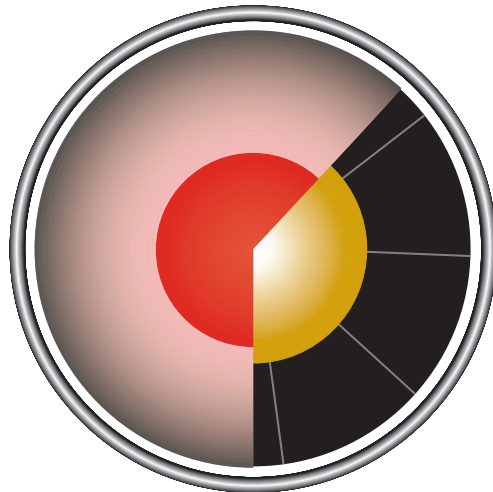


R O Y A L G O L D
2000 ANNUAL REPORT



A Core Portfolio Investment

Corporate Profile

Royal Gold, Inc. is the only U.S.-based precious metals royalty company. Royal Gold provides a distinctly different way to invest in precious metals — by investing in a public company that holds and manages royalties on precious metals properties. Through its portfolio of royalty interests, the Company spreads its investment over a number of properties without incurring ongoing capital or operating costs, and thus provides a lower risk exposure to gold and precious metals income.

The Company is a Denver-based, publicly held corporation. Management and directors beneficially own about 29% of the shares of the Company. Royal Gold is traded on the Nasdaq National Stock Market, under the symbol “RGLD,” and on the Toronto Stock Exchange, under the symbol “RGL.”

BUSINESS STRATEGY

Royal Gold seeks to create a collaborative relationship with royalty owners and mine operators, so that it becomes the royalty company of choice, and so that it can continue to grow from a stream of royalty acquisition opportunities on producing or advanced stage quality projects. The Company's royalty portfolio now provides an excellent risk-to-reward profile. The key elements of our business strategy are:

- 1 acquiring and holding royalties on high quality deposits that are or will be exploited by a high quality operator;
- 2 holding royalties on properties that have upside potential;
- 3 holding a portfolio of producing royalties, involving various precious metals, to diversify commodity risk;
- 4 having a productive staff, motivated by significant equity ownership in the company;
- 5 possessing strong deal making and diligence skills;
- 6 having a publicly traded stock to use as a currency for acquisitions; and
- 7 being an essential part of any investment portfolio.

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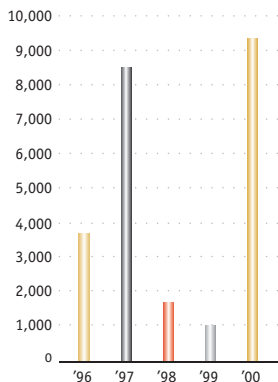
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COVER: *Gold is an indispensable part of a well diversified portfolio by providing insurance against unpredictable economic factors.*

Financial Highlights

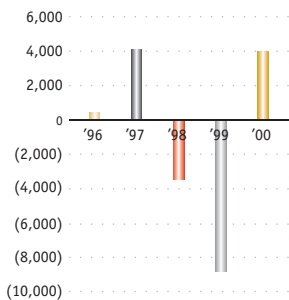
ROYALTY REVENUES

for the year ended June 30 (\$000)



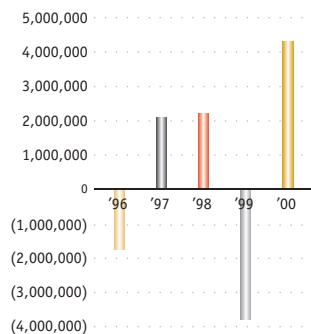
NET INCOME

for the year June 30 (\$000)



NET CASH PROVIDED

by operating activities

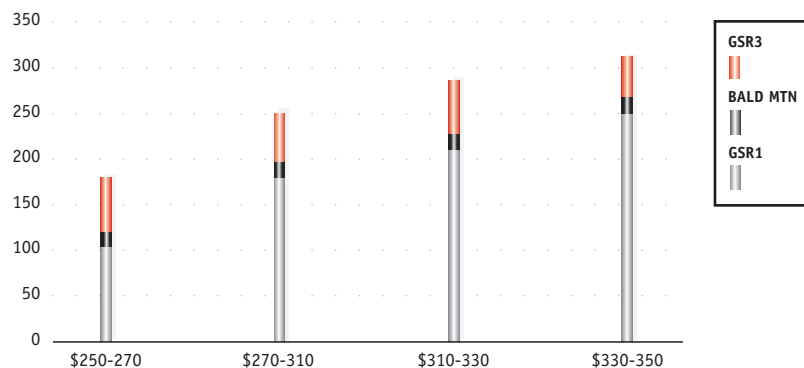


SELECTED FINANCIAL DATA

Selected Statement of Operations Data	For the Year Ended June 30,				
	2000	1999	1998	1997	1996
	(Amounts in thousands, except per share data)				
Royalty revenues	\$ 9,407	\$ 959	\$ 1,344	\$ 8,202	\$ 3,680
Exploration expense	1,627	2,831	2,001	1,738	1,434
General and administrative expense	1,768	1,704	1,679	1,693	1,186
Depreciation and depletion	1,193	464	155	51	229
Impairment of mining assets	0	4,616	0	0	0
Earnings (loss)	3,953	(8,808)	(3,543)	4,054	589
Basic earnings (loss) per share	\$ 0.23	\$ (0.51)	\$ (0.21)	\$ 0.26	\$ 0.04
Diluted earnings (loss) per share	\$ 0.22	\$ (0.51)	\$ (0.21)	\$ 0.24	\$ 0.04
	As of June 30,				
	2000	1999	1998	1997	1996
	(Amounts in thousands)				
Total assets	\$ 17,498	\$ 11,815	\$ 20,927	\$ 18,981	\$ 14,063
Working capital	5,692	8,582	11,437	13,942	11,130
Long-term obligations	125	81	108	134	111

ROYAL GOLD'S ATTRIBUTABLE OUNCES AT VARIOUS GOLD PRICES

Attributable Reserve Ounces



Cautionary "Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding planned royalties and levels of exploration, general and administrative expenses, and other expenditures. Factors that could cause actual results to differ materially from projections or estimates include, among others, changes in gold, silver or other commodity prices, decisions and activities of mine operators regarding the various properties where the Company has royalties, unanticipated grade, geological, metallurgical, processing or other problems, timing of production and schedules for development, changes in project parameters as plans continue to be refined, results of current exploration activities, accidents, environmental costs and risks, as well as other factors described elsewhere in this report. Most of these factors are beyond the Company's ability to predict or control. The Company disclaims any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.



Letter to Shareholders

Royal Gold had robust revenues and earnings, and performed extremely well in fiscal year 2000. The promise of our Nevada gold royalties is certainly being realized. Revenues jumped to \$9.7 million, cash flow was a positive \$5.1 million, and we brought \$4.0 million to the bottom line, putting the Company on a sound financial footing. We were pleased to be able to pay our first dividend of \$0.05 per share in July 2000.

Royal Gold's success comes at a time when business conditions for the gold industry have not been good. The prolonged slump in the price of gold, fueled by central bank sales, has led to a decline in investor interest, and gold exploration and development firms find it hard to raise money. These conditions may make it easier for us to buy or create new royalties, but they are not helping our share price. Royal Gold's shares are now selling for about twelve times cash flow and about fifteen times earnings. Compare this to the much higher

multiples of 25 to 35 times earnings that were previously common in the gold mining sector.

During fiscal 2000, not only did we return to profit ability and declare the Company's first dividend, but we also acquired additional royalty interests on the Pipeline Mining Complex in Nevada; we completed an offering of common stock; we secured and paid off a loan; and we acquired royalties on Yamana Resource's properties in Argentina. In order to protect against lower prices, we also purchased revenue protection, in the form of three-year puts, at gold prices of \$250 and \$270 per ounce. This will protect the Company against any further significant decline in the price of gold during calendar years 2001 through 2003, but will also leave us fully exposed to any rise in the gold price.

This was our first full year of royalty income from the converted gross royalty (GSR1) at the Pipeline Mining Complex. The mine had a spectacular year in calendar 1999, producing 1.3 million ounces of gold, at a cash cost of \$48 per ounce. Pipeline is clearly one of the biggest and best gold mines in the world. Revenues from GSR1 totaled \$6.5 million. We also received \$1.4 million in revenues from our fixed-rate royalty (GSR3) and \$1.2 million from our 10% gross royalty on the GAS claims, all at the Pipeline Mining Complex.

Royal Gold also owns a royalty at the Bald Mountain mine, southeast of Elko, Nevada. Bald Mountain had a good year. It produced 84,870 ounces of gold in calendar 1999, from the claims subject to our royalty. Here we received 1.75% of the net smelter returns from this production, resulting in revenues of \$0.4 million.

Royal Gold's strategy of securitizing gold royalty income is based upon development of strong positive cash flows, and substantial profit margins. In fiscal 2000, we demonstrated measurable success in these areas. Operating cash flows were \$5.1 million, or 53% of revenues, and earnings were 4.0 million, or 41% of revenues. These results clearly demonstrate that a precious metals royalty company can generate outstanding earnings notwithstanding a slump in the commodity price.

We are also extremely well-positioned for the future. Because of the leverage in our GSR1 royalty, a \$75 increase in the commodity price, from a \$275 base, equates to a \$0.30 per share increase in operating earnings and cash flow would double.

Exploration, lease maintenance and holding costs, and operating costs involved in managing our royalties totaled \$2.6 million during fiscal 2000. General and administrative costs were approximately \$1.8 million.

The key to Royal Gold's future and our plan for growth is the continuing search for high quality precious metal royalties. Our focus in fiscal 2001 will be to purchase existing royalties and create royalties by mine financing arrangements, with diminished efforts in creating royalty interests by exploration. While maintaining only modest exploration efforts on big prospects, our conscious decision to de-emphasize exploration has led to the termination of Royal Gold's interests in the Alligator Ridge and Inyo Gold projects.

The transaction executed with Yamana in fiscal 2000 is an excellent example of how we can create royalties by financing late stage mine development projects. Yamana owns very large land positions in a highly prospective part of Argentina. The company had made a number of discoveries of gold and silver, and had indicated that one silver deposit could be developed on a fast track basis to produce high grade, direct shipping ore ("DSO"). We helped with the financing of mine development by making an equity investment in Yamana, and separately purchasing a 2% net smelter returns royalty on all of Yamana's lands, including the DSO silver mine.

In addition, in response to the differing supply and demand fundamentals of other precious metals,

such as silver, platinum and palladium, and their investment attraction, we will devote more attention to royalty acquisition opportunities involving these metals.

The royalty company approach has reaped benefits for Royal Gold. We have great leverage to rising gold prices. We have both sliding-scale royalties to take advantage of rising gold prices, and fixed-scale royalties to provide cash flows in lean times. All mine expenditures are paid for by the operators — we never get a cash call. Royal Gold has \$5 million in cash, we are debt free, and we enjoy high margin cash flow on the present revenue stream. Royal Gold is a company with high quality mineral assets, low costs and no critical financing needs. These attributes provide our investors with an excellent vehicle for exposure to the price of gold, and makes our stock attractive as a core asset in an investor's portfolio desiring exposure to precious metals.

Royal Gold has now established a solid foundation from which to build an even more promising future. We expect operating cash flow to continue to grow, based on our existing royalty portfolio, and we are aggressively pursuing acquisitions to expand our royalty portfolio. As we acquire more royalties, we will demonstrate long-term sustainable profitability, and realize size and growth rates that are attractive to the investment community.

Management continues to have a significant ownership interest in the Company, aligning its interests with stockholders' interests in growth and profitability. It is with great enthusiasm and confidence that we continue our commitment to building shareholder value. On behalf of the Board of Directors, we want to thank our stockholders, employees, and business partners for their continued support of our efforts.

Sincerely,



Stanley Dempsey, *Chairman and CEO*



Peter Babin, *President*



Royalty Portfolio

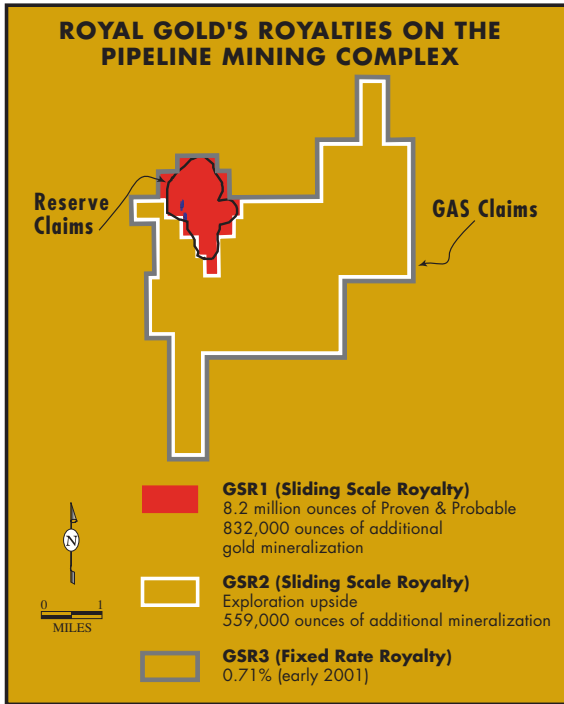
PIPELINE MINING COMPLEX, LANDER COUNTY, NEVADA

The Pipeline Mining Complex is owned and operated by The Cortez Joint Venture ("Cortez"), a joint venture between Placer Cortez, a subsidiary of Placer Dome Inc. (60%) and Kennecott Explorations (Australia) Ltd., a subsidiary of Rio Tinto (40%). Royal Gold currently holds three royalty interests in the district. Two sliding scale royalties, GSR1 and GSR2, resulted from the conversion of our original 20% net profits royalty interest on the South Pipeline deposit. The GSR2 royalty will pay out at a rate that is 80% higher than that of GSR1, at all gold prices. GSR3 is a fixed-rate interest and was purchased in August 1999. Cumulative royalty payments made to Royal Gold by Cortez during the year ended June 30, 2000 totaled approximately \$9.0 million.

Pipeline Mining Complex Royalty Interests

- **GSR1:** This royalty covers all gold produced from the "Reserve Claims" (some 52 claims that encompass all of the known reserves at the Pipeline Mining Complex). GSR1 is a sliding scale royalty tied to the price of gold (*see table*). Royalty payments received during fiscal year 2000 attributable to GSR1 totaled \$6.5 million.
- **GSR2:** This royalty covers all gold produced from the remaining 296 lode claims (GAS Claims) that are subject to royalty, apart from the "Reserve Claims." GSR2 is also a sliding scale royalty tied to the price of gold (*see table*). There were no royalty payments received in fiscal 2000 attributable to production from lands subject to GSR2.
- **GSR3:** This royalty applies to all GAS Claims and Reserve Claims. It is a fixed percentage interest, paying at the rate of 0.48% of the value of gold produced, to a cumulative total of 3.5 million ounces of production, and thereafter paying at the rate of 0.71%. The "step-up" in the royalty rate is expected to occur in early calendar 2001. Royalty payments received during fiscal year 2000 attributable to GSR3 totaled \$1.4 million.
- A 10% GSR on all gold and silver produced from any of the GAS Claims from January 1, 1999, until the commencement of commercial production from the South Pipeline deposit. Royalty payments received during fiscal year 2000 attributable to this royalty totaled \$1.2 million. Minimal royalty payments attributable to this royalty are expected in fiscal 2001.
- A 7% GSR on all silver produced from any of the Reserve or Gas Claims.





approximately \$500,000 in additional royalty revenue in fiscal 2001.

South Pipeline Development

In June 2000, Cortez advised that it received all required permits for the development of the South Pipeline deposit, and development work is now proceeding. As anticipated, A Notice of Appeal and Petition for Stay Pending Appeal, contesting the South Pipeline permits, was filed in late July. Cortez is vigorously opposing the Petition.

Ore Reserves and Mineralization

Cortez reported proven and probable reserves for the Complex, as of December 31, 1999, at a gold price of \$325 per ounce, of 159,125,000 tons, at an average grade of 0.052 opt, containing approxi-

Cortez Production

For fiscal 2000, gold production from the Pipeline Complex was 1.1 million ounces of gold. Cortez has advised that it expects production in calendar years 2000 and 2001 to be about 1 million and 1.1 million ounces per year, respectively. In July 2000, Cortez announced an agreement with AngloGold-Meridian's Jerritt Canyon Joint Venture under which Jerritt Canyon has agreed to purchase and process up to 500,000 tons (450,000 tonnes) of stockpiled, refractory ore grading greater than 0.3 opt (10g/tonne), with the option to purchase an additional 500,000 tons (450,000 tonnes). Use of the Jerritt Canyon facility is expected to result in an additional 300,000 ounces of production by Cortez over the next 30 months, which is reflected in the above production projections. The agreement is expected to become effective in September 2000 and, on average, should boost production subject to our royalties by 10,000 ounces per month, or

mately 8.2 million ounces of gold. In addition, the Complex contains approximately 22.2 million tons of mineralized material, at an average grade of 0.038 opt. The anticipated mine life at Cortez is now 12 years, at current operational rates.

PIPELINE COMPLEX GROSS SMELTER RETURN ROYALTY SCHEDULE

Price of Gold	GSR1	GSR2
Below \$210	0.40%	0.72%
\$210 - \$229.99	0.50%	0.90%
\$230 - \$249.99	0.75%	1.35%
\$250 - \$269.99	1.30%	2.34%
\$270 - 309.99	2.25%	4.05%
\$310 - \$329.99	2.60%	4.68%
\$330 - \$349.99	3.00%	5.40%
\$350 - \$369.99	3.40%	6.12%
\$370 - \$389.99	3.75%	6.75%
\$390 - \$409.99	4.00%	7.20%
\$410 - \$429.99	4.25%	7.65%
\$430 - \$449.99	4.50%	8.10%
\$450 - \$469.99	4.74%	8.55%
\$470 and above	5.00%	9.00%

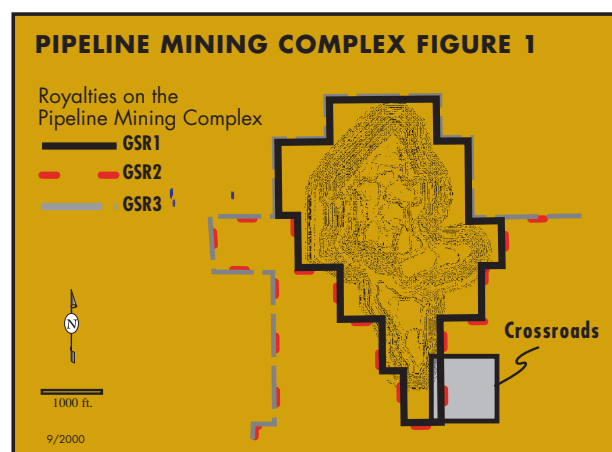
Exploration

Cortez continued to fund various drilling programs designed to detail known mineralization, test the margins (laterally and at depth) of known reserves, and to conduct exploration for new deposits. During Royal Gold's fiscal year 2000, Cortez completed 143 drill holes totaling in excess of 167,700 feet. Of these totals, more than 123,000 feet of drilling, in 101 holes, have been completed since January 2000. During calendar year 2000, Cortez expects to spend about \$3.2 million on development and exploration drilling.

In early October 2000, Royal Gold was informed by Cortez that additional gold mineralization has been encountered immediately southeast of the South Pipeline pit in an area known as Crossroads. Cortez has calculated a manual estimate for the area of approximately 12.6 million tons of oxide mineralized material, at an average grade of 0.044 opt, containing an indicated gold resource of approximately 559,000 ounces of gold, using a 0.01 opt cut-off. This estimate does not factor in any mining dilution or processing losses. The Crossroads area represents a new discovery along the

structural trend hosting the Pipeline and South Pipeline deposits (see Figure 1). A small portion of the Crossroads area lies on ground covered by GSR1; a majority of the area is covered by GSR2; and all of the area is covered by GSR3. Cortez advises that exploration and development drilling is continuing in the Crossroads area.

A decision to reclassify some, or all, of the additional mineralized material reported herein to proven and probable ore reserve status depends upon consideration of further drilling and metallurgical testing results, and application of economic and technical feasibility factors, such as mining, dewatering, and processing costs.



BALD MOUNTAIN, WHITE PINE COUNTY, NEVADA

Royal Gold holds a 1.75% net smelter returns royalty on a portion of the Bald Mountain Mine. The Bald Mountain operation is an open pit, heap leach mine operated by Placer Dome U.S. Inc., a subsidiary of Placer Dome Inc.

Bald Mountain has a current projected mine life of approximately seven years. As of December 31, 1999, the operator reported that at a \$325 gold price, the proven and probable reserves related to our royalty interest include 10,226,000 tons of ore, with an average grade of 0.069 opt, containing approximately 704,000 ounces of gold. In addition, the property contains 8.6 million tons of mineralized material, at an average grade of 0.04 opt of gold, related to Royal Gold's royalty interest.

Cash production costs at Bald Mountain, as reported by Placer Dome U.S. Inc., were \$200 per ounce, and total costs, including royalties and reclamation, were \$304 per ounce for calendar 1999. During fiscal 2000, this royalty generated \$429,881 in revenues for Royal Gold.



Mining at
Bald Mountain

YAMANA RESOURCES, SANTA CRUZ PROVINCE, ARGENTINA

During fiscal 2000, Royal Gold acquired, through a private placement, three million Units of equity securities of Yamana Resources Inc. (TSE: YRI) for Cdn \$1.8 million. Each Unit consisted of one common share of Yamana, and one-half of a warrant to purchase more shares. A full warrant entitles Royal Gold to purchase another common share of Yamana, for Cdn \$0.50 per share, for a three-year period ending in February 2003. The Company now holds about 7% of the issued and outstanding shares of Yamana.

In addition, Royal Gold purchased, for US\$150,000, a 2% net smelter returns royalty on all mineral production from 19 development and 21 exploration properties held by Yamana Resources. All of these properties are located in Santa Cruz Province, Argentina. Yamana's properties that are subject to our royalty include the Martha Mine, a high-grade silver property at the Bacon prospect, and Coyote, a high-grade gold property at the Martinetas prospect.

Yamana's mineral holdings in Santa Cruz encompass about 365,000 acres (148,000 hectares). The most advanced property is the Martha mine, which will be a direct shipping ore ("DSO") mining operation. In a DSO project, high-grade ore is shipped directly to a smelter, and no on-site processing is required. Yamana received the necessary permits for the Martha mine this summer and construction of a 525-foot (160-meter) decline commenced in October 2000. Yamana expects



Reverse circulation drill sampling at the Martinetas prospect

production of direct shipping ore to begin in December 2000, producing about 3.25 million ounces of silver equivalent from 5,510 tons (5,000 tonnes) of ore during the first phase of a four-phase mining program at Bacon.

MULE CANYON, LANDER COUNTY, NEVADA

Royal Gold holds a 5% net smelter returns royalty interest on a portion of the Mule Canyon mine, operated by Newmont Gold Company. Approximately 24,000 ounces of gold is expected to be produced from the portion of the Mule Canyon deposit that is subject to our royalty. Production of this material is expected to commence in calendar 2001.

BUCKHORN SOUTH, EUREKA COUNTY, NEVADA

Buckhorn South is a property of approximately 5,000 acres, subject to 265 unpatented mining claims, located approximately two miles south of the Buckhorn mine. AngloGold North America (formerly Independence Mining Company) is currently exploring Buckhorn South.

Royal Gold holds a 14% net profits interest royalty on any production from the Buckhorn South property. The property has known mineralized material of 2.4 million tons, with an average grade of 0.046 opt, or approximately 110,000 contained ounces of gold. Whether some or all of this mineralization can be classified to proven and probable reserve status depends upon consideration of further drilling and metallurgical testing results, and application of economic and technical feasibility factors.

Drilling about one mile south of the known Zeke deposit has discovered gold mineralization along a structural zone in Tertiary basalt, and to some extent in the Tertiary fan-glomerate beneath the volcanic rocks. More drilling is needed to determine if a mineable gold deposit exists in this area, which has been referred to as the "Royal Zone."



Exploration Activities

MILOS GOLD PROJECT, MILOS, GREECE

Royal Gold, along with joint venture partner Aegean International Gold (formerly Rakov Pty Ltd), continued exploration activities on Milos in fiscal 2000, with each party earning its 25% interest in Midas S.A. through cumulative project expenditures of \$5.0 million (\$2.5 million each). Midas S.A. is a Greek company which holds the gold exploration and exploitation license on Milos and three adjacent islands in the Aegean Sea, 90 miles south of Athens. Until completion of the earn-in, Midas S.A. had been a wholly-owned subsidiary of Silver & Baryte Ores Mining Co. S.A., a publicly-held mining company based in Athens.

Shortly after the end of fiscal 2000, Royal Gold was informed by Silver & Baryte that the Greek Ministry of Environment, Regional Planning and Public Works had returned the environmental impact

study that Midas had submitted for the purpose of performing further exploration work at Milos. The Ministry's letter explained that ". . . approval of the study in this phase would create unfavorable consequences for the environment in the area." Midas has requested an urgent review of the case, with the objective of securing a reversal of the Ministry's action.

Exploration Program

Since inception of the exploration program in late 1997, under management by Royal Gold, a first pass assessment of precious metal potential has been completed on three of the four islands in the license area, with subsequent focus of activities on Milos. Reverse circulation drilling was initiated in August 1998, and with data derived from the 197-hole, 100,000-foot program, a sizeable fully-diluted inferred gold resource, in a volcanic-hosted, epithermal environment, was prepared and reported in 1999. At a cut-off grade of 0.029 opt, the resource totals 9,500,000 tons (8,600,000 tonnes), at an average grade of 0.071 opt (2.43 gpt). Locally high gold grades, ranging up to more than one ounce per ton (>31 grams per tonne), have been particularly encouraging. These data indicate that the Milos project has the potential to generate gold deposits of sufficient quality to support profitable gold mining even in today's low gold price environment.

Scoping-level studies were initiated in the first quarter of calendar year 2000, and include generation of a new resource estimate, metallurgical studies, and conceptual viability studies. These studies were under review, at the time of receipt of the Ministry letter discussed above, and will be finalized while we await resolution of the exploration permit issue.

*Geologists on
Milos, Greece*



Community Relations

Midas S.A., in cooperation with Silver & Baryte, continued the implementation of an active community acceptance program, dedicated to establishment and broadening of communications at the local level. The island of Milos has a permanent population of about four thousand people, with a diversity of economic activities, including mining, tourism, fishing and agriculture. Mining and tourism are the major components of the local economy, and maintenance of a cooperative co-existence of the two activities is critical.

Midas has become an active member of the local mining community and is a member of the local Association of Mining Companies. Cultural and social programs are also considered key components of the overall program. To this end, Midas has co-sponsored guided tours of various active and historical mine sites, and of reclamation sites, during the peak summer tourist season.

Environmental Awareness

Royal Gold's policy is to conduct business in strict compliance with environmental laws and regulations in the communities in which we operate, to apply responsible standards and best practices, and to train all of our employees and contractors to meet such performance standards. Midas continues to work in close cooperation with the Division of Environmental Protection and Safety of Silver & Baryte, which is proactively involved in environmental protection and rehabilitation of

mine-impacted lands. Exploration roads in areas dropped from continuing evaluation are routinely re-contoured and re-vegetated as quickly as possible.

GREEK AMERICAN EXPLORATION LTD

Greek American Exploration Ltd. ("GRAMEX") is a Bulgarian company owned equally by Royal Gold and Silver & Baryte Ores Mining Co. of Athens, Greece. GRAMEX operates through Sofia Minerals Ltd ("SOMIN"), which is a 50/50 venture between GRAMEX and Phelps Dodge Exploration Corporation. SOMIN currently holds four exploration licenses in Bulgaria, targeting potential for large gold and copper-gold systems. Drilling has commenced at the Stremtsi license area.

GRAMEX SRL

Royal Gold participates in the Romanian company GRAMEX SRL, along with Silver & Baryte Ores Mining Co. S.A. and GRIVCO, a Romanian company, in a 45/45/10 relationship. GRAMEX SRL is presently exploring one license area, Ocna de Fier, in western Romania.

ALLIGATOR RIDGE, WHITE PINE COUNTY, NEVADA

Royal Gold had an agreement with Placer Dome U.S. Inc. whereby the Company would undertake \$4 million in exploration work, over six years, at Placer Dome's Alligator Ridge property, in exchange for a substantial royalty. After two seasons of exploration, with inconclusive results, we terminated our interest in the agreement during fiscal 2000.

ROYAL HIGH DESERT GOLD COMPANY, LANDER COUNTY, NEVADA

Royal High Desert Gold Company was held equally by Royal Gold and High Desert Mineral Resources, Inc. The properties that were subject to the joint venture had been placed on a care and maintenance basis for the past few years and, in fiscal 2000, Royal Gold decided to terminate this agreement with High Desert.



Corporate Responsibility

The safety, health and welfare of Royal Gold's employees, and the protection of the environment we work and live in, are of the utmost importance to Royal Gold. The Company is not an operator of mineral properties, but does conduct some mineral exploration and is, therefore, committed to preserve and protect the environment, promote the health and safety of its employees and be an exemplary corporate citizen. Royal Gold's Environmental, Health and Safety Policy specifies that any mineral exploration program conducted by the Company is to be performed in compliance with all the health, safety and environmental laws and regulations in the communities in which the Company operates; will apply responsible standards and best practices; and that the Company will train its employees and/or contractors to meet or exceed such

performance standards. In concert with this policy, Royal Gold tries to retain only those contractors that utilize state of the art equipment, designed to minimize any environmental impact on the land. The Company also performs reclamation and re-vegetation in areas that have been disturbed by exploration activities. Royal Gold employees are encouraged, instructed, and trained with the expectation of continuously improving their performance to protect the environment in which the Company operates. We understand the importance of public support for mining activities, which is earned by responsible development, honest communication, and quality performance.

The Gold Market

Historically, gold has been a store of value and a hedge against inflation. The rationale for holding gold is that of security — an asset of last resort, a long-term store of value, liquidity, and diversification. Recently, however, with the strong U.S. dollar, the robust economy in the United States, and various gold sales by central banks, the price of gold has languished. The bear market that has gripped gold continued in calendar 1999. Global gold mining continued to slow down and overall growth in mine production was only 1 percent, while gold demand rose about 21% from 1998.

The Washington Agreement on Gold, an accord by 15 European central banks that hold nearly half of all official gold, was established in September 1999 in an attempt to remove uncertainty in the gold market. The accord states that gold will remain an important element of global monetary reserves; it limits gold sales to those “already decided

sales” which will be done through a concerted program over the next five years; and it states that the associated banks have agreed not to expand their gold leasing and their use of gold futures and options over the same five-year period. The accord is supported by the U.S. Treasury and other entities that control about 35 percent of the world gold reserves.

The signs supporting the theory of higher gold prices are the Washington Agreement, increasing demand, flat supply, developing inflationary signs in the U.S. and developed countries’ economies, explosive U.S. money supply and continuing U.S. trade deficit growth. Declining faith in gold as an investment and monetary instrument may, however, continue to put downward pressure on gold prices and on gold equity values, in the short term.

Beyond gold as a monetary asset, gold is a store of value, and it has a romantic element associated with its beauty and therefore its use in jewelry. Gold also has value in modern technology and is used extensively because of its superiority as a conductor, its reliability, and its resistance to corrosion. Gold is found in air bag sensor systems, semi-conductors and other computer components, the Space Shuttle, and in dentistry and medical research. New applications for gold are being studied. Royal Gold has been an active participant in organizations involved in promoting the use of gold. We are members of both the Gold Institute and the World Gold Council. For more information on gold, you can visit the Gold Institute’s web site at www.goldinstitute.org or the World Gold Council’s web site at www.gold.org.

While certain parts of the U.S. equity markets have outperformed other sectors for a sustained period over the years, portfolio diversification has always been important. Gold equities have historically shown a negative correlation to other equities and have proven to be an effective hedge against inflation and have been considered an important component of an investment portfolio. We continue to believe that investors are wise to maintain some exposure to gold. The shares of Royal Gold, which are highly leveraged to the price of gold, are an excellent vehicle for such an investment choice.

Glossary

- BASALT:** An igneous rock found in north central Nevada that has the potential to host gold deposits.
- CASH COSTS:** Costs directly and indirectly related to the physical activities of producing precious metals, including mining, milling and other processing costs, administrative expenses at the operating level, transportation of material to smelters or refiners, royalties, and production taxes.
- EPITHERMAL MINERALIZATION:** Deposit of geological material that is formed in near surface conditions of relatively low temperatures and pressure.
- DECLINE:** An inclined tunnel that provides access to, and possible movement between levels in, an underground mine.
- DIRECT SHIPPING ORE:** Mineralized material that is so rich in valuable metals, and so lacking in otherwise deleterious substances, that it is amenable to smelting or refining without the need of any intermediate processing separation of materials, or other beneficiation.
- FANGLOMERATE:** A coarse poorly-sorted alluvial deposit that has been naturally cemented into solid rock.
- FEASIBILITY STUDY:** An engineering study designed to define the technical, economic and legal viability of a mining project within a high degree of reliability and containing detailed supporting evidence.
- GOLD DEPOSIT/MINERALIZATION:** That part of a mineral deposit that has not been included in the proven and probable ore reserve estimates until further drilling and metallurgical work is completed, and until other economic and technical feasibility factors based upon such work have been resolved.
- GRADE:** The metal content of ore. With precious metals, grade is expressed as troy ounces per ton of ore or as grams per tonne of ore. A "troy" ounce is 1.1 ounces (avoirdupois).
- GROSS SMELTER RETURNS ROYALTY:** A defined percentage of the gross revenue from a resource extraction operation, with no deduction for any costs paid by or charged to the operator.
- HEAP LEACH:** A method of recovering gold or other precious metals from a heap of ore placed on an impervious pad, whereby a dilute leaching solution is allowed to percolate through the heap, dissolving the precious metal, which is subsequently captured and processed.
- MINERALIZED MATERIAL:** Rock formations containing minerals or metals of potential economic significance.
- NET PROFITS INTEREST ROYALTY:** A passive interest in a resource extraction operation that is determined on the basis of a defined portion of the operation's net profits.
- NET SMELTER RETURNS ROYALTY INTEREST:** A defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of incidental transportation, insurance and processing costs.
- PROBABLE RESERVE:** Ore reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is adequate to assume continuity between points of observation.
- PROVEN RESERVE:** Ore reserves for which: (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
- REFRACTORY:** Gold mineralization requiring more sophisticated processing technology for extraction, such as roasting, or use of autoclaves.
- RESOURCE:** A concentration of metals in such amount that economic extraction is currently or potentially feasible. The term "resource" is recognized by the Society of Mining, Metallurgy and Exploration's "A Guide for Reporting Exploration Information, Resources and Reserves," but is not recognized by the U.S. Securities and Exchange Commission.
- RESERVE:** That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are categorized as proven or probable reserves (see separate definitions).
- REVERSE CIRCULATION:** A drilling method using air or fluids that circulate down the outer portion of a dual-wall drill pipe and force rock cuttings upward through the center pipe of the drill rod.
- SCOPING STUDY:** An engineering study that is less detailed than a feasibility study, and that identifies the technical and economic factors that need to be evaluated and resolved through a feasibility study.
- SILVER EQUIVALENT:** Gold or other precious metals expressed in equivalent ounces of silver using a conversion ratio dependent on the prevailing gold price.
- TON:** A unit of weight equal to 2,000 pounds or 907.2 kilograms.
- TONNE:** A unit of weight equal to 2,204.6 pounds or 1,000 kilograms.

Management's Discussion and Analysis of Financial Condition and Result of Operations

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2000, the Company had current assets of \$7,564,689 compared to current liabilities of \$1,872,246 for a current ratio of 4 to 1. This compares to current assets of \$9,446,710 and current liabilities of \$864,461, at June 30, 1999, resulting in a current ratio of 11 to 1.

During fiscal 2000, liquidity needs were met from:

(i) \$9,406,656 in revenues from production at the Pipeline Mining Complex and at Bald Mountain, (ii) the Company's available cash resources, and interest and other income of \$271,374, and (iii) cash receipts from the issuance of common stock and the exercise of options of \$1,827,125.

During the fiscal year, the Company spent \$8,105,020 on the purchase of a GSR royalty at the Pipeline Mining Complex, \$172,310 on the purchase of a 2% royalty covering the properties held by Yamana Resources, Inc. in Argentina, and \$63,299 on other capital expenditures.

During the fiscal year, the Company acquired three million units of the securities of Yamana Resources, Inc. for \$1,293,480. Each unit consists of one share and one-half warrant to purchase an additional share for Cdn \$0.50 per share, until February 2003. The Company has an unrealized loss of \$400,215 in these securities at June 30, 2000.

The only material commitments of the Company that cannot be terminated at the sole discretion of the Company are (i) employment agreements with three officers, calling for minimum payments of approximately \$540,000; and (ii) office lease payments of \$476,119 through the lease period ending October 2005.

For fiscal 2001, the Company anticipates royalty revenues of \$7.7 million at a \$275 gold price based on production estimates of 930,000 ounces of gold at the Pipeline Mining Complex which includes the processing of carbonaceous ore. Depletion and depreciation from this production is estimated to be \$1.6 million. The Company has also budgeted general and administrative expenses of approximately \$1.7 million, costs of operations of approximately \$0.6 million and exploration and property holding costs of approximately \$0.8 million. The Company estimates interest income of \$0.4 million and income taxes of \$0.1

million. These amounts could increase or decrease significantly, at any time during the fiscal year, based on the gold price, exploration results and decisions about releasing or acquiring additional properties, among other factors. The Company will evaluate acquisition opportunities and may use cash or stock for these acquisitions. Acquisitions have become a more important part of the Company's growth strategy and could be substantial, while exploration is becoming less important.

The Company will continue to explore its remaining properties, with a view to enhance the value of any such properties prior to possible farm out to major mining company partners.

The Company's current financial resources and sources of income should be adequate to cover the Company's anticipated expenditures for general and administrative costs, exploration and leasehold expenses, and capital expenditures for the foreseeable future.

RESULTS OF OPERATIONS

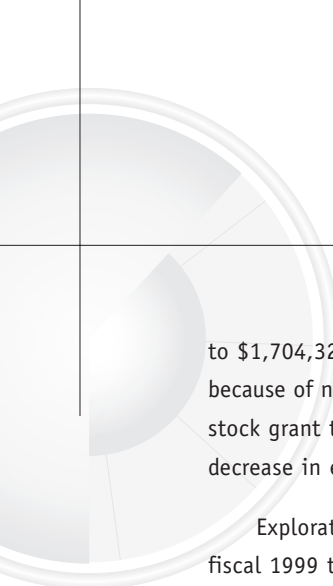
Fiscal Year Ended June 30, 2000 Compared with Fiscal Year Ended June 30, 1999

For the year ended June 30, 2000, the Company recorded net earnings of \$3,952,979, or \$0.22 per diluted share, as compared to a net loss of \$8,808,173, or \$0.51 per diluted share, for the year ended June 30, 1999. Net earnings for the current year reflect \$9.4 million in royalty revenues.

The Company received royalty revenues of \$8,976,422 from its royalties at the Pipeline Mining Complex, of which \$1,151,843 relates to the now completed Crescent Pit production. The Company also received \$429,881 from its royalty at Bald Mountain. In the prior fiscal year, the Company received royalty revenues of \$441,102 from the Crescent Pit and \$530,848 from Bald Mountain.

Cost of operations increased compared to the prior year, primarily related to Nevada Net Proceeds Tax expenditures associated with the increased royalties at the Pipeline Mining Complex.

General and administrative expenses of \$1,768,428 for the year ended June 30, 2000 increased slightly compared



to \$1,704,326 for the year ended June 30, 1999, primarily because of non-recurring severance costs and a non-recurring stock grant to non-employee directors offset by an overall decrease in expenses due to cost containment efforts.

Exploration expenses decreased from \$2,831,095 in fiscal 1999 to \$1,625,698 in fiscal 2000, primarily due to decreased expenditures at the Milos Gold project, the Manhattan project and the Alligator Ridge project. Lease maintenance and holding costs decreased from \$410,249 in fiscal 1999 to \$242,127 in fiscal 2000, primarily due to decreased holding costs at the Alligator Ridge property.

Interest and other income decreased from \$654,448 in fiscal 1999 to \$271,347 in fiscal 2000, primarily due to decreased funds available for investing.

In fiscal 1999, the Company recorded a full impairment of its investment in the Inyo Gold Project. There were no impairments in the current fiscal year.

Depreciation and depletion increased from \$463,733 in fiscal 1999 to \$1,193,108 in fiscal 2000, primarily due to the depletion associated with the Company's purchase of the GSR3 royalty at the Pipeline Mining Complex.

Fiscal Year Ended June 30, 1999 Compared with Fiscal Year Ended June 30, 1998

For the year ended June 30, 1999, the Company recorded a net loss of \$8,808,173, or \$0.51 per diluted share, as compared to a net loss of \$3,542,729, or \$0.21 per diluted share, for the year ended June 30, 1998. The net loss for the year ended June 30, 1999, reflects the \$4.6 million impairment of mining assets, primarily at the Inyo Gold project, and reduced revenues from royalties from the Crescent Pit.

The Company received royalty revenue from Crescent Pit heap leach material of \$441,102 and \$530,848 from the royalty at Bald Mountain in fiscal 1999. During the year ended June 30, 1998, the Company received \$2,047,142 from its 20% NPI royalty at the Crescent Pit and \$128,643 for its interest at Bald Mountain.

Costs of operations decreased compared to the prior year, which related to the payment of Nevada Net Proceeds Tax associated with the decreased production at the Crescent Pit, offset by increased costs of monitoring the Company's interest at South Pipeline.

General and administrative expenses remained flat at \$1,704,326 for the year ended June 30, 1999, compared to \$1,679,203 for the year ended June 30, 1998. General and administrative expenses consist primarily of employee compensation and benefits, office lease expense, investor relations expenses, office equipment expenses, and travel and communication costs.

Exploration costs increased from \$2,001,118 in fiscal 1998 to \$2,831,095 in fiscal 1999, primarily due to expenditures at the Milos Gold project and the Manhattan project, offset by decreased expenditures related to three properties that have been dropped. Lease maintenance and holding costs decreased from \$736,457 in fiscal 1998 to \$410,249 in fiscal 1999, primarily due to decreased holding costs at Buckhorn South and at the Manhattan project, offset by holding costs associated with the Alligator Ridge property.

The Company recorded a full impairment of its investment in the Inyo Gold Project during the fourth quarter of fiscal 1999 because spot gold prices fell to \$261 per ounce at June 30, 1999.

Interest and other income was \$654,448 in fiscal 1999, a decrease from \$786,090 in fiscal 1998, due primarily to decreased funds available for investing.

Depreciation and depletion increased from \$155,296 for fiscal 1998 to \$463,733 for fiscal 1999, primarily due to the depletion associated with the Company's Bald Mountain royalty.

IMPACT OF INFLATION

The Company's operations have been subject to general inflationary pressures, which have not had a significant impact on its operating costs.

Report of Independent Accountants

To the Board of Directors

Royal Gold, Inc.:

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the consolidated financial position of Royal Gold, Inc. and its subsidiaries at June 30, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado

August 31, 2000

Consolidated Balance Sheets

	As of June 30,	
	2000	1999
ASSETS		
Current Assets		
Cash equivalents	\$ 4,647,160	\$ 4,670,476
Marketable securities	0	4,014,418
Royalty receivables	1,761,266	312,098
Prepaid expenses and other	235,990	449,718
Available for sale securities (Note 3)	920,273	0
Total current assets	\$ 7,564,689	\$ 9,446,710
Property and equipment, at cost, net (Note 2)	9,337,746	2,190,225
Other Assets	595,147	177,877
Total Assets	\$17,497,582	\$11,814,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 713,580	\$ 631,565
Dividend payable	885,004	0
Accrued compensation	212,370	190,000
Other	61,292	42,896
Total current liabilities	\$ 1,872,246	\$ 864,461
Other liabilities	124,697	81,098
Commitments and contingencies (Notes 6 and 10)		
Stockholders' equity		
Common stock, \$.01 par value, authorized 40,000,000 shares; and issued 17,910,822 and 17,321,322 shares, respectively	179,108	173,213
Additional paid-in capital	55,846,280	54,027,150
Accumulated other comprehensive income	(400,215)	0
Accumulated deficit	(39,080,904)	(42,148,880)
	16,544,269	12,051,483
Less treasury stock, at cost (210,726 and 238,726 shares, respectively)	(1,043,630)	(1,182,230)
Total stockholders' equity	15,500,639	10,869,253
Total liabilities and stockholders' equity	\$17,497,582	\$11,814,812

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

Consolidated Statements of Operations

	For the years ended June 30,		
	2000	1999	1998
Royalty revenues	\$ 9,406,656	\$ 959,014	\$ 1,344,276
Interest and other income	271,347	654,448	786,090
Total Revenues	\$ 9,678,003	\$ 1,613,426	\$ 2,130,366
Costs and expenses			
Costs of operations	692,940	361,055	367,010
General and administrative	1,768,428	1,704,326	1,679,203
Exploration	1,625,698	2,831,095	2,001,118
Lease maintenance and holding costs	242,127	410,249	736,457
Impairment of mining assets	0	4,615,731	0
Depreciation and depletion	1,193,108	463,733	155,296
Total costs and expenses	5,522,301	10,386,189	4,939,084
Operating income (loss)	4,155,702	(8,772,727)	(2,808,718)
Loss on marketable securities	5,444	35,446	53,731
Interest and other expense	116,541	0	0
Income (loss) before income taxes	4,033,717	(8,808,173)	(2,862,449)
Income tax expense	80,738	0	680,280
Net earnings (loss)	\$ 3,952,979	\$ (8,808,173)	\$ (3,542,729)
Adjustments to comprehensive income			
Unrealized loss on available for sale securities	(400,215)	0	0
Comprehensive income (loss)	\$ 3,552,764	\$ (8,808,173)	\$ (3,542,729)
Basic earnings (loss) per share	\$ 0.23	\$ (0.51)	\$ (0.21)
Basic weighted average shares outstanding	17,528,244	17,160,228	16,617,133
Diluted earnings (loss) per share	\$ 0.22	\$ (0.51)	\$ (0.21)
Diluted weighted average shares outstanding	17,710,371	17,160,228	16,617,133

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

Consolidated Statements of Stockholders' Equity

	For the years ended June 30, 2000, 1999 and 1998	
	Common Stock	
	Shares	Amount
Balance, June 30, 1997	15,877,202	\$ 158,772
Issuance of common stock for:		
Exercise of options	189,400	1,894
Exercise of warrants	203,000	2,030
Private placement	800,000	8,000
Balance, June 30, 1998	17,069,602	\$ 170,696
Issuance of common stock for:		
Exercise of options	251,720	2,517
Balance, June 30, 1999	17,321,322	\$ 173,213
Issuance of common stock for:		
Exercise of options	137,000	1,370
Private placement	452,500	4,525
Balance of June 30, 2000	17,910,822	\$ 179,108

	For the years ended June 30, 2000, 1999 and 1998		
	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)
Balance, June 30, 1997	\$ 47,447,397	\$ (29,797,978)	
Issuance of common stock for:			
Exercise of options	39,187		
Exercise of warrants	302,470		
Private placement	6,189,773		
Net loss and comprehensive loss for the year ended June 30, 1998		(3,542,729)	
Balance, June 30, 1998	\$ 53,978,827	\$ (33,340,707)	
Issuance of common stock for:			
Exercise of options	48,323		
Net loss and comprehensive loss for the year ended June 30, 1999		(8,808,173)	
Balance, June 30, 1999	\$ 54,027,150	\$ (42,148,880)	
Issuance of common stock for:			
Exercise of options	15,755		
Private placement	1,805,475		
Issuance of treasury shares to:			
Non-employee directors	(2,100)		
Net earnings and comprehensive loss for the year ended June 30, 2000		3,952,979	(400,215)
Dividends		(885,003)	
Balance of June 30, 2000	\$55,846,280	\$ (39,080,904)	\$ (400,215)

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

For the years ended June 30, 2000, 1999 and 1998

	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	
Balance, June 30, 1997	15,026	\$ (75,173)	\$ 17,733,018
Issuance of common stock for:			
Exercise of options			41,081
Exercise of warrants			304,500
Private placement			6,197,773
Purchases of common stock	128,700	(684,610)	(684,610)
Net loss and comprehensive loss for the year ended June 30, 1998			(3,542,729)
Balance, June 30, 1998	143,726	\$ (759,783)	\$ 20,049,033
Issuance of common stock for:			
Exercise of options			50,840
Purchases of common stock	95,000	(422,447)	(422,447)
Net loss and comprehensive loss for the year ended June 30, 1999			(8,808,173)
Balance, June 30, 1999	238,726	\$ (1,182,230)	\$ 10,869,253
Issuance of common stock for:			
Exercise of options			17,125
Private placement			1,810,000
Issuance of treasury shares to:			
Non-employee directors	(28,000)	138,600	136,500
Net earnings and comprehensive loss for the year ended June 30, 2000			3,552,764
Dividends			(885,003)
Balance, June 30, 2000	210,726	\$ (1,043,630)	\$ 15,500,639

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

Consolidated Statements of Cash Flows

	For the years ended June 30,		
	2000	1999	1998
Cash flows from operating activities			
Net income (loss)	\$ 3,952,979	\$ (8,808,173)	\$ (3,542,729)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and depletion	1,193,108	463,733	155,296
Loss on marketable securities	5,444	35,446	53,731
Impairment of mining assets	0	0	0
Deferred taxes	0	4,615,731	635,000
Non cash compensation	136,500	0	0
(Increase) decrease in:			
Royalty receivables	(1,449,168)	(95,068)	5,220,436
Other current assets	222,702	61,627	54,630
Increase (decrease) in:			
Accounts payable and accrued liabilities	122,782	93,687	(343,140)
Other liabilities	43,599	(26,399)	(26,400)
Total adjustments	274,967	5,148,757	5,749,553
Net cash provided by (used in) operating activities	\$ 4,227,946	\$ (3,659,416)	\$ 2,206,824
Cash flows from investing activities			
Capital expenditures for property and equipment	\$ (8,340,629)	\$ (740,696)	\$ (2,901,983)
Maturity (purchase) of held-to-maturity securities, net	4,000,000	980,312	0
Purchase of available for sale securities	(1,320,488)	0	0
Increase in other assets	(417,270)	(200)	(34,800)
Net cash provided by (used in) investing activities	\$ (6,078,387)	\$ 239,416	\$ (2,936,783)
Cash flows from financing activities			
Purchase of common stock	0	(422,447)	(684,610)
Proceeds from issuance of common stock	1,827,125	50,840	6,543,354
Net cash provided by (used in) financing activities	1,827,125	(371,607)	5,858,744
Net increase (decrease) in cash and equivalents	(23,316)	(3,791,607)	5,128,785
Cash and equivalents at beginning of period	4,670,476	8,462,083	3,333,298
Cash and equivalents at end of period	\$ 4,647,160	\$ 4,670,476	\$ 8,462,083

Supplemental Information:

The Company paid federal income taxes of \$57,500 in fiscal 1998.

The Company declared a dividend on common stock of \$885,004 during fiscal year 2000, which was paid in July 2000.

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

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Royal Gold, Inc. (the "Company" or "Royal Gold") was incorporated under the laws of the State of Delaware on January 5, 1981, and is engaged in the acquisition and management of precious metals royalty interests. Royalty revenue currently is generated from mining operations in the United States. The Company also provides financial, operational, and environmental consulting services to companies in the mining industry. Substantially all the Company's revenues are and can be expected to be derived from royalty interests rather than mining activity or consulting services.

Summary of Significant Accounting Policies

Use of Estimates: The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Basis of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and account balances have been eliminated in consolidation.

Cash Equivalents: For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2000, cash equivalents included approximately \$4,273,985 of temporary cash investments in three uninsured government securities money market funds.

Available for Sale Securities: Investments in securities that have readily determinable fair values are classified as available-for-sale investments. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income as a separate component of stockholders' equity, except that declines in market value judged to be other than temporary are recognized in determining net income. Realized gains and losses on these investments are included in determining net income.

Mineral Properties: Acquisition costs of royalty properties are capitalized and depleted using the units of production method over the life of the mineral property. Exploration costs are charged to operations when incurred. The recoverability of the carrying value of royalty interests is evaluated based upon estimated future net cash flows from each royalty interest property using estimates of proven and probable reserves. Reductions in the carrying value of each property are measured and recorded to the extent that the Company's carrying value in each property exceeds its estimated future discounted cash flows.

Management's estimate of the gold prices, recoverable proven and probable reserves related to the royalty property, operating, capital and reclamation costs of the mine operators are subject to certain risks and uncertainties which may affect the recoverability of the Company's investment in property, plant and equipment. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the net cash flows expected to be generated from properties in operation.

Office Furniture, Equipment and Improvements: The Company depreciates its office furniture, equipment and improvements over estimated useful lives of 15 years for office furniture, 3 years for computer equipment, and 5 years for other office equipment, using the straight-line method. The cost of normal maintenance and repairs is charged to expenses as incurred. Significant expenditures which increase the life of the asset are capitalized and depreciated over the estimated remaining useful life of the asset. Upon retirement or disposition of office furniture, equipment, or improvements, related gains or losses are recorded in operations.

Revenue: Royalty revenue is recognized when earned. For royalties received in gold, royalty revenue is recorded at the spot price of gold.

Income Taxes: Deferred income taxes reflect the expected future tax consequences of temporary differences between the tax basis amounts and financial statement carrying amounts of assets and liabilities at each year end and the expected future benefits of net operating loss carryforwards, tax credits and other carryforwards.

Reclassifications: Certain accounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

Earnings (Loss) Per Share: Basic earnings (loss) per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding

during each year. Diluted earnings per share reflects the effect of dilutive options and warrants.

2. PROPERTY AND EQUIPMENT

The carrying value of the Company's property and equipment consists of the following components at June 30, 2000 and 1999:

	Gross	Accumulated Depreciation & Depletion	Net
As of June 30, 2000			
Royalties			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105,020	856,389	7,248,631
Bald Mountain	2,468,762	822,649	1,646,113
Mule Canyon	180,714	—	180,714
Yamana Resources, Inc.	172,809	—	172,809
Total royalties	10,927,305	1,679,038	9,248,267
Office furniture, equipment and improvements	773,906	684,427	89,479
	\$11,701,211	\$2,363,465	\$9,337,746
As of June 30, 1999			
Royalties			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
Bald Mountain	2,468,312	511,487	1,956,825
Mule Canyon	180,714	—	180,714
Total royalties	2,649,026	511,487	2,137,539
Office furniture, equipment and improvements	711,558	658,872	52,686
	\$ 3,360,584	\$1,170,359	\$2,190,225

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

Pipeline Mining Complex:

The Company holds two sliding scale gross smelter return royalties (GSR1 and GSR2) and a fixed gross royalty (GSR3) over the Pipeline Mining Complex that includes the Pipeline and South Pipeline gold deposits in Lander County, Nevada.

The Pipeline Mining Complex is owned by The Cortez Joint Venture, a joint venture between Placer Cortez Inc. (60%), a subsidiary of Placer Dome Inc., and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto.

Bald Mountain:

Effective January 1, 1998, the Company purchased a 50% undivided interest in a sliding-scale net smelter returns royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by Placer Dome U.S. Inc.

Mule Canyon:

In fiscal 1999, the Company purchased a 5% NSR royalty on a portion of the Mule Canyon mine, operated by Newmont Gold Company.

Yamana Resources:

In fiscal 2000, the Company purchased a 2% NSR royalty on Yamana Resources' properties in Argentina.

3. AVAILABLE FOR SALE SECURITIES

During the fiscal year, the Company acquired three million units of the securities of Yamana Resources, Inc. for \$1,293,480. Each unit consists of one share and one-half warrant to purchase an additional share for Cdn \$0.50 per share, until February 2003. The Company has an unrealized loss of \$400,215 in these securities at June 30, 2000.

4. EARNINGS PER SHARE ("EPS") COMPUTATION

For the year ended June 30, 2000:

	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Basic EPS			
Income available to common stockholders	\$3,952,979	17,528,244	\$0.23
Effect of dilutive securities		182,127	
Diluted EPS	\$3,952,979	17,710,371	\$0.22

Options to purchase 1,080,532 shares of common stock, at an average purchase price of \$5.46 per share, were outstanding at June 30, 2000, but were not included in the computation of diluted EPS because the exercise price of these options were greater than the average market price of the common shares.

For the year ended June 30, 1999:

	Income (Loss) (Numerator)	Shares (Denominator)	Per- Share Amount
Basic EPS			
Income (loss) available to common stockholders	\$(8,808,173)	17,160,228	\$(0.51)
Effect of dilutive securities		—	
Diluted EPS	\$(8,808,173)	17,160,228	\$(0.51)

Options to purchase 341,800 shares of common stock, at an average purchase price of \$0.28 per share, and 892,498 shares, at an average price of \$5.96 per share, were not included in the computation of diluted EPS because the Company experienced a net loss in the year and these options were antidilutive.

For the year ended June 30, 1998:

	Income(Loss) (Numerator)	Shares (Denominator)	Per- Share Amount
Basic EPS			
Income (loss) available to common stockholders	\$(3,542,729)	16,617,133	\$(0.21)
Effect of dilutive securities		—	
Diluted EPS	\$(3,542,729)	16,617,133	\$(0.21)

Options to purchase 609,520 shares of common stock, at an average purchase price of \$0.35 per share, and 703,498 shares, at an average price of \$6.39, were not included in the computation of diluted EPS because the Company experienced a net loss in the year and these options were antidilutive.

5. INCOME TAXES

The tax effects of significant temporary differences and carryforwards which give rise to the Company's deferred tax assets and liabilities at June 30, 2000 and 1999, are as follows:

	2000	1999
Net operating loss carryforwards	\$ 8,311,261	\$ 8,661,069
Mineral property basis	1,273,075	2,610,368
AMT credit carryforward	155,715	99,172
Loss on sale of gold	—	295,367
Other	114,926	192,019
Total deferred tax assets		11,857,995
Valuation allowance	(9,305,431)	(11,528,157)
Net deferred tax assets	549,546	329,838
Gold inventory	—	(58,641)
Other	—	(271,197)
Total deferred tax liabilities	(549,546)	(329,838)
Total net deferred taxes	\$ —	\$ —

At June 30, 2000, the Company has approximately \$23.7 million of net operating loss carryforwards which, if unused, will expire during the years 2001 through 2019. Historically, the Company has experienced taxable losses and the Company's ability to generate future taxable income to realize the benefits of its tax assets will depend primarily on the spot price of gold and the operating decisions of the owners of these mineral properties. The Company will continue to evaluate the valuation allowance.

The components of income tax expense (benefit) for the years ended June 30, 2000, 1999 and 1998, are as follows:

	2000	1999	1998
Current federal tax expense	\$ 80,738	\$ —	\$ 680,280
Deferred tax expense (benefit)	2,222,726	(3,464,237)	—
Increase (decrease) in deferred tax asset valuation allowance	(2,222,726)	3,464,237	—
	\$ 80,738	\$ —	\$ 680,280

The provision for income taxes for the years ended June 30, 2000, 1999 and 1998, differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax loss from operations as a result of the following differences:

	2000	1999	1998
Total expense (benefit) computed by applying statutory rate	\$ 1,411,801	\$(3,082,861)	\$(1,001,857)
Adjustments of valuation allowance and other	(1,002,402)	3,464,237	1,839,002
Excess depletion	(328,661)	(381,376)	(156,865)
	\$ 80,738	\$ —	\$ 680,280

The changes in the valuation allowance in fiscal 2000 and 1999 are due to the utilization of net operating losses in the current year.

The change in the valuation allowance in fiscal 1998 is related to establishing a valuation allowance for the 1998 net operating losses.

6. COMMITMENTS

Operating Lease:

The Company leases office space under a lease agreement which expires October 31, 2004. Future minimum cash rental payments are as follows:

Years ending June 30,	
2001	\$102,887
2002	107,014
2003	111,317
2004	115,797
2005	39,104
	\$476,119

Rent expense charged to operations for the years ended June 30, 2000, 1999, and 1998, amounted to \$159,122, \$145,731 and \$135,838, respectively.

Employment Agreements:

The Company has one-year employment agreements with three of its officers which require total minimum future compensation, at June 30, 2000, of \$540,000. The terms of each of these agreements automatically extend, every February, for one additional year, unless terminated by the Company or the officer, according to the terms of the agreements.

7. STOCKHOLDERS' EQUITY

Preferred Stock:

The Company has 10,000,000 authorized and unissued shares of \$.01 par value Preferred Stock.

Stockholders' Rights Plan:

During fiscal 1998, the Company sold 800,000 shares of common stock, to an institutional investor in Canada, resulting in a net proceeds of \$6,200,000. The proceeds of this offering were used to advance the Company's royalty acquisition program, exploration activities, and for general corporate purposes.

On September 10, 1997, the Company's board of directors adopted a stockholders' rights plan in which preferred stock purchase rights ("Rights") were distributed as a dividend at the rate of one Right for each share of common stock held as of close of business on September 11, 1997. The terms of the Rights plan provide that if any person or group were to announce an intention to acquire or were to acquire 15 percent or more of the Company's outstanding common stock, then the owners of each share of

common stock (other than the acquiring person or group) would become entitled to exercise a right to buy one one-hundredth of a newly issued share of Series A Junior Participating Preferred Stock of the Company at an exercise price of \$50 per Right.

Stock Option Plans:

During fiscal 1989, an Employee Stock Option Plan ("Employee Plan") was adopted. Provisions of the Employee Plan provide for the issuance of either incentive or non-qualified stock options or stock appreciation rights. All options were granted at fair market value. In December 1996, shareholders approved the adoption of an Equity Incentive Plan to replace the Stock Option Plan. The options under the Equity Incentive Plan are exercisable at prices equal to the market value of the Company's common stock as of the date of grant and expire ten years after the date of grant.

On May 29, 1998, the Board of Directors approved the implementation of a Stock Option Exchange Program for current employees of Royal Gold. In effect, the Exchange Program gave employees a period of time to exchange their options for a lesser number of new options with an exercise price based on the closing price of the stock on May 29, 1998 (\$5.375/share). Under this Exchange Program, 715,750 options were canceled and 522,498 new options were issued. The new options could not be exercised for six months from the date of grant. The vesting of the new options is the same as for the old options.

The new number of options which were offered to each employee were computed in reliance on the Black-Scholes Option Pricing Model. The net result of applying this model is that the exercise price for the options was lower, and the number of shares subject to each such option was reduced.

Stock Options and Warrants:

The following schedules detail activity related to options for the years ended June 30, 1998, 1999 and 2000:

	Optioned Shares	Weighted Average Option Prices
Options Outstanding, June 30, 1997	1,425,420	\$4.63
Granted	804,998	\$6.38
Exercised	(189,400)	\$0.22
Surrendered or expired	(728,000)	\$9.59
Options Outstanding, June 30, 1998	1,313,018	\$3.59
Granted	199,000	\$4.59
Exercised	(251,720)	\$0.20
Surrendered or expired	(26,000)	\$4.00
Options Outstanding, June 30, 1999	1,234,298	\$4.66
Granted	310,000	\$4.42
Exercised	137,000	\$0.13
Surrendered or expired	140,966	\$6.08
Options Outstanding, June 30, 2000	1,266,332	\$4.67

All exercisable options outstanding at June 30, 2000 are exercisable at a weighted average exercise price of \$4.75. Options outstanding at June 30, 2000, consist of:

327,800 options at a strike price of \$0.125 and a remaining contractual life of 1.5 years; 979,532 options at an average strike price of \$4.89 (a range of \$2.88 to \$5.63), and a weighted average remaining contractual life of 7.5 years; and 101,000 options at an average strike price of \$11.02 (a range of \$7.88 to \$14.13), and a weighted average remaining contractual life of 1.9 years.

The Company measures compensation cost as prescribed by APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. No compensation cost has been recognized in the financial statements as the exercise price of all options grants is equal to the market price of the Company's common stock at the date of grant. In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.123 ("SFAS 123"). SFAS 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 (loss) and per share amounts would have been recorded.

	2000	1999	1998
Net income (loss)			
As reported	\$ 3,952,979	\$(8,808,173)	\$(3,542,729)
Pro Forma	\$ 3,522,851	\$(9,154,224)	\$(4,232,401)
Net income (loss) per basic share			
As reported	\$ 0.23	\$ (0.51)	\$ (0.21)
Pro Forma	\$ 0.20	\$ (0.53)	\$ (0.25)
Net income (loss) per diluted share			
As reported	\$ 0.22	\$ (0.51)	\$ (0.21)
Pro Forma	\$ 0.20	\$ (0.53)	\$ (0.25)

The pro forma amounts were determined using the Black-Scholes model with the following assumptions:

	2000	1999	1998
Weighted average expected volatility	45.5%	58.9%	64.4%
Weighted average expected option term	5.5 years	5.5 years	3.8 years
Weighted average risk free interest rate	5.4%	4.6%	5.5%
Forfeiture rate	5%	5%	5%
Weighted average grant fair value	\$2.12	\$2.62	\$2.28

8. MAJOR CUSTOMERS

In each of fiscal years 2000, 1999 and 1998, \$8,976,422, \$441,102 and \$2,047,142, respectively, of the Company's royalty revenues were received from the same source.

9. SIMPLIFIED EMPLOYEE PENSION ("SEP") PLAN

The Company maintains a SEP Plan in which all employees are eligible to participate. The Company contributes a minimum of 3% of an employee's compensation to an account set up for the benefit of the employee. If an employee also chooses to contribute to the SEP Plan through salary reduction contributions, the Company will match such contributions to a maximum of 7% of the employee's salary. The Company contributed \$82,528, \$79,543 and \$75,510, in fiscal years 2000, 1999 and 1998, respectively.

10. CONTINGENCIES

Casmalia:

The Company received notice, on March 24, 2000, that the U.S. Environmental Protection Agency ("EPA") has identified Royal Resources, Inc. (Royal Gold's corporate predecessor) as one of 22,000 potentially responsible parties ("PRPs"), along with many oil companies, for clean-up of a fully-permitted hazardous waste landfill at Casmalia, Santa Barbara County, California, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("Superfund"). The Company's alleged PRP status stems from oil and gas exploration activities undertaken by Royal Resources in California during 1983-84.

The Company is evaluating its potential for liability in this matter and is gathering relevant information so that it can respond appropriately to the EPA's allegations.

Market for the Registrant's Common Equity and Related Stockholder Matters

The Common Stock of the Company is traded on the Nasdaq National Market system, under the symbol "RGLD" and on the Toronto Stock Exchange under the symbol "RGL."

The following table shows the high and low closing sales prices, in U.S. dollars, for the Common Stock on Nasdaq for each quarter since June 30, 1998.

Fiscal Year	Sales Prices	
	High Closing	Low Closing
1999:		
First Quarter (July, Aug., Sept. – 1998)	\$5.00	\$3.38
Second Quarter (Oct., Nov., Dec. – 1998)	\$5.00	\$3.25
Third Quarter (Jan., Feb., March – 1999)	\$5.13	\$3.48
Fourth Quarter (April, May, June – 1999)	\$5.00	\$3.75
2000:		
First Quarter (July, Aug., Sept. – 1999)	\$6.13	\$3.38
Second Quarter (Oct., Nov., Dec. – 1999)	\$5.75	\$3.31
Third Quarter (Jan., Feb., March – 2000)	\$4.75	\$3.38
Fourth Quarter (April, May, June – 2000)	\$4.00	\$2.50

As of August 31, 2000, there were approximately 1,100 shareholders of record of the Company's Common Stock.

Dividends

The Company declared its first dividend of \$0.05 per share on its Common Stock, payable to holders of record as of July 6, 2000. This dividend was paid on July 21, 2000.

The Company plans to sustain a dividend on a fiscal year basis, subject to the discretion of the Board of Directors, which will consider among other things gold prices, economic and market conditions, and the financial needs of opportunities that might arise in the future.

Corporate Information

BOARD OF DIRECTORS

Stanley Dempsey

*Chairman and Chief Executive Officer
Royal Gold, Inc.*

Peter B. Babin

*President
Royal Gold, Inc.*

John W. Goth

Mining Consultant

Pierre Gousseland

Mining Consultant

S. Oden Howell, Jr.

Howell & Howell Painting Contractors

Merritt E. Marcus

*President
Marcus Paint Company*

Edwin W. Peiker, Jr.

*Formerly President of the Company
Mining Consultant*

James W. Stuckert

*Chairman & Chief Executive Officer
Hilliard, Lyons, Inc.*

Donald Worth

Mining Consultant

OFFICERS

Stanley Dempsey

Chairman & CEO

Peter B. Babin

President

Karen P. Gross

Vice President and Corporate Secretary

Donald Baker

*Vice President of Corporate
Development*

John Skadow

Controller and Treasurer

CORPORATE HEADQUARTERS

Royal Gold, Inc.

1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202

Phone: 303.573.1660

Fax: 303.595.9385

E-mail: royalgold@royalgold.com

Web Site: *Please visit the Company's
web site at www.royalgold.com*

*for additional information about
the Company.*

LEGAL COUNSEL

Brobeck, Phleger & Harrison

Broomfield, Colorado

AUDITORS

PricewaterhouseCoopers LLP

Denver, Colorado

SUBSIDIARY COMPANIES

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Denver Mining Finance Company

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Fax: 303.595.9385

E-mail: dmfc@miningfinance.com

Environmental Strategies, Inc.

1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202

Phone: 303.573.6105

Fax: 303.595.9385

Calgom Mining, Inc.

GRAMEX, Ltd.

GRAMEX SRL

Mono County Mining Company

Royal Camp Bird, Inc.

Royal Crescent Valley, Inc.

Royal Kanaka Creek Corporation

Royal Long Valley, Inc.

Royal Trading Company

SOMIN, Ltd.

1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202

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Fax: 303.595.9385

TRANSFER AGENT/REGISTRAR

Computershare Trust Company

12039 W. Alameda Parkway, Suite Z-2
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Phone: 303.234.5300

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Computershare Investor Services

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11th Floor, South Tower

Toronto, Ontario

MSJ 2YI

Canada

STOCK EXCHANGE LISTINGS

Nasdaq National Stock Market

(Symbol: RGLD)

Toronto Stock Exchange

(Symbol: RGL)

INVESTOR RELATIONS

Copies of the Company's Form 10-K are available at no charge. Please direct requests and any other investor relations questions to:

Karen Gross

Vice President & Corporate Secretary

Phone: 303.575.6504

E-mail: kgross@royalgold.com

SHAREHOLDER COMMUNICATION

It is important for our shareholders to get timely information about the Company. We encourage our shareholders to access our web site at www.royalgold.com, or to receive information via e-mail or facsimile.

ANNUAL MEETING

Tuesday, November 14, 2000

9:30 a.m. MST

Oxford Hotel, Sage Room

1600 Seventeenth Street

Denver, CO 80202



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