pledged its 90% interest in the equity of Somita. We will maintain our security interest, in the form of the Somita shares, through the construction period. The security interest will be released upon the project meeting Project Completion, as defined in the Funding Agreement.

In addition to the 90% interest in Somita, we have also obtained as collateral a pledge of shares of two equity investments held by High River. The equity value underlying the pledge of these shares is valued at approximately $12.7 million and includes 12,015,000 common shares in the capital stock of Pelangio Mines, Inc. (traded on the Toronto Stock Exchange and valued at approximately $10.5 million as of April 30, 2006) and 1,790,941 common shares in the capital stock of Intrepid Minerals Corporation (traded on the Toronto Stock exchange and valued at approximately $2.2 million as of April 30, 2006). The purpose of this collateral is to maintain a construction reserve that can be used to remedy any construction defects noted during the construction contract warranty period. These shares can only be used to remedy identified construction defects and cannot be used to repay any of our investment. This security interest will be released by the Company at the end of the construction contract warranty period.

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 since 2004. Quadra estimates that calendar year 2006 production will be approximately 53,500 ounces of gold and 128 to 132 million pounds of copper. Quadra completed construction of a molybdenum circuit during the first quarter of 2006, which is expected to produce 0.5 to 1.0 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 March 31, 2006, cumulative funding of the trust account by Quadra totaled approximately $18.4 million. The account is expected to be fully funded near the beginning of our first quarter of fiscal 2007, at which time royalty payments will begin to accrue and be paid to us.

The Mulatos project, owned and operated by Alamos, is an open pit, heap leach gold mine. According to Alamos, commercial production has been achieved effective April 1, 2006. 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 0.30% for gold prices below $300 up to 1.50% for gold prices above $400.

**Results of Operations**

Quarter Ended March 31, 2006, Compared to Quarter Ended March 31, 2005

For the quarter ended March 31, 2006, we recorded net earnings of $1,819,139, or $0.08 per basic and diluted share, as compared to net earnings of $2,726,089, or $0.13 per basic and diluted share, for the quarter ended March 31, 2005.

For the quarter ended March 31, 2006, we received total royalty revenues of $5,760,750 consisting of $3,197,056 from our royalties at the Pipeline Mining Complex, $1,306,259 from the SJ Claims, $130,016 from Leeville South, $121,981 from Leeville North, $432,362 from the Troy mine, $427,889 from Bald Mountain and $145,187 from the Martha mine, compared to total royalty revenues of $5,868,538 for the quarter ended March 31, 2005. This decrease in royalty revenue compared with the quarter ended March 31, 2005, resulted from lower production at the Pipeline Mining Complex. The lower production at the Pipeline Complex was partially offset by a higher gold price during the period, which resulted in an increase in our sliding-scale royalty to 5% compared to 4.25% in the prior period. Increased production at the SJ Claims and Bald Mountain also offset the lower production at the Pipeline Complex during the period.

Cost of operations increased to $475,682 for the quarter ended March 31, 2006, compared to $400,885 for the quarter ended March 31, 2005. The increase was primarily due to non-cash employee compensation expense of $103,097, which is discussed below.

General and administrative expenses increased to $1,325,572 for the quarter ended March 31, 2006, compared to $939,935 for the quarter ended March 31, 2005. The increase was primarily due to non-cash employee compensation expense of $337,237, which is discussed below.

Exploration and business development expenses increased to $1,210,452 for the quarter ended March 31, 2006, compared to $391,980 for the quarter ended March 31, 2005. The increase was primarily due to non-cash employee compensation expense of $255,424, discussed below, and an increase in our exploration funding of approximately $463,000, due to the Taranis Resources exploration alliance, as discussed in Note 2 in the accompanying Notes to Consolidated Financial Statements.

Depreciation, depletion and amortization increased to $1,006,467 for the quarter ended March 31, 2006, compared to $695,152 for the quarter ended March 31, 2005. The increase was primarily due to increased production at our SJ Claims royalty.

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 $695,758 for the quarter ended March 31, 2006, 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 March 31, 2006, was $103,097, $337,237 and $255,424, respectively. The total income tax benefit associated with non-cash stock compensation expense was approximately $186,000 for the three months ended March 31, 2006. As of March 31, 2006, there was $1,142,254, $1,628,493, and $527,658 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 2.5 years, 5.5 years, and 2.25 years, respectively.

Interest and other income increased to $815,692 for the quarter ended March 31, 2006, compared to $202,827 for the quarter ended March 31, 2005. 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 March 31, 2005, we sold certain available for sale securities. The sale resulted in a gain of approximately $51, 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 March 31, 2006.

For the quarter ended March 31, 2006, we recorded current and deferred tax expense of $677,593 compared with $895,341 during the three months ended March 31, 2005. Our effective tax rate for the three months ended March 31, 2006, was 27.1%, compared with 24.7% for the three months ended March 31, 2005. The increase in our effective tax rate between periods was the result of the release of a valuation allowance associated with the available for sale securities of approximately $320,000 during fiscal year 2005.

Nine Months Ended March 31, 2006, Compared to Nine Months Ended March 31, 2005

For the nine months ended March 31, 2006, we recorded net earnings of $7,783,865, or $0.34 per basic and diluted share, as compared to net earnings of $7,842,835, or $0.38 per basic and $0.37 per diluted share, for the nine months ended March 31, 2005.

For the nine months ended March 31, 2006, we received total royalty revenues of $20,163,677, consisting of $14,094,020 from our royalties at the Pipeline Mining Complex, $3,415,633 from the SJ Claims, $422,093 from Leeville South, $201,418 from Leeville North, $1,081,666 from the Troy mine, $639,680 from Bald Mountain and $309,167 from the Martha mine, compared to total royalty revenues of $17,842,462 for the nine months ended March 31, 2005. This increase in royalty revenue compared with the nine months ended March 31, 2005, resulted from a higher sliding scale-royalty rate from the Pipeline Mining Complex due to a higher gold price during the period and increased production at the SJ Claims and Bald Mountain.

Cost of operations increased to $1,582,889 for the nine months ended March 31, 2006, compared to $1,385,182 for the nine months ended March 31, 2005. The increase was primarily due to non-cash employee compensation expense of $259,761, 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 $3,933,077 for the nine months ended March 31, 2006, compared to $2,844,608 for the nine months ended March 31, 2005. The increase was primarily due to non-cash employee compensation expense of $1,078,265, discussed below.

Exploration and business development expenses increased to $2,671,702 for the nine months ended March 31, 2006, compared to $1,446,438 for the nine months ended March 31, 2005 . The increase was primarily due to non-cash employee compensation expense of $670,558, discussed below, and an increase in our exploration funding of approximately $651,000, due to the Taranis Resources exploration alliance, 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 $2,934,936 for the nine months ended March 31, 2006, compared to $2,422,461 for the nine months ended March 31, 2005. The increase was primarily due to increased production at our SJ Claims royalty and 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 $2,008,584 for the nine months ended March 31, 2006, 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 nine months ended March 31, 2006, was $259,761, $1,078,265 and $670,558, respectively. The total income tax benefit associated with non-cash stock compensation expense was approximately $613,000 for the nine months ended March 31, 2006.

Interest and other income increased to $2,269,347 for the nine months ended March 31, 2006, compared to $515,241 for the nine months ended March 31, 2005. 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 nine months ending March 31, 2005, we sold all of our remaining available for sale securities. The sale resulted in a gain of approximately $163,577, 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 nine months ended March 31, 2006.

For the nine months ending March 31, 2006, we recognized current and deferred tax expense totaling $3,410,240 compared with $2,481,687 during the nine months ended March 31, 2005. This resulted in an effective tax rate of 30.5% in the current period compared with 24.0% in the prior period. The increase in our effective tax rate is the result of the release of a valuation allowance associated with the sale of available for sale securities of approximately $320,000 during the nine months ended March 31, 2005.

**Liquidity and Capital Resources**

At March 31, 2006, we had current assets of $85.5 million compared to current liabilities of $4.2 million for a current ratio of nearly 20 to 1. This compares to current assets of $56.2 million and current liabilities of $2.9 million at June 30, 2005, resulting in a current ratio of 19 to 1. The increase is due primarily to an increase in our cash and equivalents. We continue to have no long-term debt.

During the nine months ended March 31, 2006, liquidity needs were met from $20,163,677 in royalty revenues, net proceeds from the issuance of common stock of approximately $58,600,000, our available cash resources, and interest and other income of $2,269,347.

We have a line of credit from HSBC that may be used to acquire producing royalties and for general corporate purposes. During our second quarter, 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 March 31, 2006, no funds have been drawn under the line of credit. Costs 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;
- the completion of the construction of the Taparko Project in 2007;
- 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 (the "SEC"). 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 $644 per ounce.

During the nine month period ended March 31, 2006, we reported royalty revenues of $20,163,677, with an average gold price for the period of $493 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 March 31, 2006, if the price of gold had averaged higher or lower by $20 per ounce, we would have recorded an increase or decrease in revenues of approximately $187,000. 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 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 executive 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 March 31, 2006, concluded that our disclosure controls and procedures were effective for this purpose.

### Changes in Internal Control Over Financial Reporting

During the fiscal quarter ended March 31, 2006, there was no change in our internal control over financial reporting (as defined in Rule 13a-15 (f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 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 our 2005 Annual Report on 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 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

Not applicable

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS

10.1 Guaranty and Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River Gold Mines Ltd. to and for the benefit of Royal Gold Inc.

10.2 Pledge Agreement dated as of February 22, 2006, between High River Gold Mines (International) Ltd., High River Gold Mines (West Africa) Ltd. and Royal Gold, Inc.

10.3 Guarantee Agreement dated as of February 22, 2006, by High River Gold Mines Ltd. in favor of Royal Gold, Inc.

10.4 Pledge of Securities dated as of February 22, 2006, by High River Gold Mines Ltd. in favor of Royal Gold, Inc.

10.5 Contribution Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River Gold Mine Ltd. to and for the benefit of Royal Gold Inc.

10.6 Form of Performance Share Agreement.

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: May 9, 2006

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

Date: May 9, 2006

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

## EXHIBITS INDEX

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**Exhibit 10.1**

**GUARANTY AND AGREEMENT**
**IN SUPPORT OF SOMITA FUNDING AGREEMENT**

This GUARANTY AND AGREEMENT IN SUPPORT OF SOMITA FUNDING AGREEMENT (this " Agreement ") dated as of February 22, 2006, is from HIGH RIVER GOLD MINES LTD., a corporation formed under the laws of Canada (" High River ") to and for the benefit of ROYAL GOLD, INC., a Delaware corporation (" Royal Gold ").

**Recitals**

A. Société des Mines de Taparko, also known as SOMITA, SA, a *société anonyme* formed under the laws of the Republic of Burkina Faso (" Somita ") and Royal Gold entered into a Funding Agreement dated as of December 1, 2005 (the " Original Funding Agreement "), as amended by First Amendment to Funding Agreement dated as of February 8, 2006 (the " First Amendment "), and as further amended and restated by Amended and Restated Funding Agreement dated as of February 22, 2006 (as so amended and restated, the " Funding Agreement "). Pursuant to the Funding Agreement Royal Gold has agreed to provide funding to Somita in the amount of U.S. $35,000,000 to be used in the development of the Taparko — Bouroum Project (defined below) in the Republic of Burkina Faso.

B. As consideration for the funding to be provided pursuant to the Funding Agreement, Somita has executed a Conveyance of Production Payments (PP1 and PP2) (the " Production Payment Conveyance ") and a Conveyance of Tail Royalty and Grant of Milling Fee (the " Tail Royalty Conveyance "), both dated as of February 22, 2006 and both in favor of Royal Gold (collectively, the " Conveyances ").

C. High River is the indirect owner of 90% of the issued and outstanding shares of Somita, through its subsidiary High River Gold Mines (West Africa) Ltd., a corporation formed under the laws of the Cayman Islands (" Shareholder "). The Government of the Republic of Burkina Faso is the owner of the remaining 10% of the issued and outstanding shares of Somita.

D. Prior to the date of this Agreement, Royal Gold has provided Somita the amount of $9,414,000 under the First Tranche pursuant to the terms and conditions of the Original Funding Agreement, as amended by the First Amendment.

E. It is a condition precedent to Royal Gold's obligation to disburse the Second Tranche under the Funding Agreement that High River shall execute and deliver to Royal Gold an undertaking by High River to assure completion of the Taparko — Bouroum Project, to assure proper application of the funds provided by Royal Gold in accordance with the Funding Agreement and the other Funding Documents, to contribute capital to Somita or obtain other financing of the Taparko — Bouroum Project in the event of a shortfall prior to completion, to assure payment of amounts that have become due and payable under the Conveyances, and such other matters as are set forth herein.

F. The board of directors of High River has determined that (i) High River will derive substantial direct and indirect benefit from the transactions contemplated by the Funding Agreement and the documents related thereto, (ii) Somita's ability to continue to obtain the

funding from Royal Gold under the Funding Agreement is important to the financial success of Somita and High River, (iii) High River will derive economic benefit from the financial success of Somita, and (iv) it is in the best interests of High River, and necessary and convenient to the conduct, promotion and attainment of the business of High River, for High River to support the obligations of Somita under the Funding Agreement and the documents related thereto.

G. This Agreement is executed and delivered to Royal Gold by High River to induce Royal Gold to disburse the Second Tranche and each subsequent Tranche to Somita under the Funding Agreement and in satisfaction of a condition precedent to Royal Gold providing such funding. High River acknowledges and agrees that Royal Gold would not provide the funding to Somita under the Funding Agreement unless High River executed and delivered this Agreement.

H. This Agreement is the document referred to as "Guaranty II" in the Funding Agreement.

**Agreement**

THEREFORE, in consideration of Royal Gold's providing funding as set forth in the Funding Agreement, and the benefits to be derived therefrom by High River, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, High River agrees as follows:

1. Definitions . Reference is hereby made to the Funding Agreement for all purposes. All terms used in this Agreement that are defined in the Funding Agreement and not otherwise defined herein shall have the same meanings when used herein. As used herein, terms defined above in the recitals shall have the meanings indicated above, and the following terms shall have the following meanings:

" 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.

" Obligations " means the obligations of High River and Somita described in Sections 2, 3 and 4 collectively.

" Pledge Agreement " means the Pledge Agreement dated as of February 22, 2006 among High River Gold Mines (International) Ltd. (" International "), Shareholder and Royal Gold.

" 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 Mining Convention " means the mining investment convention signed by High River and the Minister for Energy and Mines on behalf of the Republic of Burkina Faso on December 15, 1995.

" 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.

" 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.

2. Completion Guarantee . High River unconditionally and absolutely guarantees to Royal Gold the due and punctual performance and observance by Somita, Shareholder and International of all of the terms, covenants, provisions and agreements contained in the Funding Agreement and the other Funding Documents executed in connection therewith or contemplated thereby pertaining to the obligations of Somita, Shareholder and International with respect to Project Completion of the Taparko — Bouroum Project. Without limiting the generality of the foregoing, High River agrees:

(a) to perform, complete, and pay for the construction of the Taparko — Bouroum Project in accordance with the Funding Agreement and the Development Plan, as the Development Plan has been or may be modified or amended from time to time, within the time period allotted therefor and to pay all costs of said construction and all costs associated therewith, if Somita shall fail to perform or complete such work;

(b) to reimburse Royal Gold for all costs and expenses incurred by Royal Gold in exercising any and all of its rights and remedies in connection with a default by Somita in failing to achieve Project Completion as set forth in the Funding Agreement and the Development Plan;

(c) to reimburse Royal Gold for any and all of the Funding that is not applied by Somita as required to be applied pursuant to the Funding Agreement and the other Funding Documents;

(d) if Project Completion is not achieved by September 30, 2007, to reimburse any and all of the Funding made by Royal Gold prior to such date, unless Royal Gold shall have elected to foreclose on the shares of Somita or Shareholder prior to such date;

(e) if any mechanic's or materialman's or similar liens should be filed, or should attach, with respect to any of the property included in the Taparko — Bouroum Project by reason of the construction undertaken pursuant to the Funding Agreement, cause the removal of such liens within 30 days after the filing or recording thereof;

(f) to pay the legitimate costs and fees of all contractors, engineers and others employed by Somita if said costs and fees are not paid by Somita; and

(g) to pay all of Royal Gold's costs and expenses, including, without limitation, attorneys' fees, incurred in the enforcement of this Agreement and the provisions of the Funding Documents covered by this Agreement.

Notwithstanding the foregoing and for greater certainty, High River's obligations as set forth in this provision, other than accrued and unpaid or unperformed obligations, shall automatically terminate and be of no further force and effect immediately upon Project Completion. Project Completion shall be determined in accordance with the Funding Agreement.

3. Agreement to Contribute to Capital or Arrange Additional Financing . High River unconditionally and absolutely guarantees that Somita will have sufficient funds, in addition to the Funding, to achieve Project Completion on the schedule set forth in the Funding Agreement, and in support thereof, High River shall, if at any time prior to Project Completion there is a reasonable likelihood of a shortfall in the capital of Somita that could result in the failure of Somita to achieve Project Completion for whatever reason on the time schedule set forth in the Funding Agreement, High River shall promptly cause Shareholder to contribute equity to Somita, or shall arrange other funding or financing for Somita, sufficient in amount to cover any such perceived shortfall. Notwithstanding the foregoing and for greater certainty, High River's obligations as set forth in this provision, other than accrued and unpaid or unperformed obligations, shall automatically terminate and be of no further force and effect immediately upon Project Completion. Project Completion shall be determined in accordance with the Funding Agreement.

4. Guaranty of Payments Under the Conveyances . High River unconditionally and absolutely guarantees the full and prompt payment when due, in lawful money of the United States, all amounts earned and payable under the Conveyances, except to the extent (a) a refiner under a Refining Contract has expressly agreed to make such payments directly to Royal Gold, or (b) payment is rendered impossible due to an event or action by the Government of the Republic of Burkina Faso beyond Somita's control. The obligations of High River set forth in this paragraph shall continue after Project Completion.

5. Obligations Absolute . The obligations of High River hereunder are primary, absolute and unconditional and are intended as a continuing guaranty of payment and performance by High River. The right of recovery against High River shall exist notwithstanding any right or power of Somita or anyone else to assert any claim or defense as to the genuineness, regularity, validity or enforceability of any of the Obligations, any collateral security therefor, any guaranty thereof or the Funding Agreement, the Conveyances or the Pledge. This is a guaranty of payment and not of collection, and Royal Gold shall not be required to take any action against Somita or resort to any other security given for the performance of Somita's obligations as a precondition to the obligations of High River hereunder.

6. No Impairment of Liability . High River agrees that its liability hereunder will not be released, reduced, impaired or affected by any one or more of the following events:

(a) Royal Gold's obtaining collateral from Somita or any other person to secure payment or performance of the Funding Agreement or the Conveyances;

(b) the assumption of liability by any other person (whether as guarantor or otherwise) for payment or performance under the Funding Agreement or the Conveyances;

(c) the release, surrender, exchange, loss, termination, waiver or other discharge of any collateral securing payment or performance under the Funding Agreement or the Conveyances;

(d) the subordination, relinquishment or discharge of Royal Gold's rights relating to the Funding Agreement, the Conveyances or the Pledge Agreement or any collateral described therein;

(e) the foreclosure upon any collateral given to secure any liability of Somita by judicial or non-judicial sale;

(f) the loss or impairment of any right of subrogation of the High River;

(g) the full or partial release from liability of Somita or any other person now or hereafter liable for payment or performance under the Funding Agreement or the Conveyances;

(h) the insolvency, bankruptcy, reorganization, discharge, waiver or other exoneration of Somita or any other person now or hereafter liable for payment or performance under the Funding Agreement or the Conveyances;

(i) the modification or amendment from time to time of the Funding Agreement or the Conveyances or of the terms of the Funding Agreement or the Conveyances;

(j) the failure, delay, waiver or refusal by Royal Gold to exercise any right or remedy held by Royal Gold under the Funding Agreement, the Conveyances or the Pledge Agreement;

(k) the sale, encumbrance, transfer or other modification of the ownership of Somita or Somita's assets, or the change in the financial condition or management of the Somita;

(l) the invalidity, unenforceability or insufficiency of the Funding Agreement, the Conveyances or the Pledge Agreement or any collateral securing payment or performance thereunder; or

(m) the failure of the High River to receive notice of any one or more of the foregoing actions or events.

High River specifically acknowledges and agrees that Royal Gold may, at its option without notice to or further consent of High River, take any of the foregoing actions and that if Royal Gold elects to take any of the foregoing actions or any of the foregoing events occur, that such actions or events shall in no way reduce, affect, impair or limit the liability of High River hereunder.

7. Waivers by High River . High River hereby expressly waives (a) demand for payment, notice of nonpayment or nonperformance; (b) notice of the existence or creation of all or any part of the Obligations; (c) notice of demand, advertisement or notice of time or place of

sale of any collateral securing any of the Obligations; (d) all presentments, demands for performance, notices of nonperformance, protests and all other notices whatsoever; (e) any right to require Royal Gold to proceed against Somita or any security held in relation to the Obligations or to pursue any other right or remedy in Royal Gold's power; (f) any right to contest the enforcement of this Agreement by virtue of any statute of limitations or other law varying the terms of this Agreement; (g) any other defense available to High River at law or in equity; or (h) the rights to interpose counterclaims or set offs of any kind or description in any litigation arising under this Agreement.

8. Waiver of Subrogation . High River hereby irrevocably waives any claims or other rights which it may now or hereafter acquire against Somita that arise from the existence or performance of High River's obligations under this Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy Royal Gold has against Somita or any collateral which Royal Gold now or hereafter acquires, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise including, without limitation, the right to take or receive from Somita, directly or indirectly, in cash or other property or setoff or in any other manner, payment or security on account of such claim or other rights.

9. Representations and Warranties . High River hereby represents and warrants to Royal Gold as follows:

(a) High River is a corporation duly organized, validly existing and in good standing under the federal laws of Canada, having all powers required to carry on business and enter into and carry out the transactions contemplated hereby. High River is duly qualified, in good standing, and authorized to do business in all 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.

(b) High River has the requisite power to own and operate its properties, to carry on business and to execute, deliver, and perform this Agreement and each of the other Funding Documents to which it is or will be a party. High River 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.

(c) The execution and delivery by High River of this Agreement and the other Funding Documents to which it is a party, the performance of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, do not and will not (i) conflict with any provision of (A) any Law applicable to High River or its business, (B) its organizational documents, or (C) any material agreement, judgment, license, order or permit applicable to or binding upon it or to which its assets are subject, (ii) result in the acceleration of any Indebtedness owed by it, or (iii) result in or require the creation of any Lien upon any assets or properties owned by it except as expressly contemplated or permitted in this Agreement or the other Funding Documents. Except as expressly contemplated in this Agreement or the other 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 this Agreement or any other Funding Documents to which it is a party, or (y) to consummate any transactions contemplated by this Agreement or any other Funding Documents to which it is a party.

(d) This Agreement is, and the other Funding Documents to which High River is a party, when duly executed and delivered will be, legal, valid and binding obligations of High River, 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, and subject to the qualifications that equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that rights of indemnity, contribution and waiver of contribution may be limited under applicable law.

(e) High River has heretofore delivered to Royal Gold true, correct and complete copies of financial statements of High River as of December 31, 2005 (the " HRG Financial Statements "). The HRG Financial Statements fairly present in all material respects High River's consolidated financial position at the respective dates thereof and the consolidated results of High River's operations and consolidated cash flows for the respective periods thereof subject, in the case of the unaudited financial statements of High River, to year-end adjustments and matters that would be disclosed in financial statement notes. Since the date of the most recent annual HRG Financial Statements of High River, no Material Adverse Effect has occurred. All HRG Financial Statements were prepared in accordance with Canadian GAAP except, with respect to the unaudited financial statements of High River, subject to year-end adjustments and matters that would be disclosed in financial statement notes.

(f) High River is not in 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 High River in accordance with Canadian GAAP), and no event specified in any note, agreement, indenture or other document evidencing or relating to any such indebtedness has occurred that has caused, or (with the giving of any notice or the lapse of time or both) would 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.

(g) No certificate, statement or other written information (taken as a whole) delivered herewith or heretofore by High River to Royal Gold in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains, and no certificate, statement or other written information (taken as a whole) delivered hereafter by any High River to Royal Gold will contain, any untrue statement of a material fact or omits to state any material fact known to a Responsible Officer of High River (other than industry-wide risks normally associated with the types of businesses conducted by High River) necessary to make the statements contained herein or therein not materially misleading as of the date made or deemed made. There are no statements or conclusions in any Project Engineer report which, to the knowledge of any Responsible Officer of High River, are based upon or include misleading information or fail to take into account material information regarding the matters reported

therein, it being understood that each Project Engineer report is necessarily based upon professional opinions, estimates and projections and that High River does not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

(h) There are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of a Responsible Officer of High River threatened in writing, against High River before any Tribunal that could cause a Material Adverse Effect, and there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against High River that could cause a Material Adverse Effect.

(i) Upon giving effect to the execution of the other Funding Documents to which High River is a party and the consummation of the transactions contemplated hereby and thereby (i) High River will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of High River's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of High River's assets, and (ii) High River's capital will be adequate for the businesses in which High River is engaged and intends to be engaged. High River has not incurred (whether hereunder, under the other Funding Documents to which it is a party or otherwise), nor does High River intend to incur, or believe that it will incur, debts that will be beyond its ability to pay as such debts mature.

(j) High River is not in default in the performance of any of its covenants and agreements contained herein or in any other Funding Document to which it is a party. No event has occurred and is continuing that constitutes a Default.

(k) Somita has all rights as a party under the Taparko Mining Convention indirectly through High River as a party as if Somita had been a signatory to such document.

10. Affirmative Covenants . High River hereby warrants, covenants and agrees that until performance of the Obligations, unless Royal Gold shall have previously agreed otherwise:

(a) Until Project Completion, High River shall notify Royal Gold, not later than five (5) Business Days after any Responsible Officer of High River has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(i) a determination by a Responsible Officer that a Material Adverse Effect affecting High River has occurred,

(ii) the occurrence of any Default,

(iii) the acceleration of the maturity of any indebtedness owed by High River under any indenture, mortgage, agreement, contract or other instrument to which High River is a party or by which High River or any of its properties are bound, in each case, relating to indebtedness is excess of $100,000 and that would permit the lender to accelerate such indebtedness, and

(iv) the filing of any suit or proceeding, or the assertion in writing of a claim against High River or with respect to High River's properties in which an adverse decision could have a Material Adverse Effect on High River.

Each notice pursuant to this section shall be accompanied by a statement of a Responsible Officer of High River setting forth details of the occurrence referred to therein and stating what action, if any, High River has taken or proposes to take with respect thereto. High River will also notify Royal Gold in writing at least twenty Business Days prior to the date that it changes its name or the location of its executive offices or principal place of business.

(b) After Project Completion and until satisfaction of the PP1 and PP2 Obligations, High River shall deliver to Royal Gold a certificate of a Responsible Officer of High River by the end of each calendar quarter, stating that to the best of his knowledge none of the events specified in (i) through (iv) of Section 10(a) above has occurred or, if the same has occurred, setting forth details of such occurrence and stating what action, if any, High River has taken or proposes to take with respect thereto.

(c) High River will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all jurisdictions where required by applicable Law, except where the failure so to qualify could have a Material Adverse Effect on High River.

(d) Until Project Completion, High River shall, and shall cause Shareholder, International and Somita 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.

(e) High River shall maintain the Taparko Mining Convention in force and effect and shall perform all of its obligations thereunder and enforce all of its rights thereunder on behalf of itself and in trust for Somita.

(f) Until Project Completion, High River will not voluntarily or involuntarily transfer title to any of its material assets without fair consideration or take any other action or suffer the same to be done, if such action could have a Material Adverse Effect on High River's ability to fulfill its obligations to Royal Gold hereunder.

11. Amendments . No provision or term of this Agreement may be amended, modified, revoked, supplemented, waived or otherwise changed except by a written instrument duly executed by High River and Royal Gold and designated as an amendment, supplement or waiver.

12. Agreement Reinstated. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the

Obligations is rescinded or must otherwise be restored or returned by Royal Gold, all as though such payment had not been made.

13. 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 High River:

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

If to Royal Gold:

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.

14. Captions and Headings . The captions and headings of the various sections of this Agreement are for convenience only, and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof.

15. Binding Effect . This Agreement will be binding on High River and its successors and permitted assigns, and will inure to the benefit of Royal Gold and all successors and

permitted assigns of Royal Gold. High River consents to the assignment of all or any portion of the rights of Royal Gold hereunder in connection with any permitted assignment of the rights of Royal Gold under the Funding Agreement or the Conveyances with prior notice to High River.

16. Waiver . Royal Gold shall not be deemed to have waived any provision of this Agreement unless such waiver is in writing and is signed by Royal Gold.

17. Provisions Several/Illegality . The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid and in lieu of each such illegal, invalid or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

18. Choice of Law . This Agreement has been negotiated, executed and delivered in Denver, Colorado, and is intended to be construed in accordance with the laws of the State of Colorado.

19. Consent to Jurisdiction; Waiver of Jury Trial, etc. .

(a) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON EXCLUSIVE JURISDICTION OF, AT THE ELECTION OF ROYAL GOLD, ANY UNITED STATES FEDERAL OR COLORADO STATE COURT SITTING IN DENVER, COLORADO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT ROYAL GOLD MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST HIGH RIVER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN THIS SECTION 19(a). EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(b) HIGH RIVER HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SAID COURTS BY THE MAILING THEREOF IN ACCORDANCE WITH SECTION 20 OF THIS AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ROYAL GOLD TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(d) EXCEPT AS PROHIBITED BY LAW, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

(e) High River represents and warrants that it has consulted with its legal counsel regarding all waivers under this Agreement.

20. Service of Process . Service of process in any matter shall be made to High River at the following address:

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

High River 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 of service with proof of delivery. High River shall maintain a presence at the address above (unless changed by similar notice in writing given by High River) continuously at all times while High River is obligated under this Agreement or any of the other Funding Documents to which it is a party. Nothing herein shall affect Royal Gold’s right to serve process in any other manner permitted by applicable law.

This Agreement has been executed by High River on the date set forth below, to be effective as of the date first set forth above.

HIGH RIVER GOLD MINES LTD.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[EXECUTION PAGE TO GUARANTY AND AGREEMENT IN SUPPORT OF SOMITA FUNDING AGREEMENT]

SCHEDULE A

Description of Bouroum Lands

EXECUTION VERSION

SCHEDULE B

Description of Taparko Lands

EXECUTION VERSION

**Exhibit 10.2**

**PLEDGE AGREEMENT**

This PLEDGE AGREEMENT dated as of February 22, 2006 (as amended, supplemented, amended and restated or otherwise modified from time to time, this " Pledge Agreement "), is made by and among HIGH RIVER GOLD MINES (INTERNATIONAL) LTD., a corporation formed under the laws of the Cayman Islands (" High River International "), HIGH RIVER GOLD MINES (WEST AFRICA) LTD., a corporation formed under the laws of the Cayman Islands (" High River Africa "; High River Africa and High River International are sometimes referred to herein individually as a " Grantor " and collectively as the " Grantors "), and ROYAL GOLD, INC., a corporation formed under the laws of Delaware, USA (" Royal Gold ").

Recitals

A. Société des Mines de Taparko, also known as SOMITA, SA, a *société anonyme* formed under the laws of the Republic of Burkina Faso (" Somita "), and Royal Gold entered into a Funding Agreement dated as of December 1, 2005 (the " Original Funding Agreement "), as amended by First Amendment to Funding Agreement dated as of February 8, 2006 (the " First Amendment "), and as further amended and restated by Amended and Restated Funding Agreement dated as of February 22, 2006 (as so amended and restated, the " Funding Agreement "). Pursuant to the Funding Agreement, Royal Gold agreed to provide funding to Somita in the amount of U.S. $35,000,000 to be used in the development of the Taparko — Bouroum Project (defined below) in the Republic of Burkina Faso.

B. High River International is the indirect owner of 90% of the issued and outstanding shares of Somita, through its wholly-owned subsidiary High River Africa. The Government of the Republic of Burkina Faso is the owner of the remaining 10% of the issued and outstanding shares of Somita.

C. Prior to the date of this Pledge Agreement, Royal Gold has provided Somita the amount of $9,414,000 under the First Tranche pursuant to the terms and conditions of the Original Funding Agreement, as amended by the First Amendment.

D. It is a condition precedent to Royal Gold's obligation to disburse the Second Tranche under the Funding Agreement that each of High River International and High River Africa shall execute and deliver to Royal Gold a pledge of stock by each of High River International and High River Africa to assure completion of the Taparko — Bouroum Project, and such other matters as are set forth herein.

E. The board of directors of High River International has determined that (i) High River International will derive substantial direct and indirect benefit from the transactions contemplated by the Funding Agreement and the documents related thereto, (ii) Somita's ability to continue to obtain the funding from Royal Gold under the Funding Agreement is important to the financial success of Somita and High River International, (iii) High River International will derive economic benefit from the financial success of Somita, and (iv) it is in the best interests of High River International, and necessary and convenient to the conduct, promotion and attainment of the business of High River International, for High River International to pledge the stock of

High River Africa until Project Completion to support the obligations of Somita under the Funding Agreement and the documents related thereto.

F. The board of directors of High River Africa has determined that (i) High River Africa will derive substantial direct and indirect benefit from the transactions contemplated by the Funding Agreement and the documents related thereto, (ii) Somita's ability to continue to obtain the funding from Royal Gold under the Funding Agreement is important to the financial success of Somita and High River Africa, (iii) High River Africa will derive economic benefit from the financial success of Somita, and (iv) it is in the best interests of High River Africa, and necessary and convenient to the conduct, promotion and attainment of the business of High River Africa, for High River Africa to pledge the stock of Somita until Project Completion to support the obligations of Somita under the Funding Agreement and the documents related thereto.

G. This Pledge Agreement is executed and delivered to Royal Gold by each of High River International and High River Africa to induce Royal Gold to disburse the Second Tranche and each subsequent Tranche to Somita under the Funding Agreement and in satisfaction of a condition precedent to Royal Gold providing such funding. Each of High River and High River Africa acknowledges and agrees that Royal Gold would not provide the funding to Somita under the Funding Agreement unless each of High River International and High River Africa executed and delivered this Pledge Agreement.

H. This Pledge Agreement is the document referred to as "Pledge II" in the Funding Agreement.

Agreement

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor and Somita agrees, for the benefit of Royal Gold, as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Certain Terms . Reference is hereby made to the Funding Agreement for all purposes. All terms used in this Pledge Agreement that are defined in the Funding Agreement and not otherwise defined herein shall have the same meanings when used herein. As used herein, terms defined above in the introductory paragraph and the recitals shall have the meanings indicated above, and the following terms shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

" Bouroum Lands " means all of the land included in the Bouroum Permit, being approximately 11.7 square kilometers.

" Collateral " is defined in Section 2.1 .

" Contribution Agreement " means the Contribution Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River to and for the benefit of Royal Gold.

" Distributions " means all non-cash dividends paid on capital securities, liquidating dividends paid on capital securities, shares of capital securities resulting from (or in connection with the exercise of) stock splits, reclassifications, warrants, options, non-cash dividends, mergers, consolidations, and all other distributions (whether similar or dissimilar to the foregoing) on or with respect to any capital securities constituting Collateral, but excluding Dividends.

" Dividends " means cash dividends and cash distributions with respect to any capital securities constituting Collateral that are not a liquidating dividend.

" Foreign Pledge Agreement " means any supplemental pledge agreement governed by the laws of a jurisdiction other than the United States or a State thereof executed and delivered by a Grantor or any of its subsidiaries pursuant to the terms of this Pledge Agreement, in form and substance reasonably satisfactory to Royal Gold, as shall be necessary under the laws of organization or incorporation of a Foreign Subsidiary to further protect or perfect a lien on and security interest in any Collateral.

" Foreign Subsidiary " means any subsidiary of a Grantor that is not organized under the laws of the United States or any state thereof, including, without limitation, High River Africa and Somita.

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

" ICC " has the meaning set forth in Section 7.8.

" Parties " means Royal Gold and the Grantors.

" Request for Arbitration " has the meaning set forth in Section 7.8.

" Rules " has the meaning set forth in Section 7.8.

" Secretariat " has the meaning set forth in Section 7.8.

" Secured Obligations " means, as of any date of measurement, (a) all amounts then disbursed by Royal Gold to Somita, in Tranches or any other manner, pursuant to the Funding Agreement, and (b) the HRG Fundings (as defined in the Contribution Agreement).

" Specified Event " means the occurrence and continuance of any Event of Default under the Funding Agreement, the Contribution Agreement or the Guaranty and Agreement in Support of Somita Funding Agreement, dated as of February 22, 2006, from High River to and for the benefit of Royal Gold.

" 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, being approximately 34.7 square kilometers out of the total 666.5 square kilometers included in such permit, which land is more particularly described in Exhibit A attached hereto.

" Termination Date " means the Completion Date under and defined in the Funding Agreement.

" UCC " means the Uniform Commercial Code as enacted from time to time in the State of Colorado, or in any jurisdiction the laws of which may be applicable to or in connection with the creation, perfection or priority of any security interest purported to be created under the Funding Documents.

SECTION 1.2. UCC Definitions . Unless otherwise defined herein or in the Funding Agreement or the context otherwise requires, terms for which meanings are provided in the UCC are used in this Pledge Agreement (whether or not capitalized herein), including its preamble and recitals, with such meanings.

## ARTICLE II
## SECURITY INTEREST

SECTION 2.1. Grant of Security Interest . Each Grantor hereby pledges, hypothecates, charges, mortgages, delivers and transfers to Royal Gold, for its benefit and the ratable benefit of Royal Gold, and hereby grants to Royal Gold, for its benefit and the ratable benefit of Royal Gold, a continuing security interest in all of the following property of such Grantor, whether tangible or intangible, whether now or hereafter existing, owned or acquired by such Grantor, and wherever located (collectively, the " Collateral "):

(a) (i) all investment property consisting of the capital securities of each issuer of such capital securities described in Schedule I hereto in which such Grantor has an interest and (ii) all other capital securities which are interests in limited liability companies or partnerships consisting of the capital securities of each issuer of such capital securities described in Schedule I hereto in which such Grantor has an interest, in each case together with Dividends and Distributions payable in respect of the Collateral described in the foregoing clauses (a)(i) and (a)(ii) ;

(b) all certificates, agreements (including stockholders agreements, partnerships agreements, operating agreements and limited liability company agreements), books, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing Collateral; and

(c) all products, issues, profits, returns, income, supporting obligations and proceeds of and from any and all of the foregoing Collateral (including, to the extent not otherwise included, all payments under insurance (whether or not Royal Gold is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral).

SECTION 2.2. Security for Secured Obligations . This Pledge Agreement and the Collateral in which Royal Gold for its benefit is granted a security interest hereunder by the Grantors secures the payment of all Secured Obligations now or hereafter existing.

SECTION 2.3. Grantors Remain Liable . Anything herein to the contrary notwithstanding,

(a) each Grantor will remain liable under any contracts and agreements included in the Collateral to the extent set forth therein, and will perform all of its duties and obligations under such contracts and agreements to the same extent as if this Pledge Agreement had not been executed;

(b) the exercise by Royal Gold of any of its rights hereunder will not release any Grantor from any of its duties or obligations under any such contracts or agreements included in the Collateral; and

(c) Royal Gold will not have any obligation or liability under any contracts or agreements included in the Collateral by reason of this Pledge Agreement, nor will Royal Gold be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 2.4. Security Interest Absolute, etc. This Pledge Agreement shall in all respects be a continuing grant of security interest, and shall remain in full force and effect until the Termination Date. All rights of Royal Gold and the security interests granted to Royal Gold for its benefit hereunder, and all obligations of each Grantor hereunder, shall, in each case, be absolute, unconditional and irrevocable irrespective of:

(a) any lack of validity, legality or enforceability of any Funding Document;

(b) the failure of Royal Gold:

(i) to assert any claim or demand or to enforce any right or remedy against any Grantor or any other Person under the provisions of any Funding Document or otherwise, or

(ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligations;

(c) any amendment to, rescission, waiver, or other modification of, or any consent to or departure from, any of the terms of any Funding Document;

(d) any addition, exchange or release of any collateral or of any Person that is (or will become) a guarantor (including each Grantor hereunder) of the Secured Obligations, or any surrender or non-perfection of any collateral, or any amendment to or waiver or release or addition to, or consent to or departure from, any other guaranty held by Royal Gold securing any of the Secured Obligations; or

(e) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, a Grantor, any surety or any guarantor, other than, in each case, payment of the Secured Obligations in full.

SECTION 2.5. Postponement of Subrogation . Each Grantor agrees that it will not exercise any rights which it may acquire by way of rights of subrogation under any Funding Document to which it is a party. Any amount paid to any Grantor on account of any such subrogation rights prior to the Termination Date shall be held in trust for the benefit of Royal Gold and shall immediately be paid and turned over to Royal Gold for the benefit of Royal Gold in the exact form received by such Grantor (duly endorsed in favor of Royal Gold, if required), to be credited and applied against the Secured Obligations, whether matured or unmatured, in accordance with Section 6.1 .

## ARTICLE III
## REPRESENTATIONS AND WARRANTIES

In order to induce Royal Gold to enter into the Funding Agreement and make credit extensions thereunder, each Grantor represents and warrants to Royal Gold and Royal Gold as set forth below.

SECTION 3.1. As to Capital Securities of Subsidiaries . With respect to any subsidiary (the capital securities of which are or are required to be pledged hereunder) of such Grantor that is a corporation, business trust, joint stock company, *société anonyme* or similar Person, all capital securities issued by such subsidiary are duly authorized and validly issued, fully paid and non-assessable, and represented by a certificate. The percentage of the issued and outstanding capital securities of each subsidiary pledged by such Grantor hereunder are as set forth on Schedule I hereto.

SECTION 3.2. Ownership, No Liens, etc. Such Grantor owns its Collateral free and clear of any Lien, except for Liens created by this Pledge Agreement. No effective financing statement or other filing similar in effect covering any Collateral is on file in any recording office, except those filed in favor of Royal Gold relating to this Pledge Agreement.

SECTION 3.3. Validity, etc. This Pledge Agreement creates a valid security interest in the Collateral securing the payment of the Secured Obligations. Such Grantor has authorized financing statements suitable for filing in the appropriate offices therefor and has taken all of the actions necessary to create perfected and first-priority security interests in the applicable Collateral (other than the filing of such financing statements).

SECTION 3.4. Authorization, Approval, etc. Except as have been obtained or made (or will be made by Royal Gold pursuant to the Funding Agreement) and are in full force and effect, no authorization, approval or other action by, and no notice to or filing with, any governmental authority is required either:

(a) for the grant by such Grantor of the security interest granted hereby, the pledge by such Grantor of any Collateral pursuant hereto or for the execution, delivery and performance of this Pledge Agreement by such Grantor;

(b) for the perfection of (other than the filing of financing statements that have been authorized by such Grantor in the appropriate offices therefor) or the exercise by Royal Gold of its rights and remedies hereunder; or

(c) for the exercise by Royal Gold of the voting or other rights provided for in this Pledge Agreement, except (i) with respect to any securities issued by a subsidiary of such Grantor, as may be required in connection with a disposition of such securities by laws affecting the offering and sale of securities generally, the remedies in respect of the Collateral pursuant to this Pledge Agreement and (ii) any "change of control" or similar filings required by state licensing agencies.

SECTION 3.5. Best Interests . It is in the best interests of each Grantor to execute this Pledge Agreement inasmuch as such Grantor will derive substantial direct and indirect benefits from the disbursement of Tranches to Somita from time to time pursuant to the Funding Agreement, and each of High River International and High River Africa understands and agrees that Royal Gold is relying on this representation in agreeing to disburse Tranches to Somita under the Funding Agreement.

## ARTICLE IV
## COVENANTS

Each Grantor covenants and agrees that such Grantor will perform, comply with and be bound by the obligations set forth below until the Termination Date.

SECTION 4.1. As to Investment Property, etc .

SECTION 4.1.1. Capital Securities of Subsidiaries .

(a) High River International will not allow High River Africa to issue uncertificated securities.

(b) High River Africa will not allow Somita to issue uncertificated securities.

SECTION 4.1.2. Stock Powers, etc. Such Grantor agrees that all certificated securities delivered by such Grantor pursuant to this Pledge Agreement will be accompanied by duly executed undated blank stock powers, or other equivalent instruments of transfer acceptable to Royal Gold.

SECTION 4.1.3. Continuous Pledge . Such Grantor will deliver to Royal Gold and at all times keep pledged to Royal Gold pursuant hereto, on a first-priority, perfected basis all investment property constituting Collateral, all Dividends and Distributions with respect thereto, and all proceeds and rights from time to time received by or distributable to such Grantor in respect of any of the foregoing Collateral.

SECTION 4.1.4. Voting Rights; Dividends, etc. Such Grantor agrees:

(a) promptly upon the occurrence and during the continuance of a Specified Event and without any request therefor by Royal Gold, so long as such Specified Event shall continue, to deliver (properly endorsed where required hereby or requested by Royal Gold) to Royal Gold all Dividends and Distributions with respect to investment property and all proceeds of the Collateral, in each case thereafter received by such Grantor, all of which shall be held by Royal Gold as additional Collateral; and

(b) that, promptly upon the occurrence and during the continuance of a Specified Event, (i) Royal Gold may exercise (to the exclusion of such Grantor) the voting power and all other incidental rights of ownership with respect to any Collateral constituting ownership interests in subsidiaries of such Grantor and such Grantor hereby grants Royal Gold an irrevocable proxy, exercisable under such circumstances, to vote such investment property; and (ii) it shall promptly deliver to Royal Gold such additional proxies and other documents as may be necessary to allow Royal Gold to exercise such voting power.

All Dividends, Distributions, interest, principal, cash payments, payment intangibles and proceeds which may at any time and from time to time be held by such Grantor but that such Grantor is then obligated to deliver to Royal Gold, shall, until delivery to Royal Gold, be held by such Grantor separate and apart from its other property in trust for Royal Gold. Royal Gold agrees that unless a Specified Event shall have occurred and be continuing, such Grantor will have the exclusive voting power with respect to any investment property constituting Collateral and Royal Gold will, upon the written request of such Grantor, promptly deliver such proxies and other documents, if any, as shall be reasonably requested by such Grantor which are necessary to allow such Grantor to exercise that voting power; provided that no vote shall be cast, or consent, waiver, or ratification given, or action taken by such Grantor that would impair any such Collateral (except as permitted by any Funding Document) or be materially inconsistent with or violate any provision of any Funding Document.

SECTION 4.2. Somita Governance . Each of High River International and High River Africa covenants and agrees that the *directeur général* of Somita is, and at all times shall be, a person who is a representative of, and has been appointed by, High River Gold Mines Ltd., High River International or High River Africa.

SECTION 4.3. Further Assurances, etc. Each Grantor agrees that, from time to time at its own expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that is necessary that is requested by Royal Gold may in order to perfect, preserve and protect any security interest granted hereby or to enable Royal Gold to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will:

(a) from time to time upon the request of Royal Gold, promptly deliver to Royal Gold such stock powers, instruments and similar documents, satisfactory in form and substance to Royal Gold, with respect to such Collateral as Royal Gold may request and will, from time to time upon the request of Royal Gold after the occurrence and during the continuance of any Specified Event promptly transfer any securities constituting Collateral into the name of any nominee designated by Royal Gold;

(b) file (or cause to be filed or authorize to be filed) such financing statements or continuation statements, or amendments thereto, and such other instruments or notices (including any assignment of claim form under or pursuant to the federal assignment of claims statute, 31 U.S.C. § 3726, any successor or amended version thereof or any regulation promulgated under or pursuant to any version thereof), as is necessary or that Royal Gold has requested in order to perfect and preserve the security interests and other rights granted to Royal Gold hereby;

(c) deliver to Royal Gold and at all times keep pledged to Royal Gold pursuant hereto, on a first-priority, perfected basis, at the request of Royal Gold, all investment property constituting Collateral, all Dividends and Distributions with respect thereto, and all proceeds and rights from time to time received by or distributable to such Grantor in respect of any of the foregoing Collateral;

(d) furnish to Royal Gold, from time to time at Royal Gold's request, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Royal Gold may reasonably request, all in reasonable detail; and

(e) do all things requested by Royal Gold in order to enable Royal Gold to have control (as such term is defined in Article 8 and Article 9 of any applicable Uniform Commercial Code relevant to the creation, perfection or priority of Collateral consisting of deposit accounts, accounts and letter of credit rights) over any Collateral; and

with respect to the foregoing and the grant of the security interest hereunder, each Grantor hereby authorizes Royal Gold to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral. Each Grantor agrees that a carbon, photographic or other reproduction of this Pledge Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

SECTION 4.4. Prohibition on Amendment to Article of Association . High River Africa shall not amend or otherwise modify its Articles of Association without the prior written consent of Royal Gold, which consent shall not be withheld unreasonably.

## ARTICLE V
## ROYAL GOLD AS ATTORNEY-IN-FACT

SECTION 5.1. Royal Gold Appointed Attorney-in-Fact . Each Grantor hereby irrevocably appoints Royal Gold its attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in Royal Gold's discretion, following the occurrence and during the continuance of a Specified Event, to take any action and to execute any instrument which Royal Gold may deem necessary or advisable to accomplish the purposes of this Pledge Agreement, including:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral; and

(b) to file any claims or take any action or institute any proceedings which Royal Gold may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Royal Gold with respect to any of the Collateral; and

(c) to perform the affirmative obligations of Grantor hereunder.

Each Grantor hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section is irrevocable and coupled with an interest.

SECTION 5.2. Royal Gold May Perform . If any Grantor fails to perform any agreement contained herein, Royal Gold may itself perform, or cause performance of, such agreement, and the reasonable expenses of Royal Gold incurred in connection therewith shall be payable by such Grantor pursuant to Section 6.4 .

SECTION 5.3. Royal Gold Has No Duty . The powers conferred on Royal Gold hereunder are solely to protect its interest in the Collateral and shall not impose any duty on it to exercise any such powers. Except for reasonable care of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Royal Gold shall have no duty as to any Collateral (except as required by law) or responsibility for:

(a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any investment property, whether or not Royal Gold has or is deemed to have knowledge of such matters, or

(b) taking any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

## ARTICLE VI
## REMEDIES

SECTION 6.1. Certain Remedies . If any Specified Event shall have occurred and be continuing:

(a) Royal Gold may exercise in respect of all or any part of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and also may:

(i) require any Grantor to, and each Grantor hereby agrees that it will, at its expense and upon request of Royal Gold forthwith, assemble all or any part of the Collateral as directed by Royal Gold and make it available to Royal Gold at

a place to be designated by Royal Gold which is reasonably convenient to both parties, and

(ii) without notice except as specified below, sell the Collateral or any part thereof in one or more transactions at public or private sale, at Royal Gold's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Royal Gold may deem reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days prior notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Royal Gold shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Royal Gold may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by Royal Gold in respect of any sale of, collection from, or other realization upon, all or any part of the Collateral shall be applied by Royal Gold against, all or any part of the Secured Obligations as Royal Gold shall determine in its sole discretion.

(c) Royal Gold may:

(i) transfer all or any part of the Collateral into the name of Royal Gold or its nominee, with or without disclosing that such Collateral is subject to the Lien hereunder,

(ii) notify the parties obligated on any of the Collateral to make payment to Royal Gold of any amount due or to become due thereunder,

(iii) enforce collection of any of the Collateral by suit or otherwise, and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect thereto,

(iv) take control of any proceeds of the Collateral, and

(v) execute (in the name, place and stead of the relevant Grantor) endorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Collateral.

SECTION 6.2. Compliance with Restrictions . Each Grantor agrees that in any sale of any of the Collateral whenever a Specified Event shall have occurred and be continuing, Royal Gold is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable law (including compliance with such procedures as may restrict public issuances or sales of securities, the number of prospective bidders and purchasers, require that such prospective

bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, and each Grantor 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 Royal Gold be liable nor accountable to the relevant Grantor for any discount allowed by the reason of the fact that such Collateral is sold in compliance with any such limitation or restriction. Notwithstanding anything herein to the contrary, for a period of ninety (90) days following the occurrence of an Event of Default (as defined in the Contribution Agreement) under the Contribution Agreement, Royal Gold shall refrain from taking any action with respect to the sale of the Collateral to which it would otherwise be entitled under this Article VI or otherwise. If High River has not fully satisfied, or caused the full satisfaction of, its obligations with respect to all amounts to be funded by High River pursuant to the Contribution Agreement by the end of that ninety (90) day period, Royal Gold shall be entitled to exercise all remedies provided for herein and in any of the other Funding Documents immediately thereafter. Royal Gold shall provide High River notice of the date on which such ninety (90) day period has commenced in accordance with Section 7.6.

SECTION 6.3. Protection of Collateral . Royal Gold may from time to time, at its option, perform any act which any Grantor fails to perform after being requested in writing so to perform (it being understood that no such request need be given after the occurrence and during the continuance of a Specified Event) and Royal Gold may from time to time take any other action which Royal Gold reasonably deems necessary for the maintenance, preservation or protection of any of the Collateral or of its security interest therein.

## ARTICLE VII
## MISCELLANEOUS PROVISIONS

SECTION 7.1. Binding on Successors, Transferees and Assigns; Assignment . This Pledge Agreement shall remain in full force and effect until the Termination Date has occurred, shall be binding upon High River, High River Africa and Somita, and their respective successors, transferees and assigns and shall inure to the benefit of and be enforceable by Royal Gold and its successors, transferees and assigns; provided that no Grantor may (unless otherwise permitted under the terms of the Funding Agreement) assign any of its obligations hereunder without the prior written consent of Royal Gold.

SECTION 7.2. Amendments, etc. Subject to any contrary provision in the Funding Agreement, no amendment to or waiver of any provision of this Pledge Agreement, nor consent to any departure by any Grantor from its obligations under this Pledge Agreement, shall in any event be effective unless the same shall be in writing and signed by Royal Gold and the relevant Grantor and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 7.3. No Waiver; Remedies . No failure on the part of Royal Gold to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 7.4. Headings . The various headings of this Pledge Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Pledge Agreement or any provisions thereof.

SECTION 7.5. Severability . Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Pledge Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 7.6. Governing Law, Notices, Service of Process, Entire Agreement, etc.

(a) THIS PLEDGE AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF COLORADO.

(b) All notices and other communications provided for hereunder shall be in writing or by facsimile and addressed, delivered or transmitted to the appropriate party in accordance with Section 8.2 of the Funding Agreement. The addresses for High River International and High River Africa are as listed in Section 7.6(c).

(c) Service of process in any matter shall be made to High River International and High River Africa (as applicable) at the following addresses:

High River International :

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

High River Africa :

High River Gold Mines (West Africa) Ltd.
c/o High River Gold Mines Ltd.
155 University Avenue
Suite 1700
Toronto, Ontario M5H 3B7

Attention: President
Facsimile: (416) 360-0010

Each of High River International and High River Africa 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. Each of High River International and High River Africa shall maintain a presence at the address above (unless changed by similar notice in writing given by the particular Person whose address is to be changed) continuously at all times while any of High River International or High River Africa 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.

(d) This Pledge Agreement and the other Funding Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 7.7. Consent to Jurisdiction; Waiver of Jury Trial, etc. .

(a) EACH OF THE PARTIES TO THIS PLEDGE AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON EXCLUSIVE JURISDICTION OF, AT THE ELECTION OF ROYAL GOLD, ANY UNITED STATES FEDERAL OR COLORADO STATE COURT SITTING IN DENVER, COLORADO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS PLEDGE AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES TO THIS PLEDGE AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS PLEDGE AGREEMENT SHALL AFFECT ANY RIGHT THAT ROYAL GOLD MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS PLEDGE AGREEMENT AGAINST ANY GRANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS PLEDGE AGREEMENT IN ANY COURT REFERRED TO IN THIS SECTION 7.7(a). EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED

BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(b) EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SAID COURTS BY THE MAILING THEREOF IN ACCORDANCE WITH SECTION 7.6 (c) OF THIS PLEDGE AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ROYAL GOLD TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(c) EACH OF THE GRANTORS AGREES THAT SERVICE OF ALL WRITS, PROCESS AND SUMMONSES RELATING TO SUCH GRANTOR IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF COLORADO MAY BE MADE UPON HIGH RIVER GOLD MINES LTD. ("HIGH RIVER"), LOCATED AT 155 UNIVERSITY AVENUE, SUITE 1700, TORONTO, ONTARIO M5H 3B7, AND EACH OF THE GRANTORS HEREBY DULY AND IRREVOCABLY APPOINTS HIGH RIVER AS ITS AGENT AND TRUE AND LAWFUL ATTORNEY-IN-FACT IN ITS NAME, PLACE AND STEAD TO ACCEPT SUCH SERVICE OF ANY AND ALL SUCH WRITS, PROCESS AND SUMMONSES, AND AGREES THAT THE FAILURE OF HIGH RIVER TO GIVE ANY NOTICE OF ANY SUCH SERVICE OF PROCESS TO THE APPLICABLE GRANTOR SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR OF ANY JUDGMENT BASED THEREON. HIGH RIVER HEREBY IRREVOCABLY ACCEPTS SUCH APPOINTMENT AND AGREES TO IMMEDIATELY FORWARD ANY SUCH SERVICE TO THE APPLICABLE GRANTOR.

(d) Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(e) EXCEPT AS PROHIBITED BY LAW, EACH PARTY TO THIS PLEDGE AGREEMENT HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS PLEDGE AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

(f) Each Grantor represents and warrants that it has consulted with its legal counsel regarding all waivers under this Pledge Agreement..

SECTION 7.8. Counterparts . This Pledge Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SECTION 7.9. Foreign Pledge Agreements . Without limiting any of the rights, remedies, privileges or benefits provided hereunder to Royal Gold for its benefit and the ratable

benefit of Royal Gold, each Grantor and Royal Gold hereby agree that the terms and provisions of this Pledge Agreement in respect of any Collateral subject to the pledge or other Lien of a Foreign Pledge Agreement are, and shall be deemed to be, supplemental and in addition to the rights, remedies, privileges and benefits provided to Royal Gold and Royal Gold under such Foreign Pledge Agreement and under applicable law to the extent consistent with applicable law; provided , that, in the event that the terms of this Pledge Agreement conflict or are inconsistent with the applicable Foreign Pledge Agreement or applicable law governing such Foreign Pledge Agreement, (i) to the extent that the provisions of such Foreign Pledge Agreement or applicable foreign law are, under applicable foreign law, necessary for the creation, perfection or priority of the security interests in the Collateral subject to such Foreign Pledge Agreement, the terms of such Foreign Pledge Agreement or such applicable law shall be controlling and (ii) otherwise, the terms hereof shall be controlling.

SECTION 7.10. Disposition of Assets by High River Africa . Notwithstanding anything contained herein to the contrary, High River Africa shall have the right to dispose of any assets owned by it, other than the Collateral or other assets relating to the Taparko-Bouroum Project, without the consent of Royal Gold.

[Remainder of page intentionally left blank]

Each of the parties hereto has caused this Pledge Agreement to be duly executed and delivered by its authorized officer as of the date first above written.

HIGH RIVER GOLD MINES
(INTERNATIONAL) LTD.

By: _____
Name: _____
Title: _____

HIGH RIVER GOLD MINES (WEST AFRICA) LTD.

By: _____
Name: _____
Title: _____

ROYAL GOLD, INC.

By: _____
Name: _____
Title: _____

**COUNTERPART SIGNATURE PAGE TO PLEDGE AGREEMENT**

[INSERT APPROPRIATE NOTARY BLOCKS]

**NOTARY SIGNATURE PAGE TO PLEDGE AGREEMENT**

SCHEDULE I
to Pledge Agreement

**PLEDGOR**

**High River International:**

| Issuer (corporate) | Cert. # | # of Shares | Common Stock Authorized Shares | Common Stock Outstanding Shares | % of Shares Pledged |
|---|---|---|---|---|---|
| High River Gold Mines (West Africa) Ltd.* | 2 | 2,500,000 | 100,000,000 | 12,270,000 | 100% |
| High River Gold Mines (West Africa) Ltd.* | 3 | 5,010,000 | 100,000,000 | 12,270,000 | 100% |
| High River Gold Mines (West Africa) Ltd.* | 4 | 4,760,000 | 100,000,000 | 12,270,000 | 100% |

* High River International owns 12,270,000 shares of the outstanding capital stock of High River Africa, which shares are represented by Certificate No. 2 (2,500,000 shares), Certificate No. 3 (5,010,000 shares) and Certificate No. 4 (4,760,000 shares). High River has delivered such certificates to Royal Gold pursuant to the Pledge Agreement. Copies of such stock certificates, together with accompanying stock powers, are attached to this Schedule I. High River International is pledging 100% of its ownership interest in High River Africa pursuant to the Pledge Agreement, which represents 100% of the issued and outstanding shares of High River Africa.

**PLEDGOR**

**High River Africa:**

| Issuer (corporate) | Cert. # | # of Shares | Stock Authorized Shares | Stock Outstanding Shares | % of Shares Pledged |
|---|---|---|---|---|---|
| Société des Mines de Taparko * | 1 | 900 | 1,000 | 1,000 | 90% |

* High River Africa owns 900 shares of the outstanding capital stock of Somita, which shares are represented by Certificate No. 1 (900 shares). High River Africa has delivered such certificate to Royal Gold pursuant to the Pledge Agreement. Copies of such stock certificate, together with accompanying stock power, are attached to this Schedule I. High River Africa is pledging 100% of its ownership interest in Somita pursuant to the Pledge Agreement, which represents 90% of the issued and outstanding shares of Somita.

**Exhibit 10.3**

# GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (this " **Agreement** ") dated as of February 22, 2006, is by High River Gold Mines Ltd., a corporation formed under the federal laws of Canada (the " **Guarantor** "), in favour of ROYAL GOLD, INC., a Delaware corporation (the " **Creditor** ").

## Recitals

A. Société des Mines de Taparko, also known as SOMITA, SA, a *société anonyme* formed under the laws of the Republic of Burkina Faso (the " **Debtor** ") is indebted and liable to the Creditor pursuant to that certain Funding Agreement, dated December 1, 2005, between the Debtor and the Creditor (the " **Original Funding Agreement** ") as amended by First Amendment to Funding Agreement dated as of February 8, 2006, (the " **First Amendment** "), and as further amended and restated by Amended and Restated Funding Agreement dated as of February 22, 2006 (as so amended and restated, the " **Funding Agreement** "). Pursuant to the Funding Agreement, the Creditor agreed to provide funding to the Debtor in the amount of U.S.$35,000,000 to be used in the development of the Project (as defined in the Funding Agreement) in the Republic of Burkina Faso. Except as otherwise specifically noted, all capitalized terms used but not defined in this Agreement shall have the meanings given to such terms in the Funding Agreement.

B. The Guarantor is the indirect owner of 90% of the issued and outstanding shares of the Debtor, through one of its subsidiaries. The Government of the Republic of Burkina Faso is the owner of the remaining 10% of the issued and outstanding shares of the Debtor.

C. In connection with the development of the Project, the Debtor has entered into the Taparko/Bouroum Project Contract Agreement, dated as of February 3, 2006 (the " **Construction Agreement** "), between Debtor and Senet CC, a corporation formed under the laws of the Republic of South Africa (" **Senet** ").

D. Pursuant to Section 4.2 of the Construction Agreement, Senet is obligated to provide Performance Security (as defined in the Construction Agreement) in an amount equal to 10% of the Accepted Contract Amount (as defined in the Construction Agreement) reducing to 5% upon the occurrence of certain events stated therein. The Creditor has required, as a condition precedent to disbursement of the Second Tranche under the Funding Agreement, that the Guarantor provide additional performance security for the obligations of Senet under the Construction Agreement that are the subject of the Performance Security (the " **Obligations** "), and the Guarantor has agreed to provide the additional performance security.

E. The board of directors of the Guarantor has determined that (i) the Guarantor will derive substantial direct and indirect benefit from the transactions

contemplated by the Funding Agreement and the documents related thereto, (ii) the Debtor's continuing ability to obtain the funding from the Creditor under the Funding Agreement is important to the financial success of the Debtor and the Guarantor, (iii) the Guarantor will derive economic benefit from the financial success of the Creditor, and (iv) it is in the best interests of the Guarantor, and necessary and convenient to the conduct, promotion and attainment of the business of the Guarantor, for the Guarantor to provide additional performance security for the Obligations as provided in this Agreement.

F. This Agreement is executed and delivered to the Creditor by the Guarantor to induce the Creditor to disburse the Second Tranche to the Debtor under the Funding Agreement and in satisfaction of a condition precedent to the Creditor providing such funding. The Guarantor acknowledges and agrees that the Creditor would not provide the funding to the Debtor under the Funding Agreement unless the Creditor executed and delivered this Agreement.

G. This Agreement is the document referred to as "Guaranty I" in the Funding Agreement.

**Agreement**

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:

1. Guarantee . The Guarantor hereby unconditionally guarantees performance and payment of all amounts up to fifteen percent (15%) of the Accepted Contract Amount, forthwith on demand by the Creditor or any other person, upon the occurrence of any of the events set forth in clauses (a) through (d) of Section 4.2 of the Construction Agreement. The obligation of Guarantor hereunder may be offset by the Retention Money (as defined in the Construction Agreement) and amounts paid or payable by or on behalf of Senet with respect to the Performance Security pursuant to Section 4.2 of the Construction Agreement. This guarantee shall be a continuing guarantee and shall remain in effect until issuance of the Performance Certificate (as defined in the Construction Agreement) pursuant to the Construction Agreement.

2. Liability Unaffected by Certain Matters . 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 Performance Security 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 any person in respect of the Performance Security, including without limitation any court order which purports to prohibit or suspend the time for payment of the Performance Security or the rights or remedies of the Debtor against Senet under the Construction Agreement or in respect of the Performance Security;

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

(i) the Construction Agreement;

(ii) the Funding Agreement or any other agreement made from time to time between the Debtor and the Creditor;

(iii) any security given by the Guarantor in favour of the Creditor from time to time;

(iv) any guarantee given by any person in favour of the Creditor from time to time in connection with or relating to the Debtor, Senet, the Obligations, the Construction Agreement or the Performance Security; or

(v) any security given by any such guarantor in favour of the Creditor from time to time in connection with any of its or the Debtor's obligations to the Creditor or the Obligations,

(collectively, the " **Documents** ");

(d) any change in the corporate existence, structure, ownership or control of the Guarantor, the Debtor or Senet (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 Guarantor, the Debtor or Senet; or the dissolution, winding-up, liquidation or other distribution of the assets of the Guarantor, the Debtor or Senet, whether voluntary or otherwise;

(e) the Debtor's, Senet's or the Guarantor'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 the Republic of Burkina Faso or the Republic of South Africa, 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 Debtor to demand performance of the obligations of Senet under the Construction Agreement or payment in connection with the Performance Security by Senet, any guarantor or any other person;

(g) the valuation by the Creditor of any security held in respect of the obligations of Senet under the Construction Agreement, which shall not be considered as a purchase of such security or as payment on account of such 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 Guarantor in respect of this Agreement.

3. Liability Unaffected by Actions of Creditor . 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, the Guarantor or any obligations of Senet under the Construction Agreement. 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) receive payments in respect of the Obligations and payments of the Performance Security;

(b) amend, renew, waive, release or terminate any Document or any provisions thereof in whole or in part from time to;

(c) settle, compromise, waive, release or terminate the obligations of the Debtor or Senet in whole or in part from time to time;

(d) grant time, releases and discharges to the Guarantor;

(e) take, refrain from taking or release guarantees from other persons in respect of obligations of the Debtor or Senet;

(f) refrain from demanding payment from or exercising any rights or remedies in respect of any guarantor of the obligations of the Debtor or Senet;

(g) apply all monies received from any person or from the proceeds of any security to pay such part of the obligations of the Debtor or Senet 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 any person; and

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

4. Liability Unaffected by Failure of Creditor to Take, Hold or Enforce Security . 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 any other person to secure payment or performance of any of the Obligations; and if the Creditor in its absolute discretion obtains any such security from any other person, 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 Guarantor or other persons in respect of the 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 Guarantor or in respect of any other guarantor of the 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 any other persons or enforce any security held in respect of the 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 Guarantor under applicable law (including applicable personal property security legislation) in respect of the enforcement of any such security.

5. Waivers . 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.

6. Foreign Currency Obligations . The Guarantor shall make payment hereunder in United States dollars (the " **Required Currency** "). If the Guarantor makes payment 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 recipient of such payment 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 such recipient's normal practice; and the Guarantor shall remain liable hereunder for any deficiency.

7. Withholding Taxes . 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 such additional amount as may be necessary to ensure that the net amount actually received (after payment of such taxes including any taxes on such additional amount paid) is equivalent to the amount which would have been received if no amounts had been withheld.

8. Representations and Warranties . 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 maintaining the extension of credit to the Debtor under the Funding Agreement:

(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 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).

9. Revival of Indebtedness and Liability . If at any time all or any part of any payment previously applied to any portion of the Obligations is rescinded or returned 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 any person 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.

10. Restrictions of Right of Subrogation . The Guarantor agrees not to exercise or enforce any right of indemnity, exoneration, contribution, reimbursement, recourse or subrogation against Senet, the Debtor or any other guarantor of the Obligations, or as to any security therefor, unless and until all of the Obligations have been paid and satisfied in full, and all obligation of the Guarantor hereunder have been extinguished.

11. Expenses . 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.

12. Notices . 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 to the addresses set forth below the signature blocks in this Agreement.

13. Severability . 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.

14. Interpretation . 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.

15. Further Assurances . 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.

16. Entire Agreement; Amendments; Conclusive Delivery . 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 negotiated, executed and delivered in Denver, Colorado, and 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 Creditor's intention to obtain any security in respect of the Obligations or guarantees from other persons in respect of the 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.

17. Governing Law .

(a) This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario. Notwithstanding the foregoing, for

the purpose of legal proceedings, this Agreement has been negotiated, executed and delivered in Denver, Colorado.

(b) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON EXCLUSIVE JURISDICTION OF, AT THE ELECTION OF CREDITOR, ANY UNITED STATES FEDERAL OR COLORADO STATE COURT SITTING IN DENVER, COLORADO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT CREDITOR MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN THIS SECTION 17(b). EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SAID COURTS BY THE MAILING THEREOF IN ACCORDANCE WITH SECTION 13 OF THIS AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ROYAL GOLD TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(d) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(e) EXCEPT AS PROHIBITED BY LAW, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

18. Successors and Assigns . 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 entity resulting from the merger of an entity with any other entity. 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.

19. Legal Advice . 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. The Guarantor represents and warrants that it has consulted with its legal counsel regarding all waivers under this Agreement.

20. Receipt of Copy of Agreement . The Guarantor hereby acknowledges receipt of a copy of this Agreement.

**EXECUTION PAGE FOLLOWS**

This Agreement has been executed and delivered by the Guarantor as of the dated first written above.

**HIGH RIVER GOLD MINES LTD.**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Guarantor's Address for Notices and 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 Notices and Service:

1600 Wynkoop Street
Suite 1000
Denver, Colorado
USA 80202-1132
Attention: President
Fax no. 303-595-9385

**Exhibit 10.4**

## PLEDGE OF SECURITIES

This PLEDGE OF SECURITIES (this " **Agreement** ") dated as of February 22, 2006, is by High River Gold Mines Ltd., a corporation formed under the federal laws of Canada (the " **Guarantor** "), in favour of ROYAL GOLD, INC., a Delaware corporation (the " **Secured Party** ").

Recitals

A. Société des Mines de Taparko, also known as SOMITA, SA, a *société anonyme* formed under the laws of the Republic of Burkina Faso (the " **Debtor** ") is indebted and liable to the Secured Party pursuant to that certain Funding Agreement, dated December 1, 2005, between the Debtor and the Secured Party (the " **Original Funding Agreement** ") as amended by First Amendment to Funding Agreement dated as of February 8, 2006, (the " **First Amendment** "), and as further amended and restated by Amended and Restated Funding Agreement dated as of February 22, 2006 (as so amended and restated, the " **Funding Agreement** "). Pursuant to the Funding Agreement, the Secured Party agreed to provide funding to the Debtor in the amount of U.S.$35,000,000 to be used in the development of the Project (as defined in the Funding Agreement) in the Republic of Burkina Faso. Except as otherwise specifically noted, all capitalized terms used but not defined in this Agreement shall have the meanings given to such terms in the Funding Agreement.

B. The Guarantor is the indirect owner of 90% of the issued and outstanding shares of the Debtor, through one of its subsidiaries. The Government of the Republic of Burkina Faso is the owner of the remaining 10% of the issued and outstanding shares of the Debtor.

C. In connection with the development of the Project, the Debtor has entered into the Taparko/Bouroum Project Contract Agreement, dated as of February 3, 2006 (the " **Construction Agreement** "), between Debtor and Senet CC, a corporation formed under the laws of the Republic of South Africa (" **Senet** ").

D. Pursuant to Section 4.2 of the Construction Agreement, Senet is obligated to provide Performance Security (as defined in the Construction Agreement) in an amount equal to 10% of the Accepted Contract Amount (as defined in the Construction Agreement) reducing to 5% upon the occurrence of certain events stated therein. The Secured Party has required, as a condition precedent to disbursement of the Second Tranche under the Funding Agreement, that the Guarantor provide additional performance security for the obligations of Senet under the Construction Agreement that are the subject of the Performance Security, and the Guarantor has agreed to provide the additional performance security pursuant to the Guarantee Agreement dated February 22, 2006 (" **Guaranty I** ") from the Guarantor to and for the benefit of the Secured Party.

E. Also in connection with the Funding Agreement, the Guarantor has agreed to provide a guaranty of the obligations of the Debtor to develop and complete the Project, and of other obligations of the Debtor and of the Guarantor, pursuant to the Guaranty and Agreement in Support of Somita Funding Agreement dated as of February 22, 2006 (" **Guaranty II** "), from the

Guarantor to and for the benefit of the Secured Party, and has agreed to secure the obligations under Guaranty II by a pledge of all of the shares of stock of the Shareholder owned by International and all of the shares owned by the Shareholder of the stock of the Debtor, pursuant to the Pledge Agreement dated as of February 22, 2006 (" **Pledge II** ") by and among International, Shareholder, and the Secured Party.

F. In addition to other obligations of the Guarantor under the guaranties and pledge described above, it is a condition precedent to the Secured Party's obligation to disburse the Second Tranche under the Funding Agreement that Guarantor has executed and delivered to Secured Party the Contribution Agreement in Support of Funding Agreement dated as of February 22, 2006 (the " **Contribution Agreement** ") from the Guarantor to and for the benefit of the Secured Party, pursuant to which the Guarantor has committed, among other things, to provide additional funding to the Debtor for the Project, provided that the obligations of the Guarantor under the Contribution Agreement are secured by Pledge II and this Agreement.

G. The board of directors of the Guarantor has determined that (i) the Guarantor will derive substantial direct and indirect benefit from the transactions contemplated by the Funding Agreement and the documents related thereto, (ii) the Debtor's continuing ability to obtain the funding from the Secured Party under the Funding Agreement is important to the financial success of the Debtor and the Guarantor, (iii) the Guarantor will derive economic benefit from the financial success of the Secured Party, and (iv) it is in the best interests of the Guarantor, and necessary and convenient to the conduct, promotion and attainment of the business of the Guarantor, for the Guarantor to provide additional performance security for the Obligations as provided in this Agreement.

H. This Agreement is executed and delivered to the Secured Party by the Guarantor to induce the Secured Party to disburse the Second Tranche to the Debtor under the Funding Agreement and in satisfaction of a condition precedent to the Secured Party providing such funding. The Guarantor acknowledges and agrees that the Secured Party would not provide the funding to the Debtor under the Funding Agreement unless the Secured Party executed and delivered this Agreement.

I. This Agreement is the document referred to as "Pledge I" in the Funding Agreement.

**Agreement**

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees with the Secured Party as follows:

1. **Obligations Secured** . In consideration of the Secured Party dealing with or extending credit for the benefit of Debtor, an indirectly owned subsidiary of the Guarantor, and other good and valuable consideration, 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.

2. **Definitions and Interpretation** . In this Agreement, the following words shall, unless otherwise provided, have the meanings set out below:

" **Agreement** " means this Pledge of Securities, executed by Guarantor in favour of Secured Party;

" **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 3 of this Agreement;

" **Collateral** " means all Securities and other property and assets of the Guarantor and the Proceeds thereof charged pursuant to Section 3 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;

" **Obligation Documents** " means, collectively, Guaranty I, Guaranty II and the Contribution Agreement;

" **Obligations** " means all present and future liabilities and obligations, direct or indirect, matured or unmatured, joint or several, absolute or contingent, of the Guarantor arising pursuant to or in respect of (a) Guaranty I, (b) Guaranty II, (c) the Contribution Agreement, and (d) the Side Letter;

" **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.

" **Side Letter** " means the letter agreement dated March 1, 2006 from the Secured Party to the Guarantor, and signed by each of the Secured Party, the Guarantor and the Debtor, which, among other things, amends the Funding Agreement and the Contribution Agreement and addresses the insurance shortfall of the Guarantor and the Debtor as of the date of such letter agreement with respect to the insurance coverage required by Section 5.10 of the Funding Agreement.

3. **Creation of Security Interest** . 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. (the " **Pelangio Stock** ") and 1,790,941 common shares in the capital stock of Intrepid Minerals Corporation (the " **Intrepid Stock** "); and

(b) all products, issues, profits, returns, income, supporting obligations and Proceeds of and from any and all of the foregoing (including, to the extent not otherwise included, all payments under insurance (whether or not the Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing).

4. **Registration of Charged Securities** . 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; provided that the parties hereto agree that prior to the date of this Agreement that the Guarantor has delivered to the Secured Party the Pelangio Stock and the Intrepid Stock, together with relevant stock powers of attorney. 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.

5. **Further Description of Collateral** . Without limiting the generality of the description of Collateral as set out in Section 3, 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.

6. **Attachment** . 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.

7. **Voting Rights** . Until the Secured Party exercises its remedies under any Funding Document following an Event of Default, 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 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 exercising its remedies under any Funding Document following an Event of Default.

8. **Dealing with Income and Proceeds** . Upon the Secured Party exercising its remedies under any Funding Document following an Event of Default, 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.

9. **Representations and Warranties** . 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.

10. **Covenants** . 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 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 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.

11. **Enforcement** . The Security Interest shall become enforceable immediately in connection with the Secured Party exercising its remedies under any Funding Document following an Event of Default.

12. **Remedies** . 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.

13. **Failure of Secured Party to Exercise Remedies** . 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.

14. **Standards of Sale** . (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

(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.

15. **Dealings by Secured Party** . The Secured Party may grant extensions of time and other indulgences, take and give up securities, grant releases and discharges, and otherwise deal with the Collateral, 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.

16. **Notices** . 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 to the addresses set forth below the signature blocks in this Agreement.

17. **Separate Security** . 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.

18. **Power of Attorney** . 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.

19. **Entire Agreement** . 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.

20. **Enurement** . 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.

21. **Headings** . 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.

22. **Construction** . 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.

23. **Governing Law; Venue.**

(a) This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario. Notwithstanding the foregoing, for the purpose of legal proceedings, this Agreement has been negotiated, executed and delivered in Denver, Colorado.

(b) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON EXCLUSIVE JURISDICTION OF, AT THE ELECTION OF

SECURED PARTY, ANY UNITED STATES FEDERAL OR COLORADO STATE COURT SITTING IN DENVER, COLORADO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT SECURED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN THIS SECTION 23(b). EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) THE GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SAID COURTS BY THE MAILING THEREOF IN ACCORDANCE WITH SECTION 16 OF THIS AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ROYAL GOLD TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(d) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(e) EXCEPT AS PROHIBITED BY LAW, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

(f) The Guarantor represents and warrants that it has consulted with its legal counsel regarding all waivers under this Agreement.

24. **Release of Charged Securities** .

(a) The Secured Party shall, upon reasonable request from the Guarantor and provided there is no outstanding claim with respect to or in connection with the Charged Securities, release the Intrepid Stock from the Security Interest created pursuant to this Agreement following the later of (i) successful results for the Tests on Completion with respect to the Works as a whole, as determined in accordance with the Construction Agreement, and (ii) the issuance of the Taking-Over Certificate with respect to the Works as a whole. For the purposes of this paragraph, the terms "Tests on Completion," "Works" and "Taking-Over Certificate" shall have the meanings set forth in the Construction Agreement on the date originally signed by the parties thereto, notwithstanding any subsequent changes, amendments, modifications or waivers under the Construction Agreement.

(b) Following the satisfaction of all obligations under, and the termination of, Guaranty II, the Secured Party shall, upon reasonable request from the Guarantor and provided there is no outstanding claim with respect to or in connection with the Charged Securities, release the Pelangio Stock from the Security Interest created pursuant to this Agreement

25. **Grace Periods** . Notwithstanding anything herein to the contrary,

(a) upon the occurrence of an Event of Default under any of the Funding Documents, the Secured Party agrees that it shall notify the Guarantor at least five (5) Business Days prior to the sale of any Charged Securities (the " **Notice Period** "). During such Notice Period, the Guarantor may (i) provide the Secured Party with suggestions regarding the disposition and sale of the relevant Charged Securities, provided that the final determination regarding all aspects of the disposition and sale of the relevant Charged Securities following expiration of the Notice Period shall be in the sole and exclusive discretion of the Secured Party, or (ii) deliver to the Secured Party an amount of cash or marketable securities in exchange for the relevant Charged Securities, provided that the decision related to whether such amount of cash or marketable securities is acceptable in exchange for such relevant Charged Securities shall be in the sole and exclusive discretion of the Secured Party; and

(b) for a period of thirty (30) days following the occurrence of an Event of Default (as defined in the Contribution Agreement) under the Contribution Agreement, the Secured Party shall refrain from taking any action with respect to the sale of the Charged Securities to which it would otherwise be entitled, provided that if the Guarantor has not fully satisfied, or caused the full satisfaction of, its obligations with respect to all amounts to be funded by the Guarantor pursuant to the Contribution Agreement by the end of that thirty (30) day period, Royal Gold shall be entitled to exercise all remedies with respect to the sale of the Charged Securities provided for herein and in any of the other Funding Documents

immediately thereafter; provided that the five (5) Business Day period described in Section 25(a) shall be included in this thirty (30) day period.

26. **Miscellaneous** .

(a) 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.

(b) 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.

(c) 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.

(d) The Guarantor acknowledges receipt of an executed copy of this Agreement.

**EXECUTION PAGES FOLLOW**

This Agreement has been executed and delivered by the Guarantor as of the ___day of February, 2006.

**HIGH RIVER GOLD MINES LTD.**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

We have the authority to bind the Guarantor

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

Royal Gold's Address for Notices and Service:

1600 Wynkoop Street
Suite 1000
Denver, Colorado
USA 80202-1132
Attention: President
Fax no. 303-595-9385

[EXECUTION PAGE TO PLEDGE OF SECURITIES]

Acknowledged and Agreed:

**ROYAL GOLD, INC.**

By: _____

Name: _____

Title: _____

**Exhibit 10.5**

**CONTRIBUTION AGREEMENT**
**IN SUPPORT OF SOMITA FUNDING AGREEMENT**

This CONTRIBUTION AGREEMENT IN SUPPORT OF SOMITA FUNDING AGREEMENT (this " Agreement ") dated as of February 22, 2006, is from HIGH RIVER GOLD MINES LTD., a corporation formed under the federal laws of Canada (" High River ") to and for the benefit of ROYAL GOLD, INC., a Delaware corporation (" Royal Gold ").

**Recitals**

A. Société des Mines de Taparko, also known as SOMITA, SA, a *société anonyme* formed under the laws of the Republic of Burkina Faso (" Somita ") and Royal Gold entered into a Funding Agreement dated as of December 1, 2005 (the " Original Funding Agreement "), as amended by First Amendment to Funding Agreement dated as of February 8, 2006, and as further amended and restated by Amended and Restated Funding Agreement dated as of February 22, 2006 (as so amended and restated, the " Funding Agreement "). Pursuant to the Funding Agreement, Royal Gold agreed to provide funding to Somita in the amount of U.S.$35,000,000 to be used in the development of the Project (defined below) in Burkina Faso.

B. High River is the indirect owner of 90% of the issued and outstanding shares of Somita, through its subsidiary High River Gold Mines (West Africa) Ltd., a corporation formed under the laws of the Cayman Islands (" Shareholder "). The Government of the Republic of Burkina Faso is the owner of the remaining 10% of the issued and outstanding shares of Somita.

C. In connection with the funding by Royal Gold, High River has agreed to provide a guaranty (" Guaranty I") of performance by Senet CC, a South African corporation, (" Senet ") of Senet's obligations under the Taparko/Bouroum Project Contract Agreement dated February 3, 2006, in addition to the performance bond provided by Senet, and High River has agreed to secure that guaranty by a pledge of its shares of stock of Intrepid Minerals Corporation and Pelangio Mines Inc. (" Pledge I ").

D. Also in connection with the Funding Agreement, High River has agreed to provide a guaranty of the obligations of Somita to develop and complete the Project, and of other obligations of Somita and of High River, (" Guaranty II ") and has agreed to secure that guaranty by a pledge of all of the shares of stock of the Shareholder owned by High River Gold Mines (International) Ltd. and all of the shares owned by the Shareholder of the stock of Somita (" Pledge II ").

E. In addition to other obligations of High River under the guaranties and pledges described above, it is a condition precedent to Royal Gold's obligation to disburse the Second Tranche under the Funding Agreement that (i) High River shall execute and deliver to Royal Gold an undertaking by High River to fund $10,847,383 of the Project after Royal Gold has funded $13,772,479 pursuant to the Tranche Funding Schedule (attached to the Funding Agreement as Schedule V), and shall make such additional fundings as may be required in the

event of cost overruns and (ii) High River's obligations under this Agreement shall be secured by the pledges described above.

F. The board of directors of High River has determined that (i) High River will derive substantial direct and indirect benefit from the transactions contemplated by the Funding Agreement and the documents related thereto, (ii) Somita's continuing ability to obtain the funding from Royal Gold under the Funding Agreement is important to the financial success of Somita and High River, (iii) High River will derive economic benefit from the financial success of Somita, and (iv) it is in the best interests of High River, and necessary and convenient to the conduct, promotion and attainment of the business of High River, for High River to provide additional funding for the Project as provided in this Agreement.

G. This Agreement is executed and delivered to Royal Gold by High River to induce Royal Gold to disburse the Second Tranche to Somita under the Funding Agreement and in satisfaction of a condition precedent to Royal Gold providing such funding. High River acknowledges and agrees that Royal Gold would not provide the funding to Somita under the Funding Agreement unless High River executed and delivered this Agreement.

**Agreement**

THEREFORE, in consideration of Royal Gold's providing funding as set forth in the Funding Agreement, and the benefits to be derived therefrom by High River, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, High River agrees as follows:

1. Definitions . Reference is hereby made to the Funding Agreement for all purposes. All terms used in this Agreement that are defined in the Funding Agreement and not otherwise defined herein shall have the same meanings when used herein. As used herein, terms defined above in the recitals shall have the meanings indicated above, and the following terms shall have the following meanings:

" Additional RGI Interests " means the additional production payments, tail royalties and milling fees acquired by Royal Gold pursuant to paragraph 6 below.

" High River Gold Unit " means one HRG Share and one warrant to purchase one HRG Share, as more specifically described in paragraph 5 below.

" HRG Share " means a share of the common stock of High River.

" Original Milling Fee " means the Milling Fee granted to Royal Gold pursuant to the Conveyance of Tail Royalty and Grant of Milling Fee.

" Original Production Payments " means the PP1 and PP2 production payments conveyed to Royal Gold pursuant to the Conveyance of Production Payments.

" Original RGI Interests " means the Original Production Payments, the Original Tail Royalty and the Original Milling Fee, collectively.

" Original Tail Royalty " means the Tail Royalty conveyed to Royal Gold pursuant to the Conveyance of Tail Royalty and Grant of Milling Fee.

" 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.

" Share Purchase Price " means, for each HRG Share, the 5-day volume weighted average trading price (as described in the TSE Company Manual) for such HRG Share, such 5-day period ending on the date of valuation of such HRG Share.

" TSE " means the Toronto Stock Exchange.

2. Funding Obligation .

(a) Beginning April 1, 2006, High River shall make monthly fundings to Somita totalling $10,847,383 as shown in the table set forth below, bringing the total contributions to the Project by High River/Somita to $33,000,000. Further, in the event that Somita experiences cost overruns above the expected costs set forth in the "Cumulative CAPITAL" column of the Somita Funding Requirements chart set forth as Schedule I hereto such that Somita is unable to achieve a Project Milestone without additional funding, High River shall provide Somita with such additional funding. High River's funding obligations set forth in this paragraph 2(a) are herein collectively called the " HRG Fundings " and each is individually called an " HRG Funding ."

| Funding for Development During Month | Expected Funding Amount |
|---|---|
| April 2006 | $ 2,029,796 |
| May 2006 | $ 3,541,739 |
| June 2006 | $ 4,732,585 |
| July 2006 | $ 543,263 |
| TOTAL | $ 10,847,383 |

(b) Each of the HRG Fundings set forth in the table above shall be made on or before the first day of the respective month. Each HRG Funding to fund cost overruns shall occur within five Business Days after request for funding by Somita or request by Royal Gold, if Royal Gold makes such request as provided in the Funding Agreement. Each HRG Funding shall be

made by wire transfer of immediately available funds into the account designated by Somita, or if the request for funding was made by Royal Gold, into the account designated by Royal Gold.

(c) The HRG Fundings are in addition to, and not in lieu of, any and all obligations of High River under each other Funding Document to which High River is a party.

3. High River Failure to Fund . If High River shall fail to make any HRG Funding within five Business Days after request by Somita, or by Royal Gold acting on behalf of Somita, Royal Gold shall have right, in its sole discretion, to elect, within 15 days after such failure by HRG, either (a) to provide funding in the amount of the HRG Funding that High River failed to fund, in which event Royal Gold shall have the options set forth in paragraph 4 below, or (b) to declare a default hereunder and under the Funding Agreement, in which event Royal Gold shall have all of its rights and remedies set forth herein and in all of the other Funding Documents and as provided in equity and at law. Royal Gold may make the election to fund provided herein by delivering notice in writing to High River designating its election of one of the options set forth in paragraph 4.

4. Royal Gold Funding Option . If Royal Gold shall elect to provide funding in the amount of the HRG Funding that High River failed to fund, Royal Gold may elect to acquire either High River Gold Units as provided in paragraph 5 below, or Additional RGI Interests as provided in paragraph 6 below.

5. Election to Acquire High River Gold Units .

(a) If Royal Gold elects to acquire High River Gold Units, High River shall promptly deliver to Royal Gold that number of High River Gold Units as have an aggregate value equal to the amount of the HRG Funding that High River failed to fund, subject to TSE approval, which approval HRG shall use best efforts to obtain.

(b) The value of each High River Gold Unit delivered Royal Gold shall be equal to the Share Purchase Price of one HRG Share on the date of Royal Gold's election less the maximum discount allowed by the TSE off such Share Purchase Price.

(c) Each warrant included in a High River Gold Unit shall be exercisable for 24 months following the receipt by Royal Gold of the respective High River Gold Unit, with an exercise price equal to 125% of the Share Purchase Price for the HRG Share in such High River Gold Unit. Each warrant delivered to Royal Gold pursuant to this Agreement shall be in the form of Exhibit A hereto, and subject only to the four-month holding period required by Canadian law, each HRG Share underlying such warrant shall be freely tradable by Royal Gold without restriction immediately following the exercise of such warrant by Royal Gold.

(d) Each HRG Share delivered to Royal Gold shall be represented by a certificate or certificates, registered in the name of Royal Gold, and shall be issued and delivered to Royal Gold as soon as practicable after Royal Gold's election to acquire High River Gold Units. Royal Gold shall be deemed to have become the holder of record of such shares on the date on which Royal Gold exercised its election to acquire High River Gold Units, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment

is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open. Each HRG Share delivered to Royal Gold pursuant to this Agreement shall be registered on the TSE and, subject only to the four-month holding period required by Canadian law, shall be freely tradable by Royal Gold immediately following the delivery thereof.

(e) No fractional shares shall be issued upon the exercise by Royal Gold of its right to acquire High River Gold Units as a consequence of any calculation of the number of HRG Shares to be delivered to Royal Gold pursuant hereto or pursuant to the Warrants. All HRG Shares (including fractions) issuable upon exercise by Royal Gold pursuant hereto or the Warrants may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. High River shall, in lieu of issuance of any fractional share, pay Royal Gold a sum in cash equal to the product resulting from multiplying the Share Purchase Price of an HRG Share by such fraction.

6. Election to Acquire Additional RGI Interests . If Royal Gold shall elect to acquire Additional RGI Interests, High River shall (a) cause Somita to deliver to Royal Gold assignments of additional production payments, in form and substance the same as the Original Production Payments, but in an amount calculated as set forth below, and (b) shall execute and deliver to Royal Gold a Consideration Agreement in the form of Exhibit B attached hereto agreeing to pay Royal Gold amounts calculated as set forth below. The amounts of the Additional RGI Interests to be delivered to Royal Gold shall be equal to the amounts of the Original RGI Interests times the percentage that results from dividing the amount of the HRG Funding that High River failed to fund by $35,000,000. For example, if High River fails to make an HRG funding in the amount of $5,000,000, and if Royal Gold elects to fund such amount in return for Additional RGI Interests, the rates of PP1 and PP2, and the monetary equivalents of the Tail Royalty and the Milling Fee to be delivered pursuant to the Additional RGI Interests would be 14.2% of the Original RGI Interests. In addition, the form of documentation of the Additional RGI Interests will reflect the additional amount of funding provided by Royal Gold and all limitations set forth in such documentation shall be equal to the amount of funding provided by Royal Gold.

7. Representations and Warranties . High River hereby represents and warrants to Royal Gold as follows:

(a) High River is a corporation duly organized, validly existing and in good standing under the federal laws of Canada, having all powers required to carry on business and enter into and carry out the transactions contemplated hereby. High River is duly qualified, in good standing, and authorized to do business in all 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.

(b) High River has the requisite power to own and operate its properties, to carry on business and to execute, deliver, and perform this Agreement and each of the other Funding Documents to which it is or will be a party. High River 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.

(c) The execution and delivery by High River of this Agreement and the other Funding Documents to which it is a party, the performance of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, do not and will not (i) conflict with any provision of (A) any Law applicable to High River or its business, (B) its organizational documents, or (C) any material agreement, judgment, license, order or permit applicable to or binding upon it or to which its assets are subject, (ii) result in the acceleration of any Indebtedness owed by it, or (iii) result in or require the creation of any Lien upon any assets or properties owned by it except as expressly contemplated or permitted in this Agreement or the other Funding Documents. Except as expressly contemplated in this Agreement or the other 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 this Agreement or any other Funding Documents to which it is a party, or (y) to consummate any transactions contemplated by this Agreement or any other Funding Documents to which it is a party.

(d) This Agreement is, and the other Funding Documents to which High River is a party, when duly executed and delivered will be, legal, valid and binding obligations of High River, 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, and subject to the qualifications that equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that rights of indemnity, contribution and waiver of contribution may be limited under applicable law.

(e) Upon giving effect to the execution of the other Funding Documents to which High River is a party and the consummation of the transactions contemplated hereby and thereby (i) High River will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of High River's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of High River's assets, and (ii) High River's capital will be adequate for the businesses in which High River is engaged and intends to be engaged. High River has not incurred (whether hereunder, under the other Funding Documents to which it is a party or otherwise), nor does High River intend to incur, or believe that it will incur, debts that will be beyond its ability to pay as such debts mature.

(f) High River does not have in effect any shareholder rights plan, poison pill or other agreement (a " Poison Pill ") that could be triggered upon the sale of the High River Gold Units (including the exercise of the warrants), which could make the HRG Shares or High River's financial condition less desirable to Royal Gold as a result of the acquisition of the High River Gold Units or the exercise of the warrants.

(g) High River's contributions to Somita for the Project through the date of this Agreement total $22,152,617.

8. Covenants . High River hereby covenants and agrees as follows:

(a) All HRG Shares delivered to Royal Gold shall be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof.

(b) High River shall at all times have authorized and reserved, free from preemptive rights, a sufficient number of shares of the series of equity securities comprising the HRG Shares to provide for Royal Gold's exercise of rights set forth in this Agreement. If at any time the number of authorized but unissued shares of such series of High River's equity securities shall not be sufficient to permit Royal Gold to exercise its rights under this Agreement, High River shall take such corporate action as may be necessary to increase its authorized but unissued shares of such series of High River's equity securities to such number of shares as shall be sufficient for such purposes. High River shall use its best efforts to obtain all consents necessary to issue the High River Gold Units to Royal Gold.

(c) High River shall not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue of securities to shareholders of High River generally or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by High River, but shall at all times in good faith assist in the carrying out of all the provisions of this Agreement and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Royal Gold against impairment. In the case of any reclassification or change of outstanding securities issuable upon acquisition by Royal Gold of High River Gold Units, any consolidation or merger of High River with or into another corporation (other than a merger with another corporation in which High River is a continuing corporation and which does not result in any reclassification, change or exchange of outstanding securities issuable upon acquisition of High River Gold Units), or any sale or transfer to another corporation of all, or substantially all, or the property of High River, then, as a condition to such event, High River (or such successor or purchasing corporation, as the case may be) shall make lawful and adequate provisions whereby the number and class of shares available hereunder and under the warrants in the aggregate and the Share Purchase Price shall be correspondingly adjusted to give Royal Gold the total number, class, and kind of shares as Royal Gold would have owned hereunder and as would have been available under the warrants had Royal Gold exercised its right to acquire High River Gold Units prior to the event and had Royal Gold continued to hold such High River Gold Units until after the event requiring adjustment. For greater certainty, in the event that High River adopts or approves a shareholder rights plan or similar plan, no adjustment will be made to the rights of Royal Gold hereunder or under the warrants until such time as the rights issued pursuant to such shareholder rights plan or similar plan becomes exercisable. High River shall not effect any such consolidation, merger or sale unless, prior to the consummation thereof, the successor corporation (if other than High River) resulting from such consolidation or the corporation purchasing such assets shall assume, by written instrument executed and mailed or delivered to Royal Gold the obligation to deliver to Royal Gold such shares of stock, securities or assets as, in accordance with the foregoing provisions, Royal Gold may be entitled to acquire.

(d) If any other event occurs as to which the other provisions of this paragraph 8 are not strictly applicable or if strictly applicable would not fairly protect the rights of Royal Gold with respect to the High River Gold Units in accordance with such provisions, then the Board of Directors of the Company shall make an adjustment in the number and class of HRG Shares available hereunder and under the warrants, the Share Purchase Price or the application of such provisions, so as to protect the rights of Royal Gold. The adjustment shall be such as to give Royal Gold upon exercise the total number, class and kind of HRG Shares as it would have owned and as would have been available under the warrants had Royal Gold exercised its rights with respect to the High River Gold Units prior to the event and had it continued to hold such High River Gold Units until after the event requiring adjustment.

9. Events of Default . The occurrence and continuation of any of the following shall constitute an Event of Default hereunder:

(a) High River fails to fund an HRG Funding Amount on the date due and Royal Gold elects (in its sole discretion) to declare a default rather than to fund the HRG Funding Amount;

(b) High River fails to deliver the High River Gold Units, if Royal Gold makes the election to acquire the same pursuant to paragraph 5, or High River fails to deliver the Additional RGI Interests, if Royal Gold makes the election to acquire the same pursuant to paragraph 6;

(c) any representation or warranty made by High River under any Funding Document to which it is a party shall prove to have been incorrect in any material respect when made;

(d) High River fails to perform or observe any term, covenant or agreement contained in any Funding Document to which it is a party;

(e) High River, International, Shareholder or Somita generally does not pay its debts as such debts become due, or admits in writing its inability to pay its debts generally, or makes a general assignment for the benefit of creditors; or any proceeding is instituted by or against High River, International, Shareholder or Somita seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief of the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial party of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property) occurs; or High River, International, Shareholder or Somita takes any corporate action authorizing any of the actions set forth above; or

(f) any Event of Default shall have occurred under the Funding Agreement.

Upon the occurrence of an Event of Default, Royal Gold shall have all or its rights and remedies set forth herein and in all of the other Funding Documents and as provided in equity and at law.

10. Amendments . No provision or term of this Agreement may be amended, modified, revoked, supplemented, waived or otherwise changed except by a written instrument duly executed by High River and Royal Gold and designated as an amendment, supplement or waiver.

11. Agreement Reinstated. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by Royal Gold, all as though such payment had not been made.

12. 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 High River:

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

If to Royal Gold:

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.

13. Captions and Headings . The captions and headings of the various sections of this Agreement are for convenience only, and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof.

14. Binding Effect . This Agreement will be binding on High River and its successors and permitted assigns, and will inure to the benefit of Royal Gold and all successors and permitted assigns of Royal Gold. High River consents to the assignment of all or any portion of the rights of Royal Gold hereunder in connection with any permitted assignment of the rights of Royal Gold under the Funding Agreement or the Conveyances with prior notice to High River.

15. Waiver . Royal Gold shall not be deemed to have waived any provision of this Agreement unless such waiver is in writing and is signed by Royal Gold.

16. Provisions Several/Illegality . The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid and in lieu of each such illegal, invalid or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

17. Choice of Law . This Agreement has been negotiated, executed and delivered in Denver, Colorado, and is intended to be construed in accordance with the laws of the State of Colorado.

18. Consent to Jurisdiction; Waiver of Jury Trial, etc. .

(a) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON EXCLUSIVE JURISDICTION OF, AT THE ELECTION OF ROYAL GOLD, ANY UNITED STATES FEDERAL OR COLORADO STATE COURT SITTING IN DENVER, COLORADO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT ROYAL GOLD MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST HIGH RIVER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST

EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN THIS SECTION 18(a). EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(b) HIGH RIVER HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SAID COURTS BY THE MAILING THEREOF IN ACCORDANCE WITH SECTION 19 OF THIS AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ROYAL GOLD TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(d) EXCEPT AS PROHIBITED BY LAW, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

(e) High River represents and warrants that it has consulted with its legal counsel regarding all waivers under this Agreement.

19. Service of Process . Service of process in any matter shall be made to High River at the following address:

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

High River 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 of service with proof of delivery. High River shall maintain a presence at the address above (unless changed by similar notice in writing given by High River) continuously at all times while High River is obligated under this Agreement or any of the other Funding Documents to which it is a party. Nothing herein shall affect Royal Gold's right to serve process in any other manner permitted by applicable law.

20. Currency . All dollar amounts set forth herein are in U.S. dollars.

21. Funding Document . This Agreement is one of the Funding Documents within the definition set forth in the Funding Agreement.

[SIGNATURE PAGE FOLLOWS]

This Agreement has been executed by High River on the date set forth below, to be effective as of the date first set forth above.

HIGH RIVER GOLD MINES LTD.

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A

Form of Warrant

**[LEGENDS REQUIRED BY SECURITIES LAWS OR TORONTO STOCK EXCHANGE]**

**HIGH RIVER GOLD LTD.**

**WARRANT TO PURCHASE COMMON STOCK**

**No. [WC-___]** **[___], 200_**

Void After Two Years from Date of Issuance

This certifies that, for value received, Royal Gold, Inc., with its principal office at 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202 USA (the "Holder" or "Purchaser"), is entitled to subscribe for and purchase at the Exercise Price (defined below) from High River Gold Mines Ltd., a corporation formed under the federal laws of Canada, with its principal office at 155 University Avenue, Suite 1700, Toronto, Ontario M5H 3B7 Canada (the "Company"), the Exercise Shares (defined below) upon the terms and subject to the adjustments as provided herein.

1. Issuance .

This Warrant (this "Warrant") is being issued in connection with the Contribution Agreement in Support of Somita Funding Agreement, dated as of February 22, 2006, (the "Contribution Agreement") by the Company to and for the benefit of Holder. Capitalized terms used herein but not otherwise defined shall have the meanings given to them in the Contribution Agreement. The Company and Holder shall perform, or cause to be performed, all acts, and execute and deliver all agreements, amendments, instruments and other documents necessary or required to grant Holder the rights and obligations described herein.

2. Definitions .

As used herein, the following terms shall have the following respective meanings:

(i) "Exercise Period" shall mean the time period commencing with the date of this Warrant and ending two years from date of this Warrant, unless sooner terminated as provided below.

(ii) "Exercise Price" shall be U.S. _____[1] per share of the Company's common stock (the "Common Stock"), subject to adjustment pursuant to Section 4.

(iii) "Exercise Shares" shall mean _____[2] shares of the Common Stock, subject to adjustment pursuant to Section 4.

3. Exercise of Warrant .

The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period, by delivery of the following to the Company at its address set forth above (or at such other address as it may designate by the Company in writing to the Holder):

(i) an executed Notice of Exercise in the form attached hereto;

(ii) payment of the Exercise Price, at the option of Holder, (i) in cash, by check, or by the cancellation of indebtedness or some combination of the foregoing, or (ii) pursuant to Section 2.1 below; and

(iii) this Warrant.

Upon the exercise of the rights represented by this Warrant, a certificate or certificates for the Exercise Shares so purchased, registered in the name of the Holder or persons affiliated with the Holder, if the Holder so designates in writing, shall be issued and delivered to the Holder as soon as practicable after the rights represented by this Warrant shall have been so exercised. In the event that this Warrant is being exercised for less than all of the then-current number of Exercise Shares purchasable hereunder, the Company shall, concurrently with the issuance by the Company of the number of Exercise Shares for which this Warrant is then being exercised, issue a new Warrant exercisable for the remaining number of Exercise Shares purchasable hereunder.

The person in whose name any certificate or certificates for Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

Notwithstanding any provisions herein to the contrary, if the fair market value of one share of the class and series of the Company's capital stock to which the Exercise Shares belong

---

1 Insert the exercise price, which is calculated as follows: 125% of the Share Purchase Price, as defined in the Contribution Agreement.

2 Insert the number of shares to be purchased pursuant to this Warrant, which will be the same number as the High River Gold Units delivered to Royal Gold pursuant to paragraph 5(a) of the Contribution Agreement

(the "Stock") is greater than the Exercise Price (at the date of calculation as set forth below), in lieu of exercising this Warrant by payment of cash, the Holder may elect (the "Conversion Right") to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Notice of Exercise, in which event the Company shall issue to the Holder a number of shares of the applicable class and series of Stock computed using the following formula:

$$X = \frac{Y\ (A-B)}{A}$$

Where X = the number of shares of Stock to be issued to the Holder

Y = the number of shares of Stock then purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being canceled (at the date of such calculation)

A = the fair market value of one share of the Stock (at the date of such calculation)

B = Exercise Price (as adjusted to the date of such calculation)

For purposes of the above calculation, the fair market value of one share of the Stock shall be (i) the average of the closing prices of the Common Stock on the Toronto Stock Exchange over the 5 day trading period ending three days prior to the date of exercise; (ii) if such Common Stock is no longer traded on the Toronto Stock Exchange and is actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the 5 day trading period ending three days prior to the date of exercise; and (iii) if there is no active public market, the value shall be the fair market value thereof, as determined by the Company's Board of Directors in good faith.

4. Covenants of the Company .

(a) **Covenants as to Exercise Shares.** The Company covenants and agrees that all Exercise Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof. The Company further covenants and agrees that the Company will at all times during the Exercise Period, have authorized and reserved, free from preemptive rights, a sufficient number of shares of the series of equity securities comprising the Exercise Shares to provide for the exercise of the rights represented by this Warrant. If at any time during the Exercise Period the number of authorized but unissued shares of such series of the Company's equity securities shall not be sufficient to permit exercise of this Warrant, the Company shall take such corporate action as may be necessary to increase its authorized but unissued shares of such series of the Company's equity securities to such number of shares as shall be sufficient for such purposes.

(b) **No Impairment.** Except and to the extent as waived or consented to by the Holder, the Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue of securities to shareholders of the Company generally or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder against impairment.

(c) **Notices of Record Date.** In the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, the Company shall mail to the Holder, at least 20 days prior to the date specified herein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

5. Adjustment of Exercise Price and Exercise Shares; Effect of Organic Changes .

(a) **Adjustment of Exercise Price.** In the event of changes in the applicable class and series of the outstanding Stock by reason of stock dividends, splits, recapitalizations, reclassifications, mergers, combinations or exchanges of shares, separations, reorganizations, liquidations, or the like, the number and class of shares available under the Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of the Warrant, on exercise for the same aggregate Exercise Price, the total number, class, and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment. The form of this Warrant need not be changed because of any adjustment in the number of Exercise Shares subject to this Warrant.

(b) **Adjustment on Change of Control.** In the case of any reclassification or change of outstanding securities issuable upon any exercise by the Holder of its rights under this Warrant, any consolidation or merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification, change or exchange of outstanding securities issuable upon exercise of rights under this Warrant), or any sale or transfer to another corporation of all, or substantially all, or the property of the Company, then, as a condition to such event, the Company (or such successor or purchasing corporation, as the case may be) shall make lawful and adequate provisions whereby the number and class of Exercise Shares available hereunder in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder the total number, class, and kind of shares as the Holder would have owned hereunder had the Holder exercised its right to acquire Exercise Shares prior to the event and had the Holder continued to hold such Exercise Shares until after the event requiring adjustment. For greater certainty, in the event that the Company adopts or approves a shareholder rights plan or similar plan, no adjustment will be made to the rights of the Holder hereunder

until such time as the rights issued pursuant to such shareholder rights plan or similar plan becomes exercisable. The Company shall not effect any such consolidation, merger or sale unless, prior to the consummation thereof, the successor corporation (if other than the Company) resulting from such consolidation or the corporation purchasing such assets shall assume, by written instrument executed and mailed or delivered to the Holder the obligation to deliver to the Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, the Holder may be entitled to acquire.

(c) **Certain Events.** If any other event occurs as to which the other provisions of Section 4 and this Section 5 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder in accordance with such provisions, then the Board of Directors of the Company shall make an adjustment in the number and class of shares available under the Warrant, the Exercise Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as to give the Holder upon exercise for the same aggregate Exercise Price the total number, class and kind of shares as it would have owned had the Warrant been exercised prior to the event and had it continued to hold such shares until after the event requiring adjustment.

6. Fractional Shares .

No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Exercise Shares (including fractions) issuable upon exercise of this Warrant may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of an Exercise Share by such fraction.

7. No Shareholder Rights .

This Warrant in and of itself shall not entitle the Holder to any voting rights or other rights as a shareholder of the Company.

8. Transfer of Warrant .

Subject to applicable laws and any restrictions on transfer set forth in this Warrant, this Warrant and all rights hereunder are transferable, in whole but not in part, by the Holder in person or by duly authorized attorney, upon delivery of this Warrant and the form of assignment attached hereto to any transferee designated by Holder.

9. Lost, Stolen, Mutilated or Destroyed Warrant .

The Company covenants to the holder hereof that, upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation, upon surrender and cancellation of such Warrant or stock certificate, the Company will make and

deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

10. Notices, etc .

Any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five business days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at High River Gold Mines Ltd., 155 University Avenue, Suite 1700, Toronto, Ontario M5H 3B7 CANADA, Attention: [Mr. Daniel Vanin]; or to the Holder at the address set forth above, or at such other address as any such party may designate by 10 days advance written notice to the other parties hereto.

11. Acceptance .

Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

12. Amendment and Waiver .

This Warrant, together with all the Warrants, may only be amended and any term hereof may only be waived in a writing signed by the Company and Holder.

13. Governing Law .

This Warrant and all rights, obligations and liabilities hereunder shall be governed by the laws of the State of Colorado excluding any conflict of laws principles that would cause the application of the laws of any other jurisdiction.

**[Signature Page Follows ]**

**IN WITNESS WHEREOF** , the Company has caused this Warrant to be executed by its duly authorized officer as of _____ _____, 2006.

**HIGH RIVER GOLD MINES LTD.,** a corporation formed under the federal laws of Canada

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Execution Version

**NOTICE OF EXERCISE**

**TO** : High River Gold Mines Ltd.

☐ The undersigned hereby elects to purchase _____shares of the Common Stock of High River Gold Mines Ltd. (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

☐ The undersigned hereby elects to purchase _____shares of the Common Stock of the Company pursuant to the terms of the net exercise provisions set forth in Section 2.1 of the attached Warrant, and shall tender payment of all applicable transfer taxes, if any.

Please issue a certificate or certificates representing said shares of Stock in the name of the undersigned or in such other name as is specified below:

_____
(Name)

_____

_____
(Address)

_____ _____
(Date) (Signature)

_____
(Print Name)

Execution Version

**ASSIGNMENT FORM**

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

**FOR VALUE RECEIVED** , the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____

Signature of Holder's Authorized Agent: _____

Title of Authorized Agent: _____

Holder's
Address: _____

**NOTE:** The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever. Officers of Companies and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Execution Version

EXHIBIT B

Form of Consideration Agreement

**CONSIDERATION AGREEMENT**

This Consideration Agreement (this " Agreement "), dated as of _____, 20 _____(the " Effective Date "), is from HIGH RIVER GOLD MINES LTD., a corporation formed under the federal laws of Canada (" High River ") to ROYAL GOLD, INC., a corporation formed under the laws of Delaware, USA. (" Royal Gold ").

**Recitals**

A. High River is the indirect owner of 90% of the issued and outstanding shares of Société des Mines de Taparko, also known as SOMITA, SA, a *société anonyme* formed under the laws of the Republic of Burkina Faso (" Somita "), through its subsidiary High River Gold Mines (West Africa) Ltd., a corporation formed under the laws of the Cayman Islands. The Government of the Republic of Burkina Faso is the owner of the remaining 10% of the issued and outstanding shares of Somita.

B. Somita is developing 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 (the " Project ").

C. Somita and Royal Gold entered into an Amended and Restated Funding Agreement dated as of February 22, 2006 (the " Funding Agreement "), pursuant to which Royal Gold agreed to provide High River funding in the amount of U.S. $35,000,000 to be used in the development of the Project.

D. High River has executed and delivered to Royal Gold a Contribution Agreement in Support of Funding Agreement dated as of February 22, 2006 (the " Contribution Agreement ") pursuant to which High River has committed, among other things, to provide additional funding to Somita for the Project. Royal Gold has elected, pursuant to the Contribution Agreement, to fund certain amounts not funded by High River pursuant thereto in return for Additional RGI Interests (as defined in the Contribution Agreement).

E. Somita has heretofore executed and delivered to Royal Gold a Conveyance of Production Payments dated as of February 22, 2006, (the " Production Payment Conveyance ") and a Conveyance of Tail Royalty and Grant of Milling Fee dated as of February 22, 2006, (the " Tail Royalty Conveyance ") both in connection with the Funding Agreement

F. In consideration of Royal Gold's agreement to make the additional funding described in Recital D, pursuant to paragraph 6 of the Contribution Agreement, High River is obligated to cause Somita to deliver to Royal Gold an additional Agreement of production payments (the " Additional Production Payment Conveyance ").

G. In further consideration of Royal Gold's agreement to make such additional funding, High River is to deliver this Agreement to Royal Gold pursuant to paragraph 6 of the Contribution Agreement.

**Agreement**

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, High River and Royal Gold agree as follows:

**ARTICLE I**

**Definitions and References**

1.1 General Definitions . As used herein, the terms defined above shall have the meanings set forth 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.

" 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.

" Somita's Account " means Somita's metals account at Citibank NA in London, England, or such other metals account as Somita may hereafter establish.

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

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

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

" Month " means a calendar month.

" Tail Royalty Equivalent " 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 Somita 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 Agreement are part hereof for all purposes.

1.3 References and Titles . All references in this Agreement to Exhibits, Articles, Sections, Subsections, and other subdivisions refer to the Exhibits, Articles, Sections, Subsections and other subdivisions of this Agreement 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 Agreement. The words "this Agreement," "herein," "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 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

## Agreement

2.1 Agreement to Pay Amounts in Lieu of Tail Royalty . Subject to the limitations set forth in this Article II, High River agrees to pay to Royal Gold an amount equal to _____percent ( _____%) of the value of 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 Somita's Account during a given Month as reported by the applicable metal refinery, times (ii) the Average Gold Price for such Month, times (iii) _____percent ( _____%) (the " Tail Royalty Equivalent ").

2.2 Agreement to Pay Amounts in Lieu of Milling Fee . Subject to the limitations set forth in this Article II, High River agrees to pay Royal Gold an amount equal to _____% 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 Somita'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 " Milling Fee Equivalent "); provided, however, that the Milling Fee Equivalent 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 for the Tail Royalty Equivalent and the Milling Fee Equivalent shall not commence until satisfaction of all obligations of Somita under the Production Payment Conveyance and the Additional Production Payment Conveyance.

2.4 [Intentionally omitted.]

2.5 Non-Operating, Non-Expense-Bearing Interests . The Tail Royalty Equivalent shall be calculated in the same manner as a non-operating, non-expense-bearing interest in and to production from the Lands. The Milling Fee Equivalent shall be calculated in the same manner as 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 High River's Account. In no event shall Royal Gold 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 Somita's Account.

2.6 Free of Royalties and Other Burdens . The Interests shall be free of (and without education therefrom of) any and all royalties and other burdens on production and shall bear no part of same; and High River shall defend, indemnify and hold Royal Gold 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 Equivalent and Milling Fee Equivalent . 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 Royal Gold, 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, Royal Gold 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 Somita's account so that Royal Gold 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 Agreement.

3.3 Objection, Finality of Payments : Royal Gold, 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 Royal Gold of Somita'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 Royal Gold. All payments under the Interests made in any Year shall be considered final and in full accord and satisfaction of all obligations of High River, unless Royal Gold gives written notice describing and setting forth a specific objection to the calculation thereof within one (1) year following the end of that Year. High River shall account for any agreed upon deficit or excess in payments of the Interests made to Royal Gold by adjusting the next monthly statement and payment following completion of such audit to account for such deficit or excess. High River shall cause Somita to comply with its obligations set forth herein.

3.4 Copies of Reports to Government . High River shall provide Royal Gold with copies of any reports that Somita 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, High River shall provide to Royal Gold an environmental compliance report summarizing the environmental performance of operations at the Taparko-Bouroum Project during that Year and provide sufficient information for Royal Gold 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, Somita 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 Somita.

(b) Before commingling, High River shall cause Somita to 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, High River shall cause Somita to 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, Somita may use procedures that are in accordance with best practices in the mining and metallurgical industry. High River shall cause Somita to retain the records relating to commingled ores and make them available for inspection by Royal Gold, at Royal Gold's sole expense, at all reasonable times 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, High River shall cause Somita not to 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 Agreement, High River shall deliver to Royal Gold 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 Somita for operations on the Lands and with respect the Taparko Processing Facility;

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

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

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

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

4.3 Inspection . Royal Gold and its authorized agents who are experienced in mining operations, at Royal Gold'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 Somita's safety rules and regulations and so as not to interfere with Somita's operations, to go upon the Lands and the premises of the Taparko Processing Facility for the purposes of inspecting same. Royal Gold shall furnish Somita with prior written notice of the time and place of any inspection by Royal Gold pursuant to this Section 4.3. Royal Gold shall defend, indemnify and hold Somita 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 Royal Gold, its agents or employees, while in or upon the Properties, unless such death, injury or damage results from Somita's gross negligence or willful misconduct.

4.4 Confidentiality . Royal Gold shall not, without the prior written consent of Somita disclose to any third party (excluding, however, any representative, affiliate, agent, consultant or contractor of Royal Gold 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 Somita setting forth the nature and content of the proposed disclosure, Royal Gold 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 Royal Gold in good faith anticipates selling or assigning all or a part of its interest hereunder, or (b) any lender or underwriter from whom Royal Gold is seeking to obtain funds. Royal Gold shall require those parties to keep the information so provided confidential. If either Somita or Royal Gold 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 (and if such party is Somita, High River shall cause Somita to 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 . High River shall cause Somita to keep in force and effect its interests in the Lands and the Taparko Processing Facility until payment in full of both the Production Payment Conveyance and the Additional Production Payment Conveyance. From and after satisfaction of the obligations under such documents, Somita 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 Somita 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, High River shall cause Somita to provide Royal Gold with not less than forty-five (45) days prior notice of its intention to do so and offer to transfer such interests to Royal Gold. At any time during the forty-five (45) day period, Royal Gold may notify Somita that it elects to accept transfer of such interests. In that event, High River shall cause Somita to transfer those interests to Royal Gold by quitclaim deed.

4.6 Processing of Ore from the Lands . High River hereby covenants and agrees with Royal Gold that it shall cause Somita to process all ore produced from the Lands in the Taparko Processing Facility.

4.7 Refining Contracts . High River hereby covenants and agrees with Royal Gold that during the entire term of this Agreement, High River shall cause Somita to maintain in full force and effect refining contracts with smelter and/or refiners reasonably acceptable to Royal Gold.

4.8 High River Operations and Maintenance of the Taparko-Bouroum Project . High River shall cause Somita to 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. High River shall cause Somita to maintain, preserve, protect and keep the Taparko-Bouroum Project, and all of Somita'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 . High River shall cause Somita to 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. High River shall cause Somita to 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. High River 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 . High River shall cause Somita to (i) obtain, and at all times maintain in full force and effect, all material registrations, declarations, filings, governmental consents, licenses, approvals, authorizations, and permits necessary for Somita's operation of the Taparko-Bouroum Project, and (ii) undertake reasonable efforts to arrange for Royal Gold to receive from the Government copies of all correspondence, notices, decrees, orders and other writings issued by the Government to Somita regarding the Taparko-Bouroum Project, but in any event, High River shall send Royal Gold 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, Royal Gold may assign its interests under this Agreement freely, in whole or in part. High River shall not assign this Agreement without the prior written consent of Royal Gold which may be withheld in Royal Gold's sole discretion.

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 High River:

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 Royal Gold:

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 Agreement shall be binding upon either party unless in writing, dated subsequent to the date of this Agreement, and executed by an authorized representative of each party. No waiver by either party of a breach of any of the provisions of this Agreement 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 Royal Gold 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 Royal Gold to assume any responsibilities for costs of Somita'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 Agreement.

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

5.7 Continuation . The obligations of High River to Royal Gold under this Agreement shall continue for so long as Somita, its successors and assigns retain any interest in the Lands, Taparko – Bouroum Project or the Taparko Processing Facility. Royal Gold's rights to payments under the Interests shall not be subordinated to any other person or source by High River or any related party.

5.8 Governing Law . Without regard to principles of conflicts of law, this Agreement 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 High River and Royal Gold 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. High River and Royal Gold 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 High River or Royal Gold 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 High River nor Royal Gold 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 Agreement.

5.10 [Intentionally omitted.]

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

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

**HIGH RIVER :**

HIGH RIVER GOLD LTD.

By: _____
Name: _____
Title: _____
Date: _____

and

By: _____
Name: _____
Title: _____
Date: _____

**ROYAL GOLD :**

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 10.6**

**ROYAL GOLD, INC.**
**2004 OMNIBUS LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT**

Royal Gold, Inc., a Delaware corporation (the "Company"), hereby grants performance shares relating to shares of its common stock, $.01 par value (the "Stock"), to the individual named below as the Holder, subject to the vesting conditions set forth in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attachment and in the Royal Gold, Inc. 2004 Omnibus Long-Term Incentive Plan (the "Plan").

Grant Date:

Name of Holder:

Holder's Social Security Number:

Number of Performance Shares Covered by Grant:

***This Performance Share grant is subject to all of the terms and conditions described in this Agreement and in the Plan, a copy of which is available for your review upon request to the Corporate Secretary. You should carefully review the Plan, and the Plan will control in the event any provision of this Agreement should appear to be inconsistent with the terms of the Plan.***

Company: _____
(Signature)

Title: Chairman and Chief Executive Officer

Attachment

This is not a stock certificate or a negotiable instrument.

**ROYAL GOLD, INC.**
**2004 OMNIBUS LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT**

**Performance Shares Transferability**

This grant is an award of performance shares in the number of shares set forth on the cover sheet, subject to the vesting conditions described below (the "Performance Shares"). Your Performance Shares may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Performance Shares be made subject to execution, attachment or similar process.

**Vesting**

The Performance Shares shall vest as follows: (i) ___percent (___%) of the total number of Performance Shares granted hereunder shall vest for each ___ percent (___%) increase in free cash flow per share ("FCFPS") (as defined in the Company's most recent annual report and on a trailing twelve month basis, calculated quarterly) over FCFPS in the trailing twelve month period ended September 30, 200___of $___share (you will be ___(___%) vested in the Performance Shares if there has been a ___percent increase in FCFPS over FCFPS in the trailing twelve month period ended September 30, 200_) (ii) ___percent (___%) of the total number of Performance Shares granted hereunder shall vest for each ___% increase of the total royalty ounces in reserve (as determined below) on a per share of Stock basis for any annual reporting period over total royalty ounces in reserve on a per share of Stock basis of _____ounces per share at the Grant Date. The vesting thresholds set forth in subsections (i) and (ii) above are separate and independent thresholds that will each result in vesting; both thresholds need not be met for vesting to occur. For purposes of the forgoing vesting rules, total royalty ounces in reserve shall equal the sum of the royalty ounces in reserve for each royalty owned by the Company, each calculated by multiplying (C) times (D) where (C) equals the total ounces of gold (attributable to the Royal Gold royalty) in reserve as reported by the operator (if a royalty is for a metal other than gold, for purposes of this calculation, the total reserve of such metal shall be adjusted to a proportionate number of ounces of gold, based on the price of such metal to the price of gold at

the time of such determination) and (D) equals the applicable royalty rate at the time of such calculation.

Notwithstanding the foregoing vesting rules, if you incur an Involuntary Termination in connection with a Corporate Transaction, you shall be one hundred percent (100%) vested in the Performance Shares as of the date of such Involuntary Termination.

For this purpose, Involuntary Termination in connection with a Corporate Transaction means a termination of your Service during the one year period commencing with a Corporate Transaction by reason of:

(a) your involuntary discharge by the Company for reasons other than Cause; or

(b) your voluntary resignation from the Company following (i) a material adverse change in your title or responsibilities with the Company, (ii) a material reduction in your base salary, or (iii) receipt of notice that your principal workplace will be relocated by more than 50 miles.

The Compensation, Nominating and Corporate Governance Committee has the authority to certify whether the vesting thresholds set forth above have been achieved within the meaning of Treasury Regulations, Section 1.162-27(e)(5). Further, the Committee shall determine if you have incurred an Involuntary Termination and whether or not such Involuntary Termination was in connection with a Corporate Transaction. Any such determinations shall be made in the sole discretion of the Committee.

The resulting aggregate number of vested Performance Shares will be rounded down to the nearest whole number of Performance Shares. You may not vest in more than the number of Performance Shares covered by this grant.

Except as may be provided in an applicable employment agreement between you and the Company or an Affiliate, no additional Performance Shares will vest after your Service has terminated for any reason.

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| | All Performance Shares that have not vested by the fifth anniversary of the Grant Date will be forfeited. |
| **Delivery of Stock Pursuant to Vested Performance Shares** | A certificate for all of the shares of Stock represented by the vested Performance Shares (which shares of Stock will be rounded down to the nearest number of whole shares) will be delivered to you on or immediately after you have vested is in such Performance Shares provided, that, if vesting occurs during a period in which you are (i) subject to a lock-up agreement restricting your ability to sell shares of Stock in the open market, or (ii) restricted from selling shares of Stock in the open market because you are not then eligible to sell under the Company's insider trading or similar plan as then in effect (whether because a trading window is not open or you are otherwise restricted from trading), delivery of such shares of Stock will be delayed until the first date on which you are no longer prohibited from selling shares of Stock due to a lock-up agreement or insider trading plan restriction. |
| **Forfeiture of Unvested Performance Shares** | In the event that your Service terminates for any reason, unless otherwise provided in an applicable employment agreement between you and the Company or an Affiliate and except as provided above in the case of an Involuntary Termination in connection with a Corporate Transaction, you will forfeit all of the Performance Shares that have not yet vested. |
| **Withholding Taxes** | You agree, as a condition of this grant, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of vesting in Performance Shares or your acquisition of Stock under this grant. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to this grant, the Company will have the right to: (i) require that you arrange such payments to the Company; (ii) withhold such amounts from other payments due to you from the Company or any Affiliate; or (iii) cause an immediate forfeiture of shares of Stock subject to the |

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| | Performance Shares granted pursuant to this Agreement in an amount equal to the withholding or other taxes due. |
| **Retention Rights** | This Agreement does not give you the right to be retained by the Company (or any Affiliates) in any capacity. The Company (and any Affiliate) reserve the right to terminate your Service at any time and for any reason. |
| **Shareholder Rights** | You do not have any of the rights of a shareholder with respect to the Performance Shares unless and until the Stock relating to the Performance Shares has been delivered to you. |
| **Adjustments** | In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Performance Shares covered by this grant will be adjusted (and rounded down to the nearest whole number) in accordance with the terms of the Plan. |
| **Applicable Law** | This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law, rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. |
| **Consent to Electronic Delivery** | The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to receive, the Company would be pleased to provide copies. Please contact the Corporate Secretary to request paper copies of these documents. |
| **The Plan** | The text of the Plan is incorporated in this Agreement by reference. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this grant of Performance Shares. Any prior agreements, commitments or negotiations concerning this grant are superseded. |

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|---|---|
| **Stock Ownership Requirements** | You are required to continue to hold ___percent (___%) of the shares of Stock acquired pursuant to this Performance Share grant (such ___% to be determined after reducing the shares of Stock covered by this grant by the number shares of Stock equal in value to the amount required to be withheld to pay taxes in connection with this grant) until the number of shares of Stock owned by you equals or exceeds _____. |

**This Performance Share grant is subject to all of the terms and conditions described above and in the Plan.**

**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.

May 9, 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.

May 9, 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 March 31, 2006, 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.

May 9, 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 March 31, 2006, 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.

May 9, 2006

*/s/ Stefan Wenger*

Stefan Wenger
Treasurer and Chief Accounting Officer