Royal Gold, Inc

ANNUAL REPORT 2005

our people are the key to our success

Corporate Profile

Royal Gold, Inc. (Nasdaq: RGLD; TSX: RGL) is the leading publicly-traded precious metals royalty company. Royal Gold owns and manages royalties on precious metals mines. The Company's royalty portfolio provides investors with exposure to the precious metals sector without incurring the capital and operating costs, and the risks of being a mine operator. Additionally, Royal Gold's sliding-scale royalties provide investors with upside leverage during periods of gold price appreciation. Conversely, the Company's fixed rate royalties and floors on sliding-scale royalties mitigate investor risk in times of decreasing gold prices.

With a successful business strategy that generates strong cash flow, Royal Gold provides shareholders with a premium precious metals investment vehicle. Royal Gold's six-person management team possesses over 125 years of collective mining industry experience, giving the Company a broad base of industry knowledge from which to make sound business decisions. At present, the Company's royalty portfolio, with nearly all of its output originating in the United States, offers direct exposure to precious metals prices and the growth potential of world class ore deposits in a geopolitically stable location.

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 approximately 18% of shares outstanding.

Business Strategy

Royal Gold collaborates with mine operators, royalty owners and other business partners to acquire royalties and unlock their value. The key elements of our business strategy are as follows:

1. **Lower-Risk Exposure to Gold through Royalty Ownership.** Our business model is based on acquiring royalty interests in precious metals properties rather than engaging in mining operations.

2. **Financial Flexibility.** Royal Gold's liquidity position allows us to compete for royalty acquisitions by means of purchase or by providing financing.

3. **Industry Relationships and Experience.** Our management team maintains personal relationships throughout the industry, from major mining companies to exploration businesses, landowners and prospectors. These relationships allow us to target and obtain royalty interests.

4. **Royalty Evaluation Criteria.** The Company's rigorous evaluation of royalties provides us a competitive advantage in acquiring and managing royalties.

5. **Focus on Nevada Gold Districts with Worldwide Exposure.** The historical track record of successful gold mining in Nevada makes it an attractive region to seek royalties; however, we believe that it is also important to have exposure to royalties in other parts of the world.

Table of Contents

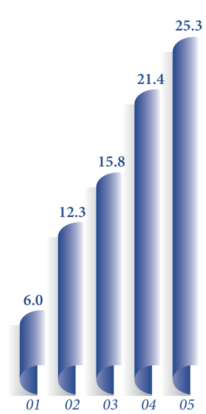
Cover photo: Photos depict members of Royal Gold's management team.

Selected Financial Data

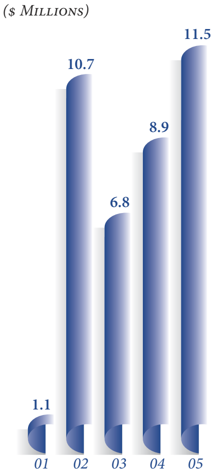
For the year ended June 30,	Selected Statements of Operations Data				
	2005	2004	2003	2002	2001
(Amounts in thousands, except per share data)					
Royalty revenue	$ 25,302	$ 21,353	$15,788	$12,323	$ 5,963
Exploration and business development	1,859	1,392	1,233	618	774
General and administrative expense	3,541	2,923	1,966	1,875	1,716
Non-cash employee stock option compensation expense	205	-	-	1,484	-
Depreciation and depletion	3,205	3,314	2,855	2,289	1,271
Impairment of mining assets	-	-	166	-	490
Current and deferred tax expense (benefit)	4,102	3,654	1,885	(6,771)	23
Net income	11,454	8,872	6,752	10,699	1,138
Basic earnings per share	$ 0.55	$ 0.43	$ 0.34	$ 0.60	$ 0.06
Diluted earnings per share	$ 0.54	$ 0.42	$ 0.33	$ 0.59	$ 0.06
Dividends declared per share	$ 0.20	$ 0.15	$ 0.10	$ 0.075	$ 0.05

For the year ended June 30,	Selected Balance Sheet Data				
	2005	2004	2003	2002	2001
(Amounts in thousands)					
Total assets	$102,319	$ 93,522	$ 86,359	$ 29,590	$17,262
Working capital	53,330	49,460	34,296	11,990	4,431
Long-term obligations	97	103	113	121	127
Deferred tax liability	7,586	8,079	8,747	-	-

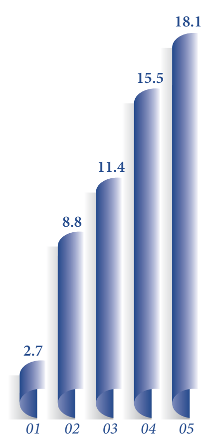
Royalty Revenue
For the years ended June 30, ($ Millions)



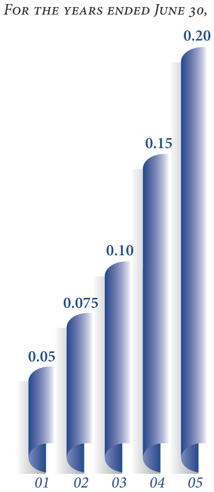
Net Income
For the years ended June 30, ($ Millions)



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



Dividends Per Share
For the years ended June 30,



1 *The term "free cash flow" is a non-GAAP financial measure. For 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 press release 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 gold and silver production, reserves and mineralization received from the operators of our royalty properties, sliding-scale features of our royalty structure at the Pipeline Mining Complex, as well as settlement of the Casmalia matter, the potential need for additional funding for acquisitions, our future capital commitments and our expectation that substantially all our revenues will be derived form royalty interests. Factors that could cause actual results to differ materially from projections 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 at these properties, changes in project parameters as plans of the operators are refined, results of current or planned exploration activities, economic and market conditions, future financial needs, federal or state legislation governing us or the operators, the availability of acquisitions, and the ultimate additional liability, if any, to the State of California in connection with the Casmalia matter, as well as other factors described elsewhere in our Annual Report on Form 10-K for the year ended 2005 and other filings with the Securities and Exchange Commission. Forward looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. 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.

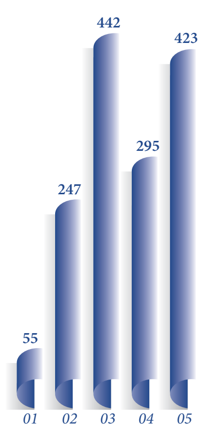
DEAR SHAREHOLDERS,

We are pleased to report record results for fiscal 2005. Revenue, free cash flow[1] and earnings were all at record levels, up 18%, 17%, and 28%, respectively, from the prior year. These increases were driven by the average gold price moving from $410 per ounce in fiscal 2004 to $428 per ounce in fiscal 2005, as well as the revenue contribution from a new royalty financing agreement.

These results are particularly gratifying because they come at a time when cost inflation is pressuring the rest of the industry. In calendar year 2004, expenses relating to the production of gold increased over 15% for the entire industry from the prior year, largely due to energy prices and foreign exchange issues. Our business, however, is not directly impacted by these items. Royal Gold's free cash flow, as a percentage of revenue, was 71% for fiscal 2005, and 72% for both fiscal years 2004 and 2003. This consistent percentage of free cash flow is unmatched in the mining industry.

In October 2004, we financed the re-commissioning of the Troy mine in Montana obtaining an initial 7% gross smelter return royalty. This operation began paying royalties just after the New Year, and at full production is expected to produce about $3.5 million in annual royalty revenue, at current metal prices.

Market Cap
For the years ended June 30,
($ Millions)



The Leeville North mine will be commissioned in late calendar 2005 with production of about 500,000 ounces of gold per year. When the Leeville North mine reaches full production, we expect to receive royalty revenue of approximately $4 million annually, at current gold prices. This production, and the favorable exploration potential of the Leeville area, should provide solid royalty revenue for years to come.

Management is fully up to the challenge of growing the business. The six corporate officers, combined, have over 125+ years of experience in all of the key mining and exploration disciplines, much of which was derived from major mining companies. This hands-on operating and corporate experience is supplemented with the financial and commercial knowledge required to assess and select new value-adding royalties.

Royal Gold ended the fiscal year with approximately $49 million in cash and no debt, and we completed a $55 million offering of our common stock at the end of September bringing our cash position to about $110 million. This, coupled with robust cash flow, provides us with the firepower to grow the Company, while at the same time rewarding our shareholders with a strong dividend.

During the fiscal year, we had a change on the Board of Directors. A long-time board member, Pierre Gousseland, passed away. We cannot overstate his importance to the building of the Company to what it is today. His intellectual brilliance, clarity of vision, and commitment to Royal Gold inspired all of us who had the opportunity to work with him.

We would also like to express our appreciation to fellow members of our Board of Directors for their support and counsel over the past year.

Finally, we want to thank you, our fellow shareholders, for your support and confidence in us.

Sincerely,

Stanley Dempsey
Chairman and Chief Executive Officer

Tony A. Jensen
President and Chief Operating Officer

September, 2005

1 *The term "free cash flow" is a non-GAAP financial measure. For reconciliation of free cash flow to the most directly comparable GAAP financial measure, see Free Cash Flow Reconciliation on page 43.*

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., (40%) a subsidiary of Rio Tinto plc. Royal Gold currently holds four royalty interests on the property: two sliding-scale gross smelter return royalties (GSR1 and GSR2), a fixed-rate gross smelter return royalty (GSR3), and a net value royalty (NVR1). Cumulative royalty payments made to Royal Gold by Cortez during the year ended June 30, 2005, totaled approximately $21.4 million, compared to $18.7 million in the previous year.

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

Pipeline Mining Complex Royalty Interests

- ***GSR1:*** This is a sliding-scale royalty for 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. The GSR1 sliding-scale royalty rate is tied to the price of gold (see table, pg. 5). Royalty payments received during fiscal year 2005 from GSR1 were approximately $17.3 million.

- ***GSR2:*** This is a sliding-scale royalty for all gold produced from the claim block lying outside the Reserve Claims and is also known as the "GAS Claims." The GSR2 sliding-scale royalty rate is 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 2005 from GSR2.

- ***GSR3:*** This is a fixed-rate 0.71% royalty for the life of the mine and covers the same cumulative area as is covered by our two sliding-scale GSR royalties, GSR1 and GSR2. Royalty payments received during fiscal year 2005 from GSR3 were approximately $2.9 million.

- ***NVR1:*** This is a fixed-rate 0.39% net value royalty on production from the GAS Claims located on a portion of the Pipeline Mining Complex that excludes the Pipeline open pit. This NVR1 royalty is determined on the basis of deducting contract defined processing-related and associated capital costs, but not mining costs. Royalty payments received during fiscal year 2005 from NVR1 totaled approximately $1.2 million.

Cortez Production

During fiscal 2005, Cortez produced approximately 974,000 ounces of gold from the Pipeline Mining Complex subject to our royalty interests. This compares with the previous year's total of 973,000 ounces of gold. At the

NOTE: Following the Property Portfolio section on page 11 is a table summarizing each royalty holding. It includes current royalty reserves, additional mineralization, and production estimates for calendar year 2005.

(Left to right) Tony Jensen, President and COO, and Stanley Dempsey, Chairman and CEO.

beginning of the year, Placer Dome reported that the Pipeline Mining Complex is expected to produce approximately 860,000 ounces of gold in calendar 2005. Cortez processes oxide ores at its mill and heap leach facilities and also has an agreement with Barrick Gold for the processing of refractory ores at the Barrick Goldstrike facility.

Exploration

Royal Gold has a significant interest in the development of the Pipeline Mining Complex area known as Crossroads because the majority of the additional mineralized material, attributable to the Company's royalties, is contained within this area. Crossroads resides on lands subject to Royal Gold's GSR2 ("super") royalty, GSR3 and NVR1 royalties. Royal Gold continues to work with Placer Dome to unlock potential value from the Crossroads deposit.

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%

LEEVILLE COMPLEX

EUREKA COUNTY, NEVADA

Royal Gold owns a 1.8% net smelter return ("NSR") royalty, which covers the majority of the Leeville Project, consisting of Leeville North and Leeville South. The Leeville Complex is operated by Newmont Mining Corporation and is located just south of the Barrick Goldstrike Mine within the Carlin Trend. Royal Gold derives current royalty revenue from an ongoing underground operation on a portion of the Leeville South mine (formerly known as Carlin East).

During fiscal 2005, Royal Gold received approximately $763,000 in royalty revenue from roughly 93,000 ounces of gold produced at Leeville South subject to our royalty interest. This compares with the previous year's total of more than 105,000 ounces of gold providing about $730,000 in royalty revenue to Royal Gold. At the beginning of the year, Newmont reported to Royal Gold that it estimates total gold production from Leeville South in calendar 2005 of approximately 90,000 ounces.

Newmont is currently developing the Leeville North underground gold mine and has announced that it plans to initiate production at Leeville North in late calendar 2005, with expected production of about 51,000 ounces of gold related to our royalty interest for calendar 2005. Once the mine is fully ramped up, Newmont anticipates production of approximately 500,000 ounces per year.

Aerial view of Leeville North.

(Right) Donald Baker, Vice President of Corporate Development.

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 mine, known as the SJ Claims. The Betze-Post mine, which is a part of the larger Goldstrike operation, is an open pit mine operated by Barrick Gold Corporation.

Production from the SJ Claims in fiscal 2005 totaled about 531,000 ounces, resulting in approximately $2.0 million in royalty revenue for Royal Gold. This compares with nearly 402,000 ounces of gold providing $1.4 million in royalty revenue during fiscal 2004. At the beginning of the year, Barrick estimated that during calendar 2005, production from the SJ Claims will total 674,000 ounces of gold subject to Royal Gold'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 continues to develop push-backs in the western pit area to expose additional ore located on the SJ Claims.

Barrick's Goldstrike mining operation.

TROY MINE

LINCOLN COUNTY, MONTANA

In the second quarter of fiscal 2005, Royal Gold obtained the right to receive payments equivalent to a 7.0% GSR royalty that covers the Troy underground mine operated by Revett Silver Company, a subsidiary of Revett Minerals Inc. ("Revett"). The Troy mine was previously owned by Asarco and Kennecott, and operated by Asarco. The mine produced approximately 44 million ounces of silver and 390 million pounds of copper from 1981 through 1993, when it closed due to lower metals prices.

Royal Gold's 7.0% GSR royalty will extend until either 1) cumulative production reaches approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or 2) Royal Gold receives $10.5 million in cumulative payments, whichever occurs first. Royal Gold also acquired a perpetual GSR royalty that begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper. This 6.1% GSR royalty steps down to a perpetual 2.0% GSR royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper.

Production from the Troy mine commenced in calendar 2005. For Royal Gold's fiscal 2005, the Troy mine produced approximately 522,000 ounces of silver and about 4.6 million pounds of copper that were subject to Royal Gold's interest, providing about $749,000 of royalty revenue.

Revett expects the Troy mine to produce approximately 2.0 million ounces of silver and 17.0 million pounds of copper in calendar 2005. The Troy mine is continuing to ramp up production, and is designed to produce 6,500 tons per day at full capacity.

Loading ore with a front-end loader at the Troy mine.

Stephan Wenger, Treasurer and Chief Accounting Officer, and Randy Parcel, Vice President and General Counsel (seated).

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. This sliding-scale moves up 0.25% for each $25 per ounce movement in the gold price above a $375 gold price indexed in 1986 dollars. This means the royalty rate remains at 1.75% until gold reaches a price of approximately $575 per ounce in today's dollars.

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 2005, the Bald Mountain mine produced approximately 28,000 ounces of gold which were subject to our royalty interest and generated about $208,000 in royalty revenue for Royal Gold. This compares with 34,000 ounces of gold providing roughly $231,000 in royalty revenue for fiscal year 2004. At the beginning of the year, PDUS advised the Company that it anticipates production in calendar 2005 of approximately 40,000 ounces of gold subject to Royal Gold's royalty interest.

The Bald Mountain management continues to focus on exploration and has repeatedly extended the life of the mine. Currently, the operator is conducting evaluations on additional mineralization subject to Royal Gold's royalty interests.

Bald Mountain mine.

(Left to right) Stanley Dempsey, Chairman and CEO; Karen Gross, Vice President and Corporate Secretary; and Tony Jensen, President and COO.

MARTHA MINE

SANTA CRUZ PROVINCE, ARGENTINA

Royal Gold holds a 2.0% NSR royalty on the Martha mine, operated by Coeur d'Alene Mines Corporation ("Coeur"). Royal Gold received $163,000 in royalty revenue related to production from the Martha mine in fiscal 2005, while royalty revenue for fiscal 2004 was about $256,000.

Ore stockpile at the Martha mine.

Coeur has been actively exploring this area and in June of 2005 updated the ore reserve estimates for the Martha mine. The results of this update by the operator included a 60% increase in proven and probable reserves over their December 2004 reserve estimates. Coeur also indicated that exploration on the property would continue.

Royalty Portfolio

For calendar 2005

Operator	Royalty	Category	Tons (millions)	Tonnes (millions)		Average Grade (opt)	Average Grade (gpt)	Contained Ounces (millions)	2005 Estimated Production (ounces)
Placer Dome	**Pipeline Mining Complex GSR1**	Reserve [1]	196.0	177.8	Au	0.029	0.99	5.754 [2]	860,000
	Sliding-Scale Royalty	Mineralized Material	57.2	51.9	Au	0.026	0.891	-	-
	Pipeline Mining Complex GSR2	Reserve [1]	15.1	13.7	Au	0.017	0.58	0.258 [2]	-
	Sliding-Scale Royalty	Mineralized Material	113.8	103.2	Au	0.033	1.13	-	-
	Pipeline Mining Complex GSR3	Reserve [1]	211.1	191.5	Au	0.028	0.96	6.013	860,000
	0.71% Fixed Rate Royalty	Mineralized Material	171.0	155.1	Au	0.031	1.06	-	-
	Pipeline Mining Complex NVR1	Reserve [1]	126.7	114.9	Au	0.028	0.96	3.511 [2]	546,000
	0.39% Fixed Rate Royalty	Mineralized Material	154.0	139.7	Au	0.031	1.06	-	-
Newmont	**Leeville North**	Reserve [1]	5.3	4.8	Au	0.479	16.42	2.560	51,000
	1.8% NSR	Mineralized Material	1.4	1.3	Au	0.458	15.7	-	-
	Leeville South	Reserve [1]	0.3	0.3	Au	0.411	14.09	0.115	90,000
	1.8% NSR	Mineralized Material	0.017	0.015	Au	0.310	10.63	-	-
Barrick	**SJ Claims (Betze-Post)**	Reserve [1]	68.5	62.1	Au	0.141	4.83	9.679	674,000
	0.9% NSR	Mineralized Material	-	-	Au	-	-	-	-
Revett Minerals	**Troy**	Reserve [6]	7.8	7.1	Ag	1.570	53.8	13.643	2,000,000
	7.0% GSR [3] (initial)	Reserve [7]	7.8	7.1	Cu	0.65%	-	113.0 [8]	17,000,000 [8]
	6.1% GSR [4] (interim)	Mineralized Material	46.8	42.5	Ag	1.54	52.8	-	-
	2.0% GSR [5] (perpetual)	Mineralized Material	46.8	42.5	Cu	0.75%	-	-	-
Placer Dome	**Bald Mountain**	Reserve [1]	6.3	5.7	Au	0.070	2.40	0.440	40,000
	1.75-3.5% NSR Sliding-Scale	Mineralized Material	9.0	8.2	Au	0.034	1.27	-	-
Coeur d'Alene	**Martha**	Reserve [9]	0.073	0.067	Ag	61.17	2,097	4.500	1,710,000
	2.0% NSR	Mineralized Material	0.074	0.067	Ag	52.8	1,809	-	-

1 Gold reserves were calculated by the various operators at $350 per ounce as of 12/31/04, except for Barrick who calculated reserves at $375 per ounce.
2 GSR1, GSR2, and NVR1 attributable reserves are a subset of the reserves covered by GSR3.
3 Royalty extends until either cumulative production of 9.9 million ounces of silver and 84.6 million pounds of copper, or receipt of $10.5 million in cumulative payments.
4 Royalty effective on production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper.
5 Royalty effective after cumulative production exceeds 12.7 million ounces of silver and 108.2 million pounds of copper.
6 Silver reserves were calculated by the operator at a $5.42 per ounce as of 12/31/04.
7 Copper reserves were calculated by the operator at $0.99 per pound as of 12/31/04.
8 Estimate given in pounds rather than ounces.
9 Silver reserves were revised by the operator using $6.50 per ounce as of 6/30/05.

Two hundred forty-ton haul truck.

Royal Gold holds royalty interests on the following exploration properties:

Property[1]	Location	Royalty	Royalty	Operator
Santa Cruz Province	Argentina	2.00%	NSR	Yamana Gold
Long Valley	California	1.00%	NSR	Vista Gold
Rock Creek[2]	Montana	1.00%	NSR[2]	Revett Minerals
Mule Canyon	Nevada	5.00%	NSR	Newmont
Buckhorn South	Nevada	16.50%	NPI	Placer Dome
Ferris/Cooks Creek	Nevada	1.50%	NVR	Placer Dome
Horse Mountain	Nevada	0.25%	NVR	Placer Dome
Simon Creek	Nevada	1.00%	NSR	Barrick
Rye	Nevada	0.50%	NSR	Barrick
BSC	Nevada	2.50%	NSR	Nevada Pacific
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
RG Russia	Russia	1.00%	NSR	Fortress Minerals

1 There are no reserves on any of these properties.

2 Royal Gold owns 1.3 million shares of Revett Silver which are convertible into a 1% NSR royalty upon election.

In addition to our exploration royalty portfolio, Royal Gold holds direct ownership or has exploration agreements on the following exploration properties:

Sparrow Hawk Claims – ownership of a block of 31 unpatented mining claims in Eureka County, Nevada, located southeast of the Pipeline Mining Complex.

Hoosac Project – ownership in 16 unpatented mining claims, and an indirect interest in 192 unpatented mining claims through leases, all located in Elko County, Nevada.

Dixie Flats Project – exploration agreement on 1,280 acres of patented land adjacent to the Dixie Flats project located in Elko County, Nevada (see chart on page 12 for related royalty).

None of the exploration properties have reserves or resources associated with them.

RG Russia
In fiscal 2004 we entered into an agreement for exploration in Russia on the Svetloye project with a subsidiary of Phelps Dodge Exploration Corporation. We subsequently funded our $1.3 million commitment and now hold a 1% NSR royalty on this project.

In mid 2005 Fortress Minerals Corporation, a Canadian exploration company, purchased, from Phelps Dodge, a 51% interest in PD Russia, Inc. PD Russia holds the Svetloye project through its wholly-owned subsidiary PD Rus. Fortress Minerals holds an option to earn an additional 29% interest after certain earn-in requirements are met. Fortress spent much of fiscal 2005 reviewing and interpreting existing data and planning for an extended field season for 2006. Fortress plans to construct a winter road and transport drills into the project when feasible for a planned drilling program.

Exploration activity in Nevada.

Corporate Responsibility

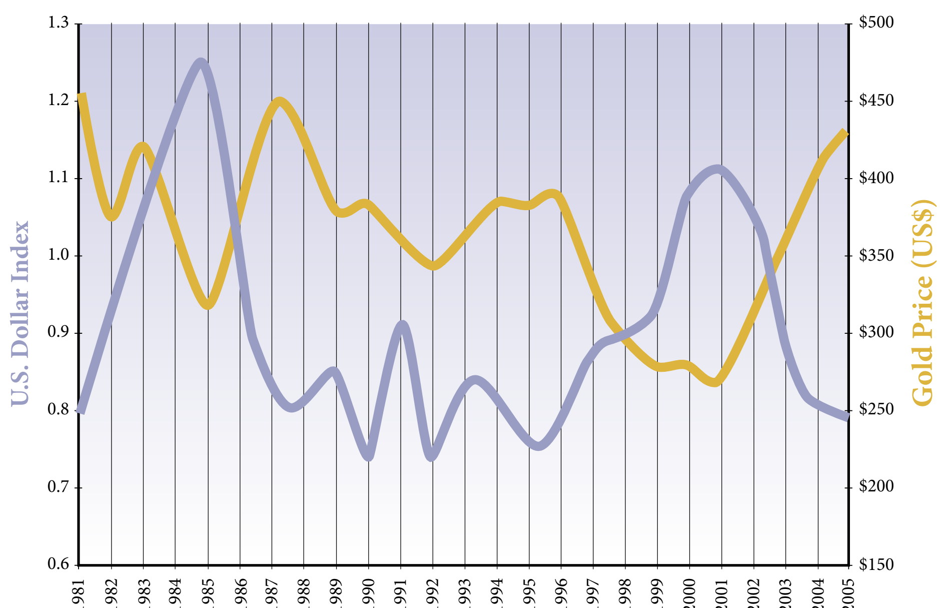
Royal Gold is committed to preserve and protect the environment, promote the health and safety of its employees and be an exemplary corporate citizen. The Company's Environmental, Health and Safety Policy specifies that any mineral exploration programs it may conduct are performed in compliance with 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.

The Gold Market*

Recent Trends in Supply and Demand
For the first half of calendar 2005, the price of gold averaged $427 per ounce, a 4% increase over the $410 per ounce average price in 2004. According to Gold Fields Mineral Services ("GFMS"), an independent precious metal research consultancy, strong demand for physical gold has driven gold prices higher in the first half of 2005. Gold held for investment and consumed in jewelry fabrication rose 66% and 17%, respectively, in tonnage terms over the same period from the previous year. Investment demand continues to be driven on concerns over U.S. dollar weakness and the prospects for inflation in the face of record energy and other consumable prices.

Reporting on the latest supply and demand statistics, GFMS stated, in their Gold Survey 2005 – Update 1, that global mine production in the first half of 2005 dropped slightly with continued reductions in production in South Africa, offset by a recovery in Indonesia and increased production from the Common

Gold's Inverse Relationship to the U.S. Dollar



Wealth of Independent States. Average producer cash costs for the three months ending June 2005 was $274 per ounce, $24 per ounce higher, year over year, due to cost inflation for labor, energy and consumables as well as foreign currency appreciation verses the U.S. dollar for foreign production. Supply resulting from official sector sales increased notably during the period, 75% of which was sourced from signatories to the Central Bank Gold Agreement (see below).

Rising investor demand in the wake of inflation, potential for a weaker dollar, and strong physical demand is expected to continue which will likely support a strong gold price.

Central Bank Gold Agreement

The Central Bank Gold Agreement, formerly known as the Washington Agreement, remains in effect and is seen as a positive development for the long-term future stability of the gold market. Under the terms of the agreement, participating central banks have agreed to limit their gold sales to a maximum of 551 tons (500 tonnes) per year for a five year period, or until late September 2009.

Other Developments

As part of their Gold Bullion Securities Initiative, the World Gold Council launched a U.S. gold exchange-traded fund ("ETF") in November 2004 called streetTRACKS Gold Trust. Trading on the New York Stock Exchange (NYSE:GLD), streetTRACKS attracted over 165 tons (150 tonnes) of new demand within the first three months of trading. At the end of June 2005, streetTRACKS had $2.5 billion in assets representing approximately 5.6 million ounces of gold.

Other gold ETF's are now available on U.S. stock exchanges as well as those in Australia, South Africa, and England. Due to gold ETF's, investors looking for direct ownership no longer have to deal with the logistics of buying, storing and insuring gold.

Organizational Involvement

Royal Gold is an active participant in organizations involved in promoting the mining industry and 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. Royal Gold's President and COO sits on the boards of the Nevada Mining Association and the Colorado Mining Association.

**This information is derived from various industry sources and represents the data and opinions of those sources. Royal Gold has not verified this data and presents this information as a representative overview of views on the gold business from gold industry sources. No assurance can be given that this data or these opinions will prove accurate. Investors are urged to reach their own conclusions regarding the gold market.*

For more information on gold, you can visit the following web sites:

World Gold Council - www.gold.org
National Mining Association - www.nma.org
Nevada Mining Association - www.nevadamining.org
Colorado Mining Association - www.coloradomining.org

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 ore, 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, refining costs, and smelting-related charges and deductions.

Net value royalty: A defined percentage of the gross revenue from a resource extraction operation less certain contract-defined operating 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.

CONSOLIDATED FINANCIAL STATEMENTS

This analysis should be read in conjunction with the selected financial data on page 1 and the financial statements beginning on page 24.

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 "Rick 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 will continue to be derived from royalty interests. We do not conduct mining operations at this time. During the 2005 fiscal year, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and exploration.

Our financial results are closely tied to the price of gold. During the 2005 fiscal year, the price of gold averaged $422 per ounce compared with an average price of $389 per ounce for the 2004 fiscal year. As a result of the increased gold price, our GSR1 sliding-scale royalty at the Pipeline Mining Complex (discussed below) paid out at rates ranging from 4.0% to 4.5% compared with payments calculated at rates ranging from 3.4% to 4.0% during the prior fiscal year. This increase in our realized sliding-scale royalty rate contributed to revenues of $25,302,332 during the 2005 fiscal year, compared with revenues of $21,353,071 during the 2004 fiscal year.

Our principal mineral property interests are:

- two sliding-scale 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.

- one 1.8% NSR royalty on the majority of the Leeville Project, which includes the development stage Leeville underground mine and a portion of the Leeville South (formerly known as Carlin East) mine, operated by Newmont; 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.

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.

On October 14, 2004, we purchased two royalty interests in the Troy underground silver and copper mine, operated by Revett, located in northeastern Montana. The first royalty is a production payment equivalent to a 7.0% GSR royalty from all metals and products produced and sold from the Troy mine. As reported by Revett at the time of the transaction, total contained proven and probable reserves at the Troy mine were 13.6 million ounces of silver and 113 million pounds of copper. The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or we receive $10.5 million in cumulative payments, whichever occurs first. The second royalty is a Perpetual royalty, also from the Troy mine, which begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a perpetual 2% after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper.

Estimates received from the mine operators indicated that gold production, attributable to our royalty interests, for calendar year 2005 is expected to be approximately 860,000 ounces from the Pipeline Mining Complex, 90,000 ounces from the Leeville South mine and 51,000 from the Leeville North mine at the Leeville Project, 674,000 ounces from the SJ Claims and 40,000 ounces from the Bald Mountain mine. The Martha silver mine is expected to produce 1.7 million ounces of silver attributable to our royalty interest for the 2005 calendar year. The Troy mine is expected to produce 2.0 million ounces of silver and 17.0 million pounds of copper attributable to our royalty interest for the 2005 calendar year. During the first six months of calendar year 2005, the mine operators have reported production attributable to our royalty interests of 505,451 ounces from the Pipeline Mining Complex, 36,630 ounces from the Leeville

South mine, 241,244 ounces from the SJ Claims and 14,281 ounces from the Bald Mountain mine. Revett reported that the Troy mine produced 522,145 ounces of silver and 4.6 million pounds of copper during the first six months of calendar year 2005.

Critical Accounting Policies

The preparation of our financial statements, in conformity with accounting principles generally 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 Placer Dome and Newmont as of December 31, 2004, were based on a gold price of $350 per ounce. The reserves reported by Barrick as of December 31, 2004, were based on a gold price of $375.

We based our deferred tax asset valuation on a $350 per ounce gold price, as of June 30, 2005. 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, 2005, we had current assets of $56,228,313 compared to current liabilities of $2,898,228 for a current ratio of 19 to 1. This compares to current assets of $51,901,175 and current liabilities of $2,441,434 at June 30, 2004, resulting in a current ratio of 21 to 1. The decrease in our current ratio between periods resulted primarily from an increase in our federal income tax payable, which was due to an increase in our fiscal year 2005 royalty revenue, and an increase in our dividends payable. We continue to have no long-term debt.

During fiscal year 2005, liquidity needs were met from $25,302,332 in royalty revenues, our available cash resources, proceeds from issuance of stock of approximately $973,000, and interest and other income of $834,136.

We have a $10 million line of credit from HSBC Bank USA that may be used to acquire producing royalties. 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. During our second fiscal quarter of 2005, we extended the maturity date of our line of credit through June 30, 2006. As of June 30, 2005, 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 year 2005 and beyond. Our current financial resources are available for royalty acquisitions 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, 2005 are as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	$ 546,702	$ 115,713	$ 367,263	$ 63,726	$ -
Long-term retirement obligation	96,634	26,400	52,800	17,434	-
Total	$ 643,336	$ 142,113	$ 420,063	$ 81,160	$ -

For information on our contractual obligations, see Note 7 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, 2005, Compared with Fiscal Year Ended June 30, 2004

For the fiscal year ended June 30, 2005, we recorded net income of $11,453,715, or $0.55 per basic share and $0.54 per diluted share, as compared to net income of $8,871,679, or $0.43 per basic share and $0.42 per diluted share, for the fiscal year ended June 30, 2004.

For fiscal year 2005, we received total royalty revenues of $25,302,332, at an average gold price of $422 per ounce. Royalty revenues included $21,392,636 from the Pipeline Mining Complex, $2,026,052 from the SJ Claims, $763,012 from Leeville South (formerly Carlin East mine), $749,362 from the Troy mine, $208,103 from Bald Mountain, and $163,167 from the Martha mine. These revenues were attributed to our share of gold production of 973,602 ounces from the Pipeline Mining Complex, 531,342 ounces from the SJ Claims, 93,180 ounces from Leeville South, and 28,037 ounces from Bald Mountain, as well as 522,145 ounces of silver and 4.6 million pounds of copper from the Troy mine. Martha mine does not provide production data. For the fiscal year ended June 30, 2004, we received total royalty revenues of $21,353,071, at an average gold price of $389 per ounce, of which $18,737,676 was attributed to our royalties from the Pipeline Mining Complex. This increase in royalty revenue compared with fiscal year 2004 resulted from a higher sliding-scale royalty rate from the Pipeline Mining Complex due to a higher gold price in fiscal year 2005, and the addition of revenues from the acquired Troy mine royalties.

Cost of operations increased to $1,830,504 for the fiscal year ended June 30, 2005, compared to $1,512,867 for the fiscal year ended June 30, 2004, primarily related to an increase in Nevada net proceeds tax expenditures of approximately $161,000, which is associated with 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. The increase is also due to an increase in consulting fees, which were related to the Crossroads project at the Cortez Joint Venture.

General and administrative expenses increased to $3,540,581 for the fiscal year ended June 30, 2005, compared to $2,923,289 for the fiscal year ended June 30, 2004, primarily due to increased accounting and consulting fees of approximately $341,000. The increased accounting and consulting fees were the result of Sarbanes-Oxley compliance work. Increases in employee related costs of approximately $124,000 along with an increase in investor relations costs of approximately $99,000 also contributed to the increase in general and administrative expenses.

Exploration and business development expenses increased to $1,858,920 for the fiscal year ended June 30, 2005, compared to $1,391,944 for the fiscal year ended June 30, 2004, primarily due to an increase in employee related costs allocated to business development of approximately $778,000, due to increased business development activities throughout the year. This increase was offset partially by a decrease in consulting services for business development activities of approximately $353,000.

Depreciation and depletion decreased to $3,204,984 for the fiscal year ended June 30, 2005, compared to $3,313,953 for the fiscal year ended June 30, 2004, primarily due to decreases in depletion rates for our GSR3, NVR1, Bald Mountain, SJ Claims, and Leeville South interests in the current fiscal year, which were due to increases in proven and probable reserves attributable to our royalty interests. These decreases were partially offset by increased production at the Pipeline Mining Complex along with additional depletion for the newly acquired GSR royalty at the Troy mine.

As discussed in Note 7 in the accompanying Notes to Consolidated Financial Statements, we recorded non-cash employee stock compensation expense of $205,301 for the fiscal year ended 2005, compared to $0 for the fiscal year ended June 30, 2004. The non-cash compensation expense recorded during the period represents amortization, based on the employees' service period, of the fair value of the Restricted Stock (as discussed in Note 8 of the accompanying Notes to Consolidated Financial Statements) issued pursuant to the 2004 Omnibus Long-Term Incentive Plan at the issuance or measurement date.

Interest and other income increased to $834,136 for the fiscal year ended June 30, 2005, compared to $442,181 for the fiscal year ended June 30, 2004, primarily due to higher interest rates and an increase in funds available for investing over the prior year.

For the fiscal year ended June 30, 2005, we recognized current and deferred tax expense totaling $4,102,462 compared with $3,654,358 for the fiscal year ended June 30, 2004. This resulted in an effective tax rate of 26.4% in the current period, compared with 29.2% in the prior period. The decrease in the effective tax rate resulted from an increase in allowable percentage depletion deductions associated with higher revenue from our GSR1 royalty during the period, and the release of the valuation allowance associated with the sale of available for sale securities of approximately $320,000 during the period.

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 year 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 Leeville South, $230,713 from Bald Mountain, and $256,336 from the Martha mine. These revenues were attributed to our share of gold production of 973,220 ounces from the Pipeline Mining Complex, 401,913 ounces from the SJ Claims, 105,505 ounces from Leeville South (formerly the Carlin East mine), and 33,894 ounces from Bald Mountain. Martha mine does not provide production data. 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 year 2004, and the addition of revenues from the acquired SJ Claims and the Leeville South royalties. The royalties from the SJ Claims and the Leeville Project represent revenues for approximately seven months of production in fiscal year 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 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 Leeville South (formerly the Carlin East mine) 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 $2,772,115 for the fiscal year ended June 30, 2004, compared to $1,708,053 for the fiscal year ended June 30, 2003. Approximately $690,000 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.

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, 2005, we reported royalty revenues of $25,302,332, with an average gold price for the period of $422 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 in revenues of approximately $2.2 million or a decrease in revenues of approximately $2.1 million. 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 2,905 ounces of gold bullion in fiscal year 2005, at an average realized price of $417 per ounce, and 2,907 ounces of gold bullion in fiscal year 2004, at an average realized price of $383 per ounce.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management concluded that, as of June 30, 2005, our internal control over financial reporting is effective.

PricewaterhouseCoopers, LLP, the registered public accounting firm that audited the financial statements included in this annual report, has also audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2005 and the effectiveness of the Company's internal control over financial reporting as of June 30, 2005, as stated in their report, which is included herein.

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

We have completed an integrated audit of Royal Gold, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of June 30, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of Royal Gold, Inc. at June 30, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2005 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 of financial statements 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.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing on page 22, that the Company maintained effective internal control over financial reporting as of June 30, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Denver, Colorado
August 19, 2005

consolidated balance sheets

As of June 30,	*2005*	*2004*
Current assets:		
Cash and equivalents	$ 48,840,371	$ 44,800,901
Royalty receivables	6,601,329	5,221,307
Deferred tax assets	452,730	1,671,305
Prepaid expenses and other	333,883	207,662
Total current assets	56,228,313	51,901,175
Royalty interests in mineral properties, net (note 4)	44,817,242	40,325,611
Available for sale securities (notes 2 and 3)	554,812	420,231
Deferred tax assets	160,417	306,565
Other assets	557,771	568,228
Total assets	$ 102,318,555	$ 93,521,810
Current liabilities:		
Accounts payable	$ 1,140,509	$ 1,232,539
Federal income taxes payable	253,496	-
Dividend payable	1,050,628	779,377
Accrued compensation	278,500	200,000
Other	175,095	229,518
Total current liabilities	2,898,228	2,441,434
Deferred tax liabilities	7,586,402	8,078,975
Other long term liabilities	96,634	103,089
Total Liabilities	10,581,264	10,623,498
Commitments and contingencies (notes 7 and 12)		
Stockholders' equity		
Common stock, $.01 par value, authorized 40,000,000 shares;		
issued 21,258,576 and 21,012,583 shares, respectively	212,585	210,125
Additional paid-in capital	104,163,515	102,019,891
Accumulated other comprehensive (loss) income	(284,920)	28,097
Deferred compensation	(524,659)	-
Accumulated deficit	(10,732,358)	(18,262,929)
Treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	91,737,291	82,898,312
Total liabilities and stockholders' equity	$ 102,318,555	$ 93,521,810

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,	*2005*	*2004*	*2003*
Royalty revenues	$ 25,302,332	$ 21,353,071	$ 15,788,212
Costs and expenses			
Costs of operations	1,830,504	1,512,867	1,346,890
General and administrative	3,540,581	2,923,289	1,966,283
Exploration and business development	1,858,920	1,391,944	1,232,853
Impairment of royalty interests in mineral properties	-	-	165,654
Depreciation, depletion and amortization	3,204,984	3,313,953	2,854,839
Non-cash employee stock compensation expense	205,301	-	-
Total costs and expenses	10,640,290	9,142,053	7,566,519
Gain on sale of other assets	-	-	158,396
Operating income	14,662,042	12,211,018	8,380,089
Interest and other income	834,136	442,181	383,957
Gain on sale of available for sale securities	163,577	-	-
Interest and other expense	(103,578)	(127,162)	(126,968)
Income before income taxes	15,556,177	12,526,037	8,637,078
Current tax expense (note 6)	(3,047,551)	(882,243)	(176,679)
Deferred tax expense (note 6)	(1,054,911)	(2,772,115)	(1,708,053)
Net income	$ 11,453,715	$ 8,871,679	$ 6,752,346
Adjustments to other comprehensive income			
Unrealized change in market value of available for sale securities, net of tax	(208,328)	(36,866)	(120,018)
Realization of the change in market value on sale of available for sale securities, net of tax	(104,689)	-	-
Comprehensive income	$ 11,140,698	$ 8,834,813	$ 6,632,328
Basic earnings per share (note 5)	$ 0.55	$ 0.43	$ 0.34
Basic weighted average shares outstanding	20,875,957	20,760,452	19,795,949
Diluted earnings per share (note 5)	$ 0.54	$ 0.42	$ 0.33
Diluted weighted average shares outstanding	21,070,797	21,110,521	20,231,638

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

consolidated statements of stockholder's equity

	Common Shares			Accumulated			Treasury Stock		
	Shares	Amount	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Deferred Compensation	Accumulated Deficit	Shares	Amount	Total Stockholders' Equity
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
Issuance of common stock for:									
Acquisition of royalty interest in mineral property	3,000	30	55,140						55,170
Exercise of options	200,993	2,010	971,002						973,012
Tax benefit of stock option exercises			387,942						387,942
Issuance of restricted stock	42,000	420	729,540		(729,960)				
Recognition of compensation expense for restricted stock issuance					205,301				205,301
Net income and comprehensive income for the year ended June 30, 2005				(313,017)		11,453,715			11,140,698
Dividends						(3,923,144)			(3,923,144)
Balance at June 30, 2005	21,258,576	$212,585	$104,163,515	$ (284,920)	$ (524,659)	$(10,732,358)	229,224	$(1,096,872)	$91,737,291

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

For the years ended June 30,	2005	2004	2003
Cash flows from operating activities			
Net income	$ 11,453,715	$ 8,871,679	$ 6,752,346
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	3,204,984	3,313,953	2,854,839
Gain on available for sale securities	(163,577)	(22,778)	-
Deferred tax expense	1,054,911	2,772,115	1,708,053
Impairment of mining assets	-	-	165,654
Non-cash employee stock compensation expense	205,301	-	-
Tax benefit of stock option exercises	387,942	670,953	-
Gain on sale of other assets	-	-	(158,396)
Put option mark to market	-	-	213,990
Other	-	26,623	6,356
Changes in assets and liabilities:			
Royalty receivables	(1,380,022)	(2,095,870)	95,390
Prepaid expenses and other assets	(65,889)	(112,955)	(8,528)
Accounts payable	(141,502)	(95,135)	297,090
Federal income taxes payable	253,496	-	-
Accrued liabilities and other current liabilities	17,388	82,863	(235,669)
Other long term liabilities	(6,455)	(10,400)	(7,036)
Net cash provided by operating activities	$ 14,820,292	$ 13,401,048	$ 11,684,089
Cash flows from investing activities			
Capital expenditures for property and equipment	$ (126,954)	$ (271,020)	$ (24,067)
Acquisition of royalty interests in mineral properties	(7,514,947)	-	(2,296,179)
Purchase of available for sale securities	(1,000,000)	-	-
Proceeds from sale of available for sale securities	539,960	38,642	-
Proceeds from sale of other assets	-	-	277,283
Net cash used in investing activities	$ (8,101,941)	$ (232,378)	$ (2,042,963)
Cash flows from financing activities			
Dividends paid	$ (3,651,893)	$ (2,591,489)	$ (2,377,713)
Proceeds from issuance of common stock	973,012	738,177	15,117,990
Net cash (used in) provided by financing activities	$ (2,678,881)	$ (1,853,312)	$ 12,740,277
Net increase in cash and equivalents	4,039,470	11,315,358	22,381,403
Cash and equivalents at beginning of year	44,800,901	33,485,543	11,104,140
Cash and equivalents at end of year	$ 48,840,371	$ 44,800,901	$ 33,485,543
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	-	-	-
Income taxes	$ 2,330,000	$ 453,000	$ -
Non-cash financing activities:			
Deferred compensation (equity offset)	$ 729,960	$ -	$ -
Declared dividends	$ 3,923,144	$ 2,338,131	$ 2,056,426
Acquisition of royalty interest in mineral property	$ 55,170	$ -	$ -

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

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 2005 fiscal year, we focused on the creation of royalty interests through financing, 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 accounting principles generally accepted in the United States of America 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 significantly from those estimates.

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

Cash and Cash Equivalents:
We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2005, cash and cash equivalents were primarily held in uninsured interest bearing cash and money market accounts.

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.

The Company's policy for determining whether declines in fair value of available-for-sale investments are other than temporary includes a quarterly analysis of the investments and a review by management of all investments that are impaired. If such impairment is determined by the Company to be other than temporary, the investment's cost basis is written down to fair value and recorded in net income during the period the Company determines such impairment to be other than temporary.

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, 2005, all of our royalty interests 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 values 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 whenever events or changes in circumstances indicate that the related carrying amounts of an asset or group of assets 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. The company believes that no impairment of its long-lived assets occurred during the 2005 fiscal year or existed at June 30, 2005.

Office Furniture, Equipment and Improvements:
We record the acquisition cost of office furniture and equipment and leasehold improvements, less accumulated depreciation and amortization, 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:
The Company accounts for income taxes under Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. Deferred income taxes reflect the impact of temporary differences between the reported amounts of assets and liabilities for financial reporting purposes and such amounts measured by tax laws and regulations. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance is provided for deferred tax assets when management concludes it is more likely than not that some portion of the deferred tax assets will not be realized.

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, Accounting for Stock Based Compensation. 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,	2005	2004	2003
Net income, as reported	$ 11,453,715	$ 8,871,679	$ 6,752,346
Add: Stock-based compensation expense for restricted stock awards included in reported net income, net of related tax effects	131,393	-	-
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(653,221)	(851,971)	(780,639)
Pro forma net income	$ 10,931,887	$ 8,019,708	$ 5,971,707
Earnings per share:			
Basic, as reported	$ 0.55	$ 0.43	$ 0.34
Basic, pro forma	$ 0.52	$ 0.39	$ 0.30
Diluted, as reported	$ 0.54	$ 0.42	$ 0.33
Diluted, pro forma	$ 0.52	$ 0.38	$ 0.30

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

	2005	2004	2003
Weighted average expected volatility	69.77%	74.1%	56.7%
Weighted average expected option term in years	4.5	4.8	5.5
Weighted average risk free interest rate	3.6%	3.5%	3.2%
Weighted average grant fair value	$9.23	$12.17	$10.05

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, net of tax effects.

Earnings Per Share:
Basic earnings 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
On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("Statement 123(R)"), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). Statement 123(R) supersedes Accounting Principles Board No. 25, Accounting for Stock Issued to Employees ("APB 25"), and amends FASB Statement No. 95, Statement of Cash Flows. Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Statement 123(R) is effective for us beginning with our first fiscal quarter ending September 30, 2005. We are currently evaluating the effect of Statement 123(R) on our

consolidated financial statements and results of operations, including the transition method we expect to utilize and any potential changes to our compensation strategy resulting from the adoption of the revised standard. Based upon our evaluation of the effect of unvested stock options currently outstanding, and the potential effect of future share based grants that may be issued under the Omnibus Long-Term Incentive Plan, the Company expects that the adoption of SFAS 123(R) will have a material effect on the Company's financial position and results of operations.

In June 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections – A replacement of APB No. 20 and FASB Statement No. 3 ("SFAS 154"). SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS 154 also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS 154. SFAS 154 is required to be adopted in fiscal years beginning after December 15, 2005. The Company does not believe its adoption will have a material impact on its financial statements.

NOTE 2: Investment in Revett Silver Company and the Troy Mine

On October 14, 2004, in a three-part transaction, the Company paid $8.5 million to Revett Silver Company ("Revett") and its wholly-owned subsidiary, Genesis Inc. ("Genesis"), in exchange for two royalty interests in the Troy underground silver and copper mine, located in northwestern Montana, and shares in Revett.

For consideration of $7.25 million, the Company obtained the right to receive a production payment equivalent to a 7.0% gross smelter return royalty ("GSR royalty") from all metals and products produced and sold from the Troy mine. As reported by Revett at the time of the transaction, total contained proven and probable reserves at the Troy mine were 13.6 million ounces of silver and 113 million pounds of copper. The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or the Company receives $10.5 million in cumulative payments, whichever occurs first. As of June 30, 2005, we have received payments associated with the GSR royalty totaling $749,362.

As a second component of the transaction, the Company acquired a perpetual GSR royalty ("Perpetual royalty") at the Troy mine for $250,000. The rate for this Perpetual royalty begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a perpetual 2% royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper. In the third component of the transaction, the Company purchased approximately 1.3 million shares of Revett common stock for $1.0 million. These shares can be converted, under certain circumstances and at the election of the Company, into a 1% net smelter return ("NSR") royalty on the Rock Creek mine, also located in northwestern Montana and owned by Revett.

Under the terms of the share agreement, the Company has the right, but not the obligation, to cure any default by Revett or Genesis under their obligations pursuant to an existing mortgage payable, secured by a Promissory Note, to Kennecott Montana Company ("Kennecott"), a third party and prior Joint Venture interest owner of the Troy mine. The principal and accrued interest under the Promissory Note as of June 30, 2005, was approximately $6.7 million with a maturity date of February 2008.

We have recorded the acquisition of the GSR royalty and the Perpetual royalty interests as components of Royalty Interests in Mineral Properties on the consolidated balance sheets. The acquisition of the 1.3 million shares of Revett is recorded as an investment in available for sale securities on the Consolidated Balance Sheets. During February 2005, Revett completed an initial public offering through a newly created parent company, Revett Minerals Inc., a publicly traded Canadian company. Accordingly, its shares now have a readily determinable market value. Unrealized gains and loses on these investments are recorded in accumulated other comprehensive income (net of tax) as a separate component of stockholders' equity, which are recognized in determining net income when investments are sold. We recorded an unrealized loss of $284,920 (net of tax) in this investment for the fiscal year ended June 30, 2005. According to our policy for evaluation of available for sale securities for impairment, management has determined that our investment in Revett is not impaired on an other than temporary basis at this time. During our fourth fiscal quarter, Revett experienced a permitting issue with respect to the Rock Creek project, which caused the market price of its shares to decline. Based on public statements from Revett, it is expected that the United States Fish and Wildlife Service will reissue a Biological Opinion related to the Rock Creek project permitting issue during the last half of calendar 2005. We will re-evaluate the carrying value of our investment each reporting period as new information becomes available.

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 (net of tax) as a separate component of stockholders' equity. When investments are sold, the realized gains and losses on the sale of these investments, as determined using the specific identification method, and any unrealized gain/loss recorded in accumulated other comprehensive income are included in determining net income. We recorded a gain on sale of available for sale securities of $163,577, $22,778 and $0 during the fiscal years ended June 30, 2005, 2004 and 2003, respectively.

NOTE 4: *Royalty Interests in Mineral Properties*

As of June 30, 2005	*Gross*	*Accumulated Depletion & Amortization*	*Net*
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ -	$ -	$ -
GSR2	-	-	-
GSR3	8,105,020	(5,586,436)	2,518,584
NVR1	2,135,107	(1,475,264)	659,843
Bald Mountain	1,978,547	(1,785,945)	192,602
SJ Claims	20,788,444	(2,936,632)	17,851,812
Troy mine GSR royalty	7,250,000	(388,594)	6,861,406
Leeville South (formerly Carlin East)	1,775,809	(1,638,007)	137,802
Martha	172,810	(172,810)	-
	42,205,737	(13,983,688)	28,222,049
Development stage royalty interests:			
Leeville North	14,240,418	-	14,240,418
Exploration stage royalty interests:			
Leeville North	2,305,845	(271,187)	2,034,658
Troy mine Perpetual royalty	250,000	-	250,000
Buckhorn South	70,117	-	70,117
	2,625,962	(271,187)	2,354,775
Total royalty interests in mineral properties	$ 59,072,117	$ (14,254,875)	$ 44,817,242

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
Leeville South (formerly Carlin East)	1,775,809	(1,118,325)	657,484
Martha	172,810	(158,000)	14,810
	34,955,737	(10,905,202)	24,050,535
Development stage royalty interests:			
Leeville North	14,240,418	-	14,240,418
Exploration stage royalty interests:			
Leeville North	2,305,845	(271,187)	2,034,658
Total royalty interests in mineral properties	$ 51,502,000	$ (11,176,389)	$ 40,325,611

Effective April 2004, and in accordance with FASB Emerging Issues Task Force Issue No., or EITF, 04-02, Working Group Report No. 1, Whether Mineral Rights are Tangible or Intangible Assets and Related Issues, we evaluated and determined that our royalty interests are tangible assets. 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, during the fourth quarter of fiscal 2005, we 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 ("Barrick") at its Goldstrike property.

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

We carry our interest in the proven and probable reserves at Leeville North 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 North. At that time, the development stage cost basis of Leeville North will be reclassified as a production stage royalty interest.

We carry our interest in the non-reserve portion of Leeville North as an exploration stage royalty interest, which is not subject to periodic amortization. In the event that future proven and probable reserves are developed at Leeville North associated with our 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 Leeville North will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

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

Troy Mine
As discussed in Note 2, we own a production payment equivalent to a 7.0% GSR royalty from all metals and products produced and sold from the Troy mine located in northeastern Montana. The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or the Company receives $10.5 million in cumulative payments, whichever occurs first. As of June 30, 2005, we have received payments associated with the GSR royalty totaling $749,362. We carry our interest in the proven and probable reserves for the GSR royalty as a production stage royalty interest, which is depleted using the units of production method estimated by using proven and probable reserves. Mining operations commenced at the Troy mine during December 2004, with the first shipment of concentrate occurring during January 2005. Amortization of our production stage interest commenced with the first concentrate shipment from the Troy mine during the third quarter of our fiscal year 2005.

We also own a perpetual GSR royalty ("Perpetual royalty") at the Troy mine. The royalty rate for the Perpetual royalty begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a perpetual 2% after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper. We carry our interest in the non-reserve portion of the Perpetual royalty as an exploration stage royalty, which is not subject to periodic amortization. In the event that future proven and probable reserves are developed, that are associated with our Perpetual royalty interest, the cost basis of our exploration stage royalty interest will be reclassified as a development stage royalty interest or a production stage royalty interest in future periods, as appropriate. In the event that future events or circumstances indicate that the non-reserve portion of the Perpetual royalty will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

Buckhorn South
During the fourth quarter of fiscal year 2005, we agreed to purchase an additional 2.5% net profits interest royalty on the Buckhorn South property, located in Eureka County, Nevada, for 3,000 shares of our common stock, valued at approximately $70,000, including acquisition costs. The purchase of the additional interest resulted in the Company holding a 16.5% net profits interest royalty on the Buckhorn South property. Buckhorn South is a property of approximately 5,000 acres, subject to 265 unpatented mining claims, located approximately 2 miles south of the Buckhorn mine. We have accounted for the acquisition of the additional Buckhorn South interest as an asset purchase, and have allocated the purchase price, including direct acquisition costs, to the acquired asset. The acquired interest will be classified as an exploration stage royalty interest for accounting purposes.

Mule Canyon
We own a 5% NSR royalty on a portion of the Mule Canyon mine, owned by Newmont. Based upon updated production information obtained from the operator during the fourth quarter of fiscal year 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 5: Earnings per Share ("EPS") Computation

For the Year Ended June 30, 2005	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 11,453,715	20,875,957	$ 0.55
Effect of potentially dilutive options		194,840	
Diluted EPS	$ 11,453,715	21,070,797	$ 0.54

Options to purchase 392,580 shares of common stock, at an average purchase price of $19.40 per share, were outstanding at June 30, 2005, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the year.

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.

NOTE 6: Income Taxes

The tax effects of temporary differences and carryforwards, which give rise to our deferred tax assets and liabilities at June 30, 2005 and 2004, are as follows:

	2005	2004
Deferred tax assets:		
Net operating loss carryforwards	$ -	$ 1,671,305
AMT credit carryforwards	120,745	403,528
Capital loss carrybacks	277,215	-
Other	215,187	223,483
Total deferred tax assets	613,147	2,298,316
Valuation allowance	-	(320,446)
Net deferred tax assets	613,147	1,977,870
Deferred tax liabilities:		
Mineral property basis	(7,574,680)	(8,078,975)
Other	(18,412)	-
Total deferred tax liabilities	(7,593,092)	(8,078,975)
Total net deferred taxes	$ (6,979,945)	$ (6,101,105)

At June 30, 2004, we had approximately $4,300,000 of net operating loss carryforwards which were fully utilized during our fiscal year 2005.

	2005	2004	2003
Current federal tax expense	$ 3,047,551	$ 882,243	$ 176,679
Deferred tax expense	1,375,357	2,890,695	2,233,285
Decrease in deferred tax asset valuation allowance	(320,446)	(118,580)	(525,232)
	$ 4,102,462	$ 3,654,358	$ 1,884,732

The provision for income taxes for the fiscal years ended June 30, 2005, 2004 and 2003, 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:

	2005	2004	2003
Total expense computed by applying statutory rate	$ 5,444,662	$ 4,384,113	$ 3,022,977
State income taxes, net of federal benefit	156,600	130,741	-
Adjustments of valuation allowance	(320,446)	(118,580)	(525,232)
Excess depletion	(952,529)	(836,534)	(545,321)
Other	(225,825)	94,618	(67,692)
	$ 4,102,462	$ 3,654,358	$ 1,884,732

As of June 30, 2005, there was no valuation allowance recorded with respect to our deferred tax assets. As of June 30, 2004, our remaining valuation allowance was associated with the book versus tax basis difference attributed to our available for sale securities. During fiscal year 2005, the related available for sale securities were sold, resulting in the realization of the tax asset associated with those securities. As such, the valuation allowance of $320,446 was fully reversed 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 $525,232 valuation allowance associated with our net operating loss carryforwards as of June 30, 2003. The acquisition of High Desert during fiscal year 2003 contributed to our ability to utilize our remaining net operating loss carryforwards and, therefore, to release our valuation allowance during fiscal year 2003. The operating loss carryforwards have been fully utilized as of June 30, 2005.

NOTE 7: 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 were required to 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, 2005, we fully funded our $1.3 million commitment. We have expensed the initial funding amount as a component of Exploration and Business Development in the accompanying financial statements.

Operating Lease
We lease office space under a lease agreement, which expires December 31, 2009. Future minimum cash rental payments are $115,713, $119,067, $122,421, $125,775 and $63,726 for fiscal years ending June 30, 2006, 2007, 2008, 2009 and 2010, respectively. Rent expense charged to operations for the years ended June 30, 2005, 2004 and 2003, amounted to $111,089, $122,507 and $116,786, 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, 2005, of $870,000. The terms of each of these agreements automatically extend, annually, 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. As of June 30, 2005, no funds have been drawn under the line of credit. During fiscal years 2005, 2004 and 2003, we paid commitment fees of $76,042, $76,510 and $76,282, respectively, to HSBC Bank USA.

NOTE 8: Stockholders' Equity and Stock Option Compensation

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.

2004 Omnibus Long-Term Incentive Plan
In November 2004, the Company adopted the Omnibus Long-Term Incentive Plan ("2004 Plan"). The 2004 Plan replaces

the Company's Equity Incentive Plan. Under the 2004 Plan, 900,000 shares of Common Stock are available for future grants to officers, directors, key employees and other persons. The Plan provides for the grant of stock options, unrestricted stock, restricted stock, dividend equivalent rights, stock appreciation rights, and cash awards. Any of these awards may, but need not, be made as performance incentives. Stock options granted under the 2004 Plan may be non-qualified stock options or incentive stock options.

Royal Gold granted various awards under the 2004 Plan during the second quarter of fiscal year 2005, as detailed below.

Stock-based Compensation

During November 2004, performance awards were granted to certain employees and officers consisting of 58,250 shares of common stock ("Performance Shares"). The Performance Shares can be earned only if defined multi-year performance goals are met within a period of five years from the date of grant. If the performance goals are not earned by the end of this five year period, the Performance Shares will be forfeited. Vesting of Performance Shares is subject to certain performance measures being met and can be based on an interim earn out of 25%, 50%, 75% or 100%. The defined performance goals are tied to three performance measures, including growth of free cash flow per share on a trailing twelve month basis, growth of royalty ounces in reserve on a annual basis, and growth in market capitalization during the five year vesting period.

There was no compensation expense recorded for the fiscal year ended June 30, 2005, with respect to the Performance Shares. The measurement date for the Performance Shares will be determined at such time that the performance goals are attained or that it is probable they will be attained. In accordance with APB 25, at such time that compensation expense for the Performance Shares can be estimated, compensation expense will be measured by the number of shares that will ultimately be earned at the then-current market price of our common stock. Interim recognition of compensation expense will be made at such time as management can reasonably estimate the number of shares that will be earned. As of June 30, 2005, our estimates indicate that there was not a reasonable projection of the number of Performance Shares to be earned, if any.

Also during November 2004, certain employees, officers, and the Board of Directors ("BOD") were granted 42,000 shares of restricted common stock ("Restricted Stock"). Restricted Stock vests by continued service alone. For certain employees and officers, the vesting period for Restricted Stock begins after a three-year holding period from the date of grant with one-third of the shares vesting in years four, five and six, respectively. Shares of Restricted Stock represent issued and outstanding shares of common stock, with dividend and voting rights, subject to forfeiture upon termination of employment with the Company.

In accordance with APB 25, for the fiscal year ended June 30, 2005, we recorded non-cash stock compensation expense associated with the restricted stock of $205,301, representing amortization of the fair value of the Restricted Stock for the period. The measurement date to begin amortization for the Restricted Stock was the grant date of November 10, 2004. The fair value of the Restricted Stock at the measurement date was $17.38 per share. Amortization is based on a straight line basis over the expected six year vesting period, except for non-executive BOD restricted shares which are vested 50% immediately and 50% after one year from the date of grant.

Stock Options

During August 2004, 10,000 stock options were granted to an employee under the Company's Equity Incentive Plan, at an exercise price of $14.97 per share, which was the closing market price for our common stock on the date of grant. These options vest over a one-year period.

During November 2004, 136,000 stock options were granted to certain employees, officers, and the BOD under the 2004 Plan. These options have an exercise price of $17.38, which was the closing market price for our Common Stock on the date of grant. The options have vesting terms ranging from one to three years, except for BOD options of which 50% vests immediately and 50% vests after one year from the date of grant.

During the fiscal year ended June 30, 2005, options to purchase 200,993 shares were exercised, resulting in proceeds of $973,012. During the fiscal year ended June 30, 2004, options to purchase 128,669 shares were exercised, resulting in proceeds of $738,177.

The following schedules detail activity related to options for the years ended June 30, 2005, 2004 and 2003:

	Optioned Shares	Weighted Average Exercise Prices
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
Granted	146,000	$ 17.21
Exercised	(200,993)	$ 4.84
Options outstanding at June 30, 2005	736,024	$ 13.75

All exercisable options outstanding at June 30, 2005, consist of 343,444 options exercisable at a weighted average exercise price of $7.31. All options outstanding at June 30, 2005, consist of 736,024 options, at an average exercise price of $13.75, and a weighted average remaining contractual life of 4.9 years.

NOTE 9: *Major Customers*

In each of fiscal years 2005, 2004 and 2003, we received $21,600,739, $18,968,389 and $14,605,339, respectively, of our royalty revenues from the same operator.

NOTE 10: *Simplified Employe Pension ("SEP") Plan*

We maintain a Simplified Employee Pension ("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 $126,390, $104,422 and $75,808, in fiscal years 2005, 2004 and 2003, respectively.

NOTE 11: *Acquisition of High Desert Mineral Resources*

In December 2002, we completed the acquisition of 49,371,293 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.

NOTE 12: *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 of America intending to settle their liability for the United States of America's past and future clean-up costs incurred at the Site. Based on the minimal volume of allegedly hazardous waste that Royal Resources, Inc. disposed of at the Site, our share of the $25.3 million settlement amount was $107,858, which we deposited into the escrow account that the PRP group set up for that purpose in January 2002. The funds were paid to the United States of America on May 9, 2003. The United States of America may only pursue Royal Gold and the other PRPs for additional clean-up costs if the United States of America's total clean-up costs at the Site significantly exceed the expected cost of approximately $272 million. We believe this to be a remote possibility; therefore, we consider our potential liability to the United States of America to be resolved.

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

NOTE 13: Quarterly Results of Operations (Unaudited)

	Royalty Revenues	*Operating Income*	*Net Income (Loss)*	*Earnings Per Share of Common Stock*	*Earnings Per Share of Common Stock Assuming Dilution*
Fiscal Year 2005 Quarter Ended:					
September 30	$ 5,924,091	$ 3,333,143	$ 2,498,426	$ 0.12	$ 0.12
December 31	6,031,833	2,952,042	2,618,318	0.13	0.12
March 31	5,868,538	3,440,586	2,726,089	0.13	0.13
June 30	7,477,870	4,936,271	3,610,882	0.17	0.17
	$ 25,302,332	$ 14,662,042	$11,453,715	$ 0.55	$ 0.54
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

During the fiscal year ended June 30, 2005, there were no changes in or disagreements with our Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP, over accounting and financial disclosure.

Controls and Procedures

Conclusions Regarding 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, 2005, concluded that our disclosure controls and procedures were effective for this purpose.

Management's Report on Internal Control over Financial Reporting
Our management's report on internal control over financial reporting is set forth on page 22 of this Annual Report and is incorporated by reference herein.

Changes in Internal Control over Financial Reporting
There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) during our fourth fiscal quarter that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Market Information and Current Stockholders

Our common stock is traded on the Nasdaq National Stock Market ("Nasdaq") 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, 2003.

		Sales Price	
		High	*Low*
Fiscal Year:			
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
2005	First Quarter (July, Aug., Sept. – 2004)	$ 17.11	$ 12.30
	Second Quarter (Oct., Nov., Dec. – 2004)	$ 19.03	$ 14.95
	Third Quarter (Jan., Feb., March – 2005)	$ 19.95	$ 15.35
	Fourth Quarter (April, May, June – 2005)	$ 20.50	$ 15.99

As of August 17, 2005, there were approximately 800 shareholders of record of our common stock.

Dividends

For calendar year 2005, we declared an annual dividend of $0.20 per share of common stock, in four quarterly payments of $0.05 each. We paid the first payment of $0.05 per share on January 21, 2005, to shareholders of record at the close of business on January 7, 2005. We paid the second payment of $0.05 per share on April 22, 2005, to shareholders of record at the close of business on April 8, 2005. We paid the third payment of $0.05 on July 22, 2005 to shareholders of record at the close of business on July 8, 2005. We anticipate paying the fourth payment of $0.05 on October 21, 2005, to shareholders of record at the close of business on October 7, 2005.

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 paid the fourth payment of $0.0375 on October 15, 2004, to shareholders of record at the close of business on October 1, 2004. For fiscal year 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 calendar 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 the gold price, 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, 2005.

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 reconciliation to operating income:

For the Fiscal Year Ended June 30,	*2005*	*2004*	*2003*
Operating income	$ 14,662,042	$ 12,211,018	$ 8,380,089
Depreciation, depletion and amortization	3,204,984	3,313,953	2,854,839
Non-cash employee stock compensation expense	205,301	-	-
Impairment of mining assets	-	-	165,654
Free cash flow	$ 18,075,327	$ 15,524,971	$ 11,400,582

Annual Meeting

Wednesday, November 9, 2005
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

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
Senior Executive
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

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)
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)
www.computershare.com

Stock Exchange Listings

Nasdaq Stock Market
(Symbol: RGLD)
Toronto Stock Exchange
(Symbol: RGL)

Investor Relations

We will provide, without charge, upon any stockholder's written request, a copy of our Annual Report on Form 10-K for our most recent fiscal year. Please direct your requests to Karen Gross, Stockholder Relations, Royal Gold, 1660 Wynkoop Street, Suite 1000, Denver, Colorado, 80202, (303) 573-1660. E-mail: kgross@royalgold.com

Shareholder Information

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 for the latest Company news, or register for our mailing list to receive information via e-mail or facsimile.

Royal Gold, Inc

1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202-1132

www.royalgold.com