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PRESS RELEASE

RIISING GOLD PRICE PUSHES SPENDING ON GOLD TO RECORD HIGH IN Q2'06

- Investment demand for gold increased 19% in tonnage terms and 75% in value terms year on year
- Gold jewellery demand reached a quarterly record of \$11.4 billion
- Q2'06 total demand in tonnage terms decreased 16% year-on-year
- Q2'06 total demand rose 23% in dollar terms reaching a record of \$16.2bn

16 August 2006: Market sentiment towards gold remained strong in the second quarter of 2006 as total demand for gold rose, in dollar terms, to half-year and quarterly highs despite significant price volatility. Investment demand increased on the back of sustained interest in gold-backed Exchange Traded Funds and related products, as well as supportive economic and geopolitical conditions, while changes in consumer attitudes combined with rising disposable incomes in key markets saw consumers spend more on gold jewellery than ever before – an amount marginally higher than the previous record set in Q4 2003.

Identifiable investment demand for gold in Q2'06 surged 19% in tonnage terms compared with the same period last year to 130 tonnes, driving the total value of investment demand for gold in H1'06 up 40% to \$6.1 billion, according to figures compiled by GFMS Ltd for the World Gold Council ("WGC").

Gold jewellery demand rose 12% in value terms to \$11.4 billion for the quarter. Many consumers, manufacturers and retailers remained sensitive to price volatility, showing a reluctance to commit to purchasing that resulted in a 24% fall year on year in tonnage terms to 562 tonnes. This drop in gold jewellery demand in volume terms affected overall demand for gold, which was down 16% to 802 tonnes on the same period in 2005. The average price of gold for the quarter was up by 47% year on year.

James Burton, Chief Executive of the World Gold Council, commented today:

"Price volatility has, as expected, had a detrimental effect on demand in tonnage terms. However it is reassuring to see people are spending more on gold. Sentiment towards gold has remained strong, and today's figures indicate continued investor interest and a record high in dollar terms for gold jewellery purchasing.

"Earlier this month, the World Gold Council published research revealing substantial growth in the potential market for gold jewellery. This quarterly all-time record for gold jewellery demand in dollar terms goes a long way toward reinforcing the findings of this research and further supports the positive work of the World Gold Council in marketing gold jewellery to target markets around the world.

"I am further encouraged by strong results in investment demand for gold. The sustained investor interest in gold-backed Exchanged Traded Funds was particularly satisfying, with streetTRACKS Gold Shares, the World Gold Council product listed on the New York Stock Exchange, accounting for the majority of growth."

Investment Demand

Strong demand from investors across almost all categories drove investment to high levels in the first half of 2006. In the second quarter total identifiable investment demand for gold rose 19% to 130 tonnes and 75% in value terms year on year, taking the total value of identifiable investment for H1'06 to \$6.1 billion. Increased investment brought added volatility to the price, which, at an average of \$627.71 for the quarter, was 13% higher than in Q1 and 47% higher than in Q2 2005.

Exchange Traded Funds (ETFs) remain an attractive method through which both retail and institutional investors choose to access gold, with \$789 million flowing into this investment category during the second quarter of 2006. The bulk of investment in ETFs was accounted for by the market leader streetTRACKS Gold Shares, listed on the New York Stock Exchange, which at the end of June 2006 held 371.9 tonnes of gold worth \$7.3 billion at market price as at June 30.

Volatile prices affected the market for coins and bars in the second quarter of 2006. The impact of price movements varied between countries and between investment products. A substantial amount of selling back of bars occurred most notably in Japan. In contrast, the market for new coins, notably in Turkey, was more buoyant and the US was also strong. Demand for official coins increased 64% on the same period last year. Solid growth was also seen in medallions and imitation coins, a market concentrated in the Middle East and India.

Jewellery Demand

Price movements during the quarter were exceptionally volatile, having a demonstrable impact on jewellery demand in tonnage terms, while positive consumer sentiment toward gold jewellery drove demand in value terms to record levels.

Price volatility affected the gold jewellery market in different ways. The most obvious was the reaction of jewellery buyers in markets in much of Asia (notably India) and the Middle East. When prices moved rapidly, consumers tended to hold back from purchasing. In Q2 2006, this resulted in a drop in overall jewellery demand by 24% to 562 tonnes compared to a year earlier.

All markets showed a fall in volume terms compared to the very strong Q2 2005, though the extent of the decline varied markedly. Demand in China was less affected than in other markets, falling just 2%, since price volatility is less of a deterrent to purchase and local market sentiment continues to expect further price growth. In Vietnam and Turkey demand fell 1% and 3% respectively, while India - traditionally the market most sensitive to price volatility - was most severely affected, declining 43% when compared with an exceptionally strong second quarter of 2005. Saudi Arabia also reported a significant decline (32%), compounded by a stock market slump in March which had a serious impact on wealth and consumer spending.

All gold jewellery markets were affected at the trade level, as manufacturers and retailers strove to reduce exposure to risk brought about by periods of price volatility. In the second quarter of 2006, this resulted in substantial de-stocking.

Supply

Despite an increase in the supply of scrap, overall gold supply was constrained in the second quarter of 2006 as a result of lower central bank sales and substantial de-hedging by gold mining companies.

Scrap supply increased 57% in tonnage terms on the same period in 2005, largely due to price volatility.

Official sector sales declined in the second quarter, decreasing 63% year on year in tonnage terms. Sales under the Central Bank Gold Agreement have been much lower than expected in the current CBGA year, which ends on September 26, raising the possibility that sales may fall short of the 500 tonne limit. The 500 tonne annual allowance is a limit under the terms of CBGA2, and any shortfall of this limit cannot therefore be made up in future years.

Mine production remained broadly stable during the period, rising 2% year on year in tonnage terms.

Outlook for 2006

Looking toward the remainder of 2006, the political and economic climate remains favourable to gold investment, the fundamentals of the market are perceived as strong and the diversification benefits of gold are being increasingly recognised. Prospects for gold jewellery demand will depend very heavily on future price volatility. A period of price stability should see a recovery in the volume of demand and further growth in value. Consumers will return to the market once they perceive that the period of exceptional price volatility is over.

End-use gold demand (tonnes)¹

	2004	2005	Q1'05	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06 ²	% ch Q2'06 vs Q2'05	% ch H1'06 vs H1'05
Jewellery consumption	2,612.8	2,709.2	681.9	739.4	615.1	672.7	528.4	562.5	-24	-23
Industrial & dental	409.7	420.5	99.7	111.2	105.6	103.9	108.3	109.4	-2	3
Electronics	259.1	272.5	62.4	71.7	69.5	68.8	72.5	73.5	2	9
Other Industrial	83.1	85.6	21.9	24.0	20.2	19.5	20.7	21.1	-12	-9
Dentistry	67.6	62.4	15.4	15.5	15.8	15.7	15.0	14.9	-4	-3
Identifiable Investment	473.2	597.4	209.0	109.2	123.3	155.9	197.4	129.7	19	3
Net retail investment	340.5	389.4	120.5	110.7	85.8	72.3	88.7	90.6	-18	-22
Bar Hoarding	256.6	262.7	82.3	83.7	56.7	39.9	38.3	48.0	-43	-48
Official Coin	114.5	112.0	38.2	25.8	28.0	20.0	33.8	42.3	64	19
Medals/Imitation Coin	26.3	37.0	9.5	10.1	8.6	8.8	11.7	11.0	8	16
Other identified retail invest. ³	-56.8	-22.3	-9.5	-8.8	-7.5	3.6	4.8	-10.6	...	...
ETFs & similar products⁴	132.6	208.1	88.5	-1.6	37.5	83.6	108.7	39.1	...	...
Total end-user demand	3,495.7	3,727.1	990.7	959.8	844.0	932.5	834.1	801.6	-16	-16
London pm fix, \$/oz	409.17	444.45	427.35	427.39	439.72	484.20	554.07	627.71	47	38

Source: GFMS Ltd. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. "Other retail" excludes bar and primary coin offtake; it represents mainly activity in North America and Western Europe. 4. Exchange Traded Funds and similar products including: LyxOR Gold Bullion Securities, Gold Bullion Securities (Australia), streetTRACKS Gold Shares, NewGold Gold Debentures, iShares Comex Gold Trust, Central Fund of Canada and Central Gold Trust.

End-user gold demand, \$m¹

	2004	2005	Q1'05	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06 ²	% ch Q2'06 vs Q2'05	% ch H1'06 vs H1'05
Jewellery consumption	34,372	38,713	9,370	10,161	8,696	10,472	9,413	11,351	12	6
Industrial & dental	5,390	6,008	1,371	1,529	1,493	1,617	1,929	2,208	44	43
Electronics	3,408	3,894	858	986	983	1,070	1,292	1,483	50	50
Other Industrial	1,093	1,223	301	329	286	303	370	425	29	26
Dentistry	889	892	211	213	224	244	268	300	40	34
Identifiable Investment	6,225	8,537	2,872	1,500	1,744	2,427	3,516	2,618	75	40
Net retail investment	4,480	5,564	1,655	1,522	1,213	1,126	1,579	1,829	20	7
Bar Hoarding	3,375	3,754	1,131	1,150	802	622	683	968	-16	-28
Official Coin	1,507	1,600	524	354	396	312	602	854	141	66
Medals/Imitation Coin	345	528	131	139	121	137	209	221	59	59
Other identified retail invest.	-748	-319	-131	-121	-106	55	86	-213	...	...
ETFs & similar products	1,745	2,973	1,217	-22	531	1,301	1,937	789	...	...
Total end-user demand	45,987	53,258	13,612	13,189	11,933	14,517	14,859	16,177	23	16

Source: GFMS Ltd. 1. See notes to Table 1. 2. Provisional.

Gold supply and demand (WGC presentation)

	2004	2005	Q1'05	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06 ¹	% ch Q2'06 vs Q2'05	% ch H1'06 vs H1'05
Supply										
Mine production	2,469	2,520	579	611	654	677	582	625	2	2
Net producer hedging	-427	-113	-22	-75	-21	4	-142	-157	...	...
Total Mine supply	2,042	2,407	557	536	633	681	440	468	-13	-17
Official sector sales ²	470	661	268	144	86	163	98	53	-63	-63
Old gold scrap	849	886	204	198	210	274	271	310	57	45
Total Supply	3,361	3,953	1,029	877	929	1,118	810	832	-5	-14
Demand										
Fabrication										
Jewellery	2,613	2,709	707	774	659	569	532	541	-30	-28
Industrial & dental	410	420	100	111	106	104	108	109	-2	3
Sub-total above fabrication	3,023	3,130	807	885	765	672	641	650	-27	-24
Bar & coin retail investment ³	397	412	130	120	93	69	84	101	-15	-26
Other retail investment	-57	-22	-10	-9	-8	4	5	-11	...	...
ETFs & similar	133	208	89	-2	38	84	109	39	...	70
Total Demand	3,496	3,727	1,016	995	888	828	838	780	-22	-20
Balance⁴	-134	226	13	-117	41	289	-28	52	...	...
London PM fix (US\$/oz)	409.17	444.45	427.35	427.39	439.72	484.20	554.07	627.71	47	38

Data in this table are consistent with those published by GFMS but adapted to the WGC's presentation and take account of the additional demand data now available. The "balance" figure differs from the "implied net (dis)investment" figure in GFMS' supply and demand table as it excludes "ETFs and similar" and "other retail investment". Note that jewellery data refer to fabrication and quarterly data differ from those for consumption in tables 1 and 2. 1. Provisional. 2. Excluding any delta hedging of central bank options. 3. Equal to the sum of the first three rows in Table 1. 4. This is the residual from combining all the other data in the table. It includes institutional investment other than ETFs & similar, stock movements and other elements as well as any residual error.

Consumer demand in selected countries: Q2 2006

	2005 year			Q2 2005	Q2 2006 ¹			% ch. Q2 2006 vs Q2 2005		
	Jewellery	Net retail invest.	Total		Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	587.1	134.5	721.6	280.6	135.0	39.1	174.1	-43	-11	-38
Greater China	277.7	14.8	292.5	68.5	62.5	2.9	65.3	-5	-2	-5
China	241.4	11.7	253.1	57.1	54.5	1.8	56.3	-2	4	-1
Hong Kong	14.0	0.6	14.6	4.7	3.3	0.1	3.4	-27	-55	-28
Taiwan	22.4	2.5	24.9	6.8	4.7	1.0	5.7	-18	0	-16
Japan	34.0	40.0	74.0	17.1	8.4	-15.0	-6.6	-3	...	...
Indonesia	78.0	3.0	81.0	20.6	15.1	-0.8	14.3	-23	...	-31
Vietnam	26.9	34.0	60.9	20.1	5.6	15.8	21.4	-1	9	6
Middle East	364.8	22.6	387.3	112.5	78.0	6.5	84.5	-26	-12	-25
Saudi Arabia	146.2	7.3	153.5	49.6	32.4	3.2	35.6	-32	60	-28
Egypt	75.3	0.9	76.2	17.3	11.9	0.2	12.1	-30	-25	-30
UAE	96.0	10.0	106.0	32.9	23.4	2.5	25.9	-19	-38	-21
Other Gulf	47.3	4.4	51.6	12.7	10.3	0.6	10.9	-11	-46	-14
Turkey	194.9	53.5	248.4	60.6	45.8	19.5	65.3	-3	45	8
USA	349.0	29.8	378.9	66.0	54.2	9.2	63.4	-10	59	-4
Italy ²	71.0	...	71.0	15.9	13.9	...	13.9	-12	...	-12
UK ²	59.4	...	59.4	7.8	7.1	...	7.1	-9	...	-9
Europe ³	...	-13.9	-13.9	-5.7	...	-2.0	-2.0	...	...	...
Total above	2,042.7	318.3	2,361.0	664.0	425.4	75.2	500.6	-26	-18	-25
Other & stk. change	666.5	71.1	737.5	186.2	137.1	15.4	152.5	-18	-18	-18
Total inc. others	2,709.2	389.4	3,098.5	850.2	562.5	90.6	653.1	-24	-18	-23

Source: GFMS Ltd

1. Provisional. 2. Jewellery only. 3. Net retail investment only.

- Ends -

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Notes to Editors:

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