SPDR GOLD TRUST
Form 10-K
November 22, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2010
or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-32356

SPDR® GOLD TRUST
SPONSORED BY WORLD GOLD TRUST SERVICES, LLC
(Exact name of registrant as specified in its charter)

New York	**81-6124035**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o World Gold Trust Services, LLC
424 Madison Avenue, 3rd Floor
New York, New York 10017
(212) 317-3800
(Address of principal executive offices, telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	Name of each exchange on which registered
SPDR® GOLD Shares	**NYSE Arca, Inc.**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-Accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Aggregate market value of registrant s common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant s common stock on March 31, 2010 as reported by the NYSE Arca, Inc. on that date: $40,409,555,000

Number of shares of the registrant s common stock outstanding as of November 18, 2010: 423,400,000

DOCUMENTS INCORPORATED BY REFERENCE: None

Table of Contents

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and within the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements usually include the verbs, anticipates, believes, estimates, expects, intends, plans, projects, understands and other verbs uncertainty. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Trust undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Additional significant uncertainties and other factors affecting forward-looking statements are presented in the Risk Factors section which appears in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

SPDR is a trademark of Standard & Poor s Financial Services, LLC (S&P) and has been licensed for use by the Sponsor. The SPDR trademark is used under license from S&P and the SPDR® Gold Trust is permitted to use the SPDR trademark pursuant to a sublicense from the Marketing Agent. No financial product offered by SPDR® Gold Trust, or its affiliates, is sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the owners of any financial product or any member of the public regarding the advisability of investing in securities generally or in financial products particularly or the ability of the index on which financial products are based to track general stock market performance. S&P is not responsible for and has not participated in any determination or calculation made with respect to issuance or redemption of financial products. S&P has no obligation or liability in connection with the administration, marketing or trading of financial products.

WITHOUT LIMITING ANY OF THE FOREGOING IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

TABLE OF CONTENTS

Table of Contents

Table of Contents

PART I

Item 1. Business

SPDR® Gold Trust, or the Trust, is an investment trust, formed on November 12, 2004 under New York law pursuant to a trust indenture, or the Trust Indenture. World Gold Trust Services, LLC, or WGTS, is the sponsor of the Trust, or the Sponsor. BNY Mellon Asset Servicing, a division of The Bank of New York Mellon, or BNYM, is the trustee of the Trust, or the Trustee. State Street Global Markets, LLC, or SSGM, is the marketing agent of the Trust, or the Marketing Agent. The Trust holds gold and from time to time issues SPDR® Gold Shares, or Shares, in Baskets in exchange for deposits of gold and distributes gold in connection with redemptions of Baskets. A Basket equals a block of 100,000 Shares. The investment objective of the Trust is for the Shares to reflect the performance of the price of gold bullion, less the Trust s expenses.

Strategy

The Shares are intended to offer investors an opportunity to participate in the gold market through an investment in securities. Historically, the logistics of buying, storing and insuring gold have constituted a barrier to entry for some institutional and retail investors. The ownership of the Shares is intended to overcome these barriers to entry. The logistics of storing and insuring gold are dealt with by HSBC Bank USA, N.A., or HSBC, as custodian of the Trust, or the Custodian, and the related expenses are built into the price of the Shares. Therefore, the investor does not have any additional tasks or costs over and above those associated with investing in any other publicly traded security.

The Shares are intended to provide institutional and retail investors with a simple and cost-efficient means of gaining investment benefits similar to those of holding allocated gold bullion. The Shares offer an investment that is:

Easily Accessible. Investors can access the gold market through a traditional brokerage account. The Sponsor believes that investors will be able to more effectively implement strategic and tactical asset allocation strategies that use gold by using the Shares instead of using the traditional means of purchasing, trading and holding gold.

Relatively Cost Efficient. The Sponsor believes that, for many investors, transaction costs related to the Shares will be lower than those associated with the purchase, storage and insurance of allocated gold.

Exchange Traded. The Shares trade on NYSE Arca, Inc. or NYSE Arca, providing investors with an efficient means to buy, sell, or sell short in order to implement a variety of investment strategies. The Shares are eligible for margin accounts. The Shares are also listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores), the Singapore Exchange Securities Trading Limited, the Stock Exchange of Hong Kong and the Tokyo Stock Exchange.

Transparent. The Shares are backed by the assets of the Trust and the Trust does not hold or employ any derivative securities. Further, the Trust s holdings and their value based on current market prices are reported on the Trust s website each business day.

The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust. The Trust is not managed like a corporation or an active investment vehicle. The gold held by the Trust will only be sold: (1) on an as-needed basis to pay Trust expenses, (2) in the event the Trust terminates and liquidates its assets, or (3) as otherwise required by law or regulation. The sale of gold by the Trust is a taxable event to shareholders of the Trust, or Shareholders. See United States Federal Tax Consequences Taxation of U.S. Shareholders. The material terms of the Trust Indenture are discussed under Description of the Trust Indenture.

The Trust is not registered as an investment company under the Investment Company Act of 1940 and is not required to register under such act. The Trust will not hold or trade in commodity futures contracts regulated by the Commodity Exchange Act, or the CEA, as administered by the Commodity

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Table of Contents

Futures Trading Commission, or the CFTC. The Trust is not a commodity pool for purposes of the CEA, and none of the Sponsor, the Trustee or the Marketing Agent is subject to regulation as a commodity pool operator or a commodity trading advisor in connection with the Shares.

The Trust creates and redeems Shares from time to time, but only in Baskets. The number of outstanding Shares changes from time to time as a result of the creation and redemption of Baskets. The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of gold and any cash represented by the Baskets being created or redeemed. The total amount of gold and any cash required for the creation of Baskets is based on the combined net asset value, or NAV, of the number of Baskets being created or redeemed. The number of ounces of gold required to create a Basket or to be delivered upon the redemption of a Basket will continue to gradually decrease over time. This is because the Shares comprising a Basket will represent a decreasing amount of gold due to the sale of the Trust s gold to pay the Trust s expenses. Baskets may be created or redeemed only by Authorized Participants. An Authorized Participant is a person who (1) is a registered broker-dealer or other securities market participant such as a bank or other financial institution which is not required to register as a broker-dealer to engage in securities transactions, (2) is a participant in the Depository Trust Company system, or DTC, (3) has entered into an agreement with the Sponsor and the Trustee which provides the procedures for the creation and redemption of Baskets and for the delivery of the gold and any cash required for such creations and redemptions, or a Participant Agreement, and (4) has established an unallocated gold account with the Custodian, or an Authorized Participant Unallocated Account. Authorized Participants pay a transaction fee of $2,000 for each order to create or redeem Baskets. Authorized Participants may sell to other investors all or part of the Shares included in the Baskets they purchase from the Trust.

The Trustee determines the NAV of the Trust on each day that NYSE Arca is open for regular trading, at the earlier of the afternoon session of the twice daily fix of the price of gold which starts at 3:00 PM London, England time, or the London PM fix, or 12:00 PM New York time. The London PM fix is performed in London by the five members of the London Gold fix. The NAV of the Trust is the aggregate value of the Trust s assets less its estimated accrued liabilities (which include accrued expenses). In determining the Trust s NAV, the Trustee values the gold held by the Trust based on the London PM fix price for an ounce of gold. The Trustee also determines the NAV per Share. If on a day when the Trust s NAV is being calculated the London PM fix is not available or has not been announced by 12:00 PM New York time, the gold price from the next most recent London fix (AM or PM) will be used, unless the Trustee determines that such price is inappropriate to use.

The Trust s assets only consist of allocated gold bullion, gold credited to an unallocated gold account, gold receivable when recorded; representing gold covered by contractually binding orders for the creation of Shares where the gold has not yet been transferred to the Trust s account and, from time to time, cash, which will be used to pay expenses. Except for the transfer of gold in or out of the Trust Unallocated Account in connection with the creation or redemption of Baskets or upon a sale of gold to pay the Trust s expenses, it is anticipated that only a small amount of unallocated gold will be held in the Trust Unallocated Account. Cash held by the Trust will not generate any income. The Trust does not hold any derivative instruments. Each Share represents a proportional interest, based on the total number of Shares outstanding, in the gold and any cash held by the Trust, less the Trust s liabilities (which include accrued expenses). The secondary market trading price of the Shares has fluctuated in response to the price of gold and the Sponsor believes that the trading price of the Shares reflects the estimated accrued expenses of the Trust.

Investors may obtain on a 24-hour basis gold pricing information based on the spot price for an ounce of gold from various financial information service providers. Current spot prices are also generally available with bid/ask spreads from gold bullion dealers. In addition, the Trust s website provides ongoing pricing information for gold spot prices and the Shares. Market prices for the Shares are available from a variety of sources including brokerage firms, information websites and other information service providers. The NAV of the Trust is published by the Sponsor on each day that NYSE Arca is open for regular trading and is posted on the Trust s website.

Table of Contents

The Trust has no fixed termination date and will terminate upon the occurence of a termination event listed in the Trust Indenture. See Description of the Trust Indenture Termination of the Trust.

Overview Of The Gold Industry

How Gold Travels from the Mine to the Customer

The following is a general description of the typical path gold takes from the mine to the customer. Individual paths may vary at several stages in the process from the following description.

Gold, a naturally occurring mineral element, is found in ore deposits throughout the world. Ore containing gold is first either dug from the surface or blasted from the rock face underground. Mined ore is hauled to a processing plant, where it is crushed or milled. Crushed or milled ore is then concentrated in order to separate out the coarser gold and heavy mineral particles from the remaining parts of the ore. Gold is extracted from these ore concentrates by a number of processes and, once extracted, is then smelted to a gold-rich doré (generally a mixture of gold and silver) and cast into bars. Smelting, in its simplest definition, is the melting of ores or concentrates with a reagent which results in the separation of gold from impurities.

The doré goes through a series of refining processes to upgrade it to a purity and format that is acceptable in the market place. Refining can take a number of different forms, according to the type of ore being treated. The doré is refined to a purity of 99.5% or higher. The most common international standard of purity is the standard established by the London Good Delivery Standards, described in Operation of the Gold Bullion Market The London Bullion Market.

The gold mining company pays the refinery a fee, and then sells the bars to a bullion dealer. In some cases, the refinery may buy the gold from the mining company, thus effectively operating as a bullion dealer. Bullion dealers in turn sell the gold to manufacturers of jewelry or industrial products containing gold. Both the sale by the mine and the purchase by the manufacturer will frequently be priced with reference to the London gold price fix, which is widely used as the price benchmark for international gold transactions.

Some gold mining companies sell forward their gold to a bullion dealer in order to lock in cash-flow for revenue management purposes. The price they receive on delivery of the gold will be that which was agreed to at the time of the initial transaction, equivalent to the spot price plus the interest accrued up until the date of delivery.

Once a manufacturer of jewelry or industrial products has taken delivery of the purchased gold, the manufacturer fabricates it and sells the fabricated product to the customer. This is the typical pattern in many parts of the developing world. In some countries, especially in the industrialized world, bullion dealers will consign gold out to a manufacturer. In these cases, the gold will be stored in a secured vault on the premises of the manufacturer, who will use these consignment stocks for fabrication into products as needed. The actual sale of the gold from the bullion dealer to the manufacturer only takes place at the time the manufacturer sells the product, either to a distributor, a retailer or the customer.

In some cases, the manufacturer may, often for cost reasons, ship the gold to another country for fabrication into products. The fabricated products may then be returned to the manufacturer s country of business for onward sale, or shipped to a third country for sale to the customer.

Gold Supply and Demand

Gold is a physical asset that is accumulated, rather than consumed. As a result, virtually all the gold that has ever been mined still exists today in one form or another. *Gold Survey 2010*, a publication of GFMS Limited, or GFMS, an independent precious metals research organization based in London, estimates that existing above-ground stocks of gold amounted to 165,600 tonnes (approximately 5.3 billion ounces) at the end of 2009. These stocks have increased by approximately 2.0% per year on average for the 10 years ending December 2009. When used in this annual report tonne refers to one metric tonne, which is equivalent to 1,000 kilograms or 32,150.7465 troy ounces.

Table of Contents

Existing stocks may be broadly divided into two categories based on the primary reason for the purchase or holding of the gold:

Gold purchased or held as a store of value or monetary asset; and

Gold purchased or held as a raw material or commodity.

The first category, gold held as a store of value or monetary asset, includes the 29,820 tonnes of gold that is estimated to be owned by the official sector (central banks, other governmental agencies and multi-lateral institutions such as the International Monetary Fund). GFMS estimate that 920 tonnes of this had been lent or supplied into the market. This reduces to 28,900 tonnes (17.5% of the estimated total) the total that could theoretically become available in the unlikely event that all official sector holdings were liquidated. The 29,600 tonnes of gold (17.9% of the estimated total) in the hands of private investors also falls into this first category. As of September 30, 2010, the Trust held 1,305 tonnes of gold. While much of the gold in this category exists in bullion form and, in theory, could be mobilized and made available to the market, there are currently no indications that a significantly greater amount of gold will be mobilized in the near future than has been mobilized in recent years.

The second category, gold held as a raw material or commodity, includes the 83,700 tonnes of gold (50.5% of the estimated total) that has been manufactured into jewelry. As all gold jewelry exists as fabricated products, the jewelry would need to be remelted and transformed into bullion bars before being mobilized into the market in an acceptable form. While adornment is the primary motivation behind purchases of gold jewelry in the industrialized world, much of the jewelry in the developing world has an additional store of value element, with this jewelry being held, at least in part, as a means of savings. As this jewelry in the developing world tends to be of higher purity, the price of an item of jewelry is more closely correlated with the value of the gold contained in it than is the case in the industrialized world. As a result, this jewelry is more susceptible to recycling. Recycled jewelry, primarily from the developing world, is the largest single component of annual recycled gold supply, which averaged 1,010 tonnes annually over the last 10 years.

The second category also includes the 19,800 tonnes of gold (12.0% of the estimated total) that has been manufactured or incorporated into industrial products. Similar to jewelry, this gold would need to be recovered from the industrial products and then remelted and recast into bars before it could be mobilized into the market. Small quantities of remelted gold from industrial products come onto the market each year.

Approximately 3,600 tonnes of above-ground stocks (2.2% of the estimated total) is unaccounted for.

Table of Contents

World Gold Supply and Demand (2000 2009)

The following table sets forth a summary of the world gold supply and demand for the last 10 years. It is based on information reported in the GFMS *Gold Survey 2010.*

World Gold Supply and Demand, 2000-2009

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Mine production	2,620	2,646	2,618	2,623	2,494	2,549	2,483	2,473	2,409	2,572
Official sector sales	479	520	547	620	479	663	365	484	232	41
Re-cycled gold	620	749	874	986	881	902	1,133	982	1,316	1,674
Net producer hedging	(15)	(151)	(412)	(289)	(438)	(92)	(434)	(444)	(352)	(254)
Total reported supply[1]	**3,705**	**3,764**	**3,627**	**3,940**	**3,416**	**4,022**	**3,547**	**3,495**	**3,605**	**4,034**
Gold fabrication in carat jewellery	3,205	3,009	2,662	2,484	2,616	2,718	2,298	2,417	2,193	1,759
Gold fabrication in electronics	283	197	206	233	262	282	308	311	293	246
Gold fabrication in other industrial & decorative applications	99	97	83	82	85	89	93	96	91	74
Gold fabrication in dentistry	69	69	69	67	68	62	61	58	56	53
Retail investment	167	358	340	302	349	394	415	433	856	703
Investment in Exchange Traded Funds and related products[2]	0	0	3	39	133	208	260	253	321	617
Total identifiable demand[1]	**3,823**	**3,730**	**3,363**	**3,194**	**3,512**	**3,753**	**3,434**	**3,568**	**3,809**	**3,452**
Supply less demand[3]	(118)	34	264	746	(96)	269	113	(73)	(204)	581

(1) *Figures may not add due to independent rounding.*

(2) *Including Gold Bullion Securities (LSE), SPDR Gold Shares, NewGold Gold Debentures, iShares Gold Trust, ZKB Gold, GOLDIST, ETFS Physical Gold (LSE and ASX), Xetra-Gold, Julius Baer Physical Gold Fund, ETFS Physical Swiss Gold (NYSE-Arca and LSE), Dubai Gold Securities, Central Fund of Canada and Central Gold Trust.*

(3) *This is the residual from combining all the other data in the table. The residual results from the fact that there is no reliable methodology for measuring all elements of gold supply and demand. It includes net institutional*

investment other than that in Exchange Traded Funds and similar products, movements in stocks and other elements together with any residual error.

Source: GFMS Gold Survey 2010

Sources of Gold Supply

Sources of gold supply include both mine production and the recycling or mobilizing of existing above-ground stocks. The largest portion of gold supplied into the market annually is from gold mine production. The second largest source of annual gold supply is from re-cycled gold, which is gold that has been recovered from jewelry and other fabricated products and converted back into marketable gold.

Official sector sales outstripped purchases in the period from 1989 to 2009, creating additional net supply of gold into the marketplace, with annual net sales between 2000 and 2009 averaging 443 tonnes. In recent years, however, the pace of net sales has slowed sharply and since the second quarter of 2009, the official sector has been a small net buyer of gold on a quarterly basis, although remained a net supplier over 2009 as a whole. The prominence given by market commentators to this activity and the size of official sector gold holdings, has resulted in this area being one of the more visible sectors of the gold market.

Net producer hedging accelerates the sale of physical gold and can therefore impact, positively or negatively, on supply in any given year.

Mine production

Mine production includes gold produced from primary deposits and from secondary deposits where the gold is recovered as a by-product metal from other mining activities.

Mine production is derived from numerous separate operations on all continents of the world, except Antarctica. Any disruption to production in any one locality is unlikely to affect a significant number of these operations simultaneously. Such potential disruption is unlikely to have a material impact on the overall level of global mine production, and therefore equally unlikely to have a noticeable impact on the gold price.

In the unlikely event of significant disruptions to production occurring simultaneously at a large number of individual mines, any impact on the price of gold would likely be short-lived. Historically, any sudden and significant rise in the price of gold, caused by a supply-side shock or rapid increase in demand, has been followed by a reduction in physical demand which lasts until the period of unusual volatility is past. Gold price increases also tend to lead to an increase in the levels of recycled gold used for gold supply. Both of these factors have tended to limit the extent of any developing price spike.

Since 1984, the amount of new gold that is mined each year has been substantially lower than the level of physical demand. For example, during the five years from 2005 to 2009, new mine production satisfied on average 69% of total identifiable demand. The shortfall in total supply has been met by additional supplies from existing above-ground stocks, coming from the recycling of fabricated gold products, official sector sales and net producer de-hedging.

Recycled gold

Recycled gold is gold that has been recovered from fabricated products, melted, refined and cast into bullions bars for subsequent resale into the gold market. The predominant source of recycled gold is recycled jewelry. This predominance is largely a function of price and economic circumstances. In 2009, recycling of old gold reached a record high of 1,674 tonnes as a unique combination of high prices (in some currencies, record prices) and the deepening global economic crisis created ideal conditions for unprecedented levels of selling-back. Traditionally the domain of non-western consumers, recycling of gold became a global phenomenon in the first quarter of 2009. Consumers in western markets were forced to sell gold to obtain liquidity in times of financial hardship and sharply tighter credit conditions, while non-western consumers generally reacted to the quarter s high prices by taking profits on existing holdings. During the first quarter of 2009, recycled gold supply exceeded mine production for the first time on record and although recycling activity eased back during subsequent quarters, it remained high on a historical basis.

Official sector

The first Central Bank Gold Agreement, or CBGA1, announced during the International Monetary Fund, or IMF, meetings in Washington, DC on September 26, 1999, was a voluntary agreement among key central banks to clarify their intentions with respect to their gold holdings. The signatories to the agreement were the European Central Bank and 14 other central banks. These institutions agreed not to enter the gold market as sellers except for already decided sales, which were to be achieved through a five year program that limited annual sales to approximately 400 tonnes. The agreement was extended for a further period of five years from September 27, 2004 (CBGA2) with a higher 500 tonne annual ceiling on gold sales. The Bank of Greece replaced the Bank of England as a signatory to the CBGA2, as the UK government announced that it had no further plans to sell gold.

In August 2009, an announcement confirmed that a third CBGA, or CBGA3, would run for a further five-year term, from September 27, 2009. Under the CBGA3, the annual ceiling for gold sales was reduced to 400 tonnes and proposed IMF sales of 403.3 tonnes of gold over the five year agreement can be accommodated within the above ceiling. CBGA3 covered the 15 original signatories to CBGA2 (the European Central Bank and the national banks of Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and Switzerland), together with the national banks of Slovenia, Cyprus, Malta and Slovakia, which all joined the second agreement when they adopted the Euro.

Table of Contents

The following chart shows the reported gold holdings in the official sector at December 31, 2009.

(1) *The Euro Area at the end of 2009 comprised the following countries: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Slovakia, Slovenia, and Spain, plus the European Central Bank.*

Source: IMF, International Financial Statistics, May 2010.

Historically, central banks have retained gold as a strategic reserve asset. In the period from 2000 to 2009, the official sector has been a net seller of gold to the private sector, supplying an average of 443 tonnes per year. This resulted in net movements of gold from the official to the private sector. During the five year period from 2004 to 2009, however, the pace of net sales has slowed significantly. In 2009, dwindling sales from European central banks under CBGA2, coupled with substantial purchases on the part of several central banks outside the CBGA2 including China, Russia, and India, resulted in net annual sales of 41 tonnes being the lowest level recorded since 1989. Since the second quarter 2009, the official sector has been a small net buyer of gold on a quarterly basis, although remained a net supplier over 2009 as a whole. This has reduced the overall net supply of gold to the private sector market.

The CBGA3, which covers the five year period from September 27, 2009 allows for the IMF, planned sale of 403.3 tonnes of gold. Initial IMF sales of gold under CBGA3 of 212 tonnes were concluded in off-market transactions to the central banks of India, Mauritius, and Sri Lanka in 2009, with an additional 10 tonnes sold to the central bank of Bangladesh in 2010. The IMF announced in February that the remainder of its gold sales program would be conducted in a phased and transparent manner within the terms of the CBGA and would not be disruptive to the gold market. The eurozone banks sold only 6.7 tonnes of gold in the first year of CBGA3. This is the lowest annual eurozone bank sales figure under any of the CBGA agreements to date, and demonstrates a reduced appetite among the eurozone banks for disposing of gold reserves. Outside of the CBGA, net purchases in 2010 to date were concentrated in Russia, where the central bank continued its program of steady accumulation.

Net producer hedging

Net producer hedging accelerates the timing of the sale of gold and by so doing the supply of gold into the market. A mining company wishing to protect itself from the risk of a decline in the gold price may elect to sell some or all of its anticipated production for delivery at a future date. A bullion dealer accepting such a transaction will finance it by borrowing an equivalent quantity of gold (typically from a central bank), which is immediately sold into the market. The bullion dealer then invests the cash proceeds from that sale of gold and uses the yield on these investments to pay the gold mining company the contango (i.e., the premium available on gold for future delivery). When the mining

Table of Contents

company delivers the gold it has contracted to sell to the bullion dealer, the dealer returns the gold to the central bank that lent it, or rolls the loan forward in order to finance similar transactions in the future. While over time hedging transactions involve no net increase in the supply of gold to the market, they do accelerate the timing of the sale of the gold, which has an impact on the balance between supply and demand at the time. Since 2000, there has been an annual net reduction in the volume of outstanding producer hedges that has reduced supply.

The following illustration details a typical hedging transaction (numbering indicates sequential timing).

Sources of Gold Demand

Based on the GFMS Gold Survey 2010 published statistics, the demand for gold amounted to 2.1% of total above ground stocks in 2009. Gold demand has traditionally come from three sources: jewelry, industry (including medical applications), and investment. The primary source of demand comes from jewelry, which accounts for 63% of the identifiable demand over the past five years, followed by investment demand which accounts for a further 25% and industry which accounts for the remaining 12%. While jewelry remains by far the largest component of demand, its share has decreased over the past two years in favor of investment demand, as a by-product of the financial crisis.

Gold demand is widely dispersed throughout the world. While there are seasonal fluctuations in the levels of demand for gold (especially jewelry) in many countries, variations in the timing of such fluctuations in different countries mean that seasonal changes in demand do not have a significant impact on the global gold price.

Jewelry

The primary source of gold demand is gold jewelry. The motivation for jewelry purchases differs in various regions of the world. In the industrialized world, gold jewelry tends to be purchased purely for adornment purposes, while gold s attributes as a store of value and a means of saving provide an additional motivation for jewelry purchases in much of the developing world. Price and economic factors, such as available wealth and disposable income, are the primary factors in jewelry demand. Jewelry purchased purely for adornment purposes is generally of lower caratage or purity, with design input and improved finishes accounting for a substantial portion of the purchase price. In those parts of the world where the additional motivation of savings or investment applies to the purchase of jewelry, which are mainly in Asia, the Indian subcontinent and the Middle East, gold jewelry is generally of higher caratage, and the purchase price more closely reflects the value of the gold contained in each item.

Table of Contents

Investment

Investment accounted for 25% of identified demand over the past five years, or 892 tonnes per annum on average, making it the second largest element of demand. In the World Gold Council s Gold Demand Trends, where readers can monitor demand and supply flows on a quarterly basis, investment is divided into investment and inferred investment. Investment is made up of retail investment, consisting of coins, bars under 1 kilogram, medals and imitation coins, and exchange traded funds, or ETFs, and related products. Inferred investment is the balancing item between the supply and demand figures.

Retail investment demand covers coins and bars under 1 kilogram, meeting the standards for investment gold adopted by the European Union, extended to include medallions of variable purity used primarily for investment purposes, and bars or coins which are likely to be worn as jewelry in certain countries. Retail investment is measured as net purchases by the ultimate customer.

Investment in ETFs and related products represents the annual increase in investment in gold ETFs and related products. The products are listed in the footnote to the table of gold supply and demand in the section captioned Overview of the Gold Industry Gold Supply and Demand. The statistics in the columns under each calendar year are calculated by subtracting the reported total assets invested in the various products at the beginning of the year from the reported total assets invested at the close of the year.

Industrial-electronics, dentistry and other industrial and decorative applications

Gold bonding wire and gold plated contacts and connectors are the two most frequent uses of gold in electronics. Other uses include high-melting point gold alloy solders and gold thick film pastes for hybrid circuits. In conservative and restorative dentistry, gold is generally used alloyed with other noble metals and with base metals, for inlay and onlay fillings, crown and bridgework and porcelain veneered restorations. Increasingly, pure gold electroforming is being used for dental repairs. Other industrial applications of gold include the use of thin gold coatings on table and enamel ware for decorative purposes and on glasses used in the construction and aerospace industries to reflect infra-red rays.

Small quantities are also used in various pharmaceutical applications, including the treatment of arthritis, and in medical implants. Future applications for gold catalysts are in pollution control, clean energy generation and fuel cell technology. In addition, work is under way on the use of gold in cancer treatment.

Operation of the Gold Bullion Market

The global trade in gold consists of over-the-counter, or OTC, transactions in spot, forwards, and options and other derivatives, together with exchange-traded futures and options.

Global Over-The-Counter Market

The OTC market trades on a 24-hour per day continuous basis and accounts for most global gold trading. Market makers, as well as others in the OTC market, trade with each other and with their clients on a principal-to-principal basis. All risks and issues of credit are between the parties directly involved in the transaction. Market makers include the ten market-making members of the London Bullion Market Association, or LBMA, a trade association that acts as the coordinator for activities conducted on behalf of its members and other participants in the London bullion market. The ten market-making members of the LBMA are: the Bank of Nova Scotia ScotiaMocatta, Barclays Bank PLC, Credit Suisse, Deutsche Bank AG, Goldman Sachs International, HSBC Bank USA, NA, JPMorgan Chase Bank, Mitsui & Co Precious Metals Inc., Société Générale and UBS AG. The OTC market provides a relatively flexible market in terms of quotes, price, size, destinations for delivery and other factors. Bullion dealers customize transactions to meet clients requirements. The OTC market has no formal structure and no open-outcry meeting place.

Table of Contents

The main centers of the OTC market are London, New York and Zurich. Mining companies, central banks, manufacturers of jewelry and industrial products, together with investors and speculators, tend to transact their business through one of these market centers. Centers such as Dubai and several cities in the Far East also transact substantial OTC market business, typically involving jewelry and small bars of 1 kilogram or less. Bullion dealers have offices around the world and most of the world s major bullion dealers are either members or associate members of the LBMA. Of the ten market-making members of the LBMA, six offer clearing services. There are 67 full members, including the market-making members, plus a number of associate members around the world. The information about LBMA members in this report is as of October 18, 2010. These numbers may change from time to time as new members are added and existing members drop out.

In the OTC market, the standard size of gold trades between market makers ranges between 5,000 and 10,000 ounces. Bid-offer spreads are typically $0.50 per ounce. Certain dealers are willing to offer clients competitive prices for much larger volumes, including trades over 100,000 ounces, although this will vary according to the dealer, the client and market conditions, as transaction costs in the OTC market are negotiable between the parties and therefore vary widely. Cost indicators can be obtained from various information service providers as well as dealers.

Liquidity in the OTC market can vary from time to time during the course of the 24-hour trading day. Fluctuations in liquidity are reflected in adjustments to dealing spreads the differential between a dealer s buy and sell prices. The period of greatest liquidity in the gold market generally occurs at the time of day when trading in the European time zones overlaps with trading in the United States, which is when OTC market trading in London, New York and other centers coincides with futures and options trading on the COMEX division of the New York Mercantile Exchange, or the COMEX. This period lasts for approximately four hours each New York business day morning.

The London Bullion Market

Although the market for physical gold is global, most OTC market trades are cleared through London. In addition to coordinating market activities, the LBMA acts as the principal point of contact between the market and its regulators. A primary function of the LBMA is its involvement in the promotion of refining standards by maintenance of the London Good Delivery Lists, which are the lists of LBMA accredited melters and assayers of gold. The LBMA also coordinates market clearing and vaulting, promotes good trading practices and develops standard documentation.

The term loco London gold refers to gold physically held in London that meets the specifications for weight, dimensions, fineness (or purity), identifying marks (including the assay stamp of a LBMA acceptable refiner) and appearance set forth in The Good Delivery Rules for Gold and Silver Bars published by the LBMA. Gold bars meeting these requirements are described in this report from time to time as London Good Delivery Bars. The unit of trade in London is the troy ounce, whose conversion between grams is: 1,000 grams = 32.1507465 troy ounces and 1 troy ounce = 31.1034768 grams. A London Good Delivery Bar is acceptable for delivery in settlement of a transaction on the OTC market. Typically referred to as 400-ounce bars, a London Good Delivery Bar must contain between 350 and 430 fine troy ounces of gold, with a minimum fineness (or purity) of 995 parts per 1,000 (99.5%), be of good appearance and be easy to handle and stack. The fine gold content of a gold bar is calculated by multiplying the gross weight of the bar (expressed in units of 0.025 troy ounces) by the fineness of the bar. A London Good Delivery Bar must also bear the stamp of one of the melters and assayers who are on the LBMA approved list. Unless otherwise specified, the gold spot price always refers to that of a London Good Delivery Bar. Business is generally conducted over the phone and through electronic dealing systems.

Twice daily during London trading hours there is a fix which provides reference gold prices for that day s trading. Many long-term contracts will be priced on the basis of either the morning (AM) or afternoon (PM) London fix, and market participants will usually refer to one or the other of these

prices when looking for a basis for valuations. The London fix is the most widely used benchmark for daily gold prices and is quoted by various financial information sources.

Formal participation in the London fix is traditionally limited to five members, each of which is a bullion dealer and a member of the LBMA. The chairmanship rotates annually among the five member firms. The fix takes place by telephone and the five member firms no longer meet face-to-face as was previously the case. The morning session of the fix starts at 10:30 AM London time and the afternoon session starts at 3:00 PM London time. The current members of the gold fixing are Bank of Nova Scotia ScotiaMocatta, Barclays Bank plc, Deutsche Bank AG, HSBC Bank USA, N.A., and Société Générale. Any other market participant wishing to participate in the trading on the fix is required to do so through one of the five gold fixing members.

Orders are placed either with one of the five fixing members or with another bullion dealer who will then be in contact with a fixing member during the fixing. The fixing members net-off all orders when communicating their net interest at the fixing. The fix begins with the fixing chairman suggesting a trying price, reflecting the market price prevailing at the opening of the fix. This is relayed by the fixing members to their dealing rooms which have direct communication with all interested parties. Any market participant may enter the fixing process at any time, or adjust or withdraw his order. The gold price is adjusted up or down until all the buy and sell orders are matched, at which time the price is declared fixed. All fixing orders are transacted on the basis of this fixed price, which is instantly relayed to the market through various media. The London fix is widely viewed as a full and fair representation of all market interest at the time of the fix.

Futures Exchanges

The most significant gold futures exchanges are the COMEX, the Chicago Board of Trade or CBOT, and the Tokyo Commodity Exchange or TOCOM. The COMEX and the CBOT both began to offer trading in gold futures contracts in 1974. For most of the period since that date, the COMEX has been the largest exchange in the world for trading precious metals futures and options. Trading volumes in gold futures on the CBOT have, however, sometimes exceeded those on the COMEX. In July 2007, the Chicago Mercantile Exchange or CME merged with the CBOT to form the CME Group. On August 22, 2008, the CME Group acquired NYMEX Holdings, Inc., including the COMEX. The TOCOM has been trading gold since 1982. Trading on these exchanges is based on fixed delivery dates and transaction sizes for the futures and options contracts traded. Trading costs are negotiable. As a matter of practice, only a small percentage of the futures market turnover ever comes to physical delivery of the gold represented by the contracts traded. Both exchanges permit trading on margin. Margin trading can add to the speculative risk involved given the potential for margin calls if the price moves against the contract holder. The COMEX operates through a central clearance system. On June 6, 2003, TOCOM adopted a similar clearance system. In each case, the exchange acts as a counterparty for each member for clearing purposes.

Other Exchanges

There are other gold exchange markets, such as the Istanbul Gold Exchange (trading gold since 1995), the Shanghai Gold Exchange (trading gold since October 2002) and the Hong Kong Chinese Gold & Silver Exchange Society (trading gold since 1918).

Market Regulation

The global gold markets are overseen and regulated by both governmental and self-regulatory organizations. In addition, certain trade associations have established rules and protocols for market practices and participants. In the United Kingdom, responsibility for the regulation of the financial market participants, including the major participating members of the LBMA, falls under the authority of the Financial Services Authority, or FSA, as provided by the Financial Services and Markets Act 2000, or FSM Act. Under this act, all UK-based banks, together with other investment firms, are subject to a range of requirements, including fitness and properness, capital adequacy, liquidity, and systems and controls.

Table of Contents

The FSA is responsible for regulating investment products, including derivatives, and those who deal in investment products. Regulation of spot, commercial forwards, and deposits of gold and silver not covered by the FSM Act is provided for by The London Code of Conduct for Non-Investment Products, which was established by market participants in conjunction with the Bank of England.

Participants in the U.S. OTC market for gold are generally regulated by the market regulators which regulate their activities in the other markets in which they operate. For example, participating banks are regulated by the banking authorities. In the United States, Congress created the CFTC in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. The CFTC regulates market participants and has established rules designed to prevent market manipulation, abusive trade practices and fraud. The CFTC requires that any trader holding an open position of more than 200 lots (i.e. 20,000 ounces) in any one contract month on the COMEX division of the New York Mercantile Exchange must declare his or her identity, the nature of his or her business (hedging, speculative, etc.) and the existence and size of his or her positions.

The TOCOM has authority to perform financial and operational surveillance on its members trading activities, scrutinize positions held by members and large-scale customers, and monitor the price movements of futures markets by comparing them with cash and other derivative markets prices. To act as a Futures Commission Merchant Broker, a broker must obtain a license from Japan s Ministry of Economy, Trade and Industry (METI), the regulatory authority that oversees the operations of the TOCOM.

Analysis of Historical Movements in the Price of Gold

As movements in the price of gold are expected to directly affect the price of the Shares, investors should understand what the recent movements in the price of gold have been. Investors, however, should also be aware that past movements in the gold price are not indicators of future movements. This section of the annual report identifies recent trends in the movements of the gold price and discusses some of the important events which have influenced these movements.

The following chart provides historical background on the price of gold. The chart illustrates movements in the price of gold in U.S. dollars per ounce over the period from January 1, 1971 to September 30, 2010, and is based on the London PM fix.

Table of Contents

Daily gold price - January 1, 1971 to September 30, 2010

The following chart illustrates the movements in the price of gold in U.S. dollars per ounce over the five year period from October 1, 2005 to September 30, 2010, and is based on the London PM fix.

Daily gold price - October 1, 2005 to September 30, 2010

Table of Contents

After reaching a 20-year low of $252.80 per ounce at the London PM fix on July 20, 1999, the gold price has been gradually increasing. The initial reason for the market s turnaround during 1999 was the strong rise in physical demand, notably in price sensitive markets such as China, Egypt, India and Japan. In addition, the sharp gold price rise in September 1999 was also a reflection of the CBGA, which removed an important element of uncertainty from the market and led not just to renewed professional interest in the market but also to short-covering purchases. The CBGA underpinned improved sentiment for the longer term as fears over official sector sales had been a key element to negative sentiment across the market in the latter part of the 1990s.

Despite the CBGA, a number of factors led to the gold price resuming a downward trend in 2000. These included renewed strength in the dollar (gold is often perceived as a dollar hedge), strong global economic growth, low inflation and, for much of the year, buoyant stock markets in the United States and other key countries. This downward price trend persisted into the early part of 2001. At this time, the gold price once again appeared to be approaching $250 per ounce but, as before, strong physical demand from price sensitive markets such as India again countered the downward trend.

Sentiment in the gold market started to change in early 2001, and the gold price has shown an upward trend since March of that year. In 2001 there was a rapid economic slowdown in the world economy, while stock markets in the United States and other key countries were falling and an end to the significant disinvestment in gold in Europe and North America that had affected gold prices during 2000. In addition, the rapid sequence of interest rate cuts in the United States reduced the risk/reward ratio that had previously been enjoyed by speculators who had been trading in the gold market from the short side (i.e., selling forwards or futures with a view to buying back at a lower price). Lower interest rates and reduced contango (i.e., the premium available on gold for future delivery), combined with steady prices, meant that such trades became increasingly unattractive. After the first quarter of 2001, some mining companies started to decrease their hedge books, thus reducing the amount of gold coming onto the market. Political uncertainties and the continuing economic downturn after the attacks of September 11, 2001 added to the demand for gold investments.

The upward price trend that began in 2001 has continued for much of the period since the inception of the Trust on November 12, 2004, except for a period of several months during which the gold price corrected between May and October 2006 and, subsequently, during the second half of 2008. The average gold price for 2004 was $409.41 per ounce, the average for 2005 was $444.95 per ounce and the average for 2006 was $603.96. After reaching a peak of $725.00 at the London PM fix on May 12, 2006, gold corrected down to a low of $560.75 on October 6, 2006. The reason most often cited for the correction was a concern among investors that monetary authorities, especially in the U.S., would move to counter the threat of rising inflation by aggressively raising interest rates. These concerns quickly ebbed, however, and as the dollar continued to fall, the gold price rallied from the October 2006 low. After trading between $608.40 (January 10) and $691.40 (April 20) for the first eight months of 2007, the price began to move sharply higher as beginning in August 2007, the U.S. authorities began to reduce interest rates in response to the subprime mortgage crisis. The average gold price for 2007 was $696.40 per ounce. On January 3, 2008, it broke through the previous record of $850.00 per ounce, which was set on January 21, 1980 before rising further to reach a peak of $1,011.25 on March 17, 2008. The gold price fell back from this level to $853.00 on May 1, 2008 and was volatile for the rest of the year, rising back as high as $986.00 on July 15 and falling to a low of $712.50 on October 24 before ending the year at $865.00 (AM fix). The average price for 2008 was $871.80. The higher prices tended to coincide with investor buying on fresh news of distress for companies in the financial sector, and the lows appeared to have been triggered by selling from investors in the search for liquidity. The gold price rose to $989.00 in late-February 2009, before correcting back down to around $870.00 over the subsequent 8 week period. The gold price then entered a subdued phase during the middle of the year. Between June 1, 2009 and August 28, 2009, the gold price traded in a sideways range between a low of $908.50 and a high of $981.75. During the closing weeks of the third quarter, however, the price broke higher and set a series of successive record highs over the remainder of the year. The reasons for this

Table of Contents

included increased investment inflows and a shift in behavior in central bank reserve management as western central banks slowed gold sales and emerging nations increased their gold reserves. The peak for 2009 of $1,212.50 was reached on December 2, 2009. The average price for 2009 was $973.39.

For the period from January 1, 2010 through September 30, 2010, the average price was $1,177.85 based on the London PM fix. This increase in price has been supported by a recovery in jewelry consumption and industrial demand, strong investment demand on the back of currency concerns and a slower than expected economic recovery, and a continuation of the trend in central bank reserve management. During the first quarter of 2010, the gold price traded around $1,100.00 per ounce, for the most part holding above this level. The gold price steadily increased during the second quarter, closing at around $1,250.00 per ounce by June-end. After a slight correction in July that saw the price fall back to $1,157.00 per ounce on the London PM fix on July 28, the gold price continued to rise reaching fresh new highs. The London PM fix on September 30, 2010 was $1,307.00. Subsequently, the gold price reached a new all time high of $1,373.25 per ounce on the London PM fix on October 14, 2010, on the back of a weaker dollar and concerns of extensions of quantitative easing measures signaled by various central banks, including the UK, the U.S. and Japan. The average price for the twelve, nine, six and three months ended September 30, 2010 was $1,158.53, $1,177.85, $1,212.22 and $1,226.75 per ounce respectively.

Business of the Trust

The investment objective of the Trust is for the Shares to reflect the performance of the price of gold bullion, less the Trust s expenses. The Sponsor believes that, for many investors, the Shares represent a cost-effective investment relative to traditional means of investing in gold. As the value of the Shares is tied to the value of the gold held by the Trust, it is important in understanding the investment attributes of the Shares to first understand the investment attributes of gold.

Strategy Behind the Shares

The Shares are intended to offer investors an opportunity to participate in the gold market through an investment in securities. Certain pension funds which have not been able to participate in the gold market are expected to be able to purchase and hold the Shares. Historically, the logistics of buying, storing and insuring gold have constituted a barrier to entry for some institutional and retail investors. The offering of the Shares is intended to overcome these barriers to entry. The logistics of storing and insuring gold are dealt with by the Custodian and the related expenses are built into the price of the Shares. Therefore, the investor does not have any additional tasks or costs over and above those associated with dealing in any other publicly traded security.

License Agreement

In connection with the settlement of a lawsuit between the World Gold Council, or WGC, a not-for- profit association registered under Swiss law, WGTS and the Bank of New York, or BNY, concerning the ownership of certain intellectual property related to the Trust and BNY s contractual entitlement to act as the trustee of the Trust, BNY, now known as BNYM, agreed to serve as the Trustee. In addition, while the WGC and WGTS do not agree that BNY owns any of the intellectual property involved with the Trust, the WGC and WGTS entered into a license agreement with BNY under which BNY granted to the WGC and WGTS a perpetual, world-wide, non-exclusive, non-transferable license under BNY s patents and patent applications that cover securitized gold products solely for the purpose of establishing, operating and marketing any securitized gold financial product that is sold, sponsored or issued by the WGC or WGTS. Also under the license agreement, the WGC and WGTS granted to BNY a perpetual, world-wide, non-exclusive, non-transferable license under their patents, patent applications and other intellectual property rights solely for the purpose of establishing, operating and marketing financial products involving the securitization of any commodity, including gold.

Trust Expenses

The Trustee sells gold as needed to pay the expenses of the Trust, as described below. The Trust s estimated ordinary operating expenses have accrued daily and are reflected in the NAV of the Trust. The ordinary operating expenses of the Trust include: (1) fees paid to the Sponsor, (2) fees paid to the Trustee, (3) fees paid to the Custodian, (4) fees paid to the Marketing Agent and other marketing costs and (5) various Trust administration fees, including printing and mailing costs, legal and audit fees, registration fees and listing fees. The Sponsor was responsible for the costs of the Trust s organization and the initial sale of the Shares, including the applicable SEC registration fees. The Trustee charged no fee and assumed the Trust s operating expenses (other than extraordinary expenses) for the period from the Trust s formation through to the day the Shares commenced trading. The Trustee and the Sponsor have entered into a separate agreement relating to payment by the Sponsor to the Trustee for this period. These payments were not reimbursable to the Sponsor by the Trust.

Fees are paid to the Sponsor as compensation for services performed under the Trust Indenture and for services performed in connection with maintaining the Trust s website and marketing of the Shares. The Sponsor s fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.15% of the Adjusted Net Asset Value, or ANAV of the Trust, subject to reduction as described below. The Sponsor will receive reimbursement from the Trust for all of its disbursements and expenses incurred in connection with the Trust. The Sponsor was paid $66,249,358 for its services during the year ended September 30, 2010.

Fees are paid to the Trustee as compensation for services performed under the Trust Indenture. The Trustee s fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.02% of the ANAV of the Trust, subject to a minimum fee of $500,000 and a maximum fee of $2,000,000 per year. The Trustee s fee is subject to modification as determined by the Trustee and the Sponsor in good faith to account for significant changes in the Trust s administration or the Trustee s duties. The Trustee charges the Trust for its expenses and disbursements incurred in connection with the Trust (including the expenses of the Custodian paid by the Trustee), exclusive of fees of agents for services to be performed by the Trustee, and for any extraordinary services performed by the Trustee for the Trust. The Trustee was paid $2,000,000 for its services during the year ended September 30, 2010.

Fees are paid to the Custodian as compensation for its custody services in connection with the Trust Allocated Account and the Trust Unallocated Account. Under the Allocated Bullion Account Agreement, as amended effective April 1, 2006, or the Allocated Bullion Account Agreement, the Custodian s fee is computed at an annual rate equal to 0.10% of the average daily aggregate value of the first 4.5 million ounces of gold held in the Trust Allocated Account and the Trust Unallocated Account and 0.06% of the average daily aggregate value of all gold held in the Trust Allocated Account and the Trust Unallocated Account in excess of 4.5 million ounces. The Custodian does not receive a fee under the Unallocated Bullion Account Agreement. The Custodian was paid $29,030,318 for its services during the year ended September 30, 2010.

Fees are paid to the Marketing Agent by the Trustee from the assets of the Trust as compensation for services performed pursuant to the Marketing Agent Agreement. The Marketing Agent s fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.15% of the ANAV of the Trust, subject to reduction as described below. The Marketing Agent was paid $66,249,358 for its services during the year ended September 30, 2010. Other marketing costs in the year ended September 30, 2010 were $9,910,099.

The administration fees of the Trust were $3,684,032 in the year ended September 30, 2010. These fees include the following: (1) SEC registration fees and other regulatory fees of $1,955,695; (2) legal fees of $452,420; (3) audit and quarterly review fees of $442,126; (4) internal and external auditor fees in respect of Sarbanes Oxley compliance of $213,061; (5) printing fees of $512,676; and (6) other costs of

$108,054. Investors should be aware that administration fees are likely to increase over time due to increases in the fees of service providers to the Trust.

The Trustee sells gold held by the Trust on an as-needed basis to pay the Trust s expenses. As a result, the amount of gold sold will vary from time to time depending on the level of the Trust s expenses and the market price of gold. Cash held by the Trustee does not bear any interest.

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.

Fee Reduction

Until the earlier of November 11, 2011, or until the termination of the Marketing Agent Agreement, if at the end of any month during this period the estimated ordinary expenses of the Trust exceed an amount equal to 0.40% per year of the daily ANAV of the Trust for such month, the fees payable to the Sponsor and the Marketing Agent from the assets of the Trust for such month will be reduced by the amount of such excess in equal shares up to the amount of their fees. Investors should be aware that, based on current expenses, if the gross value of the Trust assets is less than approximately $500 million, the ordinary expenses of the Trust will be accrued at a rate greater than 0.40% per year of the daily ANAV of the Trust, even after the Sponsor and the Marketing Agent have completely reduced their combined fees of 0.30% per year of the daily ANAV of the Trust. This amount is based on the estimated ordinary expenses of the Trust described in Business of the Trust Trust Expenses and may be higher if the Trust s actual ordinary expenses exceed those estimates. Upon the earlier of November 11, 2011 or the termination of the Marketing Agent Agreement, the fee reduction will expire. See Risk Factors When the seven year fee reduction period terminates or expires . . .

The Sponsor

The Sponsor is a Delaware limited liability company and was formed on July 17, 2002. The Sponsor s office is located at 424 Madison Avenue, 3rd Floor, New York, New York 10017. Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, the WGC, the sole member of the Sponsor, is not responsible for the debts, obligations and liabilities of the Sponsor solely by reason of being the sole member of the Sponsor. The WGC s members funded the ordinary operating expenses of the Sponsor through 2004, including the costs associated with the initial registration of the Shares and the listing of the Shares on the NYSE. Since the beginning of calendar year 2007, the ordinary expenses of the Sponsor have been covered by the fees it received from the Trust, based on the gross value of the Trust assets.

The Sponsor s Role

The Sponsor was responsible for establishing the Trust and for the registration of the Shares. The Sponsor generally oversees the performance of the Trustee and the Trust s principal service providers, but does not exercise day-to-day oversight over the Trustee or such service providers. The Sponsor regularly communicates with the Trustee to monitor the overall performance of the Trust. The Sponsor, with assistance and support from the Trustee, is responsible for preparing and filing periodic reports on behalf of the Trust with the SEC and will provide any required certification for such reports. The Sponsor will designate the independent registered public accounting firm of the Trust and may from time to time employ legal counsel for the Trust. In accordance with the Trust Indenture, to assist the Sponsor in marketing the Shares, the Sponsor has entered into the Marketing Agent Agreement with the Marketing Agent and the Trust. The Sponsor may also from time to time employ other additional or successor marketing agents after such time as when the Marketing Agent Agreement is no longer in effect. The fees and expenses of the Marketing Agent are, and any additional or successor marketing agent will be, paid by the Trustee from the assets of the Trust. See The

Marketing Agent for more

information about the Marketing Agent. The Sponsor maintains a public website on behalf of the Trust (www.spdrgoldshares.com), which contains information about the Trust and the Shares, and oversees certain Shareholder services, such as a call center and prospectus fulfillment.

The Sponsor may direct the Trustee, but only as provided in the Trust Indenture. For example, the Sponsor may direct the Trustee to sell the Trust s gold to pay expenses, to suspend a redemption order or postpone a redemption settlement date or to terminate the Trust if certain criteria are met. The Sponsor anticipates that if the NAV of the Trust is less than $350 million (as adjusted for inflation) at any time that the Sponsor will, in accordance with the Trust Indenture, direct the Trustee to terminate and liquidate the Trust. The Sponsor may remove the Trustee and appoint a successor; (1) if the Trustee commits certain willful bad acts in performing its duties or willfully disregards its duties, (2) if the Trustee acts in bad faith in performing its duties, (3) if the Trustee s creditworthiness has materially deteriorated or (4) if the Trustee s negligent acts or omissions have had a material adverse effect on the Trust or the interests of Shareholders and the Trustee has not cured the material adverse effect within a certain period of time and established that the material adverse effect will not recur. The Sponsor will remove the Trustee if the Trustee does not meet the qualifications for a trustee under the Trust Indenture. See Description of the Trust Indenture The Trustee Resignation, discharge or removal of Trustee; successor trustees for more information.

The Sponsor may direct the Trustee to employ one or more other custodians in addition to or in replacement of the Custodian, provided that the Sponsor may not direct the employment of an additional or successor custodian without the Trustee s consent if the employment would have a material adverse effect on the Trustee s ability to perform its duties. The Sponsor s approval is required for the Trustee to employ one or more other custodians selected by the Trustee for the safekeeping of gold and for services in connection with the deposit and delivery of gold. The Sponsor may permit the Trustee to enter into the custody agreements applicable to an additional or successor custodian without satisfaction of the requirements for such custody agreements set forth in the Trust Indenture.

Fees are paid to the Sponsor as compensation for services performed under the Trust Indenture and for services performed in connection with maintaining the Trust s website and marketing the Shares. The Sponsor s fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.15% of the ANAV of the Trust. The Sponsor is reimbursed by the Trust for all of its disbursements and expenses incurred in connection with the Trust. If at the end of any month during the period ending on the earlier of November 11, 2011 or upon the termination of the Marketing Agent Agreement the estimated ordinary expenses of the Trust exceed an amount equal to 0.40% per year of the daily ANAV of the Trust for such month, the Sponsor s fee is subject to reduction. See Business of the Trust Trust Expenses Fee Reduction.

The Trustee

BNYM, a banking corporation organized under the laws of the State of New York with trust powers, serves as the Trustee. BNYM has a trust office at 2 Hanson Place, Brooklyn, New York 11217. BNYM is subject to supervision by the New York State Banking Department and the Board of Governors of the Federal Reserve System. Information regarding creation and redemption Basket composition, NAV of the Trust, transaction fees and the names of the parties that have each executed a Participant Agreement may be obtained from BNYM. A copy of the Trust Indenture is available on the SEC s website at www.sec.gov and at BNYM s trust office identified above. Under the Trust Indenture, the Trustee is required to maintain capital, surplus and undivided profits of $500 million.

The Trustee s Role

The Trustee is generally responsible for the day-to-day administration of the Trust, including keeping the Trust s operational records. The Trustee s principal responsibilities include: (1) selling the Trust s gold as needed to pay the Trust s expenses (gold sales occur monthly in the ordinary course), (2) calculating the NAV of the Trust and the NAV per Share, (3) receiving and processing orders from

Table of Contents

Authorized Participants to create and redeem Baskets and coordinating the processing of such orders with the Custodian and DTC, and (4) monitoring the Custodian. If the Trustee determines that maintaining gold with the Custodian is not in the best interest of the Trust, the Trustee must so advise the Sponsor, who may direct the Trustee to take certain actions in respect of the Custodian. In the absence of such instructions, the Trustee may initiate action to remove the gold from the Custodian. The ability of the Trustee to monitor the performance of the Custodian may be limited because under the Custody Agreements the Trustee may, only up to twice a year, visit the premises of the Custodian for the purpose of examining the Trust s gold and certain related records maintained by the Custodian. In addition, the Trustee has no right to visit the premises of any subcustodian for the purposes of examining the Trust s gold or any records maintained by the subcustodian, and no subcustodian is obligated to cooperate in any review the Trustee may wish to conduct of the facilities, procedures, records or creditworthiness of such subcustodian.

The Trustee regularly communicates with the Sponsor to monitor the overall performance of the Trust. The Trustee, along with the Sponsor, liaise with the Trust s legal, accounting and other professional service providers as needed. The Trustee assists and supports the Sponsor with the preparation of all periodic reports required to be filed with the SEC on behalf of the Trust.

Fees are paid to the Trustee as compensation for services performed under the Trust Indenture. The Trustee s fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.02% of the ANAV of the Trust, subject to a minimum fee of $500,000 and a maximum fee of $2,000,000 per year. The Trustee s fee is subject to modification by the Trustee and the Sponsor in good faith to account for significant changes in the Trust s administration or the Trustee s duties. The Trustee charges the Trust for its expenses and disbursements incurred in connection with the Trust (including the expenses of the Custodian paid by the Trustee), exclusive of fees of agents for services to be performed by the Trustee, and for any extraordinary services performed by the Trustee for the Trust.

Affiliates of the Trustee may from time to time act as Authorized Participants or purchase or sell gold or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

The Custodian

HSBC serves as the Custodian of the Trust s gold. HSBC is a national banking association organized under the laws of the United States of America. HSBC is subject to supervision by the Federal Reserve Bank of New York and the Federal Deposit Insurance Corporation. HSBC s London custodian office is located at 8 Canada Square, London, E14 5HQ, United Kingdom. In addition to supervision and examination by the U.S. federal banking authorities, HSBC s London custodian operations are subject to supervision by the FSA.

The global parent company of HSBC is HSBC Holdings plc (HSBC Group), a public limited company incorporated in England. HSBC Group had $155 billion in regulatory capital resources as of June 30, 2010.

The Custodian s Role

The Custodian is responsible for safekeeping for the Trust gold deposited with it by Authorized Participants in connection with the creation of Baskets. The Custodian facilitates the transfer of gold in and out of the Trust through the unallocated gold accounts it maintains for each Authorized Participant and the unallocated and allocated gold accounts it maintains for the Trust. The Custodian is responsible for allocating specific bars of gold bullion to the Trust Allocated Account. The bars may be allocated by the Custodian from unallocated bars which it holds or by one of the subcustodians employed by the Custodian, or a subcustodian of such subcustodian, from unallocated bars held by the subcustodian, making the allocation. The Custodian provides the Trustee with regular reports detailing the gold transfers in and out of the Trust Unallocated Account and the Trust Allocated Account and identifying the gold bars held in the Trust Allocated Account.

19

The Custodian holds all of the Trust s gold in its own London vault premises except when the gold has been allocated in the vault of a sub-custodian, and in such cases the Custodian has agreed that it will use commercially reasonable efforts to promptly transport the gold from the sub-custodian s vault to the Custodian s London vault, at the Custodian s cost and risk.

Fees are paid to the Custodian under the Allocated Bullion Account Agreement as compensation for its custody services. Under the Allocated Bullion Account Agreement, the Custodian was until March 31, 2006 entitled to a fee that was accrued daily at an annual rate equal to 0.10% of the average daily aggregate value of the gold held in the Trust Allocated Account and the Trust Unallocated Account, payable monthly in arrears. Commencing April 1, 2006, the Custodian s fee is computed at an annual rate equal to 0.10% of the average daily aggregate value of the first 4.5 million ounces of gold held in the Trust Allocated Account and the Trust Unallocated Account and 0.06% of the average daily aggregate value of all gold held in the Trust Allocated Account and the Trust Unallocated Account in excess of 4.5 million ounces. The Custodian does not receive a fee under the Unallocated Bullion Account Agreement.

The Custodian and its affiliates may from time to time act as Authorized Participants or purchase or sell gold or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

The Marketing Agent

SSGM, a wholly-owned subsidiary of State Street Corporation, acts as the Marketing Agent. The Marketing Agent is a registered broker-dealer with the SEC, and is a member of FINRA, the Municipal Securities Rulemaking Board, the National Futures Association and the Boston Stock Exchange. The Marketing Agent s office is located at State Street Financial Center, One Lincoln Street, Boston, Massachusetts 02111.

The Marketing Agent s Role

The Marketing Agent assists the Sponsor in: (1) developing a marketing plan for the Trust on an ongoing basis, (2) preparing marketing materials regarding the Shares, including the content of the Trust s website, (3) executing the marketing plan for the Trust, (4) incorporating gold into its strategic and tactical exchange-traded fund research, and (5) sublicensing the SPDR® trademark.

Under the Marketing Agent Agreement, the Marketing Agent is paid a fee for its services from the assets of the Trust in an amount equal to 0.15% per year of the daily ANAV of the Trust, payable monthly in arrears. If at the end of any month during the period ending November 11, 2011 or upon the earlier termination of the Marketing Agent Agreement the estimated ordinary expenses of the Trust exceed an amount equal to 0.40% per year of the daily ANAV of the Trust for such month, the Marketing Agent s fee is subject to reduction. See Business of the Trust Trust Expenses Fee Reduction.

If the amount expended or allocated by either the Sponsor or the Marketing Agent in any one year period on promoting and marketing the Trust in the U.S. is 25% less than the yearly average of such amount over the preceding two year period and the amount of the shortfall of any such party is not spent during the following 12 month period, the unspent amount will be paid over to the other party who will add such unspent amount to the amount the other party spends during the next 12 month period.

The Marketing Agent Agreement provides that the Marketing Agent and the Sponsor will work together to develop similar and related gold based exchange-traded funds in the U.S. The Marketing Agent Agreement also provides that the Marketing Agent and the Sponsor will jointly negotiate and share equally in any revenue from the development of unlisted trading privileges and dual listing rights relating to the Trust and any similar or related gold based exchange-traded fund, as well as licensing rights to list option contracts and other exchange-traded derivatives that are specific to the Trust and any similar or related gold based exchange-traded fund.

The Marketing Agent Agreement contains customary representations, warranties and covenants. In addition, the Sponsor has agreed to indemnify the Marketing Agent from and against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or the Securities Act, and to contribute to payments that the Marketing Agent may be required to make in respect thereof. The Trustee has agreed to reimburse the Marketing Agent, solely from and to the extent of the Trust s assets, for indemnification and contribution amounts due from the Sponsor in respect of such liabilities to the extent the Sponsor has not paid such amounts when due.

The Marketing Agent Agreement has a term of seven years and is automatically renewed for successive three year periods, unless terminated in accordance with the Marketing Agent Agreement by either party prior to any such successive term. The Marketing Agent Agreement may also be terminated by either party if the Trust is terminated pursuant to the Trust Indenture or either party becomes insolvent or enters into bankruptcy proceedings. If the Marketing Agent Agreement is terminated by the Sponsor, the Sponsor is required to pay the Marketing Agent an amount equal to the present market value of the future payments the Marketing Agent would otherwise receive under the Marketing Agent Agreement over the subsequent 10 year period.

License Agreement with the Marketing Agent

In connection with the Marketing Agent Agreement, the Sponsor and the WGC have entered into a license agreement, dated as of November 16, 2004, with the Marketing Agent. Under the license agreement, the Sponsor and the WGC have granted the Marketing Agent, a royalty-free, worldwide, non-exclusive, non-transferable: (i) sublicense under the license agreement among the Sponsor, the WGC and BNY, which is described in Business of the Trust License Agreement, to BNY s patents and patent applications that cover securitized gold products in connection with the Marketing Agent s performance of its services under the Marketing Agent Agreement; and (ii) a license to the Sponsor s and the WGC s patents, patent applications and intellectual property and trade name and trademark rights in connection with the Marketing Agent s performance of its services under the Marketing Agent Agreement and for the purpose of establishing, operating and marketing financial products involving the securitization of gold.

The license agreement will expire upon the expiration or termination of the Marketing Agent Agreement. Either party may terminate the license agreement prior to such term if the other party materially breaches the license agreement and fails to cure such breach within 30 days following written notice of such breach from the non-breaching party. The license agreement contains customary representations, warranties and covenants. In addition, the Sponsor, the WGC and the Marketing Agent have agreed to indemnify each other for breaches of their respective representations and warranties and the Sponsor and the WGC have agreed to indemnify the Marketing Agent for violations of the intellectual property rights of others as a result of the Marketing Agent s use of the licensed intellectual property.

SPDR Sublicense Agreement

SPDR is a trademark of S&P and has been licensed for use by the SPDR® Gold Trust pursuant to a SPDR Sublicense Agreement, dated May 20, 2008, between the Sponsor, the WGC, the Marketing Agent and State Street Corporation, pursuant to which the Marketing Agent and State Street Corporation granted the Sponsor and the WGC a royalty-free, worldwide, non-exclusive, non-transferable sublicense to use the SPDR® trademark (in accordance with the SPDR Trademark License Agreement dated as of November 29, 2006, as amended, between State Street Global Advisors, a division of State Street Bank and Trust Company, and S&P), for the purpose of establishing and operating the Trust, issuing and distributing the Shares, as part of the name of the Shares, and listing the Shares on exchanges.

Table of Contents

The sublicense agreement will expire upon the expiration or termination of the earlier of (i) the Marketing Agent Agreement or (ii) the SDPR Trademark License Agreement. Either party may terminate the sublicense agreement prior to such term if the other party materially breaches the license agreement and fails to cure such breach within 30 days following written notice of such breach from the non-breaching party. The sublicense agreement contains customary representations, warranties and covenants. In addition, the Sponsor, the WGC, the Marketing Agent and State Street Corporation have agreed to indemnify each other for breaches of their respective representations, warranties and covenants.

The Marketing Agent and its affiliates may from time to time become Authorized Participants or purchase or sell gold or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

Description of the Shares

General

The Trustee is authorized under the Trust Indenture to create and issue an unlimited number of Shares. The Trustee creates Shares only in Baskets (a Basket equals a block of 100,000 Shares) and only upon the order of an Authorized Participant. The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust and have no par value. Any creation and issuance of Shares above the amount registered on the registration statement of which this report is a part will require the registration of such additional Shares.

Description of Limited Rights

The Shares do not represent a traditional investment and you should not view them as similar to shares of a corporation operating a business enterprise with management and a board of directors. As a Shareholder, you do not have the statutory rights normally associated with the ownership of shares of a corporation, including, for example, the right to bring oppression or derivative actions. All Shares are of the same class with equal rights and privileges. Each Share is transferable, is fully paid and non-assessable and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Trust Indenture. The Shares do not entitle their holders to any conversion or pre-emptive rights, or, except as provided below, any redemption rights or rights to distributions.

Distributions

The Trust Indenture provides for distributions to Shareholders in only two circumstances. First, if the Trustee and the Sponsor determine that the Trust s cash account balance exceeds the anticipated expenses of the Trust for the next 12 months and the excess amount is more than $0.01 per Share outstanding, they shall direct the excess amount to be distributed to the Shareholders. Second, if the Trust is terminated and liquidated, the Trustee will distribute to the Shareholders any amounts remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of such reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Trustee shall determine. Shareholders of record on the record date fixed by the Trustee for a distribution will be entitled to receive their pro rata portion of any distribution.

Voting and Approvals

Under the Trust Indenture, Shareholders have no voting rights, except in limited circumstances. Shareholders holding at least 662/3% of the Shares outstanding may vote to remove the Trustee. The Trustee may terminate the Trust upon the agreement of Shareholders owning at least 662/3% of the outstanding Shares. In addition, certain amendments to the Trust Indenture require 51% or unanimous consent of the Shareholders.

22

Table of Contents

Redemption of the Shares

The Shares may only be redeemed by or through an Authorized Participant and only in Baskets. See Creation and Redemption of Shares for details on the redemption of the Shares.

Book-Entry Form

Individual certificates will not be issued for the Shares. Instead, global certificates are deposited by the Trustee with DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates evidence all of the Shares outstanding at any time. Under the Trust Indenture, Shareholders are limited to: (1) DTC Participants; (2) those who maintain, either directly or indirectly, a custodial relationship with a DTC Participant, or Indirect Participants; and (3) those banks, brokers, dealers, trust companies and others who hold interests in the Shares through DTC Participants or Indirect Participants. The Shares are only transferable through the book-entry system of DTC. Shareholders who are not DTC Participants may transfer their Shares through DTC by instructing the DTC Participant holding their Shares (or by instructing the Indirect Participant or other entity through which their Shares are held) to transfer the Shares. Transfers are made in accordance with standard securities industry practice.

Custody of the Trust s Gold

Custody of the gold bullion deposited with and held by the Trust is provided by the Custodian at its London, England vaults. The Custodian will hold all of the Trust s gold in its own London vault premises except when the gold has been allocated in the vault of a subcustodian, and in such cases the Custodian has agreed that it will use commercially reasonable efforts promptly to transport the gold from the subcustodian s vault to the Custodian s London vault, at the Custodian s cost and risk. The Custodian is a market maker, clearer and approved weigher under the rules of the LBMA.

The Custodian, as instructed by the Trustee, is authorized to accept, on behalf of the Trust, deposits of gold in unallocated form. Acting on standing instructions given by the Trustee, the Custodian allocates gold deposited in unallocated form with the Trust by selecting bars of gold bullion for deposit to the Trust Allocated Account from unallocated bars which the Custodian holds or by instructing a subcustodian to allocate bars from unallocated bars held by the subcustodian. All gold bullion allocated to the Trust must conform to the rules, regulations, practices and customs of the LBMA.

The Trustee and the Custodian have entered into the Custody Agreements which establish the Trust Unallocated Account and the Trust Allocated Account. The Trust Unallocated Account is used to facilitate the transfer of gold deposits and gold redemption distributions between Authorized Participants and the Trust in connection with the creation and redemption of Baskets and the sales of gold made by the Trustee for the Trust. Except when gold is transferred in and out of the Trust or when a small amount of gold remains credited to the Trust Unallocated Account at the end of a business day (which is expected to be no more than 430 ounces), the gold deposited with the Trust is held in the Trust Allocated Account.

The Custodian is authorized to appoint from time to time one or more subcustodians to hold the Trust s gold until it can be transported to the Custodian s London vault. The subcustodians that the Custodian currently uses are the Bank of England, Brinks Ltd, Via Mat International and LBMA market-making members that provide bullion vaulting and clearing services to third parties. In accordance with LBMA practices and customs, the Custodian does not have written custody agreements with the subcustodians it selects. The Custodian s selected subcustodians may appoint further subcustodians. These further subcustodians are not expected to have written custody agreements with the Custodian s subcustodians that selected them. The lack of such written contracts could affect the recourse of the Trust and the Custodian against any subcustodian in the event a subcustodian does not use due care in the safekeeping of the

Trust s gold. See Risk Factors The ability of the Trustee or the Custodian to take legal action against subcustodians may be limited...

The Custodian is required to use reasonable care in selecting subcustodians, but otherwise has no responsibility in relation to the subcustodians appointed by it, and the Custodian is not responsible for the subcustodian s selection of further subcustodians. The Custodian does not undertake to monitor the performance by subcustodians of their custody functions or their selection of additional subcustodians. The Custodian is not responsible for the actions or inactions of subcustodians. During the year ended September 30, 2010, the Custodian did not utilize any subcustodians on behalf of the Trust.

Under the Allocated Bullion Account Agreement entered into by the Trustee and the Custodian, the Custodian is responsible for the safekeeping of the gold held on behalf of the Trust in accordance with the terms and conditions of the Allocated Bullion Account Agreement and is required to exercise reasonable care in the performance of its obligations under such agreement. The Custodian is only responsible for any loss or damage suffered by the Trust as a direct result of any negligence, fraud or willful default in the performance of its duties. The Custodian s liability under the Allocated Bullion Account Agreement is further limited to the market value of the gold held in the Trust Allocated Account at the time such negligence, fraud or willful default is discovered by the Custodian, provided that the Custodian promptly notifies the Trustee of its discovery. The Custodian s liability under the Unallocated Bullion Account Agreement is further limited to the amount of the gold credited to the Trust Unallocated Account at the time such negligence, fraud or willful default is discovered by the Custodian, provided that the Custodian promptly notifies the Trustee of its discovery. In the event of a loss caused by the failure of the Custodian or a subcustodian to exercise reasonable care, the Trustee, on behalf of the Trust, has the right to seek recovery with respect to the loss against the Custodian or subcustodian in breach. The Custodian is obliged under the Allocated Bullion Account Agreement to use commercially reasonable efforts to obtain delivery of gold from those subcustodians appointed by it. However, the Custodian may not have the right to, and does not have the obligation to, seek recovery of the gold from any subcustodian appointed by a subcustodian.

Under the customs and practices of the London bullion market, allocated gold is held by custodians and, on their behalf, by subcustodians under arrangements that permit each entity for which gold is being held: (1) to request from the entity s custodian (and a custodian or subcustodian to request from its subcustodian) a list identifying each gold bar being held and the identity of the particular custodian or subcustodian holding the gold bar and (2) to request the entity s custodian to release the entity s gold within two business days following demand for release. Each custodian or subcustodian is obligated under the customs and practices of the London bullion market to provide the bar list and the identification of custodians and subcustodians referred to in (1) above, and each custodian is obligated to release gold as requested. The Custodian provides the Trustee with statements on a monthly basis which contain sufficient information to identify each bar of gold held in the Trust Allocated Account and the custodian or subcustodian having possession of each bar. Under English law, unless otherwise provided in any applicable custody agreement, a custodian generally is liable to its customer for failing to take reasonable care of the customer s gold and for failing to release the customer s gold upon demand.

The Custodian and the Trustee do not require any direct or indirect subcustodians to be insured or bonded with respect to their custodial activities. The Custodian maintains insurance with regard to its business on such terms and conditions as it considers appropriate. The Trust will not be a beneficiary of any such insurance and does not have the ability to dictate the existence, nature or amount of the coverage. Therefore, Shareholders cannot be assured that the Custodian maintains adequate insurance or any insurance with respect to the gold held by the Custodian on behalf of the Trust.

Allocated Accounts

An allocated account is an account with a bullion dealer, which may also be a bank, to which individually identified gold bars owned by the account holder are credited. The gold bars in an allocated gold account are specific to that account and are identified by a list which shows, for each gold bar, the refiner, assay or fineness, serial number and gross and fine weight. Gold held in the Trust s allocated account is the property of the Trust and is not traded, leased or loaned under any circumstances.

Table of Contents

Unallocated Accounts

An unallocated account is an account with a bullion dealer, which may also be a bank, to which a fine weight amount of gold is credited. Transfers to or from an unallocated account are made by crediting or debiting the number of ounces of gold being deposited or withdrawn. Gold held in an unallocated account is not segregated from the Custodian s assets. The account holder therefore has no ownership interest in any specific bars of gold that the bullion dealer holds or owns. The account holder is an unsecured creditor of the bullion dealer, and credits to an unallocated account are at risk of the bullion dealer s insolvency, in which event it may not be possible for a liquidator to identify any gold held in an unallocated account as belonging to the account holder rather than to the bullion dealer. The account holder is entitled to direct the bullion dealer to deliver an amount of physical gold equal to the amount of gold standing to the credit of the account holder.

Transfers of Gold

For each creation of a Basket, the Custodian transfers gold to the Trust by a debit to an Authorized Participant Unallocated Account and a credit to the Trust Unallocated Account. At the end of each business day, the Custodian allocates specific bars of gold from unallocated bars which the Custodian holds or instructs a subcustodian to allocate specific bars of gold from unallocated bars held by or for the subcustodian, so that the total of the allocated gold bars represents the amount of gold credited to the Trust Unallocated Account to the extent such amount is representable by whole bars. The amount of gold represented by the allocated gold bars is debited from the Trust Unallocated Account and the allocated gold bars are credited to and held in the Trust Allocated Account. The bars of gold may be held directly by the Custodian or by or for a subcustodian of the Custodian. The Custodian will use commercially reasonable efforts to promptly transport gold that has been allocated in the vault of a subcustodian to the Custodian s London vault. The transport of the gold is at the Custodian s cost and risk. The Custodian updates its records at the end of each business day to identify the specific bars of gold allocated to the Trust.

The process of withdrawing gold from the Trust for a redemption of a Basket follows the same general procedure as for depositing gold with the Trust for a creation of a Basket, only in reverse. Each transfer of gold between the Trust Allocated Account and the Trust Unallocated Account connected with a creation or redemption of a Basket may result in a small amount of gold being held in the Trust Unallocated Account after the completion of the transfer. In making deposits and withdrawals between the Trust Allocated Account and the Trust Unallocated Account, the Custodian will use commercially reasonable efforts to minimize the amount of gold held in the Trust Unallocated Account as of the close of each business day. See Creation and Redemption of Shares.

Description of the Custody Agreements

The Allocated Bullion Account Agreement between the Trustee and the Custodian establishes the Trust Allocated Account. The Unallocated Bullion Account Agreement between the Trustee and the Custodian establishes the Trust Unallocated Account. These agreements are sometimes referred to together as the Custody Agreements in this report. The following is a description of the material terms of the Custody Agreements. As the Custody Agreements are similar in form, they are discussed together, with material distinctions between the agreements noted.

Reports

The Custodian provides the Trustee with reports for each business day, no later than the following business day, identifying the movements of gold in and out of the Trust Allocated Account and the credits and debits of gold to the Trust Unallocated Account. The Custodian also provides the Trustee with monthly statements of account for the Trust Allocated Account and the Trust Unallocated Account as of the last business day of each month. The monthly statements contain sufficient information to identify each bar of gold held in the Trust Allocated Account and, if the bar is being

Table of Contents

held temporarily by a subcustodian pending transport to the Custodian s London vault, the identity of the subcustodian having custody. Under the Custody Agreements, a business day means any day other than a day (1) when NYSE Arca is closed for regular trading or (2), if the transaction requires the receipt or delivery, or the confirmation of receipt or delivery, of gold in the United Kingdom or in some other jurisdiction on a particular day, (A) when banks are authorized to close in the United Kingdom or in such other jurisdiction or when the London gold market is closed or (B) when banks in the United Kingdom or in such other jurisdiction are, or the London gold market is, not open for a full business day and the transaction requires the execution or completion of procedures which cannot be executed or completed by the close of the business day.

Except for withdrawals of physical gold made directly from the Trust Allocated Account as to which transfer of ownership is determined at the time the recipient or its agent acknowledges in writing its receipt of gold, the Custodian s records of all deposits to and withdrawals from, and all debits and credits to, the Trust Allocated Account and the Trust Unallocated Account which are to occur on a business day, and all end of business day account balances in the Trust Allocated Account and Trust Unallocated Account, are stated as of the close of the Custodian s business (usually 4:00 PM London time) on such business day.

Subcustodians

Under the Allocated Bullion Account Agreement, the Custodian may employ subcustodians to provide temporary custody and safekeeping of gold until transported to the Custodian s London vault premises. These subcustodians may in turn select other subcustodians to perform such temporary custody and safekeeping, but the Custodian is not responsible for (and therefore has no liability in relation to) the selection of those other subcustodians. The Allocated Bullion Account Agreement requires the Custodian to use reasonable care in selecting any subcustodian and provides that, except for the Custodian s obligation to use commercially reasonable efforts to obtain delivery of gold held by subcustodians, the Custodian will not be liable for the acts or omissions, or for the solvency, of any subcustodian that it selects unless the selection of that subcustodian was made negligently or in bad faith. The subcustodians selected by the Custodian for possible use as of the date of this report are: the Bank of England, Brinks Ltd, Via Mat International, The Bank of Nova Scotia-ScotiaMocatta, Barclays Bank PLC, Credit Suisse, Deutsche Bank AG, Goldman Sachs International, JPMorgan Chase Bank, Mitsui & Co. Precious Metals, Inc., Société Générale, and UBS AG. The Allocated Bullion Account Agreement provides that the Custodian will notify the Trustee if it selects any additional subcustodians or stops using any subcustodian it has previously selected.

Location and Segregation of Gold; Access

Gold held for the Trust Allocated Account will be held by the Custodian in its own London vault premises except when the gold has been allocated in the vault of a subcustodian, and in such cases the Custodian has agreed that it will use commercially reasonable efforts promptly to transport the gold from the subcustodian s vault to the Custodian s London vault, at the Custodian s cost and risk. Nevertheless, there will be periods of time when some portion of the Trust s gold will be held by one or more subcustodians appointed by the Custodian or by a subcustodian of such subcustodian. Gold held by the Custodian s currently selected subcustodians and by subcustodians of subcustodians may be held in vaults located in England or in other locations.

The Custodian segregates by identification in its books and records the Trust s gold in the Trust Allocated Account from any other gold which it owns or holds for others and requires the subcustodians it selects to so segregate the Trust s gold held temporarily by them. This requirement reflects the current custody practice in the London bullion market, and under the Allocated Bullion Account Agreement, the Custodian is deemed to have communicated such requirement by virtue of its participation in the London bullion market. The Custodian s books and records identify every bar of gold held in the Trust Allocated Account in its own vault by refiner, assay or fineness, serial number and gross and fine weight. Subcustodians selected by the Custodian are expected to identify in their

books and records each bar of gold held temporarily for the Custodian by serial number and such subcustodians may use other identifying information.

The Trustee may, upon reasonable notice, visit the Custodian s premises up to twice a year and examine the Trust s gold held there and the Custodian s records concerning the Trust Allocated Account and the Trust Unallocated Account. The Trust s independent registered public accountant may also visit the Custodian s premises in connection with their audit of the financial statements of the Trust.

Transfers into the Trust Unallocated Account

The Custodian credits to the Trust Unallocated Account the amount of gold it receives from the Trust Allocated Account, an Authorized Participant Unallocated Account or from other third party unallocated accounts for credit to the Trust Unallocated Account. Unless otherwise agreed by the Custodian in writing, the only gold the Custodian will accept in physical form for credit to the Trust Unallocated Account is gold the Trustee has transferred from the Trust Allocated Account.

Transfers from the Trust Unallocated Account

The Custodian transfers gold from the Trust Unallocated Account only in accordance with the Trustee s instructions to the Custodian. A transfer of gold from the Trust Unallocated Account may only be made, (1) by transferring gold to a third party unallocated account, (2) by transferring gold to the Trust Allocated Account, or (3) by either (A) making gold available for collection at the Custodian s vault premises or at such other location as the Custodian may specify or (B), if separately agreed, delivering the gold to such location as the Custodian and the Trustee agree at the Trust s expense and risk. Any gold made available in physical form will be in a form which complies with the rules, regulations, practices and customs of the LBMA, the Bank of England or any applicable regulatory body, or Custody Rules, or in such other form as may be agreed between the Trustee and the Custodian, and in all cases will comprise one or more whole gold bars selected by the Custodian.

The Custodian will use commercially reasonable efforts to transfer gold from the Trust Unallocated Account to the Trust Allocated Account by the close of business (London time) on each business day, such that the amount of gold that remains credited to the Trust Unallocated Account does not exceed 430 fine ounces.

Transfers into the Trust Allocated Account

The Custodian receives transfers of gold into the Trust Allocated Account only at the Trustee s instructions given pursuant to the Unallocated Bullion Account Agreement by debiting gold from the Trust Unallocated Account and crediting such gold to the Trust Allocated Account.

Transfers from the Trust Allocated Account

The Custodian transfers gold from the Trust Allocated Account only in accordance with the Trustee s instructions. Generally, the Custodian transfers gold from the Trust Allocated Account only by debiting gold from the Trust Allocated Account and crediting the gold to the Trust Unallocated Account. When the Trustee instructs the Custodian to make gold physically available, the Custodian will transfer gold from the Trust Allocated Account by debiting gold from the Trust Allocated Account and making such gold available for collection or delivery as described in the following paragraph.

Withdrawals of Gold Directly from the Trust Allocated Account

Upon the Trustee s instruction, the Custodian debits gold from the Trust Allocated Account and makes the gold available for collection by the Trustee or, if separately agreed, for delivery by the Custodian in accordance with its usual practices at the Trust s expense and risk. The Trustee and the Custodian expect that the Trustee will withdraw gold physically from the Trust Allocated Account (rather than by crediting it to the Trust Unallocated Account and instructing a further transfer from that account) only

Table of Contents

in exceptional circumstances, such as if, for some unforeseen reason, it was not possible to transfer gold in unallocated form. The Custodian is not obliged to effect any requested delivery if, in its reasonable opinion, (1) this would cause the Custodian or its agents to be in breach of the Custody Rules or other applicable law, court order or regulation, (2) the costs incurred would be excessive or (3) delivery is impracticable for any reason. When gold is physically withdrawn from the Trust Allocated Account pursuant to the Trustee s instruction, all right, title, risk and interest in and to the gold withdrawn shall pass to the person to whom or to or for whose account such gold is transferred, delivered or collected at the time the recipient or its agent acknowledges in writing its receipt of gold. Unless the Trustee specifies the bars of gold to be debited from the Trust Allocated Account, the Custodian is entitled to select the gold bars.

Right to Refuse Transfers or Amend Transfer Procedures

The Custodian may refuse to accept transfers of gold to the Trust Unallocated Account, amend the procedures for transferring gold to or from the Trust Unallocated Account or for the physical withdrawal of gold from the Trust Unallocated Account or the Trust Allocated Account or impose such additional procedures in relation to the transfer of gold to or from the Trust Unallocated Account as the Custodian may from time to time consider appropriate. The Custodian will notify the Trustee within a commercially reasonable time before the Custodian amends these procedures or imposes additional ones, and, in doing so, the Custodian will consider the Trustee s need to communicate any changes to Authorized Participants and others.

Fees and Expenses