ROYAL GOLD, INC.

Experience Leverage Value

2004 ANNUAL REPORT

Corporate Profile

Royal Gold, Inc. is the leading publicly-traded precious metals royalty company. Royal Gold owns and manages royalties on precious metals mines and through its royalty portfolio, the Company provides investors with a unique opportunity to capture value in the precious metals sector. Royal Gold holds royalties in a number of properties without incurring the ongoing capital or operating costs associated with an operating mining company. Additionally, Royal Gold provides investors with valuable leverage to improving gold prices with sliding-scale royalties while lowering its risk from decreasing gold prices through fixed rate royalties and floors on its sliding-scale royalties.

Through its dividend policy and business strategy, Royal Gold strives to provide shareholders with a premium precious metals investment vehicle. The Company's royalty portfolio offers high rewards through its direct exposure to precious metal prices, and the growth potential of world class ore deposits. At the same time, Royal Gold's royalty-based business model, which involves quality operators and diversification of its royalty revenue stream, reduces the operational risk usually associated with mining.

A Denver-based corporation, Royal Gold is traded on the Nasdaq Stock Market, under the symbol "RGLD" and on the Toronto Stock Exchange, under the symbol "RGL". Management and directors beneficially own about 21% of the shares of the Company.

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Business Strategy

Royal Gold seeks to create collaborative relationships with royalty owners, mine operators and other business partners. Future growth of the Company will result from the addition of new royalty streams from precious metal operations. The key elements of our business strategy are:

(1) Acquiring and holding royalties on high quality deposits that are being or have the potential to be exploited by competent operators;

(2) Holding royalties on properties in major mineralized regions that have upside potential;

(3) Broadening our portfolio of producing royalties to diversify risk;

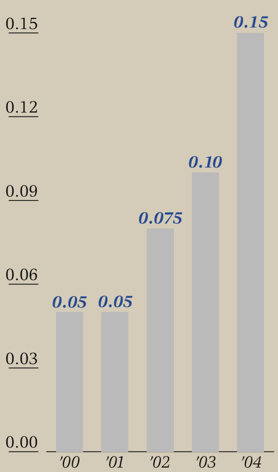
(4) Leveraging a productive staff that possesses creative deal-making skills, industry expertise and a high degree of motivation provided by significant equity ownership in the Company;

(5) Committing to smart growth, not growth at any cost; and

(6) Maintaining an efficient overhead structure to maximize cash flow.

Dividends Per Share

For the years ended June 30



Financial Highlights

Selected Financial Data

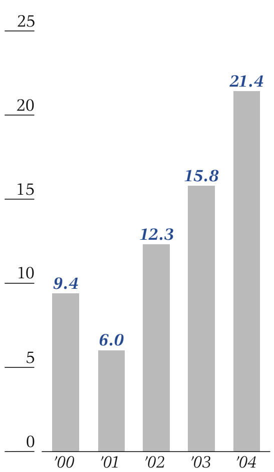
Selected Statements of Operations Data

For the years ended June 30, *(Amounts in thousands, except per share data)*	*2004*	*2003*	*2002*	*2001*	*2000*
Royalty revenue	$ 21,353	$ 15,788	$ 12,323	$ 5,963	$ 9,407
Exploration and business development	1,392	1,233	618	774	1,868
General and administrative expense	2,923	1,966	1,875	1,716	1,768
Non-cash employee stock option compensation expense	-	-	1,484	-	-
Depreciation and depletion	3,314	2,855	2,289	1,271	1,193
Impairment of mining assets	-	166	-	490	-
Net income	8,872	6,752	10,699	1,138	3,953
Basic earnings per share	$ 0.43	$ 0.34	$ 0.60	$ 0.06	$ 0.23
Diluted earnings per share	$ 0.42	$ 0.33	$ 0.59	$ 0.06	$ 0.22
Dividends declared per share	$ 0.15	$ 0.10	$ 0.075	$ 0.05	$ 0.05

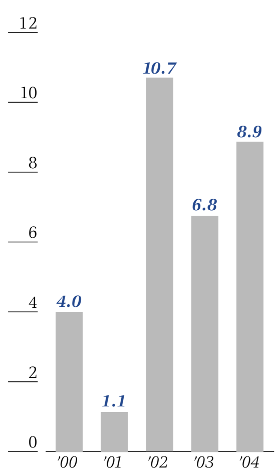
Selected Balance Sheet Data

For the years ended June 30, *(Amounts in thousands)*	*2004*	*2003*	*2002*	*2001*	*2000*
Total assets	$ 93,522	$ 86,359	$ 29,590	$ 17,262	$ 17,498
Working capital	49,460	34,296	11,990	4,431	5,692
Long-term obligations	103	113	121	127	125
Deferred tax liability	8,079	8,747	-	-	-

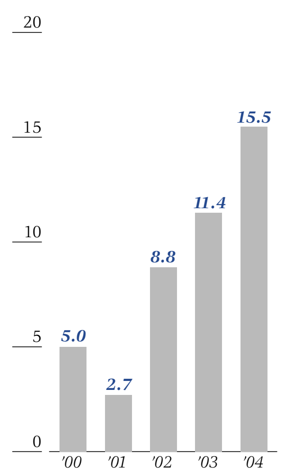
Royalty Revenues
For the years ended June 30
($ millions)



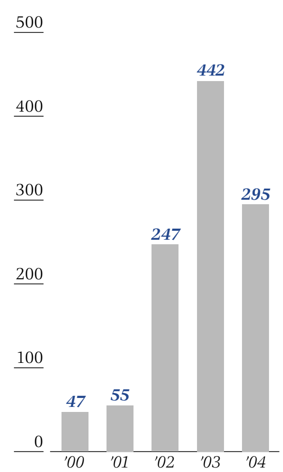
Net Income
For the years ended June 30
($ millions)



Free Cash Flow[1]
For the years ended June 30
($ millions)



Market Cap
For the years ended June 30
($ millions)



1. For a reconciliation of free cash flow to the most directly comparable GAAP financial measure, see Free Cash Flow Reconciliation on page 43.

Cautionary "Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: With the exception of historical matters, the matters discussed in this annual 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 production estimates, cash flow and earnings, the sliding-scale features of our royalty structure at the Pipeline Mining Complex, performance of our royalty portfolio, and acquisition and financing opportunities which could result in the creation of new royalties. Factors that could cause actual results to differ materially from projections include, among others, precious metals prices, decisions and activities of the operators of our royalty properties, unanticipated grade, geological, metallurgical, processing or other problems the operators of the mining properties may encounter, changes in project parameters as plans continue to be refined, results of current or planned exploration activities, economic and market conditions, future financial needs or opportunities, and the impact of any future acquisitions, as well as other factors described elsewhere in our Annual Report on Form 10-K for the year ended 2004. 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.

Letters to Shareholders

Dear Shareholders:

Review of FY2004

We had another great year with Royal Gold's precious metals royalty-based business model proving itself again! Revenues, cash flow and earnings were up, beating our outstanding 2003 performance. Again, as in fiscal 2003, we upped the dividend, this time by 50% to $0.15 per year. We ended the fiscal year with $45 million in cash, and no debt.

Robust production at the Pipeline Mining Complex and a full year's production at Carlin East and the SJ Claims provided the base for revenues. We also benefited from a higher gold price, which averaged $389 per ounce for fiscal 2004, up from $334 in 2003. Because of the higher gold price, the sliding-scale feature of our GSR1 royalty at Pipeline was 4.0% for three quarters of our fiscal year.

We again had excellent margins. Our operating costs, mainly net proceeds tax paid to the State of Nevada, were up. Increases in this number are good news, because these tax increases come with bigger revenues. Additionally, most of the higher general and administrative costs reflect non-recurring legal and accounting fees for the shelf registration, the expense of additional staff, and the cost of complying with Sarbanes-Oxley and related regulations.

The High Desert acquisition, completed in December 2002, has worked out well for us. We have now had the benefit of a full-year's contribution from both the Barrick and Newmont royalties, and look forward to a big step-up in production at Leeville when the new underground mine comes into production, which Newmont has scheduled for late in calendar 2005. We also restructured the High Desert exploration properties. This involved farming out properties to a junior company while keeping royalty positions for Royal Gold.

Adding Depth to our Staff

We put a lot of effort during the year into building up our staff to handle both the royalty audit and growth components of our business strategy. Last year, I reported that we had added Tony Jensen as President and Chief Operating Officer. Tony came from Placer Dome where he had been General Manager of the Cortez Mine. Cortez's operations include the Pipeline Mining Complex, which is very important to us. Tony hit the ground running when he came on board in August 2003. He has beefed up our audit program, integrating technical and financial auditing of our existing royalties. He has also contributed directly to our growth activities.

Furthermore, we added a number of fine people in the legal, financial and administrative functions. Randy Parcel joined us in June as Vice President and General Counsel. He is a mining lawyer who is highly regarded in the industry. Randy has been in private practice for much of his career and brings very strong experience in mining law and mining finance transactions.

Don Baker, our longtime Vice President of Business Development, has continued to identify all avenues of growth opportunities. With the addition of Tony and Randy, he will have even more resources to draw upon in bringing in new, high-quality royalty revenue.

Over 18 years ago, Ed Peiker, a current board member and former President of Royal Gold, and I combined our technical and legal backgrounds to start Royal Gold. Our professional training, plus a genuine interest in mining as a calling, made it possible for us to put together the solid base of assets we have today. The new staff brings both excellent credentials and great attitudes and we will continue to build a very strong team of employees committed to this business, as well as the overall industry. I know they will use the current business platform as a launching pad for growth.

Strategic Matters and Industry Update

Tony's letter will provide you with details of our production performance, along with comments on our growth activities. That leaves me with the job of commenting on strategic matters and issues affecting the precious metals industry.

There are many opportunities available to us. During the past year we worked hard on a number of them, and we are continuing to pursue quality deals. My goal is to grow the Company to the billion-dollar level. This will take time, but with our financial firepower and our superior management team, we can do it. Given our current performance and growth prospects, I can truly boast, "Royal Gold is as good as gold."

Additionally, I continue to feel bullish about the price of gold, primarily because I am concerned about the strength of the U.S. dollar. I am also optimistic that better promotion of gold, as both a consumer product and as a financial product, will help push up the gold price.

Royal Gold is a member of the World Gold Council, and I serve on the Executive Committee of this organization. The World Gold Council is doing important work to promote the consumption of gold, particularly in jewelry. It has also been working on exciting new financial products like the gold exchange traded fund. We believe all gold producers should support these activities.

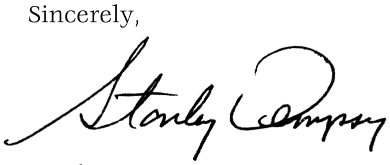
Royal Gold also supports a number of mining industry trade groups. We are members of the National Mining Association, Colorado Mining Association, Nevada Mining Association, Alaska Mining Association and the Northwest Mining Association. These organizations look after the interests of our industry, particularly with respect to important issues like access for exploration and mining rights. We have interests in common with our operators, and we are not shy about doing our share to support these organizations.

Stanley Dempsey, Chairman and Chief Executive Officer and Tony Jensen, President and Chief Operating Officer.

Summary

We believe our people are the key to Royal Gold's success. In the coming year, we will continue to steward our existing assets and grow the Company. 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 Chief Executive Officer

Letters to Shareholders

Dear Shareholders:

It is a pleasure to have, for the first time, an opportunity to address you through the annual report. I would like to take this occasion to highlight our outstanding financial and operational performance and give you a glimpse into our growth plans for the coming year.

Financial Performance

Royal Gold's fundamentals continue to be robust. Increases of 35% in revenues, 26% in earnings and 36% in free cash flow* this fiscal year were outstanding. Looking back five years - when our Cortez cornerstone royalties first began to contribute - revenues, earnings and free cash flow* have grown at compounded annual growth rates of 23%, 22% and 32%, respectively. These strong fundamentals led FORTUNE Small Business magazine to name Royal Gold as one of the top four fastest growing small cap companies for the second year in a row.

Quality Assets and Operators

Our strong financial performance stems from the quality of our royalty assets. We hold significant royalties on three of the world's premier gold mines: the Cortez mine, operated by Place Dome; the Goldstrike mine, operated by Barrick; and the Leeville mine, operated by Newmont. Due to reserve additions, each of these assets continue to produce annual incremental gains. In calendar year 2003, reserves attributable to our royalties increased 10%, net of production. This quiet and consistent organic growth is highly profitable to Royal Gold because it comes at no additional cost.

We continue to enhance our working relationships with our royalty operators and seek opportunities to support them in their operational and business endeavors. We conduct on-site visits to each of our royalty properties, at least once per year, to ensure we have a good understanding of existing and future operations as well as exploration developments. In addition to these in-depth property and financial reviews, we have frequent conversations throughout the year with each of our operators to stay up-to-date on their progress.

Efficient Business Model

The efficiencies and margins of a royalty business model are unparalleled. In fiscal 2004, 73% of our revenues translated to free cash flow.* As royalty owners, we are not exposed to continuing cash contributions, operating and capital cost inflation, or costs due to environmental risk. This presents our shareholders with the unique opportunity to invest in gold at a reduced risk level. In addition, our gold price indexed royalties provide shareholders with leverage rarely found in other gold investments. In fiscal 2004, our GSR1 royalty rate at Cortez increased 33% from an annual average of 2.90% in fiscal 2003 to 3.86% in fiscal 2004. This resulted in a 42% increase in GSR1 royalty revenue demonstrating the remarkable leverage associated with our sliding-scale royalties.

Growth Plans

Royal Gold is in an enviable position to achieve double-digit growth because of our size and financial strength. We have sufficient cash on hand, and we recently completed a large shelf registration that gives us the financial flexibility to move quickly, if the right growth opportunity presents itself.

Royal Gold's growth plan is broad. Although a strategy of royalty acquisitions has worked well for us in the past and we will continue to pursue those opportunities, we are not limited to simply acquiring existing royalties. Currently we are pursuing opportunities in all phases of mine development – from exploration to reclamation – to identify investment opportunities that might lead to a royalty. You will likely see us complete some smaller but logical transactions that come our way as we will not pass up the chance to gain exposure to a promising district or to achieve an attractive financial return. However, our main focus is always on transactions that have the ability to transform this Company. We will be patient in identifying and aggressive in pursuing such opportunities.

We thank you for your support and look forward to the coming year.

Tony A. Jensen
President and Chief Operating Officer

* *For reconciliation of free cash flow to the most directly comparable GAAP financial measure, see Free Cash Flow Reconciliation on page 43.*

Property Portfolio

Looking northwest at the Pipeline and South Pipeline pit at the Pipeline Mining Complex.

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 Inc., a subsidiary of Placer Dome Inc. (60%) and Kennecott Explorations (Australia) Ltd., a subsidiary of Rio Tinto (40%). Royal Gold currently holds four principal royalty interests on the property: two sliding-scale gross smelter returns royalties (GSR1 and GSR2), a fixed-rate gross royalty (GSR3), and a net value royalty (NVR1). Cumulative royalty payments made to Royal Gold by Cortez during the year ended June 30, 2004, totaled approximately $18.7 million, compared to $13.9 million in the previous year.

Pipeline Mining Complex Royalty Interests

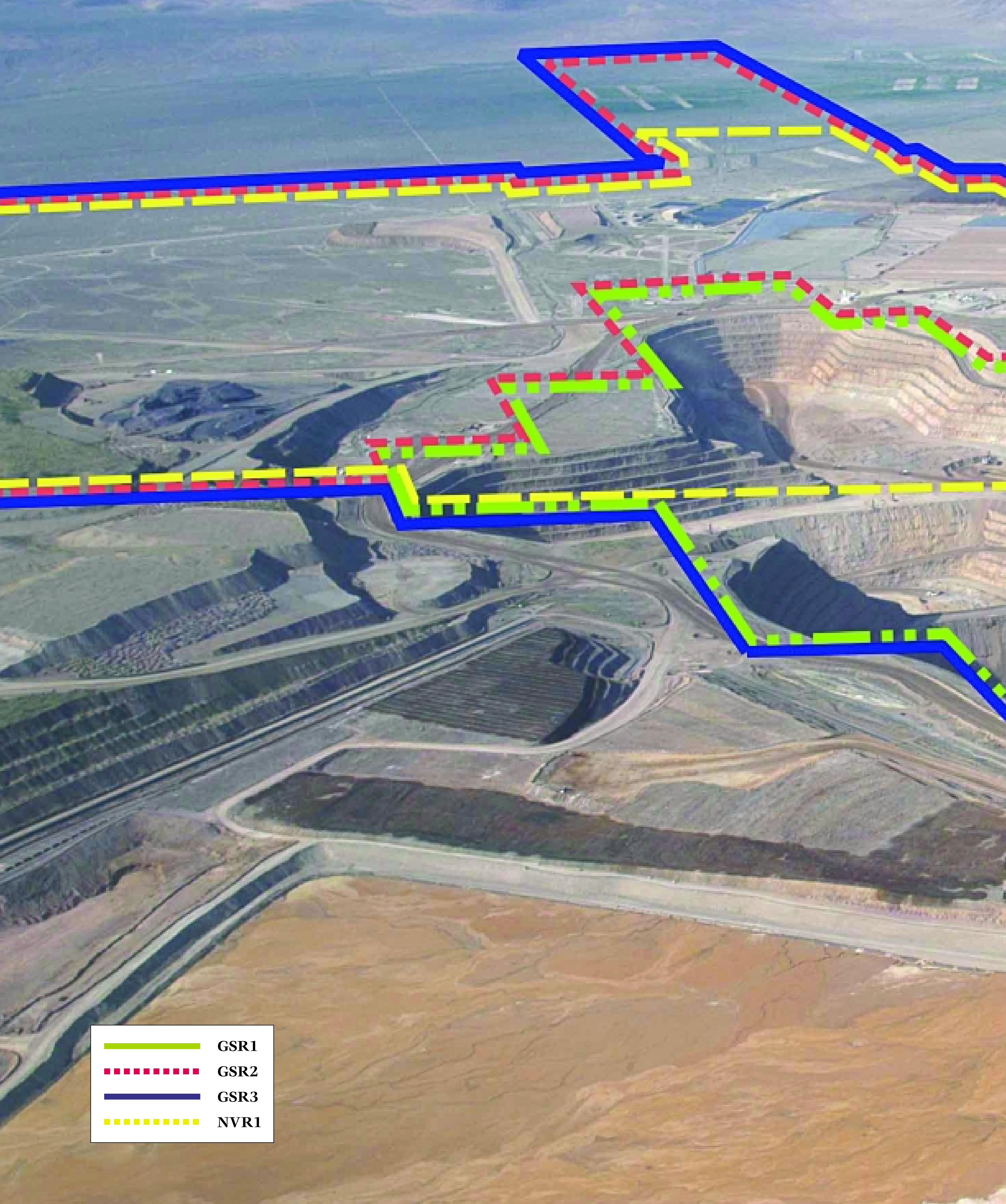
- ***GSR1:*** This royalty covers all gold produced from the "Reserve Claims," a block of 52 claims encompassing all of the proven and probable reserves in the Pipeline and South Pipeline deposits as of April 1, 1999. GSR1 is a sliding-scale royalty tied to the price of gold (see table, pg. 9). Royalty payments received during fiscal year 2004 from GSR1 were approximately $14.8 million.
- ***GSR2:*** This royalty covers all gold produced from the claim block lying outside the reserve claims (the remaining 296 lode claims known as the "GAS Claims"). GSR2 is also a sliding-scale royalty tied to the price of gold, but it pays out at a rate that is 80% higher than that of GSR1, at all gold prices. There were no royalty payments received in fiscal 2004 from GSR2.
- ***GSR3:*** This royalty is a 0.71% fixed-rate royalty, for the life of the mine, encompassing all of the "GAS Claims" and "Reserve Claims." Royalty payments received during fiscal year 2004 from GSR3 were approximately $2.7 million.
- ***NVR1:*** This 0.39% net value royalty applies to most of the GAS Claims, including the South Pipeline deposit and Crossroads area, but not including the Pipeline pit. The NVR1 is calculated by deducting processing-related and associated capital costs, but not mining costs. Royalty payments received during fiscal year 2004 from NVR1 were approximately $1.2 million.

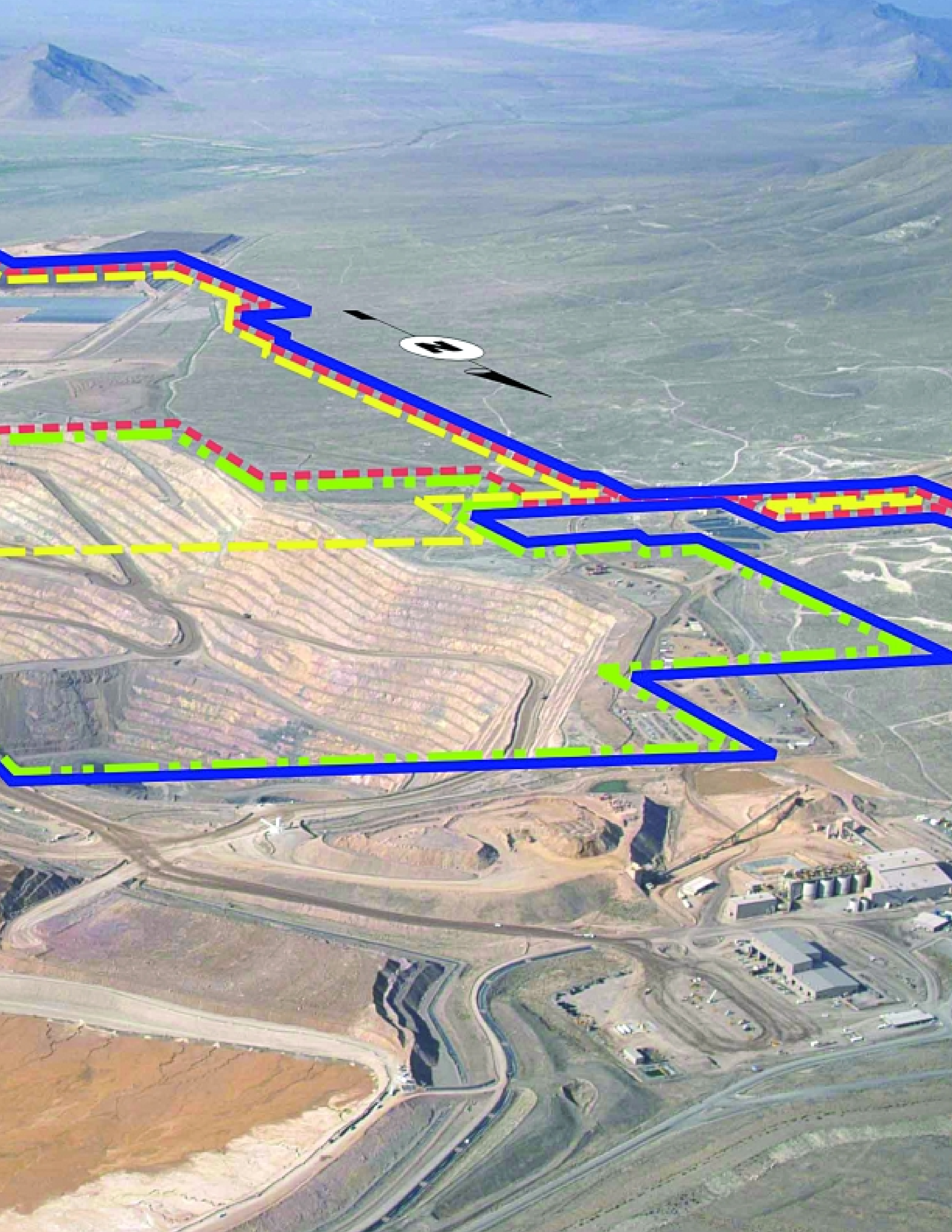
See pages 6 and 7 for a map showing our royalty positions at the Pipeline Mining Complex.

Cortez Production

During fiscal year 2004, Cortez produced approximately 973,000 ounces of gold from the Pipeline Mining Complex subject to our royalty interests. Placer Dome recently announced that the Pipeline Mining Complex is now expected to produce approximately 1.0 million ounces of gold in calendar 2004. Royal Gold estimates that approximately 952,000 ounces will be subject to our royalty interests. Cortez also has a contract with Barrick Gold for the processing of refractory ores at the Barrick Goldstrike facility, but continues with studies comparing the viability of treating these ores at Cortez with new processes.

Royal Gold's royalty positions at the Pipeline Mining Complex.

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Property Portfolio

Electric shovel loading 240-ton trucks at the Pipeline Mining Complex.

Ore Reserves and Mineralization

Placer Dome reported proven and probable reserves for the Pipeline Mining Complex, as of December 31, 2003, at a gold price of $325 per ounce, of 160.1 million tons (145.2 million tonnes), at an average grade of 0.037 ounces per ton ("opt") (1.27 grams per ton ("gpt")), containing approximately 6.0 million ounces of gold. Placer Dome also reported that in addition to the proven and probable reserves, the property contains approximately 176.5 million tons (160.1 million tonnes) of additional mineralized material, at an average grade of 0.033 opt (1.13 gpt). The new reserve additions replaced about 53% of the Pipeline Mining Complex production in 2003 and mineralized material increased by about 50%.

The royalty positions held by Royal Gold at the Pipeline Mining Complex relate to the following proven and probable reserves and additional mineralized material, as of December 31, 2003:

Royalty	*Category*[1]	*Tons/Tonnes (millions)*	*Average Gold Grade (opt/gpt)*	*Contained Ounces*[2]
GSR1	Proven and probable reserves	150.3 / (136.4)	0.038 / (1.30)	5,775,613
	Mineralized material	79.5 / (72.1)	0.028 / (0.96)	-
GSR2	Proven and probable reserves	9.8 / (8.9)	0.021 / (0.72)	207,796
	Mineralized material	97.0 / (88.0)	0.038 / (1.30)	-
GSR3	Proven and probable reserves	160.1 / (145.2)	0.037 / (1.27)	5,963,409
	Mineralized material	176.5 / (160.1)	0.033 / (1.13)	-
NVR1	Proven and probable reserves	120.2 / (109.0)	0.034 / (1.17)	4,108,779
	Mineralized material	140.0 / (127.0)	0.034 / (1.17)	-

1 Placer Dome is a Canadian issuer. Their definitions conform to the Canadian Institute of Mining, Metallurgy and Petroleum definitions as of the effective date of estimation as required by National Instrument 43-101 of the Canadian Securities Administrators. Royal Gold, for purpose of disclosure according to U.S. standards, uses the terms "proven and probable reserves" and "mineralized material" instead of the terms "proven and probable mineral reserves" and "measured and indicated mineral resource," as used by Placer Dome.

2 GSR1, GSR2, and NVR1 attributable reserves are a subset of the reserves covered by GSR3.

Outline of Royal Gold's royalty position at the Leeville Project.

Exploration

Royal Gold has a keen interest in the development of Crossroads. The majority of the additional mineralized material is contained within this area. Most of Crossroads resides on lands subject to Royal Gold's GSR2 ("super") royalty; and the entire Crossroads additional mineralized material inventory is covered by both the GSR3 and NVR1 royalties. Royal Gold is working with Placer Dome to unlock potential value from the Crossroads deposit.

Pipeline Mining 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	4.75%	8.55%
$470 - and above	5.00%	9.00%

Leeville Complex

EUREKA COUNTY, NEVADA

Royal Gold owns a 1.8% net smelter return ("NSR") royalty which covers the majority of the Leeville Project. We acquired this royalty in December 2002 through the acquisition of High Desert Mineral Resources. The Leeville Project is an underground mine currently under development by Newmont Mining Corporation. Newmont has announced that it expects to initiate production at Leeville in late 2005, at an average annual rate of about 550,000 ounces per year, with an expected mine life of approximately seven years.

Construction is progressing on schedule at Leeville. Newmont reported, in its June 2004 quarterly report, that the ventilation shaft is about 94% complete, the production shaft is approximately 59% complete, and the Carlin East drift is about 90% complete.

We derive current royalty revenue from the Leeville Project royalty ground from on-going underground operations on a portion of the Carlin East mine, operated by Newmont. In fiscal 2004, we received approximately $730,000 in royalty revenues from approximately 106,000 ounces of gold produced at Carlin East subject to our royalty interest. Newmont reported to Royal Gold that it estimates total gold production from Carlin East, in calendar 2004, at approximately 116,000 ounces.

Property Portfolio

Layback development of the SJ Claims at the Betze-Post open pit at the Goldstrike Mine.

As of December 31, 2003, Newmont estimated that at a $325 per ounce gold price, proven and probable reserves on our royalty land at the Carlin East mine include 384,000 tons (348,000 tonnes) of ore, at an average grade of 0.381 opt (13.1 gpt), containing approximately 146,000 ounces of gold.

At the Leeville project, proven and probable reserves include 5.2 million tons (4.7 million tonnes) of ore, at an average grade of 0.487 opt (16.7 gpt), containing 2.5 million ounces of gold. In addition, Newmont has reported additional mineralized material totaling 1.5 million tons (1.4 million tonnes), at an average grade of 0.453 opt (15.5 gpt), on the Company's royalty position at the Leeville Complex.

SJ Claims

EUREKA COUNTY, NEVADA

Royal Gold owns a 0.9% NSR royalty on the SJ Claims which covers a portion of the Betze-Post open pit at the Goldstrike mine. The Goldstrike mine is operated by Barrick Gold Corporation. We acquired this royalty in December 2002 through the acquisition of High Desert Mineral Resources.

Production from the SJ Claims in fiscal 2004 totaled approximately 402,000 ounces, resulting in approximately $1.4 million in royalty revenues for Royal Gold. Barrick estimates that during calendar 2004, production from the SJ Claims will total 515,000 ounces of gold subject to Royal Gold's royalty.

As of December 31, 2003, at a $325 gold price, Barrick reported proven and probable reserve estimates, subject to our royalty, totaling 62.2 million tons (56.4 million tonnes) of ore, at an average grade of 0.157 opt (5.38 gpt) containing approximately 9.8 million ounces of gold. According to Barrick, the Betze-Post contains additional mineralized material totaling 37.4 million tons, at an average grade of 0.061 opt. We are working with Barrick to determine how much of the additional mineralized material is subject to the Company's royalty interest.

Barrick is currently producing ore on the eastern portion of the SJ claim block. Royal Gold's royalty land is favorably positioned as the operator completes three more designed push-backs in the western pit area to expose and develop ore located on the SJ Claims.

Top pit layback at the Bald Mountain Mine.

Bald Mountain

WHITE PINE COUNTY, NEVADA

Royal Gold holds a 1.75% to 3.5% NSR sliding-scale royalty on a portion of the Bald Mountain mine. The sliding-scale moves up 0.25% for each $25 per ounce in gold price movement above a $375 gold price indexed in 1986 dollars (approximately a $500 per ounce gold price today).

Bald Mountain, owned and operated by Placer Dome U.S. Inc. ("PDUS"), a subsidiary of Placer Dome Inc., is an open pit, heap leach mine. During fiscal 2004, the Bald Mountain mine produced approximately 33,900 ounces of gold which were subject to our royalty interest and generated approximately $231,000 in royalty revenues for Royal Gold.

As of December 31, 2003, PDUS reported to Royal Gold that, at a $325 per ounce gold price, proven and probable reserves related to Royal Gold's royalty include 5.5 million tons (5.0 million tonnes) of ore, at an average gold grade of 0.058 opt (2.0 gpt), containing approximately 320,000 ounces of gold. In addition to the proven and probable reserves, PDUS reported to Royal Gold that the property contains approximately 7.7 million tons (7.0 million tonnes) of additional mineralized material, at an average grade of 0.037 opt (1.27 gpt) of gold, subject to Royal Gold's royalty interest.

At the same time, PDUS also has advised that it anticipates production in calendar 2004 of approximately 55,000 ounces of gold subject to Royal Gold's royalty interest. The Bald Mountain management is focused on exploration and has done a great job of improving the performance of this operation in past years and has repeatedly extended the life of the mine.

South America

SANTA CRUZ PROVINCE, ARGENTINA

Royal Gold holds a 2% NSR royalty on all mineral production from all of the development and exploration properties encompassing about 365,000 acres (148,000 hectares) in Santa Cruz Province, southern Argentina, held by Coeur d'Alene Mines Corporation ("Coeur") and Yamana Gold (formerly Yamana Resources). This royalty includes the high-grade silver property known as the Martha mine.

Coeur holds the properties in western Santa Cruz Province and commenced production at the Martha mine in the second half of calendar 2002. Royal Gold received approximately $256,000 in royalty revenues related to production from the Martha mine in fiscal 2004.

Property Portfolio

Use of a GPS mapping system to map geologic features.

As of December 31, 2003, Coeur reported that proven and probable reserves subject to Royal Gold's royalty at the Martha mine, at a $5.25 per ounce silver price, totaled approximately 16,000 tons (14,515 tonnes) of ore, at an average silver grade of 83.7 opt (2,870 gpt), containing approximately 1.35 million ounces of silver. In addition, Coeur reported that the Martha mine contains approximately 24,000 tons (21,770 tonnes) of additional mineralized material, at an average grade of 78.4 opt (2,688 gpt) silver.

Coeur has been actively exploring this area and recently stated that they have identified deeper mineralization similar to the Martha mineralization which will add another year of production. Exploration is expected to continue throughout calendar 2004.

We also hold a 2% NSR royalty on gold properties held by Yamana Gold in eastern Santa Cruz Province, Argentina. Yamana reported that on July 1, 2004, the joint venture partners in the exploration of these Argentinean properties withdrew from the joint venture. Yamana reports that they have been advised that the reason for the joint venture partners' withdrawal relates to other priorities and not the technical merits of the properties. Yamana is taking the opportunity during the Argentina winter season to evaluate whether to bring in another partner or explore the properties itself. There are no reported reserves or additional mineralized material on these properties.

Exploration Royalty Portfolio

Royal Gold also holds royalty interests on the following properties.

Property[1]	*Location*	*Royalty Interest*	*Owner/ Operator*
Mule Canyon	Nevada	5% NSR	Newmont
Buckhorn South	Nevada	14% NPI	Cortez JV
Rye	Nevada	0.5% NSR	Barrick
Simon Creek	Nevada	1.0% NSR	Barrick
Ferris/Cooks Creek	Nevada	1.5% NVR	Cortez JV
Horse Mountain	Nevada	0.25% NVR	Cortez JV
BSC	Nevada	2.5% NSR	Nevada Pacific
Long Valley	California	1.0% NSR	Vista Gold
RG Russia[2]	Russia	1.0% NSR	Phelps Dodge
Copper Basin	Nevada	0.75% NSR	BH Minerals
ICBM	Nevada	0.75% NSR	BH Minerals
Long Peak	Nevada	0.75% NSR	BH Minerals
Dixie Flats	Nevada	0.75% NSR	BH Minerals

1 There are no reserves on any of these properties.
2 Vesting through funding of $1.3 million in exploration. Through June 30 2004, we have funded approximately $850,000.

Diamond drill core samples obtained from exploration drilling.

RG Russia

Early in fiscal 2004 we entered into an agreement for exploration in Russia with a subsidiary of Phelps Dodge Exploration Corporation, which holds an exploration license granted by the Russian government. As of June 30, 2004, we have funded approximately $850,000, or two-thirds of our original $1.3 million funding commitment, in order to obtain a 1% NSR royalty. We expect to be fully vested in this royalty either this field season or no later than June 2005.

Sparrow Hawk

We recently acquired 31 mining claims in Eureka County, Nevada, referred to as the Sparrow Hawk claims. These claims are about 18 miles southeast from the Pipeline Mining Complex. We purchased these claims due to interesting geochemical results and because of their location within the greater Cortez area – a gold camp with demonstrated upside potential. We also are looking to utilize additional geochemical tools for exploring in pediment covered terrain in Nevada.

Corporate Responsibility and The Gold Market

Corporate Responsibility

Royal Gold is committed to preserve and protect the environment, promote the health and safety of its employees and be an exemplary corporate citizen. The Company's Environmental, Health and Safety Policy specifies that any mineral exploration programs it may conduct are performed in compliance with all the health, safety and environmental laws and regulations in the communities in which the Company operates; that the Company will apply responsible standards and best practices; and that the Company will require its employees and contractors to meet or exceed such performance standards. Likewise, we expect the operators of the properties over which we hold royalties to conduct their activities in a responsible manner.

In keeping with the basic tenants of the Company's Environmental Health and Safety Policy, Royal Gold sold a 305-acre group of mining claims in the spring of calendar 2003 to the Trust for Public Land in connection with the Red Mountain Project. The Red Mountain Project is an initiative to protect 10,500 acres of private land in the heart of the San Juan Mountains between Ouray, Silverton and Telluride, Colorado. Through the acquisition of land from willing sellers, such as Royal Gold, the Red Mountain Project aims to conserve the Red Mountain area from development, protect the wildlife habitat, and preserve a number of historic mining structures and homes that are important to the history of Red Mountain and Colorado. At present, all land within the Red Mountain Project is under management by the United States Forest Service.

The Gold Market*

Higher Gold Prices in 2003

Gold performed extremely well in calendar 2003 rising from a low of $320 per ounce in April to a high of $416 per ounce on the final trading day of the year. The annual average price in 2003 was $363 per ounce, up approximately 17% from an average gold price of $310 per ounce in 2002. The rise in the gold price during 2003 reflected a surge in investment demand for physical gold to its highest levels since 1967, with trends in the currency market, domestic fiscal policy and overall economic conditions as the primary drivers. For the first six months of calendar 2004, the price of gold has averaged $401 per ounce, ranging from a high of $427 per ounce to a low of $375 per ounce, with many economists forecasting a continuation of the current bull market into calendar 2005.

Trends in Supply and Demand

Gold Fields Mineral Services ("GFMS"), an independent precious metals research consultancy, reported in their Gold Survey 2004 that global mine production in 2003 increased marginally compared with 2002 levels. Small production decreases were seen in both North American and South African production, offset by a handful of new mines in Australia. Weighted average cash costs rose 23% mainly due to currency movements.

On the demand side of the gold equation, total fabrication in 2003 fell by 4% mostly due to a drop in jewelry demand. The GFMS' report cited the main causes of this decrease in jewelry demand to be the Iraq war, SARS and the gold consumer purchasing other forms of jewelry.

Another factor affecting gold demand is producer hedging and de-hedging. Producers unwound their hedge positions by 29% as a result of the positive price outlook for gold and shareholder pressure to decrease hedging positions. World investment demand for gold rose sharply in 2003, comprised of a strong increase in investment demand chiefly through strong buying from hedge funds. Purchasing by other institutions, high net worth individuals and retail investors was mixed while bar hoarding in east Asia experienced a 30% drop.

Washington Agreement

The re-signing of the Washington Agreement was a positive development for the long-term future of the gold market. On March 8, 2004, European central banks announced their intent to renew the Washington Agreement of 1999, which was set to expire in September 2004. Under the terms of the agreement, participating central banks agreed to raise their self-imposed limit on gold sales from the current maximum of 441 tons (400 tonnes) per year to a new maximum of 551 tons (500 tonnes) per year for the next five years.

This commitment to limit gold sales and leasing by the participating European central banks removes some of the uncertainty regarding the future supply of gold. Collectively, these fifteen European central banks have 45% of official gold holdings. Another 42% is held by countries and agencies, including the U.S., which are unlikely to sell. Combined, these two figures represent 87% of official gold holdings.

Other Developments

Last year the World Gold Council launched its Gold Bullion Securities initiative. This initiative created the world's first gold exchange-traded fund with shares of the fund offered on both the Australian and London stock exchanges. The World Gold Council also filed documents with the Securities and Exchange Commission ("SEC") in May 2003 to launch a gold ETF on the New York Stock Exchange. According to a recent statement on the SEC's web site, these securities could soon start trading.

This new U.S. gold fund, which will be called streetTRACKS Gold Trust, is designed as an alternative to investing in physical gold, which can be difficult and expensive for non-professionals to move, store and insure. Just over 60 million shares, each share representing ownership in 1/10 ounce of gold, have been registered and will trade under the ticker symbol GLD. The price of the shares will be determined by the spot price of gold at the time the shares are sold to the market. The actual gold will be warehoused by the custodian, HSBC Bank USA, and the trust will be administered by The Bank of New York. The World Gold Council is hopeful that their Gold Bullion Securities Initiative will have a long-term, positive impact on the price of gold.

Royal Gold is an active participant in organizations involved in promoting the use of gold. The Company holds memberships and is represented by its Chairman and CEO on the boards of both the World Gold Council and the National Mining Association. For more information on gold, you can visit the World Gold Council's web site at www.gold.org or the National Mining Association's web site at www.nma.org.

**This information is derived from various industry sources. Investors are urged to reach their own conclusions regarding the gold market.*

GLOSSARY

Fixed-rate royalty: A royalty rate that stays constant.

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 one-twelfth of a pound.

Gross smelter return 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 metals from ore placed on an impervious pad, whereby a dilute leaching solution is allowed to percolate through the heap, dissolving the metal, which is subsequently captured and recovered.

Mineralized material: That part of a mineral system that has potential economic significance but is not 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.

Net smelter return royalty: A defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of incidental transportation, insurance and smelting costs.

Net value royalty: A passive interest in a resource extraction operation that is determined on the basis of deducting contract defined processing-related and associated capital costs, but not mining costs.

Probable reserve: Ore reserves for which quantity and grade are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume geological continuity between points of observation.

Proven reserve: Ore reserves for which: (a) the quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and grade is computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

Refractory: Gold mineralization normally requiring more sophisticated processing technology for extraction, such as roasting, or use of autoclaves.

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).

Royalty: The right to receive a percentage or other denomination of mineral production from a mining operation.

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 Results of Operations

This analysis should be read in conjunction with the selected financial data on page 1 and the financial statements beginning on page 23.

The following discussion contains forward-looking statements that involve risks and uncertainties. Royal Gold's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described in the section titled "Risk Factors" in this Annual Report on Form 10-K.

OVERVIEW

Royal Gold, Inc., together with its subsidiaries, is engaged in the business of acquiring and managing precious metals royalties.

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. Royalties are passive (non-operating) interests in mining projects that provide the right to revenue from the project after deducting specified costs, if any. We also explore and develop properties thought to contain precious metals and seek to obtain royalty interests and other carried ownership interests in these properties through the subsequent transfer of interests to other mining companies. We expect that substantially all of our revenues are and will be derived from royalty interests. We do not conduct mining operations at this time. During the 2004 fiscal year, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through exploration.

Our financial results are closely tied to the price of gold. During the 2004 fiscal year, the price of gold averaged $389 per ounce compared with an average price of $334 per ounce for the 2003 fiscal year. As a result of the increased gold price, our GSR1 sliding-scale royalty at the Pipeline Mining Complex was calculated at an average rate of 3.8% compared with an average rate of 2.9% during the prior year. This increase in our average sliding-scale royalty rate contributed to increased revenues of $21,353,071 during the 2004 fiscal year, compared with revenues of $15,788,212 during the 2003 fiscal year.

Our principal mineral property interests are:

- two sliding-scale gross smelter return, or GSR, royalty interests;
- one fixed GSR royalty interest; and
- one net value royalty interest,

all relating to a mining complex known as the Pipeline Mining Complex, which includes the Pipeline and South Pipeline gold deposits, operated by the Cortez Joint Venture, which is a joint venture between Placer Cortez, Inc. (60%), a subsidiary of Placer Dome, Inc., and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto;

- one 1.8% net smelter return ("NSR") royalty on the majority of the Leeville Project, which includes the development stage Leeville underground mine and a portion of the Carlin East mine, operated by Newmont Mining Corporation; and

- one 0.9% NSR royalty on the SJ Claims, which covers a portion of the Betze-Post open pit mine, at the Goldstrike operation operated by Barrick Gold Corporation.

Our other producing royalty interests include a 1.75% to 3.5% NSR sliding-scale royalty interest covering a portion of the Bald Mountain mine, operated by Placer Dome U.S. Inc. The sliding-scale royalty increases or decreases with the gold price, adjusted by the 1986 Producer Price Index. Our royalty rate would increase to 2% around a gold price of $500 per ounce. We also own a 2% NSR royalty on a number of properties in Santa Cruz Province, Argentina, including the Martha silver mine, which is operated by Coeur d'Alene Mines Corporation.

Estimates received from the mine operators indicate that gold production, attributable to our royalty interests, for calendar year 2004 is expected to be approximately 952,000 ounces from the Pipeline Mining Complex, 116,000 ounces from the Carlin East mine at the Leeville Project, 515,000 ounces from the SJ Claims and 55,000 ounces from the Bald Mountain mine. The Martha silver mine is expected to produce 1.3 million ounces of silver attributable to our royalty interest for the 2004 calendar year. During the first six months of calendar 2004, the mine operators have reported production attributable to our royalty interests of 535,453 ounces from the Pipeline Mining Complex, 49,080 ounces from the Carlin East mine located at the Leeville Project, 186,279 ounces from the SJ Claims and 13,751 ounces from the Bald Mountain mine.

Critical Accounting Policies

The preparation of our financial statements, in conformity with accounting principles accepted in the United States of America, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, at the date of the financial statements, as well as the reported amount of revenues and expenses during the reporting period. Our most critical accounting estimates relate to our assumptions regarding future gold prices and the estimates of reserves and recoveries of mine operators. We rely on reserve estimates reported by the operators on the properties in which we have royalty interests. These estimates and the underlying assumptions affect the potential impairments of long-lived assets and the ability to realize income tax benefits associated with deferred tax assets. These estimates and assumptions also affect the rate at which we charge depreciation and amortization to earnings. On an ongoing basis, management evaluates these estimates and assumptions; however, actual amounts could differ from these estimates and assumptions. The reserves reported by the operators as of December 31, 2003, were based on a gold price of $325 per ounce. We based our deferred tax asset valuation on a $350 per ounce gold price, as of June 30, 2004. If the long-term gold price is substantially lower, these estimates would need to change and could result in material adverse write-offs of assets and the need to establish a valuation allowance against the deferred tax asset.

Liquidity and Capital Resources

At June 30, 2004, we had current assets of $51,901,175 compared to current liabilities of $2,441,434 for a current ratio of 21 to 1. This compares to current assets of $36,801,548 and current liabilities of $2,505,981 at June 30, 2003, resulting in a current ratio of 15 to 1. The increase in our current ratio between periods resulted primarily from net cash provided by operating activities of $13,401,048. We continue to have no long-term debt.

During fiscal 2004, liquidity needs were met from $21,353,071 in royalty revenues, $738,177 from stock option exercises, our available cash resources, and interest and other income of $442,181.

We have a $10 million line of credit from HSBC Bank USA that may be used to acquire producing royalties. Repayment of any loan under the line of credit will be secured by a mortgage on our GSR3 royalty at the Pipeline Mining Complex, and by a security interest in the proceeds from any of our royalties at the Pipeline Mining Complex. Any assets purchased with the line of credit will also serve as collateral. No funds have been drawn under the line of credit.

We currently anticipate that current financial resources and funds generated from operations will be adequate to cover anticipated expenditures for general and administrative expenses, exploration and business development costs, and capital expenditures for fiscal 2005 and beyond. Our current financial resources are available for royalty acquisition and to fund dividends. In the event of a substantial acquisition, we could seek additional debt or equity financing. We may also seek additional funding from time to time as management deems appropriate.

Our contractual obligations as of June 30, 2004 follow:

	Payments Due by Period				
Contractual Obligations	*Total*	*Less than 1 Year*	*1-3 Years*	*4-5 Years*	*More than 5 Years*
Operating leases	$ 652,354	$105,652	$ 234,780	$ 248,196	$ 63,726
RG Russia	450,610	450,610	-	-	-
Long-term retirement obligation	129,489	26,400	52,800	50,289	-
Total	$1,232,453	$582,662	$ 287,580	$ 298,485	$ 63,726

For information on our contractual obligations, see Note 6 to the Consolidated Financial Statements under Part II, Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. Royal Gold believes it will be able to fund all existing obligations from net cash provided by operating activities.

RESULTS OF OPERATIONS

Fiscal Year Ended June 30, 2004, Compared with Fiscal Year Ended June 30, 2003

For the fiscal year ended June 30, 2004, we recorded net income of $8,871,679, or $0.43 per basic share, as compared to net income of $6,752,346, or $0.34 per basic share, for the fiscal year ended June 30, 2003.

For fiscal 2004, we received total royalty revenues of $21,353,071, at an average gold price of $389 per ounce. Royalty revenues included $18,737,676 from the Pipeline Mining Complex, $1,398,629 from the SJ Claims, $729,717 from the Carlin East mine at the Leeville Project, $230,713 from Bald Mountain, and $256,336 from the Martha Mine. These revenues were attributed to gold production of 973,220 from the Pipeline Mining Complex, 401,913 ounces from the SJ Claims, 105,505 ounces from the Carlin East mine at the Leeville Project, and 33,894 ounces from Bald Mountain. For the fiscal year ended June 30, 2003, we received total royalty revenues of $15,788,212, at an average gold price of $334 per ounce, of which $13,953,232 was attributed to our royalties from the Pipeline Mining Complex. This increase in royalty revenue compared with fiscal 2003 resulted from a higher sliding-scale royalty rate from the Pipeline Mining Complex due to a higher gold price in fiscal 2004, and the addition of revenues from the acquired SJ Claims and the Carlin East mine at the Leeville Project royalties. The royalties from the SJ Claims and the Carlin East mine at the Leeville Project represent revenues for approximately seven months of production in fiscal 2003, whereas twelve months of related production was recognized in fiscal 2004.

Cost of operations increased to $1,512,867 for the fiscal year ended June 30, 2004, compared to $1,346,890 for the fiscal year ended June 30, 2003, primarily related to an increase in Nevada net proceeds tax expenditures of approximately $323,000 associated with the increased royalty revenues. Nevada net proceeds of mines taxes are paid on all royalties received which are attributed to production in Nevada, at a rate of 5% of gross cash receipts. Costs of operations associated with approximately twelve months of activity from the acquired SJ Claims and Leeville Project royalties also contributed to the increase.

General and administrative expenses increased to $2,923,289 for the fiscal year ended June 30, 2004, compared to $1,966,283 for the fiscal year ended June 30, 2003, primarily due to increased staffing levels, costs associated with our shelf registration statements, and increased investor relations costs of approximately $365,000, $329,000, and $171,000, respectively.

Exploration and business development expenses increased to $1,391,944 for the fiscal year ended June 30, 2004, compared to $1,232,853 for the fiscal year ended June 30, 2003, primarily due to expenditures related to business development activities worldwide of approximately $131,000.

Depreciation and depletion increased to $3,313,953 for the fiscal year ended June 30, 2004, compared to $2,854,839 for the fiscal year ended June 30, 2003, primarily due to increased production from the Carlin East mine at the Leeville Project and SJ Claims royalty interests, resulting in increased depletion of approximately $846,000. These increases were partially off-set by decreases in depletion rates for our GSR3, NVR1 and Bald Mountain interests in the current fiscal year.

Interest and other income increased to $442,181 for the fiscal year ended June 30, 2004, compared to $383,957 for the fiscal year ended June 30, 2003, primarily due to an increase in investable funds, partially offset by lower interest rates.

Deferred tax expense increased to $3,443,068 for the fiscal year ended June 30, 2004, compared to $1,708,053 for the fiscal year ended June 30, 2003. Approximately $1,360,000 of the increase was attributable to the tax effect of increased income before income taxes of $12,526,037 during fiscal 2004 compared with

$8,637,078 during fiscal 2003. These increases were offset by an increase in excess depletion of $291,000 during the fiscal year.

Fiscal Year Ended June 30, 2003, Compared with Fiscal Year Ended June 30, 2002

For the fiscal year ended June 30, 2003, we recorded net income of $6,752,346, or $0.34 per basic share, as compared to net income of $10,698,723, or $0.60 per basic share, for the fiscal year ended June 30, 2002. Net income for the fiscal year ended June 30, 2003, reflects $15,788,212 in royalty revenues. In fiscal 2002, we recognized a deferred tax asset of $6,849,687, which increased net income for the period by $0.38 per share.

For fiscal 2003, we received royalty revenues of $13,953,232 from the Pipeline Mining Complex, $720,724 from the SJ Claims, $409,729 from the Carlin East mine at the Leeville Project, $652,107 from Bald Mountain, and $52,420 from the Martha Mine. These revenues were attributed to gold production of 1,061,071 from the Pipeline Mining Complex, 241,131 ounces from the SJ Claims, 65,103 ounces from the Carlin East mine at the Leeville Project, and 113,420 from Bald Mountain. For the fiscal year ended June 30, 2002, we received total royalty revenues of $12,323,071, of which $11,658,527 was attributed to our royalties from the Pipeline Mining Complex. This increase in royalty revenue in fiscal

2003 resulted from a higher sliding-scale royalty rate from the Pipeline Mining Complex due to a higher gold price in fiscal 2003, and the addition of revenues from the acquired SJ Claims and the Carlin East mine at the Leeville Project royalties. The royalties from the SJ Claims and Leeville Project represent revenues for approximately seven months of production.

Cost of operations increased to $1,346,890 for the fiscal year ended June 30, 2003, compared to $971,068 for the fiscal year ended June 30, 2002, primarily due to an increase in Nevada net proceeds of mines tax of $123,000 related to the increased royalty revenues. In addition, a loss of $213,990 associated with the mark to market of put option contracts was recorded during fiscal 2003. Costs of operations of $68,000 associated with approximately seven months of activity from the acquired SJ Claims and the Carlin East mine at the Leeville Project royalties also contributed to the increase.

General and administrative expenses increased to $1,966,283 for the fiscal year ended June 30, 2003, compared to $1,874,952 for the fiscal year ended June 30, 2002, primarily due to increased investor relations costs of $72,000 associated with a substantial increase in the number of our shareholders.

Exploration and business development expenses increased to $1,232,853 for the fiscal year ended June 30, 2003, compared to $618,308 for the fiscal year ended June 30, 2002, primarily due to the acquisition of the RG Russia interest resulting in expenditures of $411,500 and additional exploration and lease maintenance costs of $270,000 associated with the acquired High Desert exploration properties in Nevada.

Depreciation and depletion increased to $2,854,839 for the fiscal year ended June 30, 2003, compared to $2,289,104 for the fiscal year ended June 30, 2002, primarily due to amortization of the recently acquired SJ Claims and the Carlin East mine at the Leeville Project royalty properties, which totaled $1,140,000. This increase was partially offset by lower depletion rates associated with our GSR3, NVR1, and Bald Mountain royalties, resulting in a decrease in depletion expense of $514,000.

Based upon updated production information we obtained from the operator during the fourth quarter of fiscal 2003, we recorded a non-cash impairment of mining assets of $165,654 related to our royalty interest in the Mule Canyon mine. Also in fiscal 2003, we recorded a gain of $158,396 on the sale of certain patented mining claims in southwestern Colorado.

We recorded a non-cash charge of $1,171,679 related to our equity investments in Yamana Resources for the fiscal year ended June 30, 2002, because the decline in value of these securities was deemed to be other-than-temporary. Included in the charge for the fiscal year ended June 30, 2002, was a previous unrealized loss of

$553,472 recorded in Other Comprehensive Income. There was no comparable charge in the current period. We acquired our investment in shares of Yamana Resources during February 2000, at a price of C$0.52 per share. The value of these shares continued to decline and traded below our cost basis for a period of seven quarters. Prior to the first quarter of fiscal 2002, our analysis had indicated that the decline in the market value of this investment was temporary. However, a significant further decline in the value of these shares from C$0.20 to C$0.12 during the quarter ended September 30, 2001, which coincided with Yamana's temporary closure of their Martha silver mine, led us to the ultimate conclusion that the decline in value was "other-than-temporary." We recognized an "other-than-temporary" loss on this investment during the quarter ended September 30, 2001. There was no comparable charge in the current period.

We recorded $1,484,371 for non-cash employee stock option compensation expense for the year ended June 30, 2002, resulting from the exercise of 336,025 options during the period from August 2001 to May 2002 that involved the surrender of vested in-the-money options as consideration on exercise. This exercise method was not used before or after this period.

Interest and other income increased to $383,957 for the fiscal year ended June 30, 2003, compared to $138,671 for the fiscal year ended June 30, 2002, primarily due to an increase in investable funds, partially offset by lower interest rates.

As noted above, we recognized a non-cash deferred tax asset of $6,849,687, during fiscal 2002. During fiscal 2003, we recorded $1,708,053 in deferred tax expense associated with the utilization of net operating loss carryforwards, partially offset by the reduction of a portion of the remaining valuation allowance on the deferred tax asset of $525,232.

Quantitative and Qualitative Disclosure about Market Risk

The market price of various precious metals varies widely and is affected by numerous factors beyond our control. Please see "Risk Factors - Decreases in prices of precious metals would reduce our royalty revenues," under Part I, Item 1. & 2. "Business and Properties" of this Annual Report on Form 10-K for more information on factors that can affect gold prices.

The royalties we receive can fluctuate significantly with changes in the market price of precious metals. This could happen because our royalty rates are tied to the price of gold or because the operators of our royalty properties may curtail or cease mining operations if the gold price falls significantly. During the fiscal year ended June 30, 2004, we reported royalty revenues of $21,353,071, with an average gold price for the period of $389 per ounce. The GSR1 royalty, on the Pipeline Mining Complex, which produced the majority of our revenues for the period, is a sliding-scale royalty with variable royalty rate steps based on the average London PM gold price for the period. For the fiscal year, if the price of gold had averaged higher or lower by $20 per ounce (which includes a one price step in GSR1), we would have recorded an increase or decrease in revenues of approximately $1.6 million or $2.7 million, respectively. Due to the set price steps in the GSR1 royalty, it is not possible to extrapolate these effects on a linear basis.

We receive royalties from the NVR1 royalty on the Pipeline Mining Complex in gold, and the value of this royalty therefore depends on the price of gold. We sold 2,907 ounces of gold bullion in fiscal 2004, at an average realized price of $383 per ounce, and 3,183 ounces of gold bullion in fiscal 2003, at an average realized price of $354 per ounce.

Report of Independent Registered Public Accounting Firm

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS ROYAL GOLD, INC:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Royal Gold, Inc. and its subsidiaries at June 30, 2004 and 2003 and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2004 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Denver, Colorado
September 10, 2004

Consolidated Balance Sheets

As of June 30,	*2004*	*2003*
Current assets		
Cash and cash equivalents	$ 44,800,901	$ 33,485,543
Royalty receivables	5,221,307	3,125,437
Current deferred tax asset	1,671,305	-
Prepaid expenses and other	207,662	190,568
Total current assets	51,901,175	36,801,548
Royalty interests in mineral properties, net	40,325,611	43,559,743
Available for sale securities	420,231	457,584
Deferred tax asset	306,565	5,454,500
Other assets	568,228	85,297
Total assets	$ 93,521,810	$ 86,358,672
Current liabilities		
Accounts payable	$ 1,232,539	$ 1,126,591
Dividend payable	779,377	1,032,735
Accrued compensation	200,000	200,000
Other	229,518	146,655
Total current liabilities	2,441,434	2,505,981
Deferred tax liability	8,078,975	8,746,702
Other long term liabilities	103,089	113,489
Total Liabilities	10,623,498	11,366,172
Commitments and contingencies (notes 6 and 11)		
Stockholders' equity		
Common stock, $.01 par value, authorized 40,000,000 shares; issued 21,012,583 and 20,883,914 shares, respectively	210,125	208,838
Additional paid-in capital	102,019,891	100,612,048
Accumulated other comprehensive income	28,097	64,963
Accumulated deficit	(18,262,929)	(24,796,477)
Treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	82,898,312	74,992,500
Total liabilities and stockholders' equity	$ 93,521,810	$ 86,358,672

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

Consolidated Statements of Operations and Comprehensive Income

For the years ended June 30,	*2004*	*2003*	*2002*
Royalty revenues	$ 21,353,071	$ 15,788,212	$ 12,323,071
Costs and expenses			
Costs of operations	1,512,867	1,346,890	971,068
General and administrative	2,923,289	1,966,283	1,874,952
Non-cash employee stock option compensation expense	-	-	1,484,371
Exploration and business development	1,391,944	1,232,853	618,308
Impairment of royalty interests in mineral properties	-	165,654	-
Depreciation, depletion and amortization	3,313,953	2,854,839	2,289,104
Total costs and expenses	9,142,053	7,566,519	7,237,803
Gain on sale of other assets	-	158,396	-
Operating income	12,211,018	8,380,089	5,085,268
Interest and other income	442,181	383,957	138,671
Loss on marketable securities	-	-	(1,171,679)
Interest and other expense	(127,162)	(126,968)	(124,672)
Income before income taxes	12,526,037	8,637,078	3,927,588
Current tax expense	(211,290)	(176,679)	(78,552)
Deferred tax (expense) benefit	(3,443,068)	(1,708,053)	6,849,687
Net income	$ 8,871,679	$ 6,752,346	$ 10,698,723
Adjustments to other comprehensive income			
Unrealized gain (loss) on available for sale securities	(36,866)	(120,018)	184,981
Realization of the change in market value of available for sale securities	-	-	553,472
Comprehensive income	$ 8,834,813	$ 6,632,328	$ 11,437,176
Basic earnings per share	$ 0.43	$ 0.34	$ 0.60
Basic weighted average shares outstanding	20,760,452	19,795,949	17,930,767
Diluted earnings per share	$ 0.42	$ 0.33	$ 0.59
Diluted weighted average shares outstanding	21,110,521	20,231,638	18,170,225

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

Consolidated Statements of Stockholder's Equity

For the years ended June 30, 2004, 2003 and 2002

	Common Shares					*Treasury Stock*		
	Shares	*Amount*	*Additional Paid-In Capital*	*Accumulated Other Comprehensive Income (loss)*	*Accumulated Deficit*	*Shares*	*Amount*	*Total Stockholders' Equity*
Balance at June 30, 2001	18,101,622	$181,016	$55,868,222	$(553,472)	$(38,837,098)	229,224	$(1,096,872)	$15,561,796
Issuance of common stock for exercise of options	178,218	1,782	1,520,998					1,522,780
Net income and comprehensive income for the year ended June 30, 2002				738,453	10,698,723			11,437,176
Dividends					(1,354,022)			(1,354,022)
Balance at June 30, 2002	18,279,840	182,798	57,389,220	184,981	(29,492,397)	229,224	(1,096,872)	27,167,730
Issuance of common stock for								
Acquisition of High Desert	1,412,229	14,122	28,116,756					28,130,878
Stock issuances	1,000,000	10,000	14,115,000					14,125,000
Exercise of options and other	191,845	1,918	991,072					992,990
Net income and comprehensive income for the year ended June 30, 2003				(120,018)	6,752,346			6,632,328
Dividends					(2,056,426)			(2,056,426)
Balance at June 30, 2003	20,883,914	208,838	100,612,048	64,963	(24,796,477)	229,224	(1,096,872)	74,992,500
Issuance of common stock for exercise of options	128,669	1,287	736,890					738,177
Tax benefit of stock option exercises			670,953					670,953
Net income and comprehensive income for the year ended June 30, 2004				(36,866)	8,871,679			8,834,813
Dividends					(2,338,131)			(2,338,131)
Balance at June 30, 2004	21,012,583	$210,125	$102,019,891	$ 28,097	$(18,262,929)	229,224	$(1,096,872)	$82,898,312

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

Consolidated Statements of Cash Flows

For the years ended June 30,	2004	2003	2002
Cash flows from operating activities			
Net income	$ 8,871,679	$ 6,752,346	$ 10,698,723
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	3,313,953	2,854,839	2,289,104
(Gain) loss on marketable securities	(22,778)	-	1,171,679
Deferred tax expense (benefit)	3,443,068	1,708,053	(6,849,687)
Impairment of mining assets	-	165,654	-
Non-cash employee option compensation expense	-	-	1,484,371
Gain on sale of other assets	-	(158,396)	-
Put option mark to market	-	213,990	111,603
Other	26,623	6,356	-
(Increase) decrease in:			
Royalty receivables	(2,095,870)	95,390	(1,803,067)
Prepaid expenses and other assets	(112,955)	(8,528)	51,734
Increase (decrease) in:			
Accounts payable, accrued liabilities and other current liabilities	(12,272)	61,421	268,984
Other long term liabilities	(10,400)	(7,036)	(6,575)
Net cash provided by operating activities	$ 13,401,048	$ 11,684,089	$ 7,416,869
Cash flows from investing activities			
Capital expenditures for property and equipment	$ (271,020)	$ (24,067)	$ (34,945)
Acquisition, net of cash acquired of $853,480	-	(2,296,179)	-
Proceeds from sale of marketable securities	38,642	-	19
Proceeds from sale of other assets	-	277,283	-
Net cash used in investing activities	(232,378)	(2,042,963)	(34,926)
Cash flows from financing activities			
Dividends paid	(2,591,489)	(2,377,713)	(894,490)
Purchase of common stock	-	-	-
Proceeds from issuance of common stock	738,177	15,117,990	38,409
Net cash (used in) provided by financing activities	(1,853,312)	12,740,277	(856,081)
Net increase in cash and equivalents	11,315,358	22,381,403	6,525,862
Cash and equivalents at beginning of year	33,485,543	11,104,140	4,578,278
Cash and equivalents at end of year	$ 44,800,901	$ 33,485,543	$ 11,104,140
Supplemental disclosure of cash paid for:			
Declared dividends on common stock	$ 2,338,131	$ 2,056,426	$ 1,354,022
Interest	-	-	-
Income taxes	453,000	-	-

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

OPERATIONS

Royal Gold, Inc. 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 is currently generated from mining operations in the United States and Argentina. We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also explore and develop properties thought to contain precious metals and seek to obtain royalty and other carried ownership interests in these properties through the subsequent transfer of interests to other mining companies. We expect that substantially all of our revenues are and will be derived from royalty interests. We do not conduct mining operations at this time. During the 2004 fiscal year, we focused on the creation of royalty interests through exploration and also the acquisition of royalty interests.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of our financial statements in conformity with generally accepted accounting principles requires us 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 Royal Gold and its wholly-owned subsidiaries. Intercompany transactions and account balances have been eliminated in consolidation.

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2004, cash and cash equivalents were primarily held in uninsured interest bearing cash and money market accounts, with an AAA rated financial institution.

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. When investments are sold, the realized gains and losses on these investments, determined using the specific identification method, are included in determining net income.

Royalty Interests in Mineral Properties:

Royalty interests in mineral properties include acquired royalty interests in production stage, development stage and exploration stage properties. The fair value of acquired royalty interests in mineral properties are capitalized as tangible assets when such interests do not meet the definition of a financial asset under FASB Statement No. 140 or a derivative instrument under FASB Statement No. 133. As of June 30, 2004, all of our royalty interest are classified as tangible assets.

Acquisition costs of production and development stage royalty interests are depleted using the units of production method over the life of the mineral property, which is estimated using proven and probable reserves. Acquisition costs of royalty interests on exploration stage mineral properties, where there are no proven and probable reserves, are not amortized. At such time as the associated exploration stage mineral interests are converted to proven and probable reserves, the cost basis is amortized over the mineral properties remaining life, using proven and probable reserves. The carrying value of exploration stage mineral interests are evaluated for impairment at such time as information becomes available indicating that the production will not occur in the future. Exploration costs are charged to operations when incurred.

Asset Impairment:
We evaluate long-lived assets for impairment when events or circumstances indicate that the related carrying amounts may not be recoverable. The recoverability of the carrying value of royalty interests in production and development stage mineral properties is evaluated based upon estimated future undiscounted net cash flows from each royalty interest property using estimates of proven and probable reserves. We evaluate the recoverability of the carrying value of royalty interests in exploration stage mineral properties in the event of significant decreases in the price of gold, and whenever new information regarding the mineral properties is obtained from the operator that could affect the future recoverability of our royalty interests. Impairments in the carrying value of each property are measured and recorded to the extent that the carrying value in each property exceeds its estimated fair value, which is generally calculated using estimated future discounted cash flows.

Our estimate of gold prices, operator's estimates of proven and probable reserves related to our royalty properties, and operator's estimates of operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of our investment in these royalty interests in mineral properties. Although we have made our best assessment of these factors based on current conditions, it is possible that changes could occur, which could adversely affect the net cash flows expected to be generated from these royalty interests.

Office Furniture, Equipment and Improvements:
We record the acquisition cost of office furniture and equipment and leasehold improvements as a component of other assets in our consolidated balance sheets. We depreciate our office furniture and equipment over estimated useful lives ranging from two to seven years using the straight-line method. Leasehold improvements are amortized over the term of the lease using the straight-line method. The cost of normal maintenance and repairs is expensed 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 in accordance with the terms of the underlying royalty agreements subject to (i) the pervasive evidence of the existence of the arrangements; (ii) the risks and rewards having been transferred; (iii) the royalty being fixed or determinable; and (iv) the collectibility of the royalty being reasonably assured. For royalty payments received in gold, royalty revenue is recorded at the average spot price of gold for the period in which the royalty was earned.

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.

Stock Options:
We measure compensation cost as prescribed by APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. No compensation cost related to the granting of stock options has been recognized in the financial statements as the exercise price of all option grants was equal to the market price of our Common Stock at the date of grant. In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123. SFAS 123 defines a fair value based method of accounting for employee options or similar equity instruments. Had compensation cost been determined under the provisions of SFAS 123, the following pro forma net income and per share amounts would have been recorded.

For The Years Ended June 30,	2004	2003	2002
Net income, as reported	$ 8,871,679	$ 6,752,346	$ 10,698,723
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	$ (851,971)	(780,639)	$ (316,673)
Pro forma net income	$ 8,019,708	$ 5,971,707	$ 10,382,050
Earnings per share:			
Basic, as reported	$ 0.43	$ 0.34	$ 0.60
Basic, pro forma	$ 0.39	$ 0.30	$ 0.58
Diluted, as reported	$ 0.42	$ 0.33	$ 0.59
Diluted, pro forma	$ 0.38	$ 0.30	$ 0.57

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

	2004	2003	2002
Weighted average expected volatility	74.1%	56.7%	46.1%
Weighted average expected option term in years	4.8	5.5	5.5
Weighted average risk free interest rate	3.5%	3.2%	4.3%
Weighted average grant fair value	$12.17	$10.05	$4.05

Operating Segments:
We manage our business under one operating segment, consisting of royalty acquisition and management activities. All of our assets and revenues are attributable to the royalty operating segment.

Comprehensive Income:
In addition to net income, comprehensive income includes changes in equity during a period associated with cumulative unrealized changes in the fair value of marketable securities held for sale.

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 all potentially dilutive stock options.

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.

Recently Issued Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" to amend and clarify financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The changes in this statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. SFAS 149 was effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have any impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" that establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 was originally effective for financial instruments entered into or modified after May 31, 2003, and otherwise at the beginning of the first interim period beginning after June 15, 2003, and was to be applied prospectively. However, on October 29, 2003, the FASB deferred the provisions of paragraphs 9 and 10 of SFAS 150 as they apply to mandatorily redeemable non-controlling interests. These provisions require that mandatorily redeemable interests within the scope of SFAS 150 be classified as the liability on the parent company's financial statements in certain situations, including when a finite-lived entity is consolidated. The deferral of those provisions is expected to remain in effect while these interests are addressed in either Phase II of the FASB's Liabilities and Equity Project or Phase II of the FASB's Business Combinations Project. The FASB also decided to (i) preclude any "early" adoption of the provisions of paragraph 9 and 10 for these non-controlling interests during the deferral period, and (ii) require the restatement of any financial statements that have been issued where these provisions were applied to mandatorily redeemable non-controlling interests. The adoption of SFAS 150 did not have any impact on our financial position or results of operations.

In December 2003, the FASB issued FIN 46R which provides guidance on the identification and reporting for entities over which control is achieved through means other than voting rights. FIN 46R defines such entities as variable interest entities ("VIEs"). Application of this revised interpretation was required in financial statements for companies that have interests in VIEs or potential VIEs commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application for all other types of entities is required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46R did not have any impact on our financial position or results of operations.

On April 30, 2004, the FASB issued a FSP amending SFAS No. 141 and SFAS No. 142 to provide that certain mineral use rights are considered tangible assets and that mineral use rights should be accounted for based on their substance. The FSP is effective for the first reporting period beginning after April 29, 2004, with early adoption permitted. During the fourth quarter of fiscal 2004, we evaluated and determined that our royalty interests are tangible assets under the revised standard. We based our conclusion on several factors including:

1) Our royalty interests in mineral properties are considered real property interests;

2) Our royalty interests in mineral properties do not meet the definition of financial assets under FASB Statement No. 140; and

3) Our royalty interests in mineral properties do not meet the definition of derivative instruments under FASB Statement No. 133.

Accordingly, we have reclassified all of our Royalty Interests in Mineral Properties as tangible assets in our consolidated balance sheets and ceased amortizing exploration stage mineral interests prior to the commencement of production on a prospective basis during the fourth quarter of fiscal 2004. The adoption of the FSP resulted in a decrease to depreciation, depletion and amortization expense of approximately $68,000 during the fourth quarter of fiscal 2004.

NOTE 2: ROYALTY INTERESTS IN MINERAL PROPERTIES

As of June 30, 2004	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ -	$ -	$ -
GSR2	-	-	-
GSR3	8,105,020	(4,871,963)	3,233,057
NVR1	2,135,107	(1,256,267)	878,840
Bald Mountain	1,978,547	(1,764,574)	213,973
SJ Claims	20,788,444	(1,736,073)	19,052,371
Carlin East mine	1,775,809	(1,118,325)	657,484
Martha Mine	172,810	(158,000)	14,810
	34,955,737	(10,905,202)	24,050,535
Development stage royalty interests:			
Leeville Project	14,240,418	-	14,240,418
Exploration stage royalty interests:			
Leeville Project	2,305,845	(271,187)	2,034,658
Total royalty interest in mineral properties	$ 51,502,000	$ (11,176,389)	$ 40,325,611

As of June 30, 2003	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ -	$ -	$ -
GSR2	-	-	-
GSR3	8,105,020	(4,042,730)	4,062,290
NVR1	2,135,107	(929,805)	1,205,302
Bald Mountain	1,978,547	(1,729,643)	248,904
SJ Claims	20,788,444	(678,557)	20,109,887
Carlin East mine	1,642,757	(380,185)	1,262,572
Martha Mine	172,810	(100,212)	72,598
	34,822,685	(7,861,132)	26,961,553
Development stage royalty interests:			
Leeville Project	14,240,418	-	14,240,418
Exploration stage royalty interests:			
Leeville Project	2,305,845	(67,819)	2,238,026
Carlin East mine	133,052	(13,306)	119,746
Mule Canyon	-	-	-
	2,438,897	(81,125)	2,357,772
Total royalty interest in mineral properties	$ 51,502,000	$ (7,942,257)	$ 43,559,743

Effective April 1, 2004, we have reclassified all of our royalty interests in mineral properties as tangible assets in our consolidated balance sheets and ceased amortizing exploration stage mineral interests prior to the commencement of production on a prospective basis. This resulted in a decrease to depreciation, depletion and amortization of approximately $68,000 during the fourth quarter of fiscal 2004.

Presented below is a discussion of the status of each of our royalty interests in mineral properties.

PIPELINE MINING COMPLEX

We own two sliding-scale gross smelter return royalties (GSR1 ranging from 0.40% to 5.0% and GSR2 ranging from 0.72% to 9.0%), a 0.71% fixed gross royalty (GSR3), and a 0.39% net value royalty (NVR1) over the Pipeline Mining Complex that includes the Pipeline and South Pipeline gold deposits in Lander County, Nevada.

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

BALD MOUNTAIN

We own a 1.75% to 3.5% sliding-scale net smelter return, or NSR, royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by Placer Dome U.S. Inc. The sliding-scale royalty increases or decreases with the gold price, adjusted by the 1986 Producer Price Index. Our royalty rate would increase to 2% around a gold price of $500 per ounce.

SJ CLAIMS

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

LEEVILLE PROJECT

We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, which covers the majority of the Leeville Project, in Eureka County, Nevada. The Leeville Project is an underground operation, currently under development by Newmont Mining Corporation. Newmont has announced its intention to initiate production at Leeville during the fourth quarter of calendar 2005. Current production on the Leeville Project ground is derived from underground production on the Carlin East deposit, also operated by Newmont.

We carry our interest in the proven and probable reserves at the Leeville Project as a development stage royalty interest, which will be depleted using the units of production method estimated using proven and probable reserves. Amortization of our development stage interest will begin upon commencement of production at Leeville. At that time, the development stage cost basis of Leeville will be reclassified as a production stage royalty interest.

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

Effective January 1, 2004, the royalty we hold on the Carlin East mine at the Leeville Project, which was recorded as an exploration stage royalty interest, was reclassified as a production stage royalty interest. This reclassification was a result of updated reserve information reported by the operator.

MARTHA MINE

We own a 2% NSR royalty on the Martha Mine located in Argentina, operated by Coeur d'Alene Mining Corporation.

MULE CANYON

We own a 5% NSR royalty on a portion of the Mule Canyon mine, operated by Newmont Mining Corporation. Based upon updated production information obtained from the operator during the fourth quarter of fiscal 2003, we recorded an impairment charge of $165,654, to write-off the remaining book value of our investment in Mule Canyon. We continue to own this royalty, but do not expect to receive revenues from production at Mule Canyon in the foreseeable future.

NOTE 3: AVAILABLE FOR SALE SECURITIES

Investments in securities that have readily determinable market values are classified as available-for-sale investments. Unrealized gains and losses on these investments are recorded in Accumulated Other Comprehensive Income as a separate component of stockholders' equity, except for those declines in market value judged to be other than temporary, which are recognized in determining net income. When investments are sold, the realized gains and losses on these investments, which are determined using the specific identification method, are included in determining net income. We recorded a gain on sale of available-for-sale securities of $22,778 during fiscal 2004, which is included in interest and other income in the accompanying consolidated statements of operations and comprehensive income. We had no sales of available-for-sale investments during fiscal 2003 or 2002.

We had an accumulated unrealized gain of $28,097 and $64,963 in these securities at June 30, 2004 and 2003, respectively.

We recorded a non-cash charge of $1,171,679 related to our equity investments in Yamana Resources for the fiscal year ended June 30, 2002, because the decline in value of these securities was deemed to be other-than-temporary. Included in the charge for the fiscal year ended June 30, 2002, was a previous unrealized loss of $553,472 recorded in Other Comprehensive Income. There was no comparable charge in the current period. We acquired our investment in shares of Yamana Resources during February 2000, at a price of C$0.52 per share. The value of these shares continued to decline and traded below our cost basis for a period of seven quarters. Prior to the first quarter of fiscal 2002, our analysis had indicated that the decline in the market value of this investment was temporary. However, a significant further decline in the value of these shares from C$0.20 to C$0.12 during the quarter ended September 30, 2001, which coincided with Yamana's temporary closure of their Martha silver mine, led us to the ultimate conclusion that the decline in value was "other-than-temporary." We recognized an "other-than-temporary" loss on this investment during the quarter ended September 30, 2001. There was no comparable charge in the current period.

NOTE 4: EARNINGS PER SHARE ("EPS") COMPUTATION

For The Year Ended June 30, 2004	*Income (Numerator)*	*Shares (Denominator)*	*Per Share Amount*
Basic EPS			
Income available to common stockholders	$ 8,871,679	20,760,452	$ 0.43
Effect of potentially dilutive options		350,069	
Diluted EPS	$ 8,871,679	21,110,521	$ 0.42

Options to purchase 266,940 shares of common stock, at an average purchase price of $20.10 per share, were outstanding at June 30, 2004, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the year.

For The Year Ended June 30, 2003	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income available to common stockholders	$ 6,752,346	19,795,949	$ 0.34
Effect of potentially dilutive options		435,689	
Diluted EPS	$ 6,752,346	20,231,638	$ 0.33

Options to purchase 164,980 shares of common stock, at an average purchase price of $20.06 per share, were outstanding at June 30, 2003, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the year.

For The Year Ended June 30, 2002	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income available to common stockholders	$ 10,698,723	17,930,767	$ 0.60
Effect of potentially dilutive options		239,458	
Diluted EPS	$ 10,698,723	18,170,225	$ 0.59

Options to purchase 115,000 shares of common stock, at an average purchase price of $9.96 per share, were outstanding at June 30, 2002, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the year.

NOTE 5: INCOME TAXES

The tax effects of significant temporary differences and carryforwards, which give rise to our deferred tax assets and liabilities at June 30, 2004 and 2003, are as follows:

As of June 30,	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	$ 1,671,305	$ 5,243,811
AMT credit carryforwards	403,528	182,146
Other	223,483	467,569
Total deferred tax assets	2,298,316	5,893,526
Valuation allowance	(320,446)	(439,026)
Net deferred tax assets	1,977,870	5,454,500
Deferred tax liabilities:		
Mineral property basis	(8,078,975)	(8,746,702)
Total deferred tax liabilities	(8,078,975)	(8,746,702)
Total net deferred taxes	$ (6,101,105)	$ (3,292,202)

At June 30, 2004, we had approximately $4,600,000 of net operating loss carryforwards which, if unused, will expire during the years 2005 through 2022. Our ability to generate future taxable income to realize the benefits of our tax assets will depend primarily on the spot price of gold.

	2004	2003	2002
Current federal tax expense	$ 211,290	$ 176,679	$ 78,552
Deferred tax expense	3,561,648	2,233,285	1,053,226
Decrease in deferred tax asset valuation allowance	(118,580)	(525,232)	(7,902,913)
	$ 3,654,358	$ 1,884,732	$ (6,771,135)

The provision for income taxes for the years ended June 30, 2004, 2003 and 2002, differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income from operations as a result of the following differences:

	2004	2003	2002
Total expense computed by applying statutory rate	$ 4,384,113	$ 3,022,977	$ 1,374,656
State income taxes, net of federal benefit	130,741	-	-
Adjustments of valuation allowance	(118,580)	(525,232)	(7,902,913)
Excess depletion	(836,534)	(545,321)	(431,685)
Other	94,618	(67,692)	188,807
	$ 3,654,358	$ 1,884,732	$ (6,771,135)

As of June 30, 2004, our remaining valuation allowance is associated with the book versus tax basis difference attributed to our available for sale securities. Based upon an estimated long-term gold price of $350 per ounce, we anticipate that our remaining net operating loss carryforwards will likely be fully utilized during fiscal 2005.

As of June 30, 2003, we evaluated our deferred tax asset valuation allowance by forecasting the future utilization of our net operating loss carryforwards, which totaled approximately $15 million. Using an estimated long-term gold price of $300 per ounce at June 30, 2003, we projected that we would fully utilize our existing net operating loss carryforwards. As a result, we determined that it was appropriate to remove the remaining valuation allowance associated with our net operating loss carryforwards as of June 30, 2003. The acquisition of High Desert during fiscal 2003 contributed to our ability to utilize our remaining net operating loss carryforwards and, therefore, to fully release our valuation allowance during fiscal 2003. During fiscal 2002, our long-term forecast assumed a gold price of $300 and resulted in expected unused NOL's of $2.6 million. As a result, the valuation allowance was partially reduced in 2002 by approximately $7.9 million.

NOTE 6: COMMITMENTS

RG RUSSIA

On June 20, 2003, through a newly formed wholly-owned subsidiary, RG Russia, Inc., we entered into an agreement for exploration in Russia with a subsidiary of Phelps Dodge Exploration Corporation, who holds an exploration license granted by the Russian government. If exploration is successful, and a license to mine can be secured, we will have a 1% NSR royalty. We must provide exploration funding totaling $1.3 million over a period not to exceed 24 months from the date of the agreement to vest in this royalty interest.

As of June 30, 2004, we have funded $850,000 of the committed $1.3 million. We have expensed the initial funding amount as a component of Exploration and Business Development in the accompanying financial statements. We expect to fund the balance of the commitment prior to June 2005.

Operating Lease

We lease office space under a lease agreement, which expires December 31, 2009. Future minimum cash rental payments are $105,652, $115,713, $119,067, $122,421, $125,775 and $63,726 for fiscal years ending June 30, 2005, 2006, 2007, 2008, 2009 and 2010, respectively. Rent expense charged to operations for the years ended June 30, 2004, 2003 and 2002, amounted to $122,507, $116,786 and $108,120, respectively.

Employment Agreements

We have one-year employment agreements with some of our officers which, under certain circumstances, require total minimum future compensation, at June 30, 2004, of $533,500. The terms of each of these agreements automatically extend, every February, for one additional year, unless terminated by Royal Gold or the officer, according to the terms of the agreements.

Line of Credit Commitment Fees

We have a $10 million line of credit from HSBC Bank USA that may be used to acquire producing royalties. Repayment of any loan under the line of credit will be secured by a mortgage on our GSR3 royalty at the Pipeline Mining Complex, and by a security interest in the proceeds from any of our royalties at the Pipeline Mining Complex. Any assets purchased with the line of credit will also serve as collateral. At this time, no funds have been drawn under the line of credit. During fiscal 2004, 2003 and 2002, we paid commitment fees of $76,510, $76,282 and $75,417, respectively, to HSBC.

Note 7: Stockholders' Equity

During the fiscal year ended June 30, 2004, options to purchase 128,669 shares were exercised, resulting in proceeds of $738,177.

During the fiscal year ended June 30, 2003, options to purchase 188,853 shares were exercised, resulting in proceeds of $992,961.

Preferred Stock

We have 10,000,000 authorized and unissued shares of $.01 par value Preferred Stock.

Treasury Stock

We have adopted a stock repurchase program, in which the Board of Directors authorized the repurchase of up to $5 million of our common stock, from time-to-time, in the open market or in privately negotiated transactions. In accordance with this program, we have repurchased 229,224 shares of common stock. Repurchased shares are held in the treasury for general corporate purposes. We have no commitments to purchase our common stock.

Stockholders' Rights Plan

Our 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 the business on September 11, 1997. The terms of the Stockholders 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 our 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 Royal Gold, at an exercise price of $50 per Right.

Stock Option Plan

We have an Equity Incentive Plan ("the Plan") whereby options under the Plan are exercisable at prices equal to the market value of our common stock as of the date of grant and expire ten years after the date of grant.

Stock Options

The following schedules detail activity related to options for the years ended June 30, 2004, 2003 and 2002:

	Optioned Shares	Weighted Average Exercise Prices
Options Outstanding at June 30, 2001	1,051,079	$ 5.01
Granted	135,000	$ 8.94
Exercised	(346,025)	$ 4.36
Options Outstanding at June 30, 2002	840,054	$ 5.90
Granted	164,980	$ 20.06
Exercised	(188,853)	$ 5.41
Options outstanding at June 30, 2003	816,181	$ 8.87
Granted	104,000	$ 20.01
Exercised	(128,669)	$ 5.71
Reissued	(495)	$ 4.59
Options outstanding at June 30, 2004	791,017	$ 10.86

All exercisable options outstanding at June 30, 2004, consist of 524,077 options exercisable at a weighted average exercise price of $6.14. All options outstanding at June 30, 2004, consist of 791,017 options, at an average exercise price of $10.85, and a weighted average remaining contractual life of 6.27 years.

We recorded $1,484,371 for non-cash employee stock option compensation expense for the year ended June 30, 2002, resulting from the exercise of 336,025 options during the period from August 2001 to May 2002 that involved the surrender of vested in-the-money options as consideration on exercise. This exercise method was not used before or after this period.

Note 8: Major Customers

In each of fiscal years 2004, 2003 and 2002, we received $18,968,389, $14,605,339 and $12,170,000, respectively, of our royalty revenues from the same operator.

Note 9: Simplified Employee Pension ("SEP") Plan

We maintain a SEP Plan in which all employees are eligible to participate. We contribute 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, we will match such contributions to a maximum of 7% of the employee's salary. We contributed $104,422, $75,808 and $85,368, in fiscal years 2004, 2003 and 2002, respectively.

Note 10: Acquisition of High Desert Mineral Resources, Inc.

In December 2002, we completed the acquisition of 49,371,293 (93.5%) of the common stock of High Desert Mineral Resources, Inc. ("High Desert"), from High Desert's principal stockholder. Consideration for the purchase was 1,412,229 newly issued shares of Royal Gold common stock and $200,000 in cash. As a result of the acquisition, Royal Gold held a total of 49,411,793 shares of common stock of High Desert, representing 93.5% of the issued and outstanding shares.

After the closing of the binding agreement and completion of delivery of all High Desert shares, Royal Gold owned sufficient High Desert shares to allow it to proceed with a short-form merger under Delaware law. Royal Gold proceeded to effect a short-form merger under Delaware law to merge High Desert into a wholly-owned subsidiary of Royal Gold, for cash consideration of $1,951,530. As a result of the completion of the short-form merger, Royal Gold owns 100% of the issued and outstanding shares of High Desert.

The primary assets of High Desert were royalties associated with two producing mineral properties. One is a 2% carried working interest, equal to a 2% net smelter return royalty, in the Newmont HD Venture Property (Leeville Project, which includes a portion of the Carlin East mine), operated by Newmont Mining Corporation. The other is a 1% net smelter return royalty on the SJ Claims, which covers a large part of the Betze-Post mine operated by Barrick Gold Corporation. In a separate agreement, Royal Gold agreed to repay an acquired $2.9 million note payable. In lieu of repaying the debt in cash, Royal Gold has conveyed to the note holder 10% of the SJ Claims royalty and 10% of the Leeville Project royalty, owned by High Desert at the time of the acquisition. As a result, our remaining interest in the SJ Claims and Leeville Project royalties is 0.9% and 1.8%, respectively.

The acquisition was accounted for as an asset acquisition using the purchase method of accounting, whereby assets acquired and liabilities assumed were recorded at their fair market values as of the date of acquisition. The purchase price in the acquisition was calculated using the fair market value of the shares issued, as of the date of the announcement of the transaction, plus cash and direct acquisition costs paid by Royal Gold. We have allocated the purchase price of $30.5 million to the fair market values of the assets and liabilities acquired, including $39.1 million royalty interests in mineral properties, $1.1 million to acquired tax assets and $9.5 million to deferred tax liabilities resulting from the acquisition. At the time of the acquisition, High Desert had a $216,500 working capital deficit. We also incurred approximately $360,000 for costs related to this acquisition. The results of High Desert have been reflected in the results of Royal Gold since December 6, 2002.

NOTE 11: CONTINGENCIES

CASMALIA

On March 24, 2000, the United States Environmental Protection Agency ("EPA") notified Royal Gold and 92 other entities that they were considered potentially responsible parties ("PRPs") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("Superfund"), at the Casmalia Resources Hazardous Waste Disposal Site (the "Site") in Santa Barbara County, California. EPA's allegation that Royal Gold was a PRP was based on the disposal of allegedly hazardous petroleum exploration wastes at the site by Royal Gold's predecessor, Royal Resources, Inc., during 1983 and 1984.

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

The Partial Consent Decree does not resolve Royal Gold's potential liability to the State of California ("State") for its response costs or for natural resource damages arising from the Site. The State has not expressed any interest in pursuing natural resource damages. However, on October 1, 2002, the State notified Royal Gold and the rest of the PRP group that participated in the settlement with the United States that the State would be seeking response costs totaling approximately $12.5 million from them. It is not known what portion of these costs the State expects to recover from this PRP group in settlement. If the State agrees to a volumetric allocation, we will be liable for 0.438% of any settlement amount. However, we expect that our share of liability will be completely covered by a $15 million, zero-deductible insurance policy that the PRP group purchased specifically to protect itself from claims such as that brought by the State.

NOTE 12: SUBSEQUENT EVENTS

SPARROW HAWK CLAIMS

On July 27, 2004, we acquired 31 unpatented mining claims from Quicksilver Phenomenon, LLC on lands located southeast of the Cortez Joint Venture area, Eureka County, Nevada. The purchase price for the mining claims totaled $30,000.

NOTE 13: QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	Royalty Revenues	Operating Income	Income (Loss)	Earnings Per Share of Common Stock	Earnings Per Share of Common Stock Assuming Dilution
Fiscal Year 2004 Quarter Ended:					
September 30	$ 4,181,485	$ 1,823,320	$ 1,343,113	$ 0.06	$ 0.06
December 31	5,083,461	2,920,595	2,277,465	0.11	0.11
March 31	6,020,841	3,854,917	2,950,814	0.14	0.14
June 30	6,067,284	3,612,186	2,300,287	0.12	0.11
	$ 21,353,071	$12,211,018	$ 8,871,679	$ 0.43	$ 0.42
Fiscal Year 2003 Quarter Ended:					
September 30	$ 3,366,172	$ 1,928,141	$ 1,425,505	$ 0.08	$ 0.07
December 31	3,117,384	1,598,761	1,232,345	0.06	0.06
March 31	5,587,567	3,526,771	2,473,159	0.12	0.12
June 30	3,717,089	1,326,416	1,621,337	0.08	0.08
	$ 15,788,212	$ 8,380,089	$ 6,752,346	$ 0.34	$ 0.33

Changes in and Disagreements with Accountants on Accounting and Financial Closure

During the fiscal year ended June 30, 2004, there were no changes in or disagreements with our accountants, PricewaterhouseCoopers LLP, over accounting and financial disclosure.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The SEC defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Our Chief Executive Officer and our Chief Accounting Officer, based on their evaluation of our disclosure controls and procedures as of June 30, 2004, concluded that our disclosure controls and procedures were effective for this purpose.

Changes in Internal Controls

During the fiscal quarter ended June 30, 2004, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Our common stock is traded on the Nasdaq National Stock Market under the symbol "RGLD" and on the Toronto Stock Exchange under the symbol "RGL." The following table shows the high and low sales prices, in U.S. dollars, for the common stock on Nasdaq, for each quarter since July 1, 2002.

	Sales Prices	
	High	*Low*
2003		
First Quarter (July, Aug., Sept. – 2002)	$ 19.70	$ 9.05
Second Quarter (Oct., Nov., Dec. – 2002)	$ 26.41	$ 15.27
Third Quarter (Jan., Feb., March – 2003)	$ 28.80	$ 12.67
Fourth Quarter (April, May, June – 2003)	$ 23.06	$ 13.03
2004		
First Quarter (July, Aug., Sept. – 2003)	$ 25.34	$ 18.08
Second Quarter (Oct., Nov., Dec. – 2003)	$ 23.45	$ 17.55
Third Quarter (Jan., Feb., March – 2004)	$ 21.73	$ 16.00
Fourth Quarter (April, May, June – 2004)	$ 18.30	$ 11.07

As of September 8, 2004, there were approximately 12,000 shareholders of our common stock.

DIVIDENDS

For calendar 2004, we declared an annual dividend of $0.15 per share of common stock, in four quarterly payments of $0.0375 each. We paid the first payment of $0.0375 per share on January 16, 2004, to shareholders of record at the close of business on January 2, 2004. We paid the second payment of $0.0375 per share on April 16, 2004, to shareholders of record at the close of business on April 2, 2004. We paid the third payment of $0.0375 on July 16, 2004 to shareholders of record at the close of business on July 2, 2004. We anticipate paying the fourth payment of $0.0375 on October 15, 2004, to shareholders of record at the close of business on October 1, 2004.

We paid our first dividend of $0.05 per share on July 21, 2000. For fiscal 2001, we declared our second annual dividend of $0.05 per share on our common stock, payable to holders of record as of July 6, 2001, which was paid on July 20, 2001. For fiscal 2002, we declared a third annual dividend of $0.075 per share of common stock, payable on July 19, 2002, to shareholders of record at the close of business on July 5, 2002. For fiscal 2003, we declared an annual dividend of $0.10 per share of common stock, in two semi-annual payments of $0.05 each. We paid the first payment of $0.05 per share on January 17, 2003, to shareholders of record at the close of business on January 3, 2003. We paid the second payment of $0.05 per share on July 18, 2003, to shareholders of record at the close of business on July 3, 2003.

We currently plan to sustain a dividend on a fiscal year basis, subject to the discretion of the board of directors. However, our board of directors may determine not to declare a dividend based on a number of factors including gold prices, economic and market conditions, and the financial needs of opportunities that might arise in the future.

SALES OF UNREGISTERED SECURITIES

We did not make any unregistered sales of our securities during the fiscal year ended June 30, 2004.

Equity Compensation Plan Information

The following table sets forth certain information as of June 30, 2004, concerning shares of our common stock that may be issued upon the exercise of options under our existing equity compensation plan, which was approved by the stockholders.

Plan Category	*(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights*	*(b) Weighted-average exercise price of outstanding options, warrants and rights*	*(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))*
Equity compensation plans approved by stockholders:			
Equity Incentive Plan	791,017	$10.85	22,697
Equity compensation plans not approved by stockholders:			
None	-	-	-
Total	791,017	$10.85	22,697

Free Cash Flow Reconciliation

NON-GAAP FINANCIAL MEASURES

The Company computes and discloses free cash flow and free cash flow as a percentage of revenues. Free cash flow is a non-GAAP financial measure. Free cash flow is defined by the Company as operating income plus depreciation, depletion and amortization, non-cash charges, and any impairment of mining assets. Management believes that free cash flow and free cash flow as a percentage of revenues are useful measures of performance of our royalty portfolio. Free cash flow identifies the cash generated in a given period that will be available to fund the Company's future operations, growth opportunities, and shareholder dividends. Free cash flow, as defined, is most directly comparable to operating income in the Statements of Operations. Below is a reconciliation to operating income:

	2004	*2003*	*2002*	*2001*	*2000*
Operating income	$12.2	$8.4	$5.1	$0.9	$3.9
Depreciation, depletion and amortization	3.3	2.9	2.3	1.3	1.1
Impairment of mining assets	-	0.1	-	0.5	-
Non-cash employee stock option compensation expense	-	-	1.4	-	-
Free cash flow	$15.5	$11.4	$8.8	$2.7	$5.0

Corporate Information

Annual Meeting

Wednesday, November 10, 2004
9:30 a.m. MST
Oxford Hotel, Sage Room
1600 Seventeenth Street
Denver, Colorado 80202

Board of Directors

Stanley Dempsey
Chairman and Chief Executive Officer
Royal Gold, Inc.

Tony Jensen
President and Chief Operating Officer
Royal Gold, Inc.

John W. Goth
Mining Consultant

Pierre Gousseland
Mining Consultant

S. Oden Howell, Jr.
President
Howell & Howell Contractors

Merritt E. Marcus
Former President
Marcus Paint Company

Edwin W. Peiker, Jr.
Mining Consultant

James W. Stuckert
Former Chairman and Chief Executive Officer
Hilliard, Lyons, Inc.

Donald Worth
Mining Consultant

Officers

Stanley Dempsey
Chairman and Chief Executive Officer

Tony Jensen
President and Chief Operating Officer

Karen Gross
Vice President and Corporate Secretary

Donald Baker
Vice President of Corporate Development

Randy Parcel
Vice President and General Counsel

Stefan Wenger
Treasurer and Chief Accounting Officer

Corporate Headquarters

Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202
(303) 573-1660 (phone)
(303) 595-9385 (fax)
E-mail: info@royalgold.com

Website

Please visit the Company's web site at www.royalgold.com for additional information about the Company.

Legal Counsel

Hogan & Hartson L.L.P.
Denver, Colorado

Auditors

PricewaterhouseCoopers LLP
Denver, Colorado

Corporate Information

www.royalgold.com

Transfer Agent/Registrar

Computershare Trust Company
350 Indiana Street, Suite 800
Golden, Colorado 80401
1-800-962-4284
(303) 262-0600 (phone)
(303) 262-0700 (fax)
web site: www.computershare.com

Computershare Trust Company of Canada
100 University Avenue, South Tower
Toronto, Ontario M5J 2Y1
Canada
1-800-564-6253
(416) 263-9200 (phone)
(888) 453-0330 (fax)
web site: www.computershare.com

Stock Exchange Listings

Nasdaq 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 and Corporate Secretary
(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 register for our mailing list to receive information via e-mail or facsimile.

ROYAL GOLD, INC.

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