ROYAL GOLD, INC. 2002 Annual Report

CORPORATE PROFILE

Royal Gold, Inc. is a profitable, dividend paying, precious metals royalty company. As the largest U.S.-based precious metals royalty company, Royal Gold provides a unique investment vehicle to capture value in the precious metals sector — by investing in a publicly traded company that holds and manages royalties on precious metals mines. Through its portfolio of royalty interests, the Company holds investments in a number of properties without incurring ongoing capital or operating costs. Additionally, a number of the Company's producing royalties offer a sliding-scale – an increasing royalty rate with increasing gold price – providing shareholders with leveraged exposure to improvements in gold price and precious metals income.

Through its dividend policy and strategy of involvement in quality precious metal opportunities, Royal Gold strives to provide shareholders with a premium precious metals investment vehicle; one with a history of posture return on investment, while retaining leveraged exposure to precious metal prices and reserve/production growth potential.

The Company is a Denver-based, publicly held corporation. Management and directors beneficially own about 26% of the shares of the Company. Royal Gold is traded on the Nasdaq Stock Market, under the symbol "RGLD," and on the Toronto Stock Exchange, under the symbol "RGL."

BUSINESS STRATEGY

Royal Gold seeks to create a collaborative relationship with royalty owners and mine operators, so that it becomes the royalty company of choice. The Company's royalty portfolio now provides an excellent risk-to-reward profile. Management's philosophy is to grow Royal Gold through the addition of royalty streams from quality precious metal operations. The key elements of our business strategy are:

1. ***acquiring and holding royalties on high quality deposits that are or will be exploited by competent operators;***
2. ***holding royalties on producing properties that have upside potential;***
3. ***having a productive staff, motivated by significant equity ownership in the company;***
4. ***utilizing strong deal making and diligence skills;***
5. ***having a publicly traded stock to use as a currency for acquisitions; and***
6. ***providing investors with a core portfolio precious metals investment.***

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FINANCIAL HIGHLIGHTS

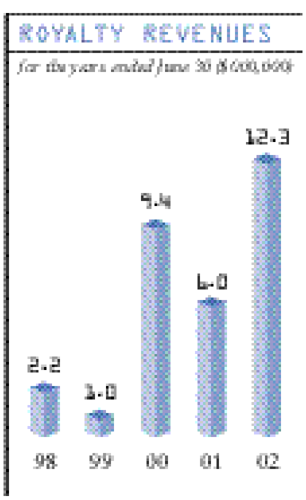
SELECTED FINANCIAL DATA

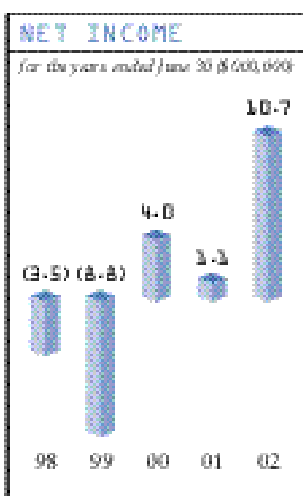
Selected Statements of Operations Data

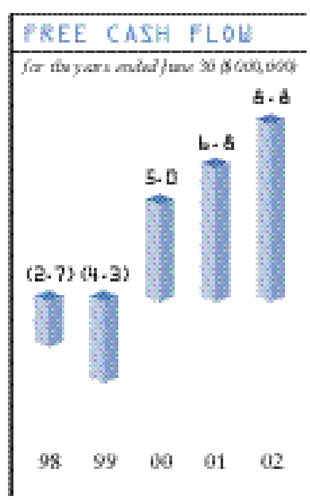
For The Years Ended June 30, (Amounts in thousands, except per share data)	2002	2001	2000	1999	1998
Royalty revenue	**$ 12,323**	$ 5,963	$ 9,407	$ 959	$ 2,176
Exploration and business development	**618**	774	1,868	3,241	2,001
General and administrative expense	**1,875**	1,716	1,768	1,704	1,679
Non-cash employee stock option compensation expense	**1,484**	-	-	-	-
Depreciation and depletion	**2,289**	1,271	1,193	464	155
Impairment of mining assets	**-**	490	-	4,616	-
Earnings (loss)	**10,699**	1,138	3,953	(8,808)	(3,543)
Basic earnings (loss) per share	**$ 0.60**	$ 0.06	$ 0.23	$ (0.51)	$ (0.21)
Diluted earnings (loss) per share	**$ 0.59**	$ 0.06	$ 0.22	$ (0.51)	$ (0.21)
Dividends declared per share	**$ 0.075**	$ 0.05	$ 0.05	$ 0.00	$ 0.00

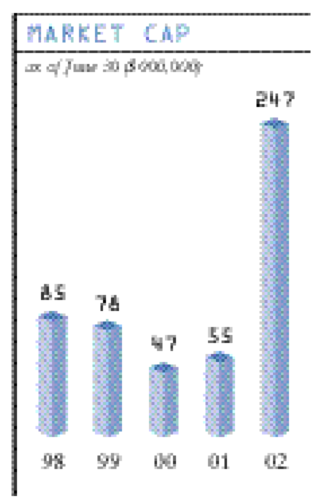
Selected Balance Sheet Data

For The Years Ended June 30, (Amounts in thousands)	2002	2001	2000	1999	1998
Total assets	**$ 29,590**	$ 17,262	$ 17,498	$ 11,815	$ 20,927
Working capital	**11,990**	4,431	5,692	8,582	11,437
Long-term obligations	**121**	127	125	81	108









Cautionary "Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995. *With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding projected revenues, cash flows, profits, reserves, mineralization, planned levels of expenditures, settlement of the Casmalia matter, and that the Company envisions that further growth will more likely occur as a result of acquisitions, rather than from exploration. Factors that could cause actual results to differ materially from the projections incorporated herein include, among others, changes in precious metals prices, decisions and activities of the operators of our royalty properties, unanticipated grade, geological, metallurgical, processing or other problems, changes in project parameters as plans continue to be refined, economic and market conditions, future financial needs, the availability of acquisitions, and the ability to reach a definitive court approved settlement of the Casmalia matter, as well as other factors described elsewhere in this report. Most of these factors are beyond the Company's ability to predict or control. The Company disclaims any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.*

Royal Gold achieved record results in 2002. Revenues from royalties of $12.3 million were more than double those of the previous years. Earnings were $10.6 million. Royal Gold's share price has also appreciated significantly.

Production Royalties

Revenues from the Pipeline Mining Complex increased in fiscal 2002 because the price of gold was higher than it was in fiscal 2001. Our principal royalty (GSR1) has a sliding-scale feature. When the gold price goes down, we receive a smaller percentage of production. Likewise, when the gold price goes up, we get a higher percentage of production. The price referred to in our sliding-scale royalties is the London afternoon fix, averaged over a calendar quarter. In fiscal 2002, we had three quarters with the average gold price above $270 per ounce, which yielded a 2.25% rate on our GSR1 royalty. The fourth quarter was at the 2.6% royalty rate, reflecting an average gold price slightly higher than $310 per ounce.

We have two other royalties generating revenue at the Pipeline Mining Complex. Both of these interests (GSR3 and NVR1) are fixed-rate royalties. Our revenue from these royalties reflect the ups and the downs of the gold price, however these royalties provide a steady percentage of revenue returns in down markets as compared to the GSR1 sliding-scale royalty.

Gold prices have increased in response to numerous economic factors over the last year, and we believe these economic factors will be with us during fiscal 2003. Our revenues grow dramatically when the gold price increases.

Our revenues also depend upon the productivity of the mines where we have royalties. The Pipeline Mining Complex is scheduled to produce about 950,000 ounces of gold in fiscal 2003. Placer Dome, the operator at the Pipeline Mining Complex, continues to do a good job of optimizing production, and we believe it will continue to produce at high rates.

We continue to monitor Placer's work at Crossroads. We are hopeful that some of the mineralized material at Crossroads will convert to reserves at the currently higher gold price. Much of the Crossroads material is subject to our GSR2 royalty -- the so-called "super" royalty. It is called the "super" royalty because it pays out at 1.8 times the sliding-scale rate of GSR1, at all gold prices.

We also continue to receive royalty revenue from the Bald Mountain mine. This mine is also run by Placer Dome. The mine achieved higher production levels in our fiscal year 2002, producing about 100,000 ounces of gold subject to our royalty interest.

Looking south to Argentina, Yamana Resources has sold the Martha mine to Coeur d'Alene Mines. Coeur d'Alene has advised that they are now producing high grade silver ore at the Martha mine and that they are treating the ore at their Cerro Bayo mine in nearby Chile. We again began receiving royalty revenue from this mine during our fourth quarter.

Exploration

One way Royal Gold creates new royalties is to explore for precious metals, and to sell our discoveries, keeping a royalty. This is how we got into the Pipeline Mining Complex.

This year, our exploration continued to be limited to two ventures in central Europe. These ventures include a joint venture in Greece to explore gold deposits on the island of Milos, and gold exploration joint ventures in Bulgaria. We terminated our work in Romania. Our efforts on Milos are suspended while we continue to seek environmental clearances. We continued with basic exploration on licenses in Bulgaria.

Our plan for the year ahead is to continue in Greece and Bulgaria at minimum levels, and to continue to hold back on domestic exploration unless we see an exciting opportunity. We believe exploration is a good way to develop value for shareholders, but we are reluctant to make a major commitment to the cost and risk of exploration next year. We continue to review submittals, and would take on more exploration if we see a particularly attractive prospect. In the meantime, we continue putting more effort into the search for acquisitions of cash-flowing royalties.

Dividend

We were pleased to be able to pay our third annual dividend in July 2002. We raised the payout from $0.05 to $0.075 per share. We believe that shareholders should see a direct return on their investment, and it is our hope that we can increase the dividend as revenues grow.

Smart Growth

As we have said before, we look forward to growing the Company's revenues, but only if we can do so on a profitable basis. We can do that by buying existing royalties or by creating royalties in mining finance transactions. We are looking for opportunities in gold, silver, diamonds, and the platinum group metals. We want to end up with sizable royalties on major deposits, and prefer mines where there is a high quality operator. We see a lot of deals, but we are reluctant to try to grow by doing many small, marginal transactions, or by overpaying for deals. We are pursuing "smart growth." By smart growth, we mean that we will grow the Company by acquiring royalties on mines that have a good chance for growth in reserves. We also like leverage to precious metals price increases.

Royalty owners and mine developers know the value of their interests, and we do not expect to get a royalty on the cheap by out trading someone. When we help finance a mine, we want our royalty to be tolerable for the operator. If the operator succeeds, we succeed with them. We are willing to pay full price for a good royalty, and it is our job to be sure we are exposed to the upside. We have people on our staff who know how to assess upside, and we use internationally recognized consultants in the business to help us make sure we properly assess a mine.

There are many opportunities for royalty financings. There are all manners of mine developers that are presently frustrated because they cannot get money to finish their projects. We could complete all sorts of deals now in the name of growth. But, we think it is smarter to stick with our investment criteria of quality assets and quality operators. We would rather do one good deal a year than ten marginal transactions. So we ask you to be patient as we pursue a strategy of smart growth and we also ask that you judge our performance on the basis of the quality of our deals rather than the quantity. The Company's future remains bright as we feel we will see many opportunities to create additional value for our shareholders.

We are focused on profitability and backed by a strong debt-free balance sheet. We operate with a very small staff, and we work hard to keep general and administrative expenses in line. We are all stockholders, and we would all like to see further growth in the price of the stock. We have been very pleased with the performance of the share price over the last year. We continue to believe that gold should be a core asset in every portfolio, and that Royal Gold's shares provide a great way to have portfolio protection. We are very enthusiastic about our prospects, and look forward to your continued support.

Sincerely,

STANLEY DEMPSEY
Chairman, CEO and President


830E
DT- HI-LOAD

PROPERTY PORTFOLIO

PIPELINE MINING COMPLEX

Lander County, Nevada

The Pipeline Mining Complex is owned and operated by The Cortez Joint Venture ("Cortez"), a joint venture between Placer Cortez 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, 2002, totaled approximately $12.3 million.

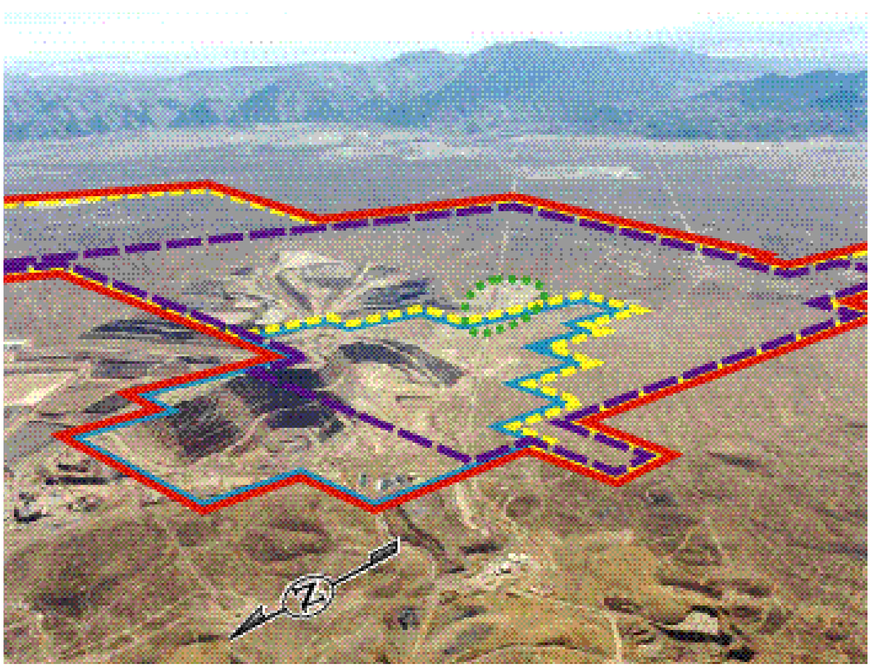
Pipeline Mining Complex Royalty Interests

❖ **GSR1:** *This royalty covers all gold produced from the "Reserve Claims," a block of 52 claims encompassing the known reserves (the current mine footprint). GSR1 is a sliding-scale royalty tied to the price of gold (see table, pg. 9). Royalty payments received during fiscal year 2002 attributable to GSR1 totaled approximately $8.2 million.*

❖ **GSR2:** *This royalty covers all gold produced from the claim block lying outside the current mine footprint (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 2002 attributable to production from lands subject to 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 2002 attributable to GSR3 totaled approximately $2.5 million.*

❖ **NVR1:** *This 0.37% net value royalty applies to most of the GAS Claims, including the South Pipeline deposit and Crossroads area, but not including the Pipeline pit. This royalty was purchased in April 2001, for approximately $2.1 million. The NVR1 is calculated by deducting processing-related and associated capital costs, but not mining costs. Royalty payments received during fiscal year 2002 attributable to the NVR1 totaled approximately $926,000.*



GSR1
GSR2
GSR3
NVR1
Crossroads

Cortez Production

During fiscal year 2002, Cortez produced approximately 1.2 million ounces of gold from the Pipeline Mining Complex. Production is expected to be about 950,000 ounces in fiscal 2003. In August 2001, Cortez reached an agreement with Barrick Gold for processing of refractory ores at the Barrick Goldstrike facility. That contract ended in July 2002. Cortez is now commissioning a study comparing the viability of treating carbonaceous ore with two new processes.

Ore Reserves and Mineralization

Placer Dome reported proven and probable reserves for the Pipeline Mining Complex, as of December 31, 2001, at a gold price of $275 per ounce, of 144,748,314 tons (131,313,618 tonnes), at an average grade of 0.047 ounce per ton ("opt") (1.61 grams per ton ("gpt")), containing approximately 6.8 million ounces of gold. Placer Dome also reported that in addition to the proven and probable reserves, the property contains approximately 58.1 million tons (52.7 million tonnes) of additional mineralized material, at an average grade of 0.044 opt (1.51 gpt).

The royalty positions held by Royal Gold at the Pipeline Mining Complex relate to the following approximate attributable portions of the reserves and additional mineralized material, as of December 31, 2001:

Exploration

Cortez continues to systematically explore and evaluate the Pipeline Mining Complex land, with various drilling programs, and has continued to aggressively explore and define the mineralization at Crossroads. To date, only a small portion of the mineralization at Crossroads lies on ground covered by GSR1, while a majority of the mineralization is covered by Royal Gold's GSR2 ("super") royalty. The entire Crossroads area is covered by both the GSR3 and NVR1 royalties.

The geological controls on gold mineralization at Crossroads are similar to those in the South Pipeline deposit. Local long intercepts of low grade, oxide gold mineralization are encountered in this area beneath 400 to 750 feet of pediment

Royalty	Category*	Tons/Tonnes	Average Gold Grade (opt/gpt)	Contained Ounces
GSR1	Reserve	144,598,314 / 131,177,540	0.047 / 1.61	6,772,466
	Mineralized Material	5,503,000 / 4,992,244	0.046 / 1.58	–
GSR2	Reserve	150,000 / 136,078	0.023 / 0.79	3,493
	Mineralized Material	52,639,000 / 47,753,354	0.044 / 1.51	–
GSR3	Reserve	144,748,314 / 131,313,618	0.047 / 1.61	6,775,959
	Mineralized Material	58,142,000 / 52,745,598	0.044 / 1.51	–
NVR1	Reserve	113,970,400 / 103,392,331	0.044 / 1.51	4,968,643
	Mineralized Material	54,560,000 / 49,496,058	0.045 / 1.54	–

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

** Mineralized material has not been included in the proven and probable reserve estimates because these deposits do not qualify as commercially mineable ore bodies until further drilling, engineering and/or metallurgical work is completed, and other economic and technical feasibility factors based upon such work are resolved.*


Cortez
FM-001
From 1934.5
To 1943.5
Four Mile
#224
Cortez
FM-001
From 2036.5
To 2094
Cortez
FM 001
From 1666.5
To 1675
Four Mile
#174

gravels and valley-fill sediments. Gold mineralization increases in intensity (thickness and/or grade) to the southeast. In the southeastern corner of the drill pattern, thicker intercepts of higher grade gold mineralization have been encountered.

The Crossroads deposit contains about 12.6 million tons (11.4 million tonnes) of oxide mineralization, at an average grade of 0.044 opt (1.5 gpt). This estimate does not consider mining dilution or processing losses. Drilling and other evaluation work continues in order to delineate the extent of mineralization at Crossroads, and to evaluate the economic viability of this deposit.

Through early August 2002, Cortez had completed 21 drill holes at the Crossroads area of the Pipeline Mining Complex, as part of its calendar 2002 drilling program. The continued drilling is focused on an area with dimensions of approximately 3,500 feet east-west by 2,600 feet north-south. The 2002 drilling program aims to provide additional in-fill detail for ongoing economic evaluations, as well as to determine the lateral extent of mineralization.

Any decision by Cortez to reclassify any portion, or all, of the additional mineralized material to proven and probable ore reserve status will depend upon consideration of additional drilling and metallurgical test results, and application of economic and technical feasibility factors such as mining, dewatering and processing costs.

PIPELINE COMPLEX GROSS SMELTER RETURN ROYALTY SCHEDULE

Price of Gold	GSR1	GSR2
Below $210	0.40%	0.72%
$210 - $229.99	0.50%	0.90%
$230 - $249.99	0.75%	1.35%
$250 - $269.99	1.30%	2.34%
$270 - $309.99	2.25%	4.05%
$310 - $329.99	2.60%	4.68%
$330 - $349.99	3.00%	5.40%
$350 - $369.99	3.40%	6.12%
$370 - $389.99	3.75%	6.75%
$390 - $409.99	4.00%	7.20%
$410 - $429.99	4.25%	7.65%
$430 - $449.99	4.50%	8.10%
$450 - $469.99	4.75%	8.55%
$470 - and above	5.00%	9.00%

BALD MOUNTAIN

White Pine County, Nevada

Royal Gold holds a 1.75% net smelter returns royalty on a portion of the Bald Mountain Mine. Bald Mountain is operated by Placer Dome U.S. Inc., a subsidiary of Placer Dome Inc., as an open pit, heap leach mine. During fiscal 2002, the Bald Mountain mine produced approximately 100,000 ounces of gold which were subject to our royalty interest and which generated approximately $511,000 in royalty revenues for Royal Gold. Placer reported a 48% increase in production at the Bald Mountain mine during the first half of calendar 2002 due to improvements in leach pad solution chemistry leading to higher recovery. It is anticipated that the mine will produce approximately 85,000 ounces of gold in fiscal 2003 that will be subject to Royal Gold's royalty interest.

As of December 31, 2001, Placer Dome reported that, at a $275 gold price, proven and probable reserves related to Royal Gold's royalty include 7,701,000 tons (6,986,238 tonnes) of ore, at an average gold grade of 0.030 opt (1.03 gpt), containing approximately 231,876 ounces of gold. In addition to the proven and probable reserves, the operator reported that the property contains approximately 9.1 million tons (8.3 million tonnes) of additional mineralized material, at an average grade of 0.076 opt (2.61 gpt) of gold, related to Royal Gold's royalty interest.

SOUTH AMERICA

Santa Cruz Province, Argentina

Royal Gold holds a 2% net smelter returns 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, all formerly held by Yamana Resources Inc. In 2002, Yamana sold its interests in western Santa Cruz Province, Argentina, including the high-grade silver property known as the Martha mine at the Bacon prospect, to Coeur d'Alene Mines ("Coeur").

Coeur commenced production at the Martha mine in the second half of calendar 2002. Coeur expects production of approximately 1.6 million ounces of silver in the remainder of 2002 subject to Royal Gold's interest, from a fully diluted proven and probable reserve of 2.7 million ounces of silver, at an average silver equivalent grade of 140 ounces per ton. Coeur also reports additional mineralization of 1.0 million ounces of silver.

For the fourth quarter of fiscal 2002, the Martha mine produced approximately 500,000 ounces of silver, resulting in royalty revenue to Royal Gold of $61,403.

Yamana Resources' gold properties in eastern Santa Cruz Province, Argentina, are being explored by Compania de Minas Buenaventura S.A.A. and Mauricio Hochschild & Compania S.A.C.

Royal Gold currently holds about 5.4% of the common shares and two million preferred shares of Yamana Resources. It also has 1.5 million warrants, which expire in February 2003, at an exercise price of Cdn $0.30, and an additional two million warrants, at an exercise price of US$0.15, expiring in February 2004.

MULE CANYON

Lander County, Nevada

Royal Gold holds a 5% net smelter returns royalty on a portion of the Mule Canyon property, operated by Newmont Gold Company. Pending a production commitment by Newmont, approximately 24,000 ounces of gold would be produced from the portion of the Mule Canyon deposit that is subject to this royalty interest. We have not received notice from Newmont as to a production decision.

BUCKHORN SOUTH

Eureka County, Nevada

Royal Gold holds a 14% net profits interest on any production from the Buckhorn South gold prospect which is currently being explored by AngloGold North America. The property hosts known mineralized material totaling approximately 2.4 million tons (2.2 million tonnes), with an average grade of 0.046 opt (1.6 gpt). Whether some or all of this mineralization will be classified as proven or probable reserves depends upon consideration of further drilling and metallurgical test results, and application of economic and technical feasibility factors.

GEOLOGICAL EXPLORATION AND DEVELOPMENT S.A. (Milos Gold Project)

Milos, Greece

Royal Gold owns 25% of Geological Exploration and Development S.A. (G.E.D., formerly Midas S.A.), a Greek company that holds the gold exploration license on four islands in the Aegean Sea, including Milos. The license area, centered on Milos, is approximately 90 miles south of the city of Athens. The remaining interests in G.E.D. are held by Silver & Baryte Ores Mining Company S.A. (a Greek public company), with 50% ownership, and Aegean International Gold, with 25% ownership.

Royal Gold was informed by Silver & Baryte, in August 2000, that the Greek Ministry of Environment, Regional Planning and Public Works had returned the environmental impact study that Midas S.A. had submitted for the purpose of performing further exploration work on Milos. The Ministry's letter explained that ". . . approval of the study in this phase would create unfavorable consequences for the environment in the area." This action has effectively brought all on-site activities to a standstill. Silver & Baryte is now managing the project, and is working to resolve the current impasse which has continued through fiscal 2002, with the objective of securing a reversal of the Ministry's action.

GREEK AMERICAN EXPLORATION LTD.

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

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 strive for responsible mining.

THE GOLD MARKET

Gold stocks and gold itself tend to outperform the general indexes during bear markets in equities and as a result the outlook for gold for the remainder of 2002 is positive. The general macroeconomic environment remains positive for gold, particularly because of low interest rates, a declining U.S. dollar, deficit spending, global insecurities, deterioration in investor confidence, and a reduction in the overall hedge position of the industry. Investors are rediscovering gold in order to diversify their portfolios and protect their investments against extreme downturns in the market.

According to Gold Survey 2001, published by Gold Fields Mineral Services, a U.K-based, independent commodity research and consulting company that specializes in the analysis of the precious metals markets, global mine production for 2001 was flat, mining production costs were the lowest in the last 15 years due to greater use of technology and the closing of marginal mines, sales from central banks were relatively flat, and official lending dropped for the first time since 1993. On the demand side, total fabrication for 2001 fell about seven percent, with declines in jewelry and electronics, mainly as a result of the slow down in the global economy. However, global investment in gold rose significantly, about seven percent. Moreover, new production of gold is down because exploration activity has been curtailed for the past several years and, in 2001, we saw a consolidation in the mining industry and reductions in producer hedging.

The Washington Agreement on Gold, an accord established in September 1999, has brought a new sense of order to the market. The accord, signed by 15 European central banks, was put in place to add some predictability to central bank sales of gold with gold sales not to exceed 441 tons (400 tonnes) in a given year. Officials at both the World Gold Council and Gold Fields Mineral Services expect the agreement to be renewed prior to it running out in September 2004.

Gold ranks among the most high-tech of metals, performing vital functions in mobile telephones, laptop computers, space travel, and many other products considered indispensable to our modern lives.

One thing investors should be looking for in gold stocks is leverage to a move in the gold price. We believe the shares of Royal Gold, which are highly leveraged to the price of gold, meets this objective.

Royal Gold is an active participant in organizations involved in promoting the use of gold. We are members of both the Gold Institute and the World Gold Council. For more information on gold, you can visit the World Gold Council's website at www.gold.org. or the Gold Institute's website at www.goldinstitute.org.

GLOSSARY

Fixed-Rate Gross Royalty: A royalty rate that stays constant for the life of the mine.

Gold Deposit/Mineralization: That part of a mineral deposit that 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.

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 Returns Royalty: A defined percentage of the gross revenue from a resource extraction operation, with no deduction for any costs paid by or charged to the operator.

Heap Leach: A method of recovering gold or other precious metals from a heap of ore placed on an impervious pad, whereby a dilute leaching solution is allowed to percolate through the heap, dissolving the precious metal, which is subsequently captured and recovered.

Mineralized Material: Concentration or occurrence of material of intrinsic economic interest in such form and quantity that there are reasonable prospects for eventual economic extraction.

Net Smelter Returns Royalty Interest: A defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of incidental transportation, insurance and processing costs.

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

Oxide Mineralization: Mineralization subject to the weathering environment or comparable process, whereby the primary mineralogy is oxidized resulting in new mineral formation. In gold deposits, this process typically breaks down sulfide minerals to iron oxides, and liberates gold, enabling simple processing.

Pediment Gravels: Coarse-grained alluvium deposited on sub-planar bedrock terrain sloping gently away from a mountain front.

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

Proven Reserve: Ore reserves for which: (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, 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 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).

Silver Equivalent: Gold or other precious metals expressed in equivalent ounces of silver using a conversion ratio dependent on the prevailing prices of the respective commodities.

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.

Valley-fill Sediment: Loose soil, sand and gravel that lies above the bedrock in a valley or basin environment between areas of higher elevation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations

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 Form 10-K.

Liquidity and Capital Resources

At June 30, 2002, the Company had current assets of $14,291,592 compared to current liabilities of $2,301,825 for a current ratio of 6 to 1. This compares to current assets of $6,004,176 and current liabilities of $1,573,309, at June 30, 2001, resulting in a current ratio of 4 to 1.

During fiscal 2002, liquidity needs were met from: (i) $12,323,071 in revenues from production at the Pipeline Mining Complex, Bald Mountain, and the Martha mine, (ii) the Company's available cash resources, and interest and other income of $138,671, and (iii) cash receipts from the issuance of common stock and the exercise of options of $38,409.

The only material commitments that cannot be terminated at the sole discretion of the Company are (i) employment agreements with all of its officers, calling for aggregate termination payments of approximately $586,000; and (ii) office lease payments of $266,218 through the lease period ending October 2005.

For fiscal 2003, the Company anticipates production of 950,000 ounces of gold at the Pipeline Mining Complex, based on estimates from Cortez. The Company will evaluate acquisition opportunities and may use cash or stock for these acquisitions. Acquisitions have become a more important part of the Company's growth strategy and could be substantial, while exploration is becoming less important. In the event of a substantial acquisition, the Company could seek additional debt or equity financing. For instance, on September 27, 2002, the Company announced it has entered into a letter of intent with the principal stockholder of High Desert Mineral Resources Inc. to purchase 93% of the company's common stock for approximately 1.4 million shares of Royal Gold stock, or $24 million in cash, or a combination of cash and stock. See, Note 14, SUBSEQUENT EVENTS, of Financial Statements.

The Company has a $10 million line of credit from HSBC that may be used to acquire producing royalties. At this time no funds have been drawn under the line.

Subsequent to year-end, the Company sold 500,000 shares of common stock, at a price of $13.75 per share, in a negotiated transaction resulting in gross proceeds of $6,875,000, in July 2002. In September 2002, the Company sold an additional 500,000 shares of common stock, at a price of $14.50 per share, in a negotiated transaction resulting in gross proceeds of $7,250,000.

The Company will seek to enhance the value of its exploration properties.

The Company's current financial resources and sources of income are expected to be adequate to cover the Company's anticipated expenditures for general and administrative costs, exploration and leasehold expenses, and capital expenditures for fiscal year 2003 and beyond.

Critical Accounting Policies

The preparation of Royal Gold's 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. The most critical accounting principles are the assumptions regarding future gold prices and estimates of reserves and recoveries of mine operators. The Company relies on the operator's estimates and have found them to be reasonable. Such estimates and assumptions affect the potential impairment 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 depreciation and amortization are charged to earnings. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions. The operator based its reserves on a $275 gold price and the Company based its deferred tax asset on a $300 gold price. If the long-term gold price is substantially lower, these estimates would need to change and could result in natural adverse write-offs of assets.

Results of Operations

Fiscal Year Ended June 30, 2002, Compared with Fiscal Year Ended June 30, 2001

For the year ended June 30, 2002, the Company recorded net earnings of $10,698,723,or $0.60 per diluted share, as compared to net earnings of $1,138,297, or $0.06 per diluted share, for the year ended June 30, 2001. Net earnings reflect $12.3 million in royalty revenues for the current year compared with $6.0 million in royalty revenues in the prior year.

The Company received royalty revenues of $11.7 million from its royalties at the Pipeline Mining Complex for 1.2 million ounces of production. The Company also received $0.5 million from its royalty at Bald Mountain. In the prior fiscal year, the Company received royalty revenues of $5.7 million from the Pipeline Mining Complex from 1.1 million ounces of production, $0.3 million from Bald Mountain and $0.1 million from the Martha mine. This increase in royalty revenue was directly related to the higher gold price in the current year, which also increased the royalty rate on GSR1, above price thresholds from the prior periods. During the first three quarters of fiscal 2002, the gold price averaged greater than $270 per ounce and averaged greater than $310 per ounce for the fourth quarter.

Costs of operations of $971,068 for the year ended June 30, 2002 increased compared to $784,993 for the year ended June 30, 2001, primarily related to Nevada net proceeds tax expenditures associated with the increased royalties at the Pipeline Mining Complex.

General and administrative expenses of $1,874,952 for the year ended June 30, 2002, increased from $1,715,512 for the year ended June 30, 2001, primarily due to increased legal fees, investor relations and annual report expenses, increased listings fees and a decrease in costs allocated to exploration/business development expenses.

The Company recorded $1,484,371 for a non-cash employee stock option compensation expense for the year ended June 30, 2002, related to the exercise of options by employees during the year. There were none in the prior year.

Exploration and business development decreased from $743,627 in fiscal 2001 to $618,308 in fiscal 2002, primarily due to decreased expenditures for gold exploration in Europe.

Depreciation and depletion increased from $1,270,621 in fiscal 2001 to $2,289,104 in fiscal 2002, primarily due to the increased depletion associated with the Company's purchase of the NVR1 royalty at the Pipeline Mining Complex, and higher production rates at the Pipeline Mining Complex.

In fiscal 2001, the Company recorded an impairment related to its royalty interest at Bald Mountain by $490,215, because of the operator's revised reserve estimates. No impairment was taken in fiscal 2002.

Interest and other income decreased from $258,010 in fiscal 2001 to $138,671 in fiscal 2002, primarily due to significantly lower investment rates on funds available for investing offset by higher funds available for investing.

The Company recorded a non-cash deferred tax asset of $6,849,687 during the year ended June 30, 2002, related to its assessment that the utilization of its net operating losses were more likely than not due to the higher gold price at fiscal year end 2002 and the Company's history of profitability. See, Consolidated Financial Statements, Footnote 7, INCOME TAXES.

Fiscal Year Ended June 30, 2001, Compared with Fiscal Year Ended June 30, 2000

For the year ended June 30, 2001, the Company recorded net earnings of $1,138,297, or $0.06 per diluted share, as compared to net earnings of $3,952,979, or $0.22 per diluted share, for the year ended June 30, 2000. Net earnings reflect $6.0 million in royalty revenues for the current year compared with $9.4 million in royalty revenues in the prior year.

The Company received royalty revenues of $5.7 million from its royalties at the Pipeline Mining Complex from 1.1 million ounces of production. The Company also received $0.3 million from its royalty at Bald Mountain. In the prior fiscal year, the Company received royalty revenues of $9.0 million from the Pipeline Mining Complex and $0.4 million from Bald Mountain. This decrease in royalty revenue was directly related to the lower gold price in fiscal 2001, which also reduced the royalty rate on GSR1. During the first three quarters of fiscal 2001, the gold price averaged greater than $250 per ounce and averaged greater than $270 per ounce for the fourth quarter.

Cost of operations of $784,933 for the year ended June 30, 2001 increased compared to $692,940 for the year ended June 30, 2000, primarily related to the settlement and accrual of estimated costs of Casmalia (See, Consolidated Financial Statements, Footnote 12, CONTINGENCIES) somewhat offset by decreased Nevada net proceeds expenditures associated with decreased royalties at the Pipeline Mining Complex.

General and administrative expenses of $1,715,512 for the year ended June 30, 2001, decreased slightly compared to $1,768,428 for the year ended June 30, 2000.

Exploration expenses decreased from $1,625,698 in fiscal 2000 to $743,627 in fiscal 2001, primarily due to decreased expenditures at the Milos Gold project. Lease maintenance and holding costs decreased from $242,127 in fiscal 2000 to $30,433 in fiscal 2001, primarily due to decreased holding costs related to the Milos Gold project.

Depreciation and depletion increased from $1,193,108 in fiscal 2000 to $1,270,621 in fiscal 2001, primarily due to the increased depletion associated with the Company's purchase of the GSR3 royalty at the Pipeline Mining Complex, because the royalty rate increased from 0.475% to 0.7125% during the year.

The Company recorded an impairment related to its royalty interest at Bald Mountain by $490,215, because of the operator's revised reserve estimates.

Interest and other income decreased from $271,347 in fiscal 2000 to $258,010 in fiscal 2001, primarily due to decreased funds available for investing.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Royal Gold, Inc.:

In our opinion, the accompanying consolidated balance sheets and 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
August 14, 2002, except for Note 14, as to which the date is September 27, 2002.

CONSOLIDATED BALANCE SHEETS

For The Years Ended June 30,	2002	2001
ASSETS		
Current assets		
Cash and equivalents	$ 11,104,140	$ 4,578,278
Royalty receivables	3,022,214	1,219,147
Prepaid expenses and other	165,238	206,751
Total current assets	14,291,592	6,004,176
Property and equipment, at cost, net	7,518,205	9,772,364
Available for sale securities	583,771	1,017,016
Deferred tax asset	6,849,687	-
Other assets	346,825	468,649
Total assets	$ 29,590,080	$ 17,262,205
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 698,136	$ 485,785
Dividend payable	1,354,022	894,490
Accrued compensation	150,000	150,000
Other	99,667	43,034
Total current liabilities	2,301,825	1,573,309
Other liabilities	120,525	127,100
Commitments and contingencies (notes 8 and 12)		
Stockholders' equity		
Common stock, $.01 par value, authorized 40,000,000 shares; and issued 18,279,840 and 18,101,622 shares, respectively	182,798	181,016
Additional paid-in capital	57,389,220	55,868,222
Accumulated other comprehensive income (loss)	184,981	(553,472)
Accumulated deficit	(29,492,397)	(38,837,098)
Treasury stock, at cost (229,226 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	27,167,730	15,561,796
Total liabilities and stockholders' equity	$ 29,590,080	$ 17,262,205

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,

	2002	2001	2000
Royalty revenues	$ 12,323,071	$ 5,963,153	$ 9,406,656
Costs and expenses			
Costs of operations	971,068	784,993	692,940
General and administrative	1,874,952	1,715,512	1,768,428
Non-cash employee stock option compensation expense	1,484,371	-	-
Exploration costs	618,308	774,060	1,867,825
Impairment of mining assets	-	490,215	-
Depreciation and depletion	2,289,104	1,270,621	1,193,108
Total costs and expenses	7,237,803	5,035,401	5,522,301
Operating income	5,085,268	927,752	3,884,355
Interest and other income	138,671	258,010	271,347
Loss on marketable securities	1,171,679	-	5,444
Interest and other expense	124,672	24,234	116,541
Income before income taxes	3,927,588	1,161,528	4,033,717
Deferred tax benefit	6,849,687	-	-
Current tax expense	78,552	23,231	80,738
Net income	$ 10,698,723	$ 1,138,297	$ 3,952,979
Adjustments to other comprehensive income			
Unrealized gain (loss) on available for sale securities	184,981	(153,257)	(400,215)
Comprehensive income	$ 10,883,704	$ 985,040	$ 3,552,764
Basic earnings per share	$ 0.60	$ 0.06	$ 0.23
Basic weighted average shares outstanding	17,930,767	17,765,877	17,528,244
Diluted earnings per share	$ 0.59	$ 0.06	$ 0.22
Diluted weighted average shares outstanding	18,170,225	17,770,735	17,710,371

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For The Years Ended June 30, 2002, 2001 and 2000

	Common Stock Shares	Common Stock Par Value Amount
Balance at June 30, 1999	17,321,322	$ 173,213
Issuance of common stock for		
Exercise of options	137,000	1,370
Private placement	452,500	4,525
Balance at June 30, 2000	17,910,822	179,108
Issuance of common stock for		
Exercise of options	190,800	1,908
Balance at June 30, 2001	18,101,622	181,016
Issuance of common stock for		
Exercise of options	178,218	1,782
Balance at June 30, 2002	**18,279,840**	**$ 182,798**

	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 1999	$ 54,027,150	$ (42,148,880)	$ -
Issuance of common stock for			
Exercise of options	15,755		
Private placement	1,805,475		
Issuance of treasury shares to			
Non-employee directors	(2,100)		
Net income and comprehensive income (loss) for the year ended June 30, 2000		3,952,979	(400,215)
Dividends		(885,003)	
Balance at June 30, 2000	55,846,280	(39,080,904)	(400,215)
Issuance of common stock for			
Exercise of options	21,942		
Net income and comprehensive income (loss) for the year ended June 30, 2001		1,138,297	(153,257)
Dividends		(894,491)	
Balance at June 30, 2001	55,868,222	(38,837,098)	(553,472)
Issuance of common stock for			
Exercise of options	1,520,997		
Net income and comprehensive income for the year ended June 30, 2002		10,698,723	738,453
Dividends		(1,354,022)	
Balance at June 30, 2002	**$ 57,389,219**	**$ (29,492,397)**	**$ 184,981**

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For The Years Ended June 30, 2002, 2001 and 2000

	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity
Balance at June 30, 1999	238,726	$ (1,182,230)	$ 10,869,253
Issuance of common stock for			
Exercise of options			17,125
Private placement			1,810,000
Issuance of treasury shares to			
Non-employee directors	(28,000)	138,600	136,500
Net earnings and comprehensive income for the year ended June 30, 2000			3,552,764
Dividends			(885,003)
Balance at June 30, 2000	210,726	(1,043,630)	15,500,639
Issuance of common shares for			
Exercise of options			23,850
Purchase of common stock	18,500	(53,242)	(53,242)
Net earnings and comprehensive income for the year ended June 30, 2001			985,040
Dividends			(894,491)
Balance at June 30, 2001	229,226	(1,096,872)	15,561,796
Issuance of common shares for			1,522,779
Exercise of options			
Net earnings and comprehensive income for the year ended June 30, 2001			11,437,176
Dividends			(1,354,022)
Balance at June 30, 2002	**229,226**	**$ (1,096,872)**	**$ 27,167,729**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended June 30,	2002	2001	2000
Cash flows from operating activities			
Net income	$ 10,698,723	$ 1,138,297	$ 3,952,979
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and depletion	2,289,104	1,270,621	1,193,108
Loss on marketable securities	1,171,679	-	5,444
Impairment of mining assets	-	490,215	-
Non-cash employee option compensation expense	1,484,371	-	136,500
(Increase) decrease in:			
Royalty receivables	(1,803,067)	542,119	(1,449,168)
Other current assets	41,513	29,239	222,702
Deferred tax asset	(6,849,687)	-	-
Increase (decrease) in:			
Accounts payable and accrued liabilities	268,984	(308,424)	122,782
Other liabilities	(6,575)	2,403	43,599
Net cash provided by operating activities	7,295,045	3,164,470	4,227,946
Cash flows from investing activities			
Capital expenditures for property and equipment	$ (34,945)	$ (2,195,454)	$ (8,340,629)
Maturity of held-to-maturity securities	-	-	4,000,000
Proceeds from marketable securities	19	-	-
Purchase of available for sale securities	-	(250,000)	(1,320,488)
Increase (decrease) in other assets	121,824	126,498	(417,270)
Net cash provided by (used in) investing activities	86,898	(2,318,956)	(6,078,387)
Cash flows from financing activities			
Dividends paid	(894,490)	(885,004)	-
Purchase of common stock	-	(53,242)	-
Proceeds from issuance of common stock	38,409	23,850	1,827,125
Net cash provided by (used in) financing activities	(856,081)	(914,396)	1,827,125
Net increase (decrease) in cash and equivalents	6,525,862	(68,882)	(23,316)
Cash and equivalents at beginning of year	4,578,278	4,647,160	4,670,476
Cash and equivalents at end of year	**$ 11,104,140**	**$ 4,578,278**	**$ 4,647,160**

Supplemental Information:

The Company declared a dividend on common stock of $1,354,022 during fiscal 2002, which was paid in July 2002.
The Company declared a dividend on common stock of $894,491 during fiscal 2001, which was paid in July 2001.
The Company declared a dividend on common stock of $885,004 during fiscal year 2000, which was paid in July 2000.

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

Note 1:

Operations and Summary of Significant Accounting Policies

Operations

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

Summary Of Significant Accounting Policies

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

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

Cash Equivalents: For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2002, cash equivalents included $11,098,973 of temporary cash investments in five uninsured government securities money market funds.

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

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

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

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

Revenue: Royalty revenue is recognized when earned on the basis of gold production from mine operations pursuant to the terms of the royalty agreements. For royalties received in gold, royalty revenue is recorded at the spot price of gold.

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

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

Earnings (Loss) Per Share: Basic earnings (loss) per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the effect of potentially dilutive stock options.

Derivatives: Gold price derivatives are recorded at fair market value at the balance sheet date and all gains or losses on these derivatives are recorded as costs of operations in the Consolidated Statements of Operations and Comprehensive Income.

Note 2:

Property and Equipment

The carrying value of the Company's property and equipment consists of the following components at June 30, 2002 and 2001:

	Gross	Accumulated Depreciation & Depletion	Net
As of June 30, 2002			
Royalties			
Pipeline Mining Complex			
GSR1	$ -	$ -	$ -
GSR2	-	-	-
GSR3	8,105,020	3,097,904	5,007,116
NVR1	2,135,107	530,475	1,604,632
Bald Mountain	1,978,547	1,431,154	547,393
Mule Canyon	180,714	-	180,714
Martha mine (formerly Yamana Resources, Inc.)	172,810	85,978	86,832
Total royalties	12,572,198	5,145,511	7,426,687
Office furniture, equipment and improvements	869,197	777,679	91,518
	$ 13,441,395	**$ 5,923,190**	**$ 7,518,205**
As of June 30, 2001			
Royalties			
Pipeline Mining Complex			
GSR1	$ -	$ -	$ -
GSR2	-	-	-
GSR3	8,105,020	1,803,958	6,301,062
NVR1	2,135,107	33,868	2,101,239
Bald Mountain	1,978,547	1,065,323	913,224
Mule Canyon	180,714	-	180,714
Martha mine (formerly Yamana Resources, Inc.)	172,810	-	172,810
Total royalties	12,572,198	2,903,149	9,669,049
Office furniture, equipment and improvements	834,252	730,937	103,315
	$ 13,406,450	**$ 3,634,086**	**$ 9,772,364**

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

Pipeline Mining Complex:

The Company holds two sliding-scale gross smelter returns royalties (GSR1 and GSR2) and a fixed gross royalty (GSR3) over the Pipeline Mining Complex that includes the Pipeline and South Pipeline gold deposits in Lander County, Nevada. The Company also owns a net value royalty (NVR1) on the South Pipeline gold deposit.

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

Bald Mountain:

Effective January 1, 1998, the Company purchased a 50% undivided interest in a sliding-scale net smelter returns royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by Placer Dome U.S. Inc. During fiscal 2001, the Company recorded an impairment of $490,215. This resulted from the operator decreasing its long-term gold price estimate to $300 per ounce, which reduced its reserve estimate at the property.

Mule Canyon:

In fiscal 1999, the Company purchased a 5% NSR royalty on a portion of the Mule Canyon mine, operated by Newmont Gold Company. The mine is not currently in production.

Martha Mine (formerly Yamana Resource, Inc.):

The Company owns a 2% NSR royalty on the Martha mine located in Argentina, operated by Coeur d'Alene Mining Corporation.

Note 3:

Related Party Transaction

In fiscal 2001, the Company acquired 29.6% of a 1.25% net value royalty ("NVR") over production from the GAS Claims located on the Pipeline Mining Complex, in Lander County, Nevada. The Company made an offer to acquire all the interest from a group of individuals, which included certain officers and directors of the Company. This royalty is known as NVR1. Royal Gold acquired NVR1 for approximately $2.1 million. Of this amount, approximately 45% or $967,500 was distributed to those officers and directors of the Company who held the royalty.

Note 4:

Derivatives

The Company has purchased gold put options to cover its production through calendar year 2003. At June 30, 2002, these puts consist of 15,300 ounces of gold at $270 per ounce and 22,500 ounces of gold at $250 per ounce. The Company does not qualify for hedge accounting and therefore marks-to-market these puts each quarter and records the gains or losses in operating costs. In fiscal year 2002, 2001 and 2000, the Company expensed $111,603, $90,472 and $0 related to the change in fair value of these puts, respectively.

Note 5:

Available For Sale Securities

The Company holds equity positions in a number of mining and exploration companies. The Company had an unrealized gain of $184,981 in these securities at June 30, 2002. In fiscal 2001, the unrealized loss was $553,472.

Note 6:

Earnings Per Share ("EPS") Computation

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 Ended June 30, 2001

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 1,138,297	17,762,877	$ 0.06
Effect of potentially dilutive options		7,858	
Diluted EPS	**$ 1,138,297**	**17,770,735**	**$ 0.06**

Options to purchase 907,079 shares of common stock, at an average purchase price of $5.36 per share, were outstanding at June 30, 2001, 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 Ended June 30, 2000

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

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

Note 7:

Income Taxes

The tax effects of significant temporary differences and carryforwards, which give rise to the Company's deferred tax assets and liabilities at June 30, 2002 and 2001, are as follows:

	2002	2001
Net operating loss carryforwards	$ 6,855,059	$ 7,629,710
Mineral property basis	875,946	1,188,861
AMT credit carryforwards	5,467	4,467
Other	96,230	61,740
Total deferred tax assets	7,832,702	8,884,778
Valuation allowance	(964,258)	(8,867,171)
Net deferred tax assets	6,868,444	17,607
Deferred tax liabilities	(18,757)	(17,607)
Total net deferred taxes	**$ 6,849,687**	**$ -**

At June 30, 2002, the Company has approximately $19.6 million of net operating loss carryforwards, which, if unused, will expire during the years 2003 through 2021. The Company's ability to generate future taxable income to realize the benefits of its tax assets will depend primarily on the spot price of gold. Due to the increase in the price of gold and the Company's history of profitability, the Company has decreased its valuation allowance at June 30, 2002, to the amount more likely than not to be realized.

	2002	2001	2000
Current federal tax expense	$ 78,552	$ 23,231	$ 80,738
Deferred tax expense	896,122	438,260	2,222,726
Decrease in deferred tax asset valuation allowance	(7,902,913)	(438,260)	(2,222,726)
	$ (6,928,239)	**$ 23,231**	**$ 80,738**

The provision for income taxes for the years ended June 30, 2002, 2001 and 2000, 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:

	2002	2001	2000
Total expense computed by applying statutory rate	$ 1,374,656	$ 394,920	$ 1,411,801
Adjustments of valuation allowance	(7,902,913)	(438,260)	(1,124,726)
Excess depletion	(431,685)	(211,917)	(328,661)
Other	31,703	278,488	122,324
	$ (6,928,239)	$ 23,231	$ 80,738

The change in the valuation allowance in fiscal 2001 and 2000 is due to the utilization of net operating loss those years, and reflects the utilization of new operating loss and reduction in the deferred tax asset allowance in fiscal 2002.

Note 8:

Commitments

Operating Lease:

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

For The Year Ended June 30	
2003	$ 111,317
2004	115,797
2005	39,104
Total:	$ 266,218

Rent expense charged to operations for the years ended June 30, 2002, 2001 and 2000, amounted to $108,120, $110,888 and $159,122, respectively.

Employment Agreements:

The Company has one-year employment agreements with all of its officers, which require total minimum future compensation, at June 30, 2002, of $586,000. The terms of each of these agreements automatically extend, every February, for one additional year, unless terminated by the Company or the officer, according to the terms of the agreements.

Note 9:

Stockholders' Equity

Preferred Stock:

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

Treasury Shares:

In fiscal 2001, the Company purchased 18,500 shares of common stock in the open market. Repurchased shares are held in the treasury for general corporate purposes. The Company has no commitments to purchase common stock.

Stockholders' Rights Plan:

The Company's board of directors adopted a Stockholders' Rights Plan in which preferred stock purchase rights ("Rights") were distributed as a dividend at the rate of one Right for each share of common stock held as of close of business on September 11, 1997. The terms of the 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 the Company's outstanding common stock, then the owners of each share of common stock (other than the acquiring person or group) would become entitled to exercise a right to buy one one-hundredth of a newly issued share of Series A Junior Participating Preferred Stock of the Company at an exercise price of $50 per Right.

Stock Option Plan:

The Company adopted an Equity Incentive Plan ("the Plan") whereby options under the Plan are exercisable at prices equal to the market value of the Company's Common Stock as of the date of grant and expire ten years after the date of grant.

Stock Options:

The following schedules detail activity related to options for the years ended June 30, 2000, 2001 and 2002:

	Optioned Shares	Weighted Average Option Prices
Options Outstanding at June 30, 1999	1,234,298	$ 4.66
Granted	310,000	$ 4.42
Exercised	(137,000)	$ 0.13
Surrendered or expired	(165,570)	$ 6.08
Options Outstanding at June 30, 2000	1,241,728	$ 4.67
Granted	145,000	$ 2.81
Exercised	(190,800)	$ 0.13
Surrendered or expired	(144,849)	$ 6.11
Options Outstanding at June 30, 2001	1,051,079	$ 5.01
Granted	135,000	$ 8.94
Exercised	(346,025)	$ 4.36
Surrendered or expired	(45,000)	$ 14.13
Options Outstanding at June 30, 2002	**759,054**	**$ 5.01**

All exercisable options outstanding at June 30, 2002, consist of 659,054 options exercisable at a weighted average exercise price of $5.43. All options outstanding at June 30, 2002, consist of: 680,054 options, at an average strike price of $4.66, and a weighted average remaining contractual life of 6.4 years; and 115,000 options, at a strike price of $9.96, and a weighted average remaining contractual life of 5.3 years.

The Company measures 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 the stock options has been recognized in the financial statements as the exercise price of all option grants was equal to the market price of the Company’s Common Stock at the date of grant. In October 1995, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 123 (“SFAS 123”). SFAS defines a “fair value” based method of accounting for employee options or similar equity instruments. Had compensation cost been determined under the provisions of SFAS 123, the following pro forma net income and per share amounts would have been recorded.

	2002	2001	2000
Net income			
As reported	$ 10,698,723	$ 1,138,297	$ 3,952,979
Pro Forma	$ 10,382,050	$ 1,025,466	3,522,851
Net income (loss) per basic share			
As reported	$ 0.60	$ 0.06	$ 0.23
Pro Forma	$ 0.58	$ 0.06	0.20
Net income (loss) per diluted share			
As reported	$ 0.59	$ 0.06	$ 0.22
Pro Forma	$ 0.57	$ 0.06	$ 0.20

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

	2002	2001	2000
Weighted average expected volatility	46.1%	51.2%	45.5%
Weighted average expected option term in years	5.5	5.5	5.5
Weighted average risk free interest rate	4.3%	5.7%	5.4%
Forfeiture rate	5%	5%	5%
Weighted average grant fair value	$4.05	$1.27	$2.12

Note 10:

Major Customers

In each of fiscal years 2002, 2001 and 2000, $12,170,000, $5,963,152 and $8,976,422, respectively, of the Company's royalty revenues were received from the same source.

Note 11:

Simplified Employee Pension ("SEP") Plan

The Company maintains a SEP Plan in which all employees are eligible to participate. The Company contributes a minimum of 3% of an employee's compensation to an account set up for the benefit of the employee. If an employee also chooses to contribute to the SEP Plan through salary reduction contributions, the Company will match such contributions to a maximum of 7% of the employee's salary. The Company contributed $85,368, $76,063 and $82,528, in fiscal years 2002, 2001 and 2000, respectively.

Note 12:

Contingencies

Casmalia:

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

In January 2002, the Company entered into various agreements with other "Tier II" parties identified as potentially responsible for a portion of the clean-up of the Casmalia Disposal Facility, in Casmalia, California (the "Site"), and, in connection with such agreements, deposited the sum of $107,858 into escrow. The escrowed funds are intended to resolve the Company's alleged liability under Superfund for clean-up costs to be incurred at the Site.

The escrow amount is based on the percentage of the total waste volume at the Site that the Company or its predecessors allegedly disposed of there, during 1983 and 1984. Although the Company's waste consisted entirely of customary oil field waste, the EPA has alleged that the waste was hazardous. The Company's volumetric contribution of allegedly hazardous waste was then used to calculate the Company's share ($107,858) of the total projected cost of $272 million to accomplish remediation of the Site.

The Company may still remain exposed for its proportionate share of "natural resources damages" at the Site, but that matter remains the subject of further negotiation, in connection with the completion of the consent decree that the Company will be obliged to enter into with EPA and the other Tier II parties before the deposited funds may be released from escrow. Any liability for "natural resources damages", at the Site, that may remain after the consent decree has been executed likely will not be determined until after the clean-up of the Casmalia Site has been completed.

Note 13:

Quarterly Results of Operations (Unaudited)

	Operating Revenues	Gross Profit	Net Income (Loss)	Earnings (Loss) Per Share of Common Stock	Earnings (Loss) Per Share of Common Stock Assuming Dilution
Fiscal Year 2002 Quarter Ended:					
September 30	$ 2,831,633	$ 1,448,496	$ 372,299	$ 0.02	$ 0.02
December 31	2,889,380	1,509,562	1,385,802	0.08	0.08
March 31	3,140,760	1,620,611	1,587,766	0.09	0.09
June 30	3,461,298	506,599	7,352,85	0.41	0.40
	$ 12,323,071	**$ 5,085,268**	**$ 10,698,723**	**$ 0.60**	**$ 0.59**
Fiscal Year 2001 Quarter Ended:					
September 30	$ 1,537,944	$ 580,133	$ 629,084	$ 0.04	$ 0.04
December 31	1,405,106	(240,626)	(157,603)	(0.01)	(0.01)
March 31	1,446,010	303,648	358,997	0.02	0.02
June 30	1,574,093	284,597	307,819	0.01	0.01
	$ 5,963,153	**$ 927,752**	**$ 1,138,297**	**$ 0.06**	**$ 0.06**

Note 14:

Subsequent Events

Subsequent to fiscal year-end, the Company sold 500,000 shares of common stock, at a price of $13.75 per share, in a negotiated transaction resulting in gross proceeds of $6,875,000, in July 2002. In September 2002, the Company sold an additional 500,000 shares of common stock, at a price of $14.50 per share, in a negotiated transaction resulting in gross proceeds of $7,250,000.

On September 27, 2002, the Company announced it has entered into a letter of intent with the principal stockholder of High Desert Mineral Resources Inc. ("HDMRI") to purchase 93% of the company's common stock for approximately 1.4 million shares of Royal Gold common stock, or US$24 million in cash, or a combination of cash and stock. The transaction is subject to the negotiation and execution of final documentation, completion of legal, technical and commercial diligence, Canadian (including TSX Venture Exchange) and U.S. regulatory approval, and other conditions to closing. Subject to completion of this transaction, Royal Gold also intends to offer the minority shareholders of HDMRI consideration equivalent to what it has offered the control position.

MARKET FOR THE REGISTRANT'S
Common Equity and Related Stockholder Matters

The Common Stock of the Company is traded on the Nasdaq Stock Market under the symbol "RGLD" and on the Toronto Stock Exchange under the symbol "RGL." The following table shows the high and low closing sales prices, in U.S. dollars, for the Common Stock on Nasdaq for each quarter since June 30, 2000.

Fiscal Year:	Sale Price High Closing	Sale Price Low Closing
2001		
First Quarter (July, Aug., Sept. - 2000)	$ 3.75	$ 2.56
Second Quarter (Oct., Nov., Dec. - 2000)	$ 3.38	$ 2.38
Third Quarter (Jan., Feb., March - 2001)	$ 3.56	$ 2.50
Fourth Quarter (April, May, June - 2001)	$ 3.85	$ 2.50
2002		
First Quarter (July, Aug., Sept. - 2001)	$ 6.25	$ 4.00
Second Quarter (Oct., Nov., Dec. - 2001)	$ 5.98	$ 5.13
Third Quarter (Jan., Feb., March - 2002)	$ 8.90	$ 5.09
Fourth Quarter (April, May, June - 2002)	$15.48	$ 8.26

As of August 15, 2002, there were approximately 7,000 shareholders of the Company's Common Stock.

Dividends

On May 10, 2002, the Company's Board of Directors declared a 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.

The Company paid its first dividend of $0.05 per share on July 21, 2000. The Company declared its second annual dividend of $0.05 per share on its Common Stock, payable to holders of record as of July 6, 2001. This dividend was paid on July 20, 2001.

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

Sales of Unregistered Securities

The Company did not make any unregistered sales of its securities during the fiscal year ended June 30, 2002.

CORPORATE INFORMATION

WWW.ROYALGOLD.COM

ANNUAL MEETING

Tuesday, November 12, 2002
9:30 a.m. MST
Oxford Hotel, Sage Room
1600 Seventeenth Street
Denver, Colorado 80202

BOARD OF DIRECTORS

STANLEY DEMPSEY
Chairman, CEO and President
Royal Gold, Inc.

JOHN W. GOTH
Mining Consultant

PIERRE GOUSSELAND
Mining Consultant

S. ODEN HOWELL, JR.
President
Howell & Howell Painting Contractors

MERRITT E. MARCUS
President
Marcus Paint Company

EDWIN W. PEIKER, JR.
Formerly President of the Company
Mining Consultant

JAMES W. STUCKERT
Chairman & Chief Executive Officer
Hilliard, Lyons, Inc.

DONALD WORTH
Mining Consultant

OFFICERS

STANLEY DEMPSEY
Chairman, CEO and President

KAREN GROSS
Vice President and Corporate Secretary

DONALD BAKER
Vice President of Corporate Development

JOHN SKADOW
Controller and Treasurer

CORPORATE HEADQUARTERS

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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 & 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 website at **www.royalgold.com**, or to receive information via e-mail or facsimile.

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