

MEDIA ALERT

POSITIVE LONG-TERM GOLD PRICE TREND UNDERPINNED BY APPETITE FOR GOLD'S WEALTH PRESERVATION PROPERTIES

Five percent quarterly gain at end of Q3 in line with five year average

28 October, 2010, New York / London – The gold market continued to be supported by concerns over the health of the global economy and its ability to show a sustained recovery, especially in developed nations, according to the latest edition of Gold Investment Digest published today by the World Gold Council (WGC). These concerns, particularly when coupled with risks surrounding potential extensions to quantitative easing and supportive central bank activity, have sustained investment inflows leading to a robust quarterly gold price performance.

Juan Carlos Artigas, Investment Research Manager, the World Gold Council commented:

“The third quarter of 2010 was again marked by mixed economic news from markets around the world. While emerging economies continue to recover, central banks in developed markets appear ready to keep monetary policy accommodative as long as necessary to spur growth. In particular, statements by the Federal Reserve, coupled with a large trade deficit and record levels of debt outstanding, started to put pressure on the US dollar and increase long-term inflation expectations.

“Further, while gold’s role as a protection against inflation and a currency hedge are widely known, its ability both to diversify risk and to mitigate investment losses is increasingly attracting investor attention. As a result, gold’s quarterly price trend continued on its upward path and is very much in line with historic averages. This is consistent with the findings of the recent WGC research paper *The 10-year gold bull market in perspective*.”

The report shows:

- Gold followed its long-term upward trend during Q3 2010, ending the quarter at US\$1,307.00/oz, on the London PM fix. This corresponded to an increase of 5.1 percent in US dollar terms, in line with its quarterly average gain over the past five years, which, in turn, reinforces the view that gold’s appreciation appears steady and measured.
- While the path to sustained economic growth remains uncertain, G10 currency markets have recovered from the low levels experienced around the sovereign debt crisis and their currencies have appreciated against the US dollar. At the same time, after an initial recovery, the US labour market has turned dormant and the outlook for the US dollar remains negative.
- Investors bought a collective 28.3 tonnes of gold via physical-backed ETFs during the third quarter, bringing the total holdings to a new high of 2,070.1 tonnes, worth US\$87 billion at the quarter-end gold price.
- Official sector activity remained supportive of the gold market as sales by European central banks remained negligible, while in several emerging markets—including Russia, Bangladesh and Thailand—central banks continue to increase their gold reserves.
- Anecdotal evidence suggests that while jewellery consumption has not been immune to higher gold prices, there is still healthy activity in the market, especially in China, and gold usage in electronics and other technology applications remains a steady source of demand for the market.
- For the gold market, a measured price appreciation translated into lower realised volatility. Indeed, gold price volatility consistently fell during Q3 2010, with annualised

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gold volatility during the period being 13.2 percent compared to its historical trend of 15.8 percent over the past 20 years. Indeed, gold remains not only one of the least volatile commodities the WGC monitors, but it is also less volatile than many global equity indices.

Juan Carlos Artigas continued:

“Investors who have traditionally viewed gold solely as a currency and inflation hedge are beginning to see that its intrinsic characteristics make it unique within a portfolio and that there is a strong case for gold to be allocated as an asset class on its own merits.”

The full GID report can be downloaded from www.mediacentre.gold.org.

To view the accompanying video of Q3 GID please follow this link:
http://www.marketknowledge.gold.org/audio_video/gold_investment_digest_q3_2010/

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For further information:

Stephanie Mackrell, Head of Media Relations, WGC, + 44 (0)20 7826 4763, or
Stephanie.Mackrell@gold.org

Quintin Keanie, Capital MSL, + 44 (0) 207 307 5330, or Quintin.Keanie@capitalmsl.com

David Schraeder, MSLGroup, + 1 212 468 4313, or David.Schraeder@mslgroup.com

World Gold Council

The World Gold Council's mission is to stimulate and sustain the demand for gold and to create enduring value for its stakeholders. It is funded by the world's leading gold mining companies. For further information visit www.gold.org.