

**The Story of the South Pipeline Project
and the Crescent Pit Mine
Lander County, Nevada**

by
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updated by Stanley Dempsey and
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INTRODUCTION

SLIDE 2 - GENERAL LOCATION MAP/NEVADA

My presentation today describes the South Pipeline Project in Lander County, Nevada, adjacent to Cortez. It was first written in 1993 and has been updated as exploration and development proceeded.

The discoveries made at the project site are relatively new, so I ask you to bear with me if at times I have to avoid complete disclosure of information. Like most big discoveries, this project involves confidentiality agreements, litigation, and the need for orderly release of information in compliance with the securities laws. Please appreciate, too, that drilling is ongoing and that much about the project area is yet to be revealed.

SLIDE 3 - SOUTH PIPELINE LOCATION MAP

The South Pipeline Project involves a 4,000 acre mining claim block near the southwestern end of the Crescent Valley in Lander County, Nevada, approximately 80 miles southwest of Elko. The claim block lies between the Gold Acres and Cortez Mines. Much of the ground surrounding South Pipeline, including Gold Acres and Cortez, is controlled by the Cortez Joint Venture, which is now owned 60% by Placer Dome U.S. and 40% by Kennecott. Placer is the operator.

Here are some general views taken at South Pipeline.

slide show

SLIDE 12 - CARLIN/CORTEZ TREND SLIDE

Miners have been active in the Crescent Valley since at least the 1860's. The first prospects were for silver. Famous miners and mining firms like George Hearst and London-based Boewick-Moering and Company were among the early operators. The Gold Acres Mine was first developed in the 1930's and for some years was the largest gold producer in Nevada. In the 1950's, Placer, along with a number of joint venturers, began exploration in the district. By the late 1960's, their search had succeeded, and mining started at Cortez in 1969. At that time, Cortez reserves

were put at 3.4 million tons containing 0.29 ounces of gold per ton. The mine was open pit, feeding a 1,500 tpd cyanide mill. Cole McFarland and Noel Kirchenbaum have written an excellent paper on the history of the Cortez district. It is published in Minerals & Metallurgical Processing, May 1991.

As a part of the background for the South Pipeline Project story, I also need to relate how the Gold Acres Mine was involved in the story of the Carlin discovery. The pamphlet "Carlin Trend Exploration History: Discovery of the Carlin Deposit," by Alan Coope, published by the Nevada Bureau of Mines and Geology, tells us that although early day miners missed the "no seeum" or micron-sized gold that we would later recognize in Carlin-style mineralization, there was some recognition of fine grained gold deposits at places like the Mercur mine in Utah and at the Gold Standard, the Getchell and the Gold Acres mines in the 1930's. W.O. Vanderburg, who prepared U.S. Bureau of Mines Circulars for Eureka and Lander County, noted the presence of very fine gold at Gold Acres. The final paragraph of his 1939 report for Lander County was prophetic, where it said:

It is often stated that Nevada has been thoroughly prospected, and while it is true that most of the mineral deposits with prominent surface features have been found, other deposits, such as the sedimentary gold deposits, which are not so conspicuous, have been overlooked. In general, the sedimentary gold deposits do not possess easily recognizable surface indications, and consequently, they were passed over in former years. . . . No doubt, deposits similar in character to those already found remain to be discovered in Lander County and other areas in the state. . .

Coope goes on to tell how John Livermore capitalized on this observation and set in motion the program which ultimately led to the Carlin discovery by Livermore, Coope, and others. Interestingly, Livermore is said to have visited with the manager at Gold Acres while formulating his ideas in 1961, and it was here that he got a lead on properties near Carlin. Ironically, more major Carlin-style mineralization lay just a mile east of Gold Acres but hidden from view under alluvium and the Gold Acres tailing pond at South Pipeline!

SLIDE 13 - CARLIN-STYLE MINERALIZATION

These drawings depict different variations on Carlin-style gold mineralization.

Royal believes that what we see today at South Pipeline is best represented by the middle picture, where we can see mineralized structures intersecting favorable stratigraphic units which also become mineralized.

Thus, at South Pipeline, Royal's view is that there is both mineralization which appears stratiform, as well as steeply dipping high grade zones which extend to depth.

SLIDE 14 - SOUTH PIPELINE PROJECT LAYOUT

Now, lets jump ahead to the 1980's. By 1986, exploration for gold had heated up, and by then almost every gold district in the U.S. was receiving attention. In 1987, ECM, Inc. of Billings, Montana, began staking claims (which they called the GAS claims, for "Gold Acres South") on the pediment just out from the Gold Acres Mine. Some of this ground was included within lode and association placer claims held by Cortez. As the ECM contract stakers moved northward, they ran into crews from Gold Fields, who were staking from north to south. Gold Fields ended up with a claim block just east of the Gold Acres heap leach facility, and ECM secured possession of several thousand acres of ground immediately southeast of the Gold Acres Mine.

ECM recognized the potential for sediment-hosted gold deposits in the pediment east of Gold Acres and moved quickly when they found that the land was open for entry. Subsequent to staking the ground, ECM approached Royal Gold to see if we would be interested in farming in. Royal liked the address in the Crescent Valley. ECM's approach was also timely, as Royal was still in a position to raise money for exploration.

Royal had two reservations. First, we did not want to be involved in a claim conflict. Second, we were worried about the depth to bedrock. Our first objection went away when Placer indicated it might be willing to work out a compromise on the claims if someone like Royal was willing to spend some serious money on exploration. We resolved the second problem by doing geophysical work to get a handle on depth to bedrock.

Royal Gold leased the property from ECM and then turned half the deal to an Australian firm with which we had good relations, Golden Bounty Resources. Royal next entered into an agreement with Cortez, whereby Royal would do the first million dollars worth of exploration on the GAS claims. If the joint venture was successful, Cortez would put the mine into production, and Royal and Golden Bounty would have a 20% carried interest. Cortez would build and operate the mine. The agreement also provided a mechanism for settling the claim dispute.

Subsequently, Royal Gold, as operator on the GAS claims, carried out several phases of exploration, finding detectable gold in nearly every hole, with particular encouragement in the second hole, GAS-2. This and subsequent work by Royal was done under the direction of Roger Steininger. Joe Anzman did much of the geophysical work. On February 1, 1988, we announced that "gold mineralization has been encountered within a trace element anomaly that may be indicative of a sediment-hosted gold deposit."

Our next drilling campaign consisted of fifteen reverse circulation holes totalling more than 8,400 feet in September 1988. On October 28, 1988, Royal announced that, and I excerpt:

Additional and significant gold mineralization has been encountered The mineralization is a continuation and expansion of that encountered in drilling last year.

Hole number two, from the previous drilling, had several interesting zones but, in particular, a 40' zone at +.04 ounces per ton was viewed as significant. In September 1988, four new holes on 200' centers were drilled off-set to this original hole and have encountered anomalous gold. Hole number 15, to the north, has a 35' zone that runs .110 with one 10' intercept at .195 ounces per ton. This hole was bottomed in gold mineralization. The hole was stopped due to drilling difficulties. Hole number 16, to the west, has a 10' zone that runs .097 ounces per ton. This hole was bottomed in material that assayed .083. This hole was also stopped due to drilling difficulties.

SLIDE 15 - GAS-2 AND DH GAS-32

Our last drilling effort was undertaken in the Spring of 1990, and it produced some very attractive results from additional drilling on a grid around GAS-2.

Before moving to the next slide, note the location of Drill Hole GAS-32.

We announced as follows:

SLIDE 16 - GAS GRID INTERCEPTS SEDIMENT HOSTED GOLD MINERALIZATION

"The most recent exploration drilling program . . . has encountered additional gold mineralization. Significant drill intercepts from the recent drilling are as follows:

DRILL INTERCEPTS			
Hole Number	Grid Line	Intercept Length	Average Grade Ounces of Gold/Ton
GAS-25	200 South	25 feet	0.285
GAS-19	200 South	15 feet	0.102
GAS-34	200 South	20 feet	0.108
GAS-32 Including	200 North	120 feet 25 feet	0.122 0.310
GAS-27	400 North	25 feet	0.117

I think you can all see the intercepts, so I will not bother to read them. I would point out that all of this mineralization appeared to be part of a sediment-hosted gold deposit, and we were very encouraged by the intervals of 0.2 opt and 0.3 opt and the 120-foot long intercept exceeding 0.1 opt in GAS-32.

Royal needed additional funds to continue the program.

SLIDE 17 - 1990-1991: RESTRUCTURING AND SALE OF CRESCENT VALLEY

After the stock market crash in 1987, Royal Gold, like most juniors, had trouble raising enough money to meet all of its commitments, which was compounded by the environment of falling gold prices.

This problem was made worse when Golden Bounty advised they were also having trouble funding their half of the joint venture. We eventually (May 4, 1990) purchased Golden Bounty's interest for shares of Royal Gold, a mechanism that permitted them to continue to have an interest in the outcome of the exploration.

We struggled mightily to stay current and to do the work required of us by the ECM lease. ECM worked with us on various restructuring arrangements and together we were able to keep the project moving forward.

We tried for a year or so to restructure our deal with Cortez. In 1991, we ended up selling our interest in the project to Cortez.

SLIDE 18 - PIPELINE DISCOVERY

In late 1991, Cortez announced the Pipeline discovery. Pipeline is about one-half mile north of the GAS claims. By May of 1992, Royal Gold, Gold Fields and ECM all ended up in various lawsuits with Cortez over the events surrounding the sale of interests in claims which encompass or are nearby to the Pipeline deposit. Happily, Royal Gold quickly reached a settlement with Cortez and was able to regain a significant royalty interest in the Gold Acres claims.

SLIDE 19 - SOUTH PIPELINE DISCOVERY

Since late 1992, Placer, as operator of the Cortez joint venture, has undertaken increasingly aggressive drilling programs on the GAS claims. On November 4, 1992, we announced:

an indicated resource at a new deposit, South Pipeline, located north of our GAS grid (POINT)

9,019,200 tons, grading 0.082 ounces of gold per ton containing 740,000 ounces of gold. . . . [H]ole PR91-12 encountered a

continuous zone of oxide mineralization of over 230 feet with an average grade of 0.143 ounces of gold per ton, including 50 feet within average grade of 0.347 ounces of gold per ton. The top of the mineralized zone was encountered 420 feet below the surface. A step out hole, PR92-3, 200 feet due north of PR91-12, encountered a zone of mineralization with an intercept extending over 600 feet within average grade of 0.100 ounces of gold per ton, including 80 feet of 0.252 ounces of gold per ton. The top of the mineralized zone was encountered 370 feet beneath the surface. PR91-12 and PR92-3 provide some of the best results in a grid of 14 drill holes.

Placer has also encountered gold mineralization in reverse circulation drill holes it has been drilling to obtain hydrologic data for its Pipeline deposit development study. These holes are approximately 1,000 feet west of the South Pipeline deposit. These holes suggest an extension of existing deposits or the presence of another deposit.

We also announced that:

Preliminary engineering assessments undertaken by Royal Gold indicate that the South Pipeline deposit is initially exploitable by open pit methods. Preliminary metallurgical testing shows gold recoveries in the 70% to 90% range. . . .

For the remainder of this presentation, and for purposes of clarity, I want to distinguish between the South Pipeline Project, which refers to the 4,000 acre claim block, and the South Pipeline gold deposit, by which I mean the gold mineralization occurring here (POINT). When I discuss the mineralization located farther west, I will be referring to the "water hole" area, as that was the next area where Placer concentrated its drilling.

SLIDE 20 - SOUTH PIPELINE AND WATER HOLES

At this point of time, December 1992, our view of the mineralization looked something like this. I NEED TO POINT OUT THAT I WILL BE SHOWING YOU A SERIES OF DRAWINGS LIKE THIS ONE DEPICTING THE EVOLUTION OF ROYAL'S INTERPRETATION OF SOUTH PIPELINE. THESE ARE GENERALIZED ARTIST'S RENDITIONS THAT I HAVE COMMISSIONED TO CONVEY A CONCEPT, AND THEY ARE NOT MEANT TO BE HIGHLY ACCURATE RENDITIONS OF THE DIFFERENT STRANDS OF THE VARIOUS RESOURCES.

We can see a significant zone of gold mineralization has been intersected at depth at South Pipeline, along with some intriguing mineralization near surface. 1500 feet to the west are two water holes in which Cortez detected even longer intercepts of gold mineralization.

Drilling continued, and on February 3, 1993, Placer announced a preliminary resource estimate for the South Pipeline deposit of approximately 10 million tons of material grading 0.121 ounces/gold/ton at a cut-off grade of 0.05 ounces/gold/ton. Placer also stated that "there is potential to increase the resource."

SLIDE 21 - SOUTH PIPELINE DEPOSITS/EXPANDED PROGRAM

On February 25, 1993, we announced additional exploration results and plans for a substantially increased expansion and in-fill drilling program.

SLIDE 22 - EDGES TESTED N & S

In terms of testing the edges of the South Pipeline deposit, core Hole DP-127 was drilled to 744 feet on the northern boundary, intersecting thinning mineralization which may confirm the margin of the deposit at that location. Core Hole DP-121, drilled to 1,244 feet on the southeastern boundary, confirmed that the gold mineralization on the south side of the South Pipeline deposit extends at least to hole DP-121.

CORE HOLES (DP-121 AND DP-127)			
Drill Hole	Interval	Thickness	Average Grade
DP-121	440-620'	180'	0.140 opt gold
Including	450-540'	90'	0.244 opt gold
and	450-500'	50'	0.396 opt gold
DP-127	500-700'	200'	0.027 opt gold

SLIDE 23 - WESTERN HOLES EXPAND SURFACE AND DEEP RESOURCES

"Three drill holes, located approximately 1,000 feet west of the recognized South Pipeline deposit have expanded the volumes of mineralized rock occurring in both the previously described near surface mineralization as well as the deeper higher grade zone. One core hole, DP-133, was completed to a depth of 1,400 feet between earlier reverse circulation drill holes PR-41 and PR-42 intersecting the same higher grade mineralization which was observed earlier, and a new reverse circulation hole located farther north intersected both the deep zone and significantly higher grade mineralization at shallow depth."

CORE HOLES (DP-133, PR-59, AND DP-132)			
Drill Hole	Interval	Thickness	Average Grade
DP-133	150-1,180'	1,030'*	0.083 opt gold
including	150- 270'	120'	0.042 opt gold
and	1,000-1,150'	150'	0.467 opt gold
PR-59	300-1,390'	1,090'*	0.079 opt gold
including	330- 400'	70'	0.520 opt gold
and	1,200-1,320'	120'	0.238 opt gold
DP-132	370- 590'	220'	0.035 opt gold
and	1,050-1,080'	30'	0.179 opt gold

*The 1,000 foot intervals are not continuous and the reported grades are the average of mineralized and barren zones.

Holes drilled to further test the water hole area came back looking pretty good!

SLIDE 24 - INFILL DRILLING MORE THAN POSITIVE

Infill drilling has also expanded the earlier interpretation that the South Pipeline deposit extends over 1,000 feet to the west. Three new holes have been completed, selected near surface results of which include:

CORE HOLES (PR-44, PR-51 AND PR-54)			
Drill Hole	Interval	Thickness	Average Grade
PR-44	140-190'	50'	0.038 opt gold
PR-51	290-460'	170'	0.032 opt gold
PR-54	170-380'	210'	0.119 opt gold
Including	240-330'	90'	0.195 opt gold

These holes provided substantial encouragement that shallow mineralization, already encountered in the water hole area, extends eastward over a greater area.

Following these results, our interpretation in February ('93) was that the mineralization looks like this.

SLIDE 25 - INTERPRETATION OF DEPOSITS GEOMETRY

The February results gave Royal Gold greater confidence in the continuity of the previously announced deep high grade zone and suggested that there could also be a high grade zone closer to the surface, in the northwestern part of the South Pipeline deposit.

The stepped-up drilling, which started in April, helped demonstrate the full extent of the resource and enabled Cortez to begin putting some of the South Pipeline mineralization into reserve status.

SLIDE 26 - 2.3 MILLION OUNCES

On May 4, 1993, Placer Dome U.S. Inc. announced that "exploration of the South Pipeline property has determined a drill-indicated resource of 15.6 million tons of material grading 0.147 ounces of gold per ton, and that exploration is continuing." On the basis of this latest resource estimate, total ounces of gold contained in the South Pipeline deposit were 2.3 million, up more than one million ounces from the resource estimate that Placer Dome announced on February 4, 1993.

The winter of 1992-1993 had been long and wet, so it was not until about the time that Placer announced this resource that the spring drilling program had gotten into full swing. Plans called for as many as eight drill rigs, but, in the end, as many as thirteen were utilized.

SLIDE 27 - ADDITIONAL GOLD TO SOUTH

The drilling program included expansion drilling to test for additional deposits. Two drill holes, PR-58 and PR-62-A, located approximately one-half mile south of the recognized South Pipeline deposit area, have encountered significant gold mineralization.

CORE HOLES (PR-58 AND PR-62A)			
Drill Hole	Thickness	Average Grade	
PR-58	780'	0.034 opt gold	starting at 280 feet
Including	70'	0.162 opt gold	starting at 430 feet
and			
PR-62A (Located North of PR-58)	370'	0.022 opt gold	starting at 200 feet
Including	180'	0.032 opt gold	
	90'	0.048 opt gold	
Including	20'	0.149 opt gold	

These intercepts suggested an extension of existing deposits, or the presence of additional deposits on South Pipeline ground, and eventually became part of the southern extension of South Pipeline known as Gaslight.

SLIDE 28 - JUNE 1993

The drilling program at South Pipeline continues forward in high gear with Placer Dome carrying out an aggressive program of expansion and in-fill drilling at South Pipeline on 200 x 200 foot centers. Some of the Water Hole and South Pipeline mineralization began to coalesce.

On August 5, 1993, Royal announced a new resource, 31.4 million tons averaging 0.106 gold per ton, or 3.3 million contained ounces of gold, representing a further increase of approximately one million ounces over the May 1993 release. Royal went on to say that the infill drilling would continue to test both the shallow and deep mineralized zones and would provide information required for reserve estimates and for the design of mining and treatment systems.

Royal's May 2, 1994 press release noted further increases in the South Pipeline resource and the announcement of the commencement of mining. Stanley Dempsey first announced that Cortez had determined a new resource of 76.49 million tons of ore averaging 0.048 ounces of gold per ton, containing 3.68 million ounces of gold. Not only had the resource grown, but further drilling on the project had confirmed the earlier-detected presence of an additional mineralized zone, now termed "Gaslight," lying immediately south of South Pipeline; additional drilling was required, however, to determine the edges of the zone and to support resource and reserve calculations.

But the most exciting news for the Royal Gold was that Cortez had determined that 2.2 million ounces of the South Pipeline resource would optimize in an open pit, that additional studies could add to this figure, that studies would be undertaken on the deep zone to consider underground mining, and, finally, that Cortez had expressed its intent to open a new mine, called the Crescent Pit, on South Pipeline ground. Crescent would produce over 217,000 ounces of gold over a three year period commencing as early as late May, 1994, from mill ore that would be treated at the existing Cortez mill.

By this time, the 3.68 million ounce South Pipeline resource consisted of 55.7 million tons of leach grade oxide material with an average grade of 0.022 ounces per ton, assuming a cutoff grade of 0.01 ounces of gold per ton; 17.6 million tons of oxidized mill ore averaging 0.110 ounces of gold per ton at a cutoff of 0.05

ounces of gold per ton; and 3.2 million tons of carbonaceous material with an average grade of 0.16 ounces per ton at a cutoff of 0.10 ounces of gold per ton.

On September 1, 1994, Royal announced the start of gold production from the Crescent Pit and also disclosed further exploration results from South Pipeline. Cortez had started mining in June and by September 1 had accumulated a sufficient stockpile of oxidized mill ore to commence milling operations and gold production. The mill ore from Crescent Pit was to be commingled with roasted ore from Gold Acres (in which Royal had no interest) and, depending on the amount of commingling, could extend over a 2-1/2 to 4 year life. Royal would receive a 4% net profits interest ("NPI") - and never less than \$150,000 per year - during the time that PDUS recouped its investment for refurbishing the Cortez plant and developing the mine, and 20% NPI thereafter.

In the meantime, while Cortez was continuing its feasibility work on the 2.2 million ounce deposit, Royal was conducting its own prefeasibility study of the Deep Zone. Royal also announced in its September 1 release that, based on its independent studies on the deep zone, further work was warranted.

Royal was also conducting its own resource calculations and went on to say that its in-house estimate was that South Pipeline now stood at 4.4 million ounces of gold, including the new Gaslight Zone where drilling by Cortez had expanded the deposit and confirmed the continuity of the zone. Royal's geologists estimated that Gaslight consisted of 15.6 million tons averaging 0.05 ounces of gold per ton, containing 781,000 ounces of gold.

Royal explained that the Crescent Pit contained an estimated 1.97 million tons of mill grade oxide ore, grading 0.125 ounces of gold per ton, and 2.2 million tons of heap leach ore grading 0.029 ounces of gold per ton. The mill grade ore was considered a proven reserve, whereas PDUS was considering the feasibility of recovering gold from the lower grade, heap leach material. The heap leach material contained an estimated 64,000 ounces of gold. Interestingly, the overburden also contained gold, such that as much as 13,000 ounces of gold could be contained in the gravels being stripped from the Crescent Pit and could be added to the heap leach operation if it were constructed.

In terms of exploration progress, Royal also announced in September 1994 that additional encouraging results had been received at GAP, a small resource on the western edge of the South Pipeline claim block, and at Windmill, a new zone being

explored to the southeast of Gaslight. Selected holes in the GAP and Windmill targets included:

<u>Area</u>	<u>Drill Hole</u>	<u>Interval</u>	<u>Thickness</u>	<u>Average Grade</u>
GAP	PR91-4	130'-150'	20'	0.108 opt
	PR91-7	140'-210'	70'	0.030 opt
Windmill	PR-58	280'-300'	20'	0.175 opt
		390'-620'	230'	0.071 opt
	PR-62 including	220-470'	250'	0.037 opt
		240'-290'	50'	0.084 opt
	PR-77	180'-340'	160'	0.038 opt

On November 10, 1994, Royal announced that it had purchased a 1.5% net smelter return royalty on South Pipeline, capped at \$375,000.

On February 17, 1995, Royal reported its first gold income from the Crescent Pit, combined as a cash payment of \$23,372 against the capped royalty and 85 ounces of gold, taken in kind, from its NPI. In addition to the gold production from the Crescent Pit, Stanley Dempsey reported that exploration was continuing to the southeast of South Pipeline, as well as at the GAP and Windmill target areas.

On May 12, 1995, Royal reported that production at the Crescent Pit was going very well. For the quarter ended March 31, the average grade of mill ore had increased to 0.156 ounces of gold per ton, up from 0.113 ounces of gold per ton in the previous quarter, and the Company received \$29,435 in cash as well as 319.5 ounces of gold.

With continuing success at the mine, Cortez recouped its capital costs during the quarter ended June 30, 1995, and Royal's net profits interest jumped to the full 20%. Royal reported on August 15, 1995, that its share of net profits for the quarter had amounted to \$1,408,953, of which \$1,017,592 was retained by PDUS to complete its recoupment on the pro-rata share of pre-production expenditures allocable to the Crescent Pit. Of the remaining \$391,361, \$362,527 was credited against \$450,000 of advance minimum royalty payments, and 74.33 ounces of gold, valued at \$28,835, was delivered to Royal Gold as a production payment for the period ended June 30, 1995. The balance of advance minimum royalty payments remaining to be recovered by Cortez was \$87,473.

For the quarter ended September 30, 1995, Royal announced that its "net profits royalty interest at the Crescent Pit" was "generating much better results than were originally forecasted by Cortez. . . .Cortez produced 12,545 ounces from mill-grade ore at a cash cost allocable to Royal Gold of \$152/ounce. This makes the Crescent Pit one of the lowest cost mines in Nevada." At a prevailing gold price of about \$383/ounce, Royal Gold's 20% net profits interest at the Crescent Pit during the quarter was equal to about \$45 per ounce of gold produced.

On February 15, 1996, the Company announced that it "was credited with \$702,475 as its share of net profits from the Crescent Pit mill-grade and heap leach operations, at the South Pipeline Project, Nevada. Placer Dome U.S., the mine operator, retained \$196,372 of the net profits as Royal Gold's pro-rata share of pre-production expenditures, or 'payback,' from the heap leach operation and \$50,000 as a recoupment of previously paid advance minimum royalties. This resulted in Royal Gold's net receipt of \$456,103. All previously paid advance minimum royalty payments have now been recouped. . . .In addition, during the quarter the Company received \$444,535 from" its "0.75% net smelter returns royalty interest on all Crescent Pit production. This royalty is capped at \$375,000, and Royal Gold has now received \$206,201 attributable to this interest."

Royal went on to say that its "net profits royalty interest at the Crescent Pit" was "continuing to generate good results. For the quarter ended December 31, 1995, Cortez produced 11,163 ounces from mill-grade ore, at a cash cost allocable to Royal Gold of \$173/ounce. At a prevailing gold price of \$385/ounce, Royal Gold's 20% net profits interest was equal to about \$42 per ounce of gold produced." The Company also announced that recoupment from the heap leach operation was projected to occur early in 1996.

On February 16, 1996, Royal announced that PDUS had classified a portion of the South Pipeline deposit as a reserve. Cortez informed the Company that the South Pipeline deposit had a proven and probable reserve containing approximately 23 million tons of mill ore averaging 0.088 ounces of gold per ton and approximately 26 million tons of leach ore averaging 0.019 ounces of gold per ton, or a total of approximately 2.5 million contained ounces of gold. Cortez also advised that its reclassification was based upon numerous economic studies that showed the positive economics of a large portion of the South Pipeline mineralization under a wide range of mining and milling scenarios.

The Company went on to say that Cortez had advised that, as of December 31, 1995, the Crescent Pit contained proven and probable reserves of approximately

1.8 million tons of mill-grade ore averaging 0.134 ounces of gold per ton, and approximately 2 million tons of heap leach ore averaging 0.028 ounces of gold per ton, or a total of approximately 306,000 contained ounces of gold. The Crescent Pit reserves are added to those of South Pipeline to derive a total of 2.8 million contained ounces of gold.

Royal also pointed out that Cortez's decision to classify reserves at South Pipeline still left a substantial portion of the deeper mineralization classified as a resource. Royal's own prefeasibility studies of the potential of mining some of the higher grade material in a deep zone of the South Pipeline deposit by underground methods indicated that continued investigation of such potential is warranted.

Significantly, Cortez also advised the Company that it intends to increase the rate of production at the Crescent Pit to approximately 1,600 tons of ore per day, which Cortez estimates would yield approximately 126,300 ounces of gold for calendar 1996. This would double output compared with last year's production of 63,724 ounces from the Crescent Pit. The Company explained that Cortez had advised that it had decided to temporarily suspend the operation of its carbonaceous ore roasting facility effective March 1, 1996, signifying that roasted Gold Acres ore (in which Royal has no interest) would no longer be commingled with ore from the Crescent Pit, thereby allowing for a doubling of the rate of production at the mill.

This is truly a significant event for Royal. Now that the Crescent Pit mill-grade operation has been paid back, and with the heap leach operation approaching the same status, Royal Gold should realize significantly greater revenues from its interest in the Crescent Pit. This assumes, of course, that Cortez is able to maintain its newly budgeted rate of production from the Crescent Pit, that the Crescent Pit ore grade remains at levels projected by Cortez, and that the gold price remains at a reasonable level.

Cortez also informed Royal of its intention to undertake a \$1.7 million exploration program on South Pipeline project grounds during 1996, with the objective of testing numerous high potential targets, and that it believed there also existed potential for reserve expansion at the existing deposits.

Cortez commenced gold production from the Crescent Pit in September 1994 and, through December 31, 1995, had produced 64,464 ounces of gold from mill-grade material and 8,365 ounces from heap leach material. Royal Gold's attributable share of that production was \$1,640,000, less Cortez's recoupment of \$450,000 in advance minimum royalties, yielding actual receipts of \$1,190,000 for Royal Gold.

SLIDE 29 - ROYAL LOGO/CONCLUDING REMARKS

In concluding, I wish to say a few words about the role of individual, smaller firms in exploration for new mineral deposits, and the importance of a legal system and a public land law policy that encourages participation by everyone.

I believe the exploration story at South Pipeline shows that there is a place for individuals and small companies in the search for major mines. We admire the pluck of the people at ECM, and we believe that Royal Gold's efforts on the property made a difference. At the end of the day, it took the financial and technical strength of a large company to finish the job, but who can say which participant made the ultimate difference? I say that all three share in the discovery. Likewise, I believe that the South Pipeline story makes a powerful case for keeping a mining law that allows individuals and small companies to participate in exploration on the nations public lands. I can tell you without hesitation that the GAS claims would not have been staked had some of the currently proposed legislation been on the books in 1987. The chain of events that lead to the ultimate discovery would not have been initiated.

Finally, I believe that the South Pipeline story makes it clear that we have not exhausted the exploration opportunities here in the U.S., and that it would be good public policy to keep the public lands open for exploration and development. Given the size of the government's budget deficit, I would think that the nation could use new wealth like that which is being developed at South Pipeline.

Thank you for your attention and for letting me share this story with you this evening.