

ISHARES COMEX GOLD TRUST

Form 424B3

March 01, 2007

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Registration Statement No. 333-140874

23,350,000 iShares[®]

iShares COMEX[®] Gold Trust

The iShares COMEX Gold Trust issues shares representing fractional undivided beneficial interests in its net assets. The assets of the trust consist primarily of gold held by the custodian on behalf of the trust. The objective of the trust is for the shares of the trust, called iShare[®], to reflect the price of gold less the trust's expenses and liabilities. The iShares are listed and trade on the American Stock Exchange (the AMEX) under the symbol IAU. Market prices for the iShares may be different from the net asset value per iShare. Barclays Global Investors International Inc. is the sponsor of the trust; Barclays Global Investors, N.A. was the initial sponsor of the trust, The Bank of New York is the trustee of the trust, and The Bank of Nova Scotia is the custodian of the trust. The trust is not an investment company registered under the Investment Company Act of 1940. The trust is not a commodity pool for purposes of the Commodity Exchange Act, and its sponsor is not subject to regulation by the Commodity Futures Trading Commission as a commodity pool operator, or a commodity trading advisor.

The trust intends to issue iShares on a continuous basis. The trust issues and redeems iShares only in blocks of 50,000 or integral multiples thereof. A block of 50,000 iShares is called a Basket. These transactions take place in exchange for gold. Only registered broker-dealers that become authorized participants by entering into a contract with the sponsor and the trustee may purchase or redeem Baskets. iShares will be offered to the public from time to time at prices that will reflect the price of gold and the trading price of the iShares on the AMEX at the time of the offer.

On February 28, 2007, the iShares closed on the AMEX at \$66.54 and the settlement price announced by COMEX for the spot month gold futures contract was \$669.40 (on any day, the spot month gold futures contract is the COMEX-traded gold futures contract closest to maturity).

Except when aggregated in Baskets, iShares are not redeemable securities.

Investing in the iShares involves significant risks. See Risk Factors starting on page 8.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of the securities offered in this prospectus, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The iShares are not interests in nor obligations of either the sponsor or the trustee. The iShares are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. The iShares COMEX Gold Trust is not sponsored, endorsed, sold or promoted by Commodity Exchange, Inc., nor does Commodity Exchange, Inc., make any representation regarding the advisability of investing in the trust.

iShares is a registered trademark of Barclays Global Investors, N.A.

COMEX is a registered service mark of Commodity Exchange, Inc.

The date of this prospectus is March 1, 2007.

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STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements which relate to future events or future performance. In some cases, you can identify such forward-looking statements by terminology such as may, should, expect, plan, anticipate, believe, estimate, predict, potential or the negative of the other comparable terminology. All statements (other than statements of historical fact) included in this prospectus that address activities, events or developments that may occur in the future, including such matters as changes in commodity prices and market conditions (for gold and the iShares), the trust's operations, the sponsor's plans and references to the trust's future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially. These statements are based upon certain assumptions and analyses made by the sponsor on the basis of its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. Whether or not actual results and developments will conform to the sponsor's expectations and predictions, however, is subject to a number of risks and uncertainties, including the special considerations discussed in this prospectus, general economic, market and business conditions, changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies, and other world economic and political developments. See Risk Factors. Consequently, all the forward-looking statements made in this prospectus are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the sponsor anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the trust's operations or the value of the iShares. Moreover, neither the sponsor, nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements. Neither the trust nor the sponsor is under a duty to update any of the forward-looking statements to conform such statements to actual results or to a change in the sponsor's expectations or predictions.

GLOSSARY

In this prospectus, each of the following terms has the meaning set forth below:

AMEX The American Stock Exchange LLC.

Authorized Participant A person who, at the time of submitting to the trustee an order to create or redeem one or more Baskets (1) is a registered broker-dealer, (2) is a DTC Participant or an Indirect Participant, and (3) has in effect a valid Authorized Participant Agreement.

Authorized Participant Agreement An agreement entered into by each Authorized Participant, the sponsor and the trustee which provides the procedures for the creation and redemption of Baskets.

Basket A block of 50,000 iShares or such number of iShares as the trustee, in consultation with the sponsor, may from time to time determine.

Basket Gold Amount The amount of gold (measured in Fine Ounces), determined on each Business Day by the trustee, which Authorized Participants must transfer to the trust in exchange for a Basket, or will receive in exchange for each Basket surrendered for redemption.

Business Day Any day other than (i) a Saturday or a Sunday, or (ii) a day on which the AMEX is closed for regular trading.

CFTC Commodity Futures Trading Commission, an independent agency with the mandate to regulate commodity futures and option markets in the United States.

Code The United States Internal Revenue Code of 1986, as amended.

COMEX The exchange market on gold futures contracts operated by Commodity Exchange, Inc., a subsidiary of New York Mercantile Exchange, Inc.

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Commodity Exchange Act The United States Commodity Exchange Act of 1936, as amended.

Custodian The Bank of Nova Scotia, a bank organized under the laws of Canada.

Custody Agreement The agreement between the trustee and the custodian governing the custody of the trust's gold.

DTC The Depository Trust Company, a limited purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC Participant An entity which, pursuant to DTC's governing documents, is entitled to deposit securities with DTC in its capacity as a participant.

ERISA The Employee Retirement Income Security Act of 1974, as amended.

Exchange Act The United States Securities Exchange Act of 1934, as amended.

FSA The Financial Services Authority, an independent non-governmental body which exercises statutory regulatory power under the FSM Act.

FSM Act The United Kingdom Financial Services and Markets Act 2000.

Fine Ounce An Ounce of 100% pure gold. The number of Fine Ounces in a gold bar may be calculated by multiplying the gross weight in Ounces by the fineness, expressed as a fraction of the fine metal content in parts per 1000.

Indirect Participant An entity which has access to the DTC clearing system by clearing securities through, or maintaining a custodial relationship with, a DTC Participant.

Initial Sponsor Barclays Global Investors, N.A., an indirect subsidiary of Barclays Bank PLC.

IRA Individual retirement account.

IRS Internal Revenue Service.

iShares Units of fractional undivided beneficial interest in the net assets of the trust which are issued by the trust.

LBMA The London Bullion Market Association, a trade association that acts as the coordinator for activities conducted on behalf of its members and other participants in the London bullion market.

London Good Delivery Bar A bar of gold meeting the London Good Delivery Standards.

London Good Delivery Standards The specifications for weight, dimensions, fineness (or purity), identifying marks and appearance of gold bars as set forth in The Good Delivery Rules for Gold and Silver Bars published by the LBMA.

NASD National Association of Securities Dealers.

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NAV Net asset value per iShare. See Business of the Trust Valuation of Gold; Computation of Net Asset Value for a description of how the net asset value of the trust and the NAV are calculated.

Non-U.S. Shareholder A shareholder that is not a U.S. Shareholder.

NYMEX New York Mercantile Exchange, Inc.

OTC The global Over-the-Counter market for the trading of gold which consists of transactions in spot, forwards, and options and other derivatives.

Ounce A troy ounce, equal to 1.0971428 ounces avoirdupois. Avoirdupois is the system of weights used in the U.S. and Great Britain for goods other than precious metals, gems and drugs. In that system, a pound has 16 ounces and an ounce has 16 drams.

Plans Employee benefit plans and certain other plans and arrangements, including individual retirement accounts and annuities, Keogh plans, and certain collective investment funds or insurance company general or separate accounts in which such plans or arrangements are invested, that are subject to ERISA and/or section 4975 of the Code.

SEC The Securities and Exchange Commission.

Securities Act The United States Securities Act of 1933, as amended.

Shareholders Owners of beneficial interests in the iShares.

Sponsor Barclays Global Investors International Inc., an indirect subsidiary of Barclays Bank PLC.

TOCOM The Tokyo Commodity Exchange.

Tonne One metric tonne which is equivalent to 1,000 kilograms or 32,150.7465 troy ounces.

Trust The iShares COMEX Gold Trust, a New York trust formed pursuant to the Trust Agreement.

Trust Agreement The First Amended and Restated Depositary Trust Agreement dated as of February 6, 2007 among the initial sponsor, the sponsor, The Bank of New York, the registered and beneficial owners from time to time of iShares and all persons that deposit gold for creation of iShares under which the trust is governed.

Trustee The Bank of New York, a banking corporation organized under the laws of the State of New York with trust powers.

Unallocated Gold is said to be held in unallocated form at a custodian when the person in whose name gold is so held is entitled to receive delivery of gold in the amount standing to the credit of that person's account, but that person has no ownership interest in any particular gold that the custodian maintaining the account owns or holds. In contrast, gold is held in allocated form when specific bars of gold held by the custodian are identified as the property of the person holding the allocated account.

U.S. Shareholder A Shareholder that is (1) an individual who is treated as a citizen or resident of the United States for United States federal income tax purposes; (2) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof; (3) an estate, the income of which is includible in gross income for United States federal income tax purposes regardless of its source; or (4) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or a trust that has made a valid election under applicable Treasury Regulations to be treated as a domestic trust.

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PROSPECTUS SUMMARY

Although the sponsor believes that this summary is materially complete, you should read the entire prospectus, including Risk Factors beginning on page 8, before making an investment decision about the iShares.

Trust Structure, the Sponsor, the Trustee and the Custodian

The trust was formed on January 21, 2005 when an initial deposit of gold was made in exchange for the issuance of three Baskets. The purpose of the trust is to own gold transferred to the trust in exchange for shares issued by the trust (iShares). Each iShare represents a fractional undivided beneficial interest in the net assets of the trust. The assets of the trust consist primarily of gold held by the custodian on behalf of the trust. However, there may be situations where the trust will unexpectedly hold cash. For example, a claim may arise against a third party, which is settled in cash. In situations where the trust unexpectedly receives cash or other assets, no new iShares will be issued until after the record date for the distribution of such cash or other property has passed.

Until February 26, 2007, the sponsor of the trust was Barclays Global Investors, N.A., a national banking association chartered in the United States and a majority-owned subsidiary of Barclays Bank PLC. (Barclays Global Investors, N.A., in its capacity as the sponsor of the trust until such date, will be sometimes referred to as the initial sponsor). On February 26, 2007, Barclays Global Investors International Inc., a Delaware corporation and a subsidiary of Barclays Bank PLC, became the sponsor of the trust. ***The iShares are not obligations of, and are not guaranteed by, the initial sponsor, Barclays Global Investors International Inc., or any of their respective subsidiaries or affiliates.***

The trust is governed by the provisions of the First Amended and Restated Depositary Trust Agreement (the Trust Agreement) executed on February 6, 2007 by the initial sponsor, Barclays Global Investors International Inc. and the trustee to replace the initial sponsor with Barclays Global Investors International Inc. as the trust s sponsor.

The trust issues iShares only in Baskets of 50,000 or integral multiples thereof. Baskets of iShares may be redeemed by the trust in exchange for the amount of gold corresponding to their redemption value. Individual iShares will not be redeemed by the trust, but are listed and trade on the AMEX under the symbol IAU . The objective of the trust is for the value of the iShares to reflect, at any given time, the price of gold owned by the trust at that time, less the trust s expenses and liabilities. The material terms of the trust are discussed in greater detail under the section

Description of the iShares and the Trust Agreement . The trust is not a registered investment company under the Investment Company Act of 1940 and is not required to register under such act.

The initial sponsor arranged for the creation of the trust, the registration of the iShares for their public offering in the United States and the listing of the iShares on the AMEX. The sponsor has agreed to assume the following administrative and marketing expenses incurred by the trust: the trustee s monthly fee, the custodian s fee, AMEX listing fees, SEC registration fees, printing and mailing costs, audit fees and expenses and up to \$100,000 per annum in legal fees and expenses.

The sponsor does not exercise day-to-day oversight over the trustee or the custodian. The sponsor may remove the trustee and appoint a successor trustee if the trustee ceases to meet certain objective requirements (including the requirement that it have capital, surplus and undivided profits of at least \$150 million) or if, having received written notice of a material breach of its obligations under the Trust Agreement, the trustee has not cured the breach within thirty days. The sponsor also has the right to replace the trustee during the ninety days following any merger, consolidation or conversion in which the trustee is not the surviving entity or, in its discretion, on the fifth anniversary of the creation of the trust or on any subsequent third anniversary thereafter. The sponsor also has the right to approve any new or additional custodian that the trustee may wish to appoint.

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The trustee is The Bank of New York and the custodian is The Bank of Nova Scotia.

The trustee is responsible for the day-to-day administration of the trust. The responsibilities of the trustee include (1) processing orders for the creation and redemption of Baskets; (2) coordinating with the custodian the receipt and delivery of gold transferred to, or by, the trust in connection with each issuance and redemption of Baskets; (3) calculating the net asset value and the adjusted net asset value of the trust on each business day; and (4) selling the trust's gold as needed to cover the trust's expenses. For a more detailed description of the role and responsibilities of the trustee see [Description of the iShares and the Trust Agreement](#) and [The Trustee](#).

The custodian is responsible for safekeeping the gold owned by the trust. The custodian is appointed by the trustee and is responsible to the trustee only. The general role and responsibilities of the custodian are further described in [The Custodian](#). The custodian has no obligation to accept any additional delivery on behalf of the trust if, after giving effect to such delivery, the total value of the trust's gold held by the custodian exceeds \$2 billion. If this limit is exceeded, it is anticipated that the trustee, with the consent of the sponsor, will retain an additional custodian. If an additional custodian becomes necessary, the trustee will seek to hire the additional custodian under terms and conditions substantially similar to those in the agreement with The Bank of Nova Scotia. However, because the agreement with the additional custodian will only be negotiated when the need for the additional custodian arises, it may not be possible for the trustee to locate at that time an additional custodian that agrees to exactly the same terms of the agreement with The Bank of Nova Scotia. As a result, the new agreement may differ from the current one with The Bank of Nova Scotia with respect to issues like duration, fees, maximum amount of gold that the additional custodian will hold on behalf of the trust, scope of the additional custodian's liability and the additional custodian's standard of care.

Trust Objective

The objective of the trust is for the value of the iShares to reflect, at any given time, the price of gold owned by the trust at that time, less the trust's expenses and liabilities. The trust is not actively managed. It does not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the price of gold. The trust receives gold deposited with it in exchange for the creation of Baskets of iShares, sells gold as necessary to cover the trust expenses and other liabilities and delivers gold in exchange for Baskets of iShares surrendered to it for redemption.

The iShares are intended to constitute a simple and cost-effective means of making an investment similar to an investment in gold. Although the iShares are not the exact equivalent of an investment in gold, they provide investors with an alternative that allows a level of participation in the gold market through the securities market. An investment in iShares is:

Backed by gold held by the custodian on behalf of the trust.

The iShares are backed by gold, identified on the custodian's books as the property of the trust and held by the custodian in the vicinity of New York, Toronto, Montreal, London and other locations that may be authorized in the future.

As accessible and easy to handle as any other investment in shares.

Retail investors may purchase and sell iShares through traditional brokerage accounts at prices expected to be less than the amount required for currently existing means of investing in physical gold. iShares are eligible for margin accounts.

Listed.

Although there can be no assurance that an actively traded market in the iShares will develop, the iShares are listed and trade on the AMEX under the symbol [IAU](#).

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Relatively cost efficient.

Because the expenses involved in an investment in physical gold will be dispersed among all holders of iShares, an investment in iShares may represent a cost-efficient alternative to investments in gold for investors not otherwise in a position to participate directly in the market for physical gold. See Business of the Trust Trust Objective .

Principal Offices

The sponsor's office is located at 45 Fremont Street, San Francisco, CA 94105. The trustee has a trust office at 101 Barclay Street, Floor 6E, New York, New York 10286. The custodian is located at One Liberty Plaza, New York, New York, 10006.

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| Offering | The iShares represent units of fractional undivided beneficial interest in the net assets of the trust. |
| Use of proceeds | Proceeds received by the trust from the issuance and sale of Baskets consist of gold deposits. Such deposits are held by the custodian on behalf of the trust until (i) distributed to Authorized Participants in connection with a redemption of Baskets or (ii) sold to pay the fee due to the sponsor and trust expenses or liabilities not assumed by the sponsor. |
| American Stock Exchange symbol | IAU |
| CUSIP | 464285105 |
| Creation and redemption | The trust issues and redeems Baskets of iShares on a continuous basis (a Basket equals 50,000 iShares). Baskets of iShares are only issued or redeemed in exchange for an amount of gold determined by the trustee on each day that the AMEX is open for regular trading. No iShares are issued unless the custodian has allocated to the trust's account (except for an unallocated amount of gold not in excess of 430 ounces), the corresponding amount of gold. Initially, a Basket required delivery of 5,000 fine ounces of gold. The amount of gold necessary for the creation of a Basket, or to be received upon redemption of a Basket, will decrease over the life of the trust, due to the payment or accrual of fees and other expenses or liabilities payable by the trust. Baskets may be created or redeemed only by Authorized Participants, who pay the trustee a transaction fee for each order to create or redeem Baskets. See "Description of the iShares and the Trust Agreement" for more details. |
| Net Asset Value | The net asset value of the trust is obtained by subtracting the trust's expenses and liabilities on any day from the value of the gold owned by the trust on that day; the net asset value per iShare, or NAV, is obtained by dividing the net asset value of the trust on a given day by the number of iShares outstanding on that date. On each day on which the AMEX is open for regular trading, the trustee determines the NAV as promptly as practicable after 4:00 p.m. (New York time). The trustee values the trust's gold on the basis of that day's announced COMEX settlement price for the spot month gold futures contract (the futures contract closest to maturity on that day). If there is no COMEX settlement price for spot month gold futures on that day, the trustee is authorized to use the most recently announced COMEX settlement price for spot month gold futures unless the trustee, in consultation with the sponsor, determines that such price is inappropriate as a basis for evaluation. See "Business of the Trust" Valuation of Gold; Computation of Net Asset Value. |
| Trust expenses | The trust's only ordinary recurring expense is expected to be the remuneration due to the sponsor (the sponsor's fee). In exchange for the sponsor's fee, the sponsor has agreed to assume the following administrative and marketing expenses of the trust: the trustee's monthly fee, the custodian's fee, AMEX listing fees, SEC registration fees, printing and mailing costs, audit fees and expenses and up to \$100,000 per annum in legal fees and expenses. The initial sponsor paid the |

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| | costs of the trust's organization and the initial sale of the iShares, including the applicable SEC registration fees. |
| | The sponsor's fee is accrued daily at an annualized rate equal to 0.40% of the adjusted net asset value of the trust and is payable monthly in arrears. The trustee sells gold from time to time in such quantity as is necessary to permit payment of the sponsor's fee and may also sell gold in such quantities as may be necessary to permit the payment of trust expenses and liabilities not assumed by the sponsor. The trustee is authorized to sell gold at such times and in the smallest amounts required to permit such payments as they become due, it being the intention to avoid or minimize the trust's holdings of assets other than gold. Accordingly, the amount of gold to be sold will vary from time to time depending on the level of the trust's expenses and liabilities and the market price of gold. See "Business of the Trust," "Trust Expenses and Liabilities," "Description of the iShares and the Trust Agreement," "Trust Expenses and Gold Sales," and "Description of the iShares and the Trust Agreement," "Trust Expenses and Gold Sales." |
| Tax Considerations | Owners of iShares will be treated, for U.S. federal income tax purposes, as if they owned a corresponding share of the assets of the trust. They will also be viewed as if they directly received a corresponding share of any income of the trust, or as if they had incurred a corresponding share of the expenses of the trust. Consequently, each sale of gold by the trust will be a taxable event to Shareholders. See "United States Federal Tax Consequences," "Taxation of U.S. Shareholders," and "ERISA and Related Considerations." |
| Voting Rights | Owners of iShares do not have any voting rights. See "Description of the iShares and the Trust Agreement," "Voting Rights." |
| Suspension of Issuance, Transfers and Redemptions | The trustee may suspend the delivery or registration of transfers of iShares, or may refuse a particular deposit or transfer at any time, if the trustee or the sponsor think it advisable for any reason. Redemptions may be suspended only (i) during any period in which regular trading on the AMEX or COMEX is suspended or restricted, or one or both exchanges are closed, or (ii) during an emergency as a result of which delivery, disposal or evaluation of gold is not reasonably practicable. See "Description of the iShares and the Trust Agreement," "Requirements for Trustee Actions." |
| Limitation on Liability | The sponsor and the trustee: are only obligated to take the actions specifically set forth in the Trust Agreement without negligence or bad faith; are not liable for the exercise of discretion permitted under the Trust Agreement; and have no obligation to prosecute any lawsuit or other proceeding on behalf of the Shareholders or any other person. See "Description of the iShares and the Trust Agreement," "Limitations on Obligations and Liability." |
| Termination events | The trustee will terminate the Trust Agreement if: the trustee is notified that the iShares are delisted from the AMEX and are not approved for listing on another national securities exchange within five business days of their delisting; |

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holders of at least 75% of the outstanding iShares notify the trustee that they elect to terminate the trust;

60 days have elapsed since the trustee notified the sponsor of the trustee's election to resign and a successor trustee has not been appointed and accepted its appointment;

the SEC determines that the trust is an investment company under the Investment Company Act of 1940, as amended, and the trustee has actual knowledge of that determination;

the aggregate market capitalization of the trust, based on the closing price for the iShares, was less than \$350 million for five consecutive trading days and the trustee receives, within six months from the last of those trading days, notice that the sponsor has decided to terminate the trust;

the CFTC determines that the trust is a commodity pool under the Commodity Exchange Act and the trustee has actual knowledge of that determination; or

the trust fails to qualify for treatment, or ceases to be treated, as a grantor trust for United States federal income tax purposes and the trustee receives notice that the sponsor has determined that the termination of the trust is advisable.

If not terminated earlier by the trustee, the trust will terminate on January 19, 2045. See

Description of the iShares and the Trust Agreement Amendment and Termination. After termination of the trust, the trustee will deliver trust property upon surrender and cancellation of iShares and, ninety days after termination, may sell any remaining trust property in a private or public sale, and hold the proceeds, uninvested and in a non-interest bearing account, for the benefit of the holders who have not surrendered their iShares for cancellation. See Description of the iShares and the Trust Agreement Amendment and Termination.

Authorized Participants

Baskets may be created or redeemed only by Authorized Participants. Each Authorized Participant must be a registered broker-dealer, a participant in DTC, have entered into an agreement with the trustee (the Authorized Participant Agreement) and be in a position to transfer gold to, and take delivery of gold from, the custodian through one or more gold accounts. The Authorized Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of gold in connection with such creations or redemptions. A list of the current Authorized Participants can be obtained from the trustee or the sponsor.

Clearance and settlement

The iShares are issued in book-entry form only. Transactions in iShares clear through the facilities of DTC. Investors may hold their iShares through DTC, if they are participants in DTC, or indirectly through entities that are participants in DTC.

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SUMMARY FINANCIAL CONDITION

As of the close of business on February 28, 2007, the net asset value of the trust was \$952,607,386.50 and the NAV was \$66.38.

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RISK FACTORS

Before making an investment decision, you should consider carefully the risks described below, as well as the other information included in this prospectus.

Because the iShares are created to reflect the price of the gold held by the trust, the market price of the iShares will be as unpredictable as the price of gold has historically been. This creates the potential for losses, regardless of whether you hold iShares for a short-, mid- or long-term.

iShares are created to reflect, at any given time, the market price of gold owned by the trust at that time less the trust's expenses and liabilities. Because the value of iShares depends on the price of gold, it is subject to fluctuations similar to those affecting gold prices. The price of gold has fluctuated widely over the past several years. If gold markets continue to be characterized by the wide fluctuations that they have shown in the past several years, the price of the iShares will change widely and in an unpredictable manner. This exposes your investment in iShares to potential losses if you need to sell your iShares at a time when the price of gold is lower than it was when you made your investment in iShares. Even if you are able to hold iShares for the mid- or long-term you may never have a profit, because gold markets have historically experienced extended periods of flat or declining prices.

Following an investment in iShares, several factors may have the effect of causing a decline in the prices of gold and a corresponding decline in the price of iShares. Among them:

Large sales by the official sector. A significant portion of the aggregate world gold holdings is owned by governments, central banks and related institutions. If one or more of these institutions decides to sell in amounts large enough to cause a decline in world gold prices, the price of the iShares will be adversely affected.

A significant increase in gold hedging activity by gold producers. Should there be an increase in the level of hedge activity of gold producing companies, it could cause a decline in world gold prices, adversely affecting the price of the iShares.

A significant change in the attitude of speculators and investors towards gold. Should the speculative community take a negative view towards gold, it could cause a decline in world gold prices, negatively impacting the price of the iShares. Conversely, several factors may trigger a temporary increase in the price of gold prior to your investment in the iShares. If that is the case, you will be buying iShares at prices affected by the temporarily high prices of gold, and you may incur losses when the causes for the temporary increase disappear.

The amount of gold represented by the iShares will continue to decrease over the life of the trust due to the sales necessary to pay the sponsor's fee and trust expenses. Without increases in the price of gold sufficient to compensate for that decrease, the price of the iShares will also decline and you will lose money on your investment in iShares.

Although the sponsor has agreed to assume all organizational and certain ordinary administrative and marketing expenses incurred by the trust, not all trust expenses have been assumed by the sponsor. For example, any taxes and other governmental charges that may be imposed on the trust's property will not be paid by the sponsor. As part of its agreement to assume some of the trust's ordinary administrative expenses, the sponsor has agreed to pay legal fees and expenses of the trust not in excess of \$100,000 per annum. Any legal fees and expenses in excess of that amount will be the responsibility of the trust.

Because the trust does not have any income, it needs to sell gold to cover the sponsor's fee and expenses not assumed by the sponsor. The trust may also be subject to other liabilities (for example, as a result of litigation)

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which have also not been assumed by the sponsor. The only source of funds to cover those liabilities will be sales of gold held by the trust. Even if there are no expenses other than those assumed by the sponsor, and there are no other liabilities of the trust, the trustee will still need to sell gold to pay the sponsor's monthly fee. The result of these periodic sales is that the amount of gold represented by each iShare will decrease. New deposits of gold, received in exchange for new iShares issued by the trust, do not reverse this trend.

A decrease in the amount of gold represented by each iShare results in a decrease in its price even if the price of gold has not changed. To retain the iShare's original price, the price of gold has to increase. Without that increase, the lower amount of gold represented by the iShare will have a correspondingly lower price. If these increases do not occur, or are not sufficient to counter the lower amount of gold represented by each iShare, you will sustain losses on your investment in iShares.

An increase in the trust expenses not assumed by the sponsor, or the existence of unexpected liabilities affecting the trust, will force the trustee to sell larger amounts of gold, and will result in a more rapid decrease of the amount of gold represented by each iShare and a corresponding decrease in its value.

The trust is a passive investment vehicle. This means that the value of your iShares may be adversely affected by trust losses that, if the trust had been actively managed, it might have been possible to avoid.

The trustee does not actively manage the gold held by the trust. This means that the trustee does not sell gold at times when its price is high, or acquire gold at low prices in the expectation of future price increases. It also means that the trustee does not make use of any of the hedging techniques available to professional gold investors to attempt to reduce the risks of losses resulting from price decreases. Any losses sustained by the trust will adversely affect the value of your iShares.

The price received upon the sale of iShares may be less than the value of the gold represented by them.

The result obtained by subtracting the trust's expenses and liabilities on any day from the price of the gold owned by the trust on that day is the net asset value of the trust which, when divided by the number of iShares outstanding on that date, results in the net asset value per iShare, or NAV.

iShares may trade at, above or below their NAV. The NAV of iShares will fluctuate with changes in the market value of the trust's assets. The trading prices of iShares will fluctuate in accordance with changes in their NAVs as well as market supply and demand. The amount of the discount or premium in the trading price relative to the NAV per iShare may be influenced by non-concurrent trading hours between the major gold markets and the AMEX. While the iShares will trade on the AMEX until 4:15 P.M. New York time, liquidity in the market for gold will be reduced after the close of the major world gold markets, including London, Zurich and COMEX (which usually closes from 1:30 P.M. until 2:00 P.M. New York time). As a result, during this time, trading spreads, and the resulting premium or discount on iShares, may widen.

The liquidation of the trust may occur at a time when the disposition of the trust's gold will result in losses to investors in iShares.

The trust will have limited duration. If certain events occur, at any time, the trustee will have to terminate the trust. Otherwise, the trust will terminate automatically after forty years. See "Description of the iShares and the Trust Agreement Amendment and Termination" for more information about the termination of the trust, including when events outside the control of the sponsor, the trustee or the Shareholders may prompt the trust's termination.

Upon termination of the trust, the trustee will sell gold in the amount necessary to cover all expenses of liquidation, and to pay any outstanding liabilities of the trust. The remaining gold will be distributed among investors surrendering iShares. Any gold remaining in the possession of the trustee after 90 days may be sold by

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the trustee and the proceeds of the sale will be held by the trustee until claimed by any remaining holders of iShares. Sales of gold in connection with the liquidation of the trust at a time of low prices will likely result in losses, or adversely affect your gains, on your investment in iShares.

There may be situations where an Authorized Participant is unable to redeem a basket of shares. To the extent the value of gold decreases, these delays may result in a decrease in the value of the gold the Authorized Participant will receive when the redemption occurs, as well as a reduction in liquidity for all shareholders in the secondary market.

Although iShares surrendered by Authorized Participants in basket-size aggregations are redeemable in exchange for the underlying amount of gold, redemptions may be suspended during any period while regular trading on the AMEX or COMEX is suspended or restricted, or in which an emergency exists that makes it reasonably impracticable to deliver, dispose of, or evaluate gold. If any of these events occurs at a time when an Authorized Participant intends to redeem iShares, and the price of gold decreases before such Authorized Participant is able again to surrender for redemption baskets of iShares, such Authorized Participant will sustain a loss with respect to the amount that it would have been able to obtain in exchange for the gold received from the trust upon the redemption of its iShares, had the redemption taken place when such Authorized Participant originally intended it to occur. As a consequence, Authorized Participants may reduce their trading in iShares during periods of suspension, decreasing the number of potential buyers of iShares in the secondary market and, therefore, the price a shareholder may receive upon sale.

The liquidity of the iShares may also be affected by the withdrawal from participation of Authorized Participants.

In the event that one or more Authorized Participants which have substantial interests in iShares withdraw from participation, the liquidity of the iShares will likely decrease which could adversely affect the market price of the iShares and result in your incurring a loss on your investment.

Authorized Participants with large holdings may choose to terminate the trust.

Holders of 75% of the iShares have the power to terminate the trust. This power may be exercised by a relatively small number of holders. If it is so exercised, investors who wished to continue to invest in gold through the vehicle of the trust will have to find another vehicle, and may not be able to find another vehicle that offers the same features as the trust.

The lack of an active trading market for the iShares may result in losses on your investment at the time of disposition of your iShares.

Although iShares are listed for trading on the AMEX, you should not assume that an active trading market for the iShares will develop or be maintained. If you need to sell your iShares at a time when no active market for them exists, such lack of an active market will most likely adversely affect the price you receive for your iShares (assuming you are able to sell them).

If the process of creation and redemption of Baskets of iShares encounters any unanticipated difficulties, the possibility for arbitrage transactions intended to keep the price of the iShares closely linked to the price of gold may not exist and, as a result, the price of the iShares may fall.

If the processes of creation and redemption of shares (which depend on timely transfers of gold to and by the custodian) encounter any unanticipated difficulties, potential market participants who would otherwise be willing to purchase or redeem Baskets of iShares to take advantage of any arbitrage opportunity arising from discrepancies between the price of the iShares and the price of the underlying gold may not take the risk that, as a result of those difficulties, they may not be able to realize the profit they expect. If this is the case, the liquidity of

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the iShares may decline and the price of the iShares may fluctuate independently of the price of gold and may fall.

As an owner of iShares, you will not have the rights normally associated with ownership of other types of shares.

iShares are not entitled to the same rights as shares issued by a corporation. By acquiring iShares, you are not acquiring the right to elect directors, to receive dividends, to vote on certain matters regarding the issuer of your iShares or to take other actions normally associated with the ownership of shares. You will only have the limited rights described under Description of the iShares and the Trust Agreement .

As an owner of iShares, you will not have the protections normally associated with ownership of shares in an investment company registered under the Investment Company Act of 1940, or the protections afforded by the Commodity Exchange Act of 1936.

The trust is not registered as an investment company for purposes of United States federal securities laws, and is not subject to regulation by the SEC as an investment company. Consequently, the owners of iShares do not have the regulatory protections provided to investors in investment companies. For example, the provisions of the Investment Company Act that limit transactions with affiliates, prohibit the suspension of redemptions (except under certain limited circumstances) or limit sales loads do not apply to the trust.

The trust does not hold or trade in commodity futures contracts regulated by the Commodity Exchange Act (CEA), as administered by the Commodity Futures Trading Commission (CFTC). Furthermore, the Trust is not a commodity pool for purposes of the CEA, and its sponsor is not subject to regulation by the CFTC as a commodity pool operator, or a commodity trading advisor. Consequently, the owner of iShares does not have the regulatory protections provided to investors in CEA-regulated instruments or commodity pools. Consequently, the trustee is not subject to registration as a commodity pool operator and the owners of iShares do not receive the disclosure document and certified annual report required to be delivered by a commodity pool operator.

The value of the iShares will be adversely affected if gold owned by the trust is lost or damaged in circumstances in which the trust is not in a position to recover the corresponding loss.

The responsibility of the custodian for loss or damage to the trust's gold is not unlimited. The agreement with the custodian contemplates that under certain circumstances the custodian will not be responsible for loss or damage to the trust's gold in the custodian's possession. For example, losses due to nuclear accidents, terrorism, riots, acts of God, insurrections, strikes and similar causes beyond the control of the custodian will be sustained by the trust. Any loss of gold owned by the trust will result in a corresponding loss in the NAV and it is reasonable to expect that such loss will also result in a decrease in the value at which the iShares are traded on the AMEX.

Gold transferred to the trust in connection with the creation of Baskets of iShares may not be of the quality required under the Trust Agreement. The trust will sustain a loss if the trustee issues iShares in exchange for gold of inferior quality and that loss will adversely affect the value of all existing iShares.

The procedures agreed to with the custodian contemplate that the custodian must undertake certain tasks in connection with the inspection of gold delivered by Authorized Participants in exchange for Baskets of iShares. The Custodian's inspection includes review of the corresponding bar list to ensure that it accurately describes the weight, fineness, refiner marks and bar numbers appearing on the gold bars, but does not include any chemical or other tests designed to verify that the gold received does, in fact, meet the purity requirements referred to in the Trust Agreement. Accordingly, such inspection procedures may not prevent the deposit of gold that fails to meet these purity standards. Each person that deposits gold in the trust is liable to the trust if that gold does not meet the requirements of the Trust Agreement. The custodian will not be responsible or liable to the trust or to any

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investor in the event any gold otherwise properly inspected by it does not meet the purity requirements contained in the Trust Agreement. To the extent that Baskets of iShares are issued in exchange for gold of inferior quality and the trust is not able to recover damages from the person that deposited that gold, the total value of the assets of the trust will be adversely affected and, with it, the NAV. In these circumstances, it is reasonable to expect that the value at which the iShares trade on the AMEX will also be adversely affected.

The value of the iShares will be adversely affected if the trust is required to indemnify the sponsor or the custodian as contemplated in the Trust Agreement and the custodian agreement.

Under the Trust Agreement, the sponsor has a right to be indemnified from the trust for any liability or expense it incurs without negligence, bad faith or willful misconduct on its part. Similarly, the custodian agreement provides for indemnification of the custodian by the trust under certain circumstances. That means that it may be necessary to sell assets of the trust to cover losses or liability suffered by the sponsor or the custodian. Any sale of that kind would reduce the net asset value of the trust and the value of the iShares.

USE OF PROCEEDS

Proceeds received by the trust from the issuance and sale of Baskets consist of gold deposits. Such deposits are held by the custodian on behalf of the trust until (i) distributed to Authorized Participants in connection with redemptions of Baskets or (ii) sold to pay fees due to the sponsor and trust expenses and liabilities not assumed by the sponsor. See Business of the Trust Trust Expenses .

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THE GOLD INDUSTRY

Introduction

This section provides a brief introduction to the gold industry by looking at some of the key participants, detailing the primary sources of demand and supply and outlining the role of the official sector (*i.e.*, central banks) in the market.

Market Participants

The participants in the world gold market may be classified in the following sectors: the mining and producer sector, the banking sector, the official sector, the investment sector; and the manufacturing sector. A brief description of each follows.

Mining and Producer Sector

This group includes mining companies that specialize in gold and silver production; mining companies that produce gold as a by-product of other production (such as a copper or silver producer); scrap merchants and recyclers.

Banking Sector

Bullion banks provide a variety of services to the gold market and its participants, thereby facilitating interactions between other parties. Services provided by the bullion banking community include traditional banking products as well as mine financing, physical gold purchases and sales, hedging and risk management, inventory management for industrial users and consumers, and gold deposit and loan instruments.

The Official Sector

The official sector encompasses the activities of the various central banking operations of gold-holding countries. In September 1999 a group of 15 central banks acting to clarify their intentions with respect to their gold holdings signed the Central Bank Gold Agreement commonly called the Washington Accord on Gold . The signatories included the European Central Bank and the central banks of Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, Switzerland, and England. The original agreement limited incremental sales by the 15 signatories to 400 tonnes per annum over the ensuing five-year period. The original Washington Accord on Gold expired in September 2004, and was renewed by several of the original signatories for a second five-year period. The current per annum limit on gold sales is 500 tonnes, with total sales not to exceed 2,500 tonnes in the five-year period.

The Investment Sector

This sector includes the investment and trading activities of both professional and private investors and speculators. These participants range from large hedge and mutual funds to day-traders on futures exchanges and retail-level coin collectors.

The Manufacturing Sector

The fabrication and manufacturing sector represents all the commercial and industrial users of gold for whom gold is a daily part of their business. The jewelry industry is a large user of gold. Other industrial users of gold include the electronics and dental industries.

Table of Contents**World Gold Supply and Demand (1997 - 2006)**

The following table sets forth a summary of the world gold supply and demand from 1997 to 2006:

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <i>(Tonnes)⁽¹⁾</i> | | | | | | | | | |
| Supply | | | | | | | | | | |
| Mine production | 2,493 | 2,542 | 2,574 | 2,591 | 2,621 | 2,588 | 2,592 | 2,470 | 2,522 | 2,467 |
| Official sector sales | 326 | 363 | 477 | 479 | 520 | 547 | 617 | 469 | 659 | 330 |
| Old gold scrap | 631 | 1,105 | 615 | 616 | 713 | 840 | 943 | 848 | 889 | 1,069 |
| Net producer hedging | 504 | 97 | 506 | | | | | | | |
| Implied net disinvestment | 257 | | | 323 | 33 | | | 59 | | |
| Total Supply | 4,210 | 4,107 | 4,172 | 4,009 | 3,887 | 3,975 | 4,153 | 3,846 | 4,070 | 3,866 |

Demand