

MEDIA ALERT

EMBARGOED UNTIL July 22 2008, AT 8:30 AM ET

INVESTORS ONCE AGAIN FLOCK TO THE SAFETY OF THE GOLD MARKET

July 22, 2008 – A more subdued start to the 2nd quarter sprang to life in May and June as investors returned to the market against a backdrop of rising inflation, ongoing dollar weakness and heightened financial-market and geopolitical concerns. The price of gold ended Q2 virtually unchanged from its level at the end of the first quarter, at \$930.25/oz on the London PM fix, according to World Gold Council's latest *Gold Investment Digest*. However, this masked a sharp upturn in the gold price from mid-June onwards, which has continued in early July. Gold remained considerably less volatile in Q2 than other commodities, even other precious metals.

"There was a downward correction in the gold price in April but this proved short-lived," said Natalie Dempster, Investment Research Manager, World Gold Council. "The combination of rising inflation and price expectations, a weakened dollar and increased concerns about systemic risk in the financial sector have all pushed gold higher again."

Gold Investment Digest also noted that sales under the second Central Bank Gold Agreement (CBGA) were on track to be less than 400 tonnes for the second time in three years, well below signatories' permitted 500 tonnes ceiling, unless a new seller emerges before September.

"On the supply-side, stagnating mine production, further substantial producer de-hedging and data showing that sales under the second CBGA are on track to be well below signatories' permitted 500 tonnes ceiling, also supported the price", Dempster said. "In effect, a host of factors are contributing to long-term price support for gold."

WORLD GOLD COUNCIL

www.gold.org

Gold Investment Digest is a concise and comprehensive analysis of investment trends and economic indicators that influence investment interest in and the demand for gold.

Highlights from *Gold Investment Digest* for the first quarter include the following:

Investment trends

- The gold price ended Q2 virtually unchanged from its level at the end of Q1, at \$930.25/oz on the London PM fix.
- The gold price was well above its average level in the same quarter a year earlier of \$666.84/oz.
- The gold price remained considerably less volatile than other commodities, even other precious metals, ending the quarter at 24%.
- Inflows into the gold ETFs totalled 22 tonnes in May, before more than doubling in June to 45 tonnes.

Market trends

- The US Federal Reserve Bank cut interest rates by 25 basis points to 2% on April 30, bringing the cumulative easing in monetary policy since the credit crisis began to 325 basis points.
- 10-year US government bond yields ended the quarter at 4.0%, up from 3.4% at the end of Q1 08.
- The dollar appreciated modestly against other currencies in Q2, closing up 2% on a trade-weighted basis.
- Brent crude prices, which posted successive new records during the quarter, closed at \$140/bl on June 30, \$39/bl higher than at the end of March.

Key economic indicators

- In the US, the non-manufacturing ISM index fell sharply in June to 48.2, from 51.7 in May (a reading below 50 indicates a contraction in economic activity).
- US employers shed workers for the sixth consecutive month in June, reducing the number of people employed in the non-farm sector by 62,000, the same number laid off in May.
- US, Eurozone and UK CPI rose to 4.2%, 3.7% and 3.3% respectively in May from 3.9%, 3.3% and 3.0% in April.

The following statistics reflect trends established in the Q1, the most recent data available at this time. Comprehensive second quarter supply and demand statistics and analysis will be released by the World Gold Council in mid-August in the *Gold Demand Trends* report.



Gold market trends

- Jewelry demand declined by 21% year-on-year in Q1, but in dollar terms this equated to a rise of 12% to \$13.2 billion.
- Industrial and dental demand declined by 5% year-on-year in the first quarter of 2008 to 110.3 tonnes, primarily in response to the slowing US economy.
- Mine production continued to stagnate in Q1, with total gold production worldwide amounting to 593 tonnes, unchanged from the level of a year ago.
- The European Central Bank announced on June 30 that it had sold a further 30 tonnes of gold, bringing its total so far in this year of the agreement to 72 tonnes.

The *Gold Investment Digest* can be downloaded at www.gold.org. Users will need to register, which is free of charge. At the same address, users can access a range of investment statistics, which we have completely overhauled to extend the country coverage and make the materials easier to download.

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Notes to Editors:

To extend and enhance the reach of the World Gold Council's investment research programme, French, German, Italian, Dutch and Flemish language versions of the Investing in Gold web site have been launched. This will allow the investment case for gold to be communicated more clearly and effectively across Western Europe and beyond. Additional language versions are likely to follow to serve the investment community in Asia and the Far East. www.invest.gold.org

World Gold Council

The World Gold Council (WGC), a commercially-driven marketing organisation, is funded by the world's leading gold mining companies. A global advocate for gold, the WGC aims to promote the demand for gold in all its forms through marketing activities in major international markets. For further information visit www.gold.org.

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