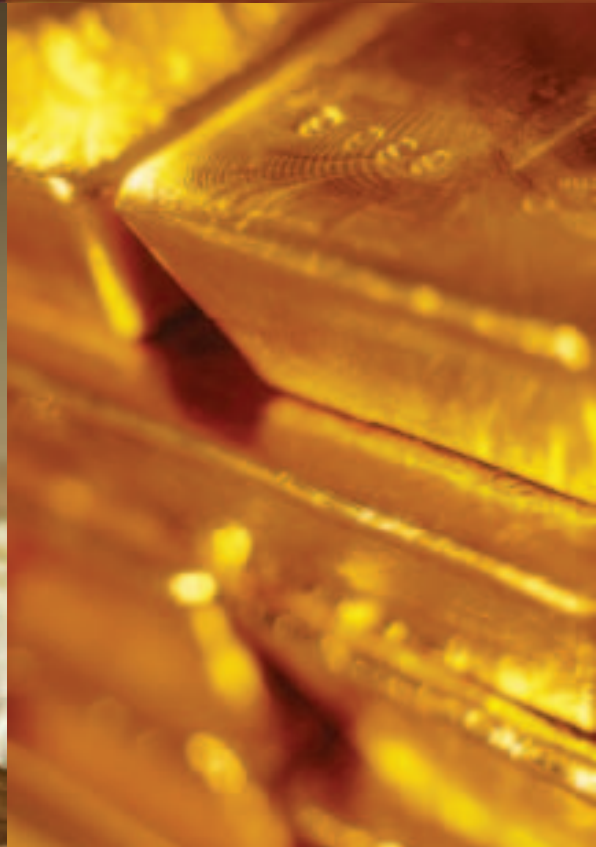


WORLD GOLD COUNCIL



Annual Review 2006

rising^{to}
the
challenge

Letter from James Burton

2006 proved to be a challenging year for gold – but one that ended on a positive note. While the gold price continued to rise, keeping gold high on the agenda of investors, analysts and the media, it was price volatility that played a major part in dictating demand trends.

Despite a challenging first two thirds of the year, when price volatility dampened consumer demand for jewellery, a strong end of year resulted in consumers and investors pushing demand for gold up to a record level of US\$65 billion. All categories grew in dollar terms over the year, with jewellery up 14%, investment up 45% and industrial demand also up 45%, a new annual record.

The World Gold Council played a key role in ensuring gold increased market share with consumers and investors. 2006 was a year focused on delivery to our core markets and on expanding the market size of those with an interest in this unique precious metal.

Innovative jewellery marketing campaigns across the globe helped to increase the desirability of gold to consumers under increasing competition from other luxury goods. The stunning Italian designed “Gold Expressions” 2006 range was launched to critical acclaim in Italy, China, India, the Middle East, and the United States. In 2006, gold jewellery demand rose by 20% in US\$ terms in markets where the WGC had been conducting jewellery promotional campaigns compared to just 2% in markets where WGC is inactive.

Our investment marketing programme gained deeper penetration into its strategic target groups in 2006 with clear evidence of traction in both the institutional and retail sectors.

2006 saw streetTRACKs Gold Shares cross listed on the Mexican Stock Exchange and the Singapore exchange and plans made for new Exchange Traded Gold listings in 2007.

The World Gold Council continued to play a key role in the ongoing debate around sustainability in the gold supply chain, an issue that all our members are taking very seriously. With the NGO community continuing to focus on gold, it is important that we continue to engage with all stakeholders to ensure these issues are resolved for the benefit of all.

I would like to conclude by thanking Pierre Lassonde, who in his second year as Chairman, continued to lead from the front and provide inspiration to all those working for WGC. His commitment contributed to a record addition of new members. We have continued to prove that the World Gold Council provides value for members and for the industry as a whole, with independent research indicating that for every dollar spent WGC stimulated \$72 of additional demand. We also welcome new members Goldcorp, IAMGold, Kinross, Eldorado Gold, Cambior and Bema to the organisation. In 2007 we will continue to build our membership.

2006 was a highly positive year for us in an often difficult market and I would like to thank all employees and partners of WGC for their efforts and co-operation. This year we will continue to build on the strong foundations we have built.



James E. Burton
Chief Executive Officer

Jewellery

Jewellery demand in 2006 reached an all time annual record in US\$ terms of \$44bn, rising 14 per cent on 2005 and demonstrating the underlying strength of gold desirability. In tonnage terms, gold demand for jewellery fell back 16 %, as a result of high price volatility in the first two thirds of the year.

The World Gold Council continued to build and refine its strategic marketing programmes around the world during 2006, extending its retail network and working with new partners in key territories. WGC retail partners have demonstrated a clear recognition of our role in transforming their gold jewellery business and continue to significantly support our programmes with their own marketing funds.

The highly successful WGC advertising campaigns saw added momentum in 2006 with larger and more impactful advertising projects rolled out in key markets with leading retailers and manufacturers. In Italy the campaign was successfully launched in Q3 with contributions from four key trade partners. The Indian market also experienced a higher level of penetration through increased project commitment with strategic retail partners.

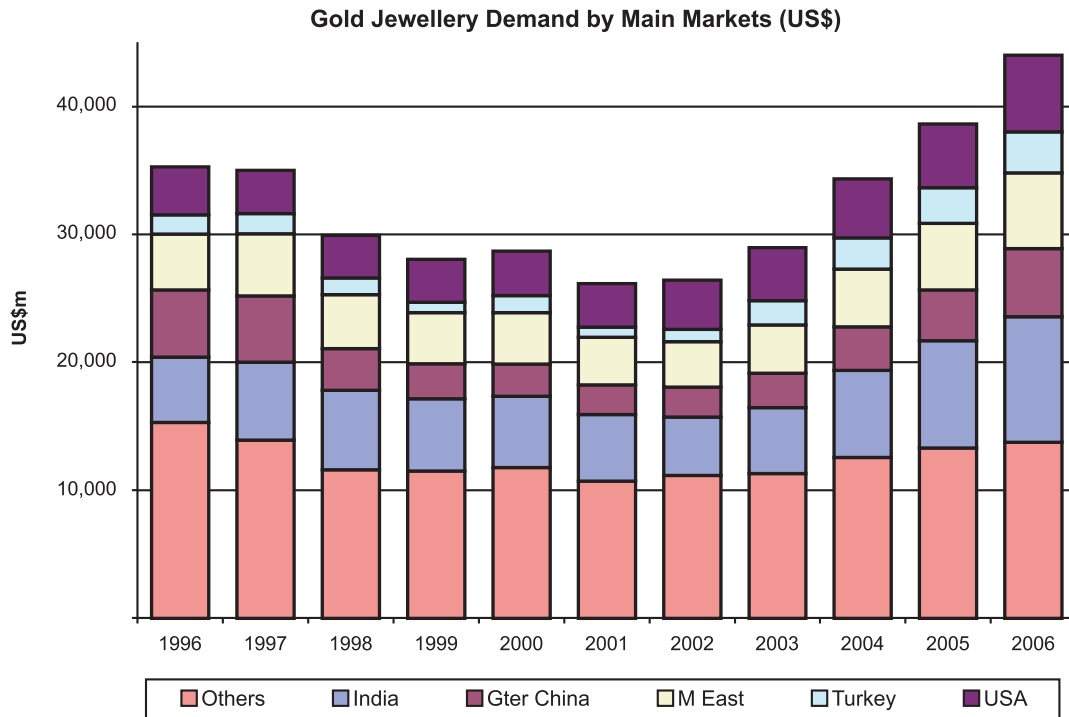
The findings of a major research project launched by WGC in August indicated the increasing independence of women in developing countries, a shift in their attitudes and also an increase in their personal wealth. WGC researched 9,000 women across all six key gold jewellery markets with the survey showing that gold jewellery is perceived to be a key

component of a woman's appearance and that as affordability increased women have increasingly opted to buy jewellery for themselves.

In the United States, 2006 saw an expansion of the number of our Strategic Alliance Partners (SAPs) and a record level of trade participation and financial contribution to WGC projects. Our new SAPs included Ben Bridge and Helzberg Jewelers. Gold jewellery retail sales in the U.S. increased by 6.1% in 2006, the strongest growth for the gold category since 1999. Despite industry concerns over a rising gold price, consumer demand was fueled by enhanced marketing and the growing fashion trend toward yellow gold. 2006 marked the sixteenth consecutive year of increase in gold jewellery sales.

In India, the Government's announcement of a new wide-ranging gold hallmarking policy was welcomed by the World Gold Council. Implementation of the policy, which is scheduled to be complete by January 2008, will reassure consumers of the quality of Indian gold product and ensure a common benchmark across the industry. WGC has committed to engaging in a programme of industry education, in conjunction with the Bureau of Indian Standards to spread awareness of the benefits of hallmarking to jewellery and manufacturing associations across the country.

Indian jewellery demand reached a record level in October following the Diwali festival, a traditional gold buying occasion. The World Gold Council continued to actively promote its own brands, launching



Source: WGC/GFMS Ltd

four new brands in 2006 – “Bollywood Gold”, inspired by the glamour of the Indian film industry, a designer brand called “Inspirations”, a new wedding collection “Maya Gold” and a lightweight collection called “Gili Gold”.

developed by WGC continued to show very healthy growth following the development of new creatives and markets. K-gold grew 25% in 2006 in US\$ terms following tie ups with a broader range of strategic partners in more cities around China.

In the Middle East, our strategy to promote gold to the fast-growing youth market has proved a major success. The joint marketing programme with L’Azurde thrived, helping to enhance the image of gold among fashionable women in Saudi Arabia and neighbouring countries and driving up demand for 21ct and 18ct jewellery. Our joint youth campaigns with strategic partner Damas through the “Farfasha” programme throughout the Middle East region have also been a major success.



18k Gold Bracelet
Temple St Clair

In China, the K-gold (18ct) market



Damas Farfasha collection in the Middle East



Consumer advertising in India



In China



'May is Gold Month' campaign



Ben Bridge Toscano Collection of Italian jewellery



Speak Gold Campaign

A close-up photograph of a woman with dark hair, smiling and looking slightly to her left. She is wearing a bright purple sleeveless top and a chunky gold necklace with colorful gemstones. The background is a bright blue body of water, likely on a boat, with a blurred shoreline and buildings in the distance. The overall mood is sunny and positive.

gold desirability



global
growth

Investment

2006 marked a record year for investment in gold. At 636.7 tonnes, identifiable investment demand was the highest on record. This growth was significantly spurred by the level of investment in the WGC-backed Exchange Traded Gold franchise which continued to boom and by the end of 2006 had reached \$11.5 billion. Exchange Traded Gold is the collective name for a group of gold-backed securities, introduced over the last four years that enable investors to trade an interest in gold on a number of stock exchanges around the world. The gold ETFs falling under the Exchange Traded Gold umbrella represented a market share of 90% at the end of 2006.

streetTRACKs Gold Shares (GLD), which is listed on the New York Stock Exchange and is marketed and distributed by State Street Global Advisors, maintained its dominant position in global terms with a growth rate of 113% on year end 2005 figures. The fund was successfully cross-listed in Mexico and Singapore during the course of the year. Lyxor Gold Bullion Securities, which is listed on the London Stock Exchange and on Euronext Paris, and is marketed and distributed by LyxOR Asset Management, a division of Société Générale, grew at 66% for the same period, whilst Gold Bullion Securities in Australia grew 54% and NewGold in South Africa grew 65%.

Away from the ETFs, bars and coins attracted net inflows of 400 tonnes, maintaining the strong levels seen in the two preceding years.

There was growing evidence of institutional investment in commodities and by the end

of the year at least 35 pension plans, endowments and foundations around the world had allocations, with gold included in the commodity index benchmark.

In China, World Gold Council worked with a number of commercial banks to lobby the State Council for a change in VAT tax policy on physical gold investment, in order to make it easier for local banks to conduct physical gold business.

December saw the retail launch of the first real investment gold bar produced at the refinery of WGC junior member China Gold Group Corp. subsidiary, China Zhongjin's Investment Corp. An immediate surge of demand at the Beijing point of sale marked the weeks after the launch. Demand for the Year of the Golden Pig (2007) and other commemorative bars was also strong in 2006 and overall investment gold sales were up by 50%.

Our strategy to increase gold holdings in the private sector and the banking sector in Japan during 2006 proved a great success. An equivalent of 41 tonnes of gold, in gold bars, were produced and sold via the Gold Pension and Inheritance Initiative, aimed at private investors. Incremental gold sales have increased 88% on 2005 figures, as a result.

In the United States, we made concerted efforts to increase the levels of awareness as to the benefits of gold among key target audiences through a thorough programme of investor roadshows. Our efforts to lobby the Joint Committee on Taxation and Members of Congress on reform of Capital Gains Tax on bullion investments continued.

In Switzerland, our two investor roadshows attracted a seasoned audience of investors, analysts and private banking clients, whilst our UK programme included a pensions roadshow targeting five key funds, a broker roadshow with Citigroup, and a series of one on one meetings with key targets.

The World Gold Council's Investment Research and Marketing programme was widely cited as a contributor to the growth in investment demand. The programme is designed to provide a platform to communicate the investment case for gold to both retail and institutional investors. During 2006, six educational reports were produced and published, including "The Role of Gold in India", "Gold as a Strategic Asset" and "Commodity Prices and the Influence of the US Dollar". 2006 also saw the launch of a new quarterly report aimed at the US buy-side, entitled "Gold Investment Digest".

The "Value" area of the www.gold.org web site provides investors around the world with key information about gold. It provides access to a range of research on gold's investment characteristics, as well as a wealth of information on the structure of the market, demand and supply flows and regular updates on gold market statistics. In 2006 the web site was further developed and had 32,064 registered users by year end. This compares with 18,223 for 2005.





increased
awareness
of the
case for gold



trust & reliability

Official Sector

2006 was a pivotal year in central bank reserve history. For the first time since the mid 1990s countries outside of the Central Bank Gold Agreement became net purchasers of gold bullion overall instead of net sellers. Through its research and outreach, the World Gold Council can claim to have played a definite role in turning this tide.

Couple this phenomenon with the fact that the signatories of the second Central Bank Gold Agreement undersold their annual limit by more than 100 tonnes during the CBGA year, which ended in September 2006, and there was a clear indication that the anti-gold sentiment typical of much of the 1990s was in decline. Central banks sold just 328 tonnes of bullion net during the year, a 51% year on year decline and the lowest figure since 1997.

The World Gold Council believes that a younger generation of central banker may now be more favourable to gold's long held attributes as a dollar and inflation hedge.

Efforts to engage in the market were also increased in 2006. The World Gold Council is widely recognised as an authority on central bank figures and as a reliable source of information and continued to monitor central bank gold holdings throughout the year.

WGC built on this reputation in 2006 through regular liaison with market analysts and the media and also recorded 24,000 downloads of central bank statistics from the gold.org website.



vibrant
demand

Industrial Sector

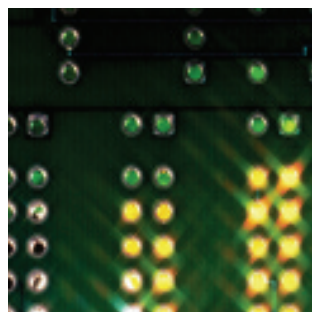
The various industrial and medical uses for gold generate a key component of total annual demand for the precious metal. 2006 was a record year in this market, largely due to vibrant demand from the electronics sector where gold is used in a range of consumer goods containing electronic circuitry.

WGC has a key role in using its expert end-user industry knowledge in identifying potential new uses for gold and then managing research and business development projects to accelerate their commercialisation. Through our GROW Programme (Gold Research Opportunities Worldwide) we have continued to work with partners on a cost sharing basis to uncover new technologies that are based on gold, including a project to develop a new liquid gold ink for use in the advanced electronics industry.

In 2006, we led the organisation of a major international event bringing industrialists face-to-face with technologists with the aim of exploiting gold based technologies. This is part of our strategy to communicate new uses for gold to the technical community with the aim that they are

exploited and industrial gold demand is stimulated. Participation numbers were 50% higher than the last event of this type held in 2003.

We have also been working to increase the effectiveness of our Utilise Gold initiative. This initiative encourages engineers, industrial designers, technicians and scientists to select and use gold as a material within their products and processes, based on the excellence of its technical properties. Visitor numbers to the www.utilisegold.com website continue to grow and its impact was further recognised by the award of a website design prize in 2006, making it one of our most effective web-based marketing tools.



Responsible Gold

The ethical sourcing of products has become an increasingly important issue for consumers in today's society. With an increased focus on gold from NGO groups and the media as a consumer-driven category, the World Gold Council is working hard to ensure consumers and the trade are best informed as to the major efforts that the industry is making to perform its activities in the most sustainable way.

2006 saw the launch of the "Trust in Gold" web site, a source of positive representation of the gold industry to society. The website includes links to all our members' thorough sustainability reports.

The World Gold Council is an active member of both the International Council on Mining and Metals (ICMM) and the Council for Responsible Jewellery Practices (CRJP) and played a full role in both organisations' activities in 2006. We were instrumental in coordinating and advising on the distribution through US retail associations of sustainability guidelines for retail associates during the year.

One of the cornerstones of the ICMM programme is the "Resource Endowment Initiative", a study which examines mineral resource investment and the economic development of host nations. The project has been developed with the World Bank and the United Nations Conference on Trade and Development. With support from WGC, in October the Ghana instalment of this report was published, shining a favourable light on the immediate positive impact of gold mining to "failing" economies:

"Importantly, the Ghana case also suggests that mining, and gold mining in particular, may be one of the first sectors that can sustain growth in a previously failing economy once some minimum package of economic and institutional reforms have taken place."

In Citigroup's 2006 research report entitled "Towards Sustainable Mining" gold compares favourably when viewed against other commodities, receiving the highest "sustainability" rating and benefiting most from its long life cycle and high recyclability.

Through its membership of ICMM and CRJP, World Gold Council gave input to the Initiative for Responsible Mining Assurance year-end meeting in Washington, and has now also taken the role of representing the gold industry on the Council for Responsible Jewellery Practices.

care & sustainability

Highlights from 2006

World Gold Council helped consumers and investors create a record level of demand for gold in 2006 through its global marketing activities. A record demand level for gold of US\$65 billion was achieved during the year, with tonnage demand in both the investment and industrial sectors growing positively and dollar demand growth in the jewellery sector in double-digits.

Investment in gold-backed Exchange Traded Funds (ETFs) and similar products increased 27% in tonnage terms and 45% in dollar terms on 2005 levels, assisted by a growing recognition of the benefits of an investment in gold.

Jewellery demand soared to a record \$44 billion in dollar terms, despite a 16% fallback in tonnage terms due to high levels of price volatility in the first two thirds of the year.

Industrial demand reached a new record in both dollar and tonnage terms in 2006. Tonnage figures were up 7% on 2005 at 458 tonnes and dollar figures up 45%. Demand was fired by the boom in electronics, with a range of consumer goods, such as MP3 players and flat screen televisions, which contain electronic circuitry being the prime market. WGC continued to search and support new and innovative applications for gold.

Demand for gold in key markets was strong thanks to sustained marketing by WGC, but was impacted by high levels of volatility for large parts of the year. In India overall

demand was 4% lower than 2005 in tonnage terms, equating to a 34% rise in rupee terms. Net retail investment during the year was 38% higher than 2005.

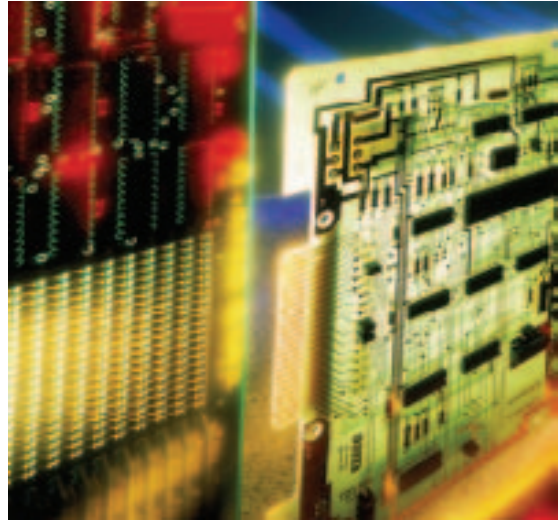
Overall consumer demand for gold in China was 4% higher than in 2005 in tonnage, equivalent to a 32% increase in dollar terms. The jewellery industry in China, buoyed by more sophistication and diversification, grew by over 1%. The successful K-Gold programme now represents 18% of all jewellery sales.

The gold industry in the Middle East continued to benefit from increasing tourism and promotion from the gold trade and World Gold Council. Consumer demand was up 6% on a year earlier in tonnage terms – a 34% increase in dollar terms.

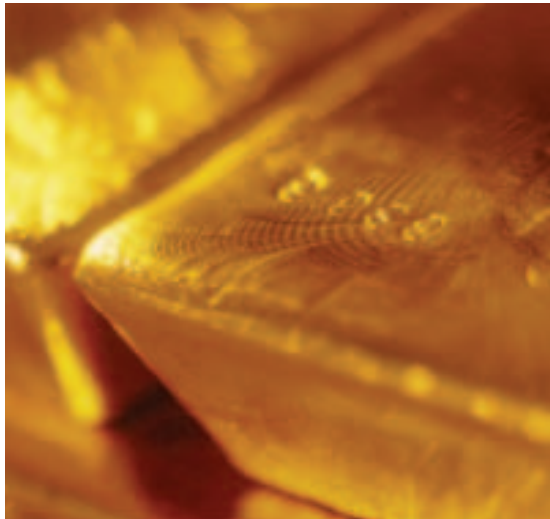
The World Gold Council's core websites www.gold.org, www.goldinspirations.com, www.goldbulletin.org, www.goldexpressions.com and www.utilisegold.com received an average of over 15 million hits per month during 2006, totalling over 180 million hits over the year. The continuing rise of the gold price kept the accelerator firmly down on investor and media interest in gold, steering more traffic to our sites. A major highlight in 2006 was the launch in November of the Trust in Gold www.trustinggold.com website. The site is designed to balance some of the anti-gold sentiment generated by NGOs and contains a wealth of information on how gold benefits society.



Increased demand



Boom in electronics



Investment in ETF funds



Impactful jewellery advertising



Growth in online communication



Sustainability reports



An extract from the Financial Statements

Consolidated Balance Sheet At 31 December 2006

	2006 US\$ 000's	2005 US\$ 000's
CAPITAL EMPLOYED		
Reserves	19,804	10,839
	19,804	10,839
EMPLOYMENT OF CAPITAL		
Property, plant and equipment	352	397
Other non-current assets	461	353
VAT recoverable in Italy	-	4,138
Interests in associates	2,776	555
Investments	61	61
Deferred tax asset	46	1,001
Non-current assets	3,696	6,505
Cash and cash equivalents	27,888	23,098
Inventory	69	70
Dues receivable from Members	1,510	878
VAT recoverable in Italy	4,639	-
Other current assets	4,361	2,935
Prepaid expenses	1,284	1,893
Current assets	39,751	28,874
Market development payables	(5,928)	(4,937)
Other payables and accrued expenses	(6,377)	(8,215)
Provisions	(4,008)	(7,439)
Income taxes	(20)	(22)
Current liabilities	(16,333)	(20,613)
Net current assets	23,418	8,261
Loan from associated company	(2,644)	-
Provisions	(3,803)	(3,783)
Deferred tax liabilities	(863)	(144)
Non-current liabilities	(7,310)	(3,927)
Net assets	19,804	10,839

These summary financial statements have been extracted from the audited accounts, signed on 27 June 2007, but do not constitute statutory accounts. Statutory accounts have been delivered to the UK Registrar of Companies. The auditors have reported on those accounts and their report was unqualified.

An extract from the Financial Statements

Consolidated Statement of Revenue and Expenditure For the year ended 31 December 2006

	2006 US\$ 000's	2005 US\$ 000's
REVENUE		
Members' dues	49,276	45,361
Other income	10,175	3,195
Total revenue	59,451	48,556
EXPENDITURE		
Market development expenditure	(43,158)	(39,114)
General and administrative expenditure	(9,070)	(12,056)
Office closure and restructuring	(11)	(228)
Operating expenditure	(52,239)	(51,398)
Operating surplus / (deficit)	7,212	(2,842)
Share of results of associates	2,221	363
Net finance income / (expense)	1,345	(1,211)
Surplus / (deficit) before tax	10,778	(3,690)
Income taxes	(1,813)	729
Surplus / (deficit) after tax	8,965	(2,961)
Minority interest	-	(180)
Net surplus / (deficit)	8,965	(3,141)
Balance at beginning of year	9,687	12,828
Balance at end of year	18,652	9,687

These summary financial statements have been extracted from the audited accounts, signed on 27 June 2007, but do not constitute statutory accounts. Statutory accounts have been delivered to the UK Registrar of Companies. The auditors have reported on those accounts and their report was unqualified.



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