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**ETFS METAL SECURITIES AUSTRALIA  
LIMITED**

ACN 101 465 383

Financial Report for the Half Year Ended 30 June 2009

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**FINANCIAL REPORT**  
**for the Half-Year Ended 30 June 2009**

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# ETFs METAL SECURITIES AUSTRALIA LIMITED

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## DIRECTORS' REPORT

The directors of ETFs Metal Securities Australia Limited submit herewith the financial report of the Company for the half-year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company are:

Mr Graham John Tuckwell	Non-Executive Chairman, appointed on 17 September 2002.
Dr Vincent William John FitzGerald	Non-Executive Director, appointed on 10 February 2003.
Mr Gregory John Burgess	Non-Executive Director, appointed on 16 February 2006.

The above named directors held office during and since the end of the half-year.

### Principal Activities

The Company's principal activities during the course of the financial period was the continuing issue of ETFs Physical Gold (formally Gold Bullion Securities) and an additional issue during the period of ETFs Physical Palladium, ETFs Physical Platinum, ETFs Physical Silver and ETFs Physical PM Basket, allowing investors to own and trade that interest through a listed security traded on the Australian Stock Exchange ("ASX").

A Metal Security comprises of a Metal Share (a redeemable preference share issued at a nominal value of 1/1,000th of a cent) together with an entitlement to either 1/10th of one troy ounce of platinum, 1/10th of one troy ounce of palladium, approximately 1/10th of one fine troy ounce of gold bullion, 1 troy ounce of silver and a combination of 1/25 of one troy ounce of gold bullion, 1 1/5 of one troy ounce of silver, 1/100 of one troy ounce of platinum and 1/50 of one troy ounce of palladium for the basket security. The metals are held in the name of the Trustee, Gold Bullion Nominees Pty Ltd. The metals, to which the holder is entitled, is held by the Custodian Bank (HSBC Bank USA, N.A.) in vaults in London.

During the financial period there were no significant changes in the nature of those activities.

### Review of Operations

The Company was incorporated on 17 September 2002 and was admitted to the official list of the Australian Stock Exchange on 27 March 2003. Gold Bullion Securities (now ETFs Physical Gold) commenced trading on the ASX on 28 March 2003.

A total of 11,504 ETFs Physical Platinum securities, 37,002 Physical Palladium securities, 311,331 ETFs Physical Silver securities, 4,496,624 ETFs Physical Gold securities and 12,500 ETFs Physical Basket securities were in issue at 30 June 2009.

For the period to 30 June 2009, the Company incurred no expenses. The Company's only revenue was in relation to an income tax provision for its 2008 and 2009 tax liability. See notes to the Financial Statements.

## ETFSL METAL SECURITIES AUSTRALIA LIMITED

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### Changes in State of Affairs

In late 2008, ETF Securities Limited ("ETFSL") purchased the Company. The Company is now a wholly owned subsidiary of ETFSL. The management team and controlling shareholders who founded the Company are the same persons who now own and operate the parent company.

ETFSL is a Jersey registered company. It has 128 exchange traded commodity securities listed on the London Stock Exchange and other exchanges in Europe, with total assets under management of approximately US\$11.9bn at 30 June 2009.

The Company is now issuing five separate types of Metal Security, four designed to track the price of an individual precious metal (silver, platinum, and palladium, as well as gold) and one designed to track the price of a basket of those metals (collectively, "the Metal Securities").

As part of the acquisition and the launch of the expanded range of commodities, the name of the Company changed from Gold Bullion Securities Limited to ETFSL Metal Securities Australia Limited in December 2008. On 11 December 2008 the Company changed the name of Gold Bullion Securities to ETFSL Physical Gold and received authorisation from the Australian Securities and Investments Commission ("ASIC") for four new securities - ETFSL Physical Silver, ETFSL Physical Platinum, ETFSL Physical Palladium and the ETFSL Physical PM Basket, which are all now listed on the AQUA platform of the ASX along with ETFSL Physical Gold.

Under the terms of the sale agreement, the Administration Services Deed Poll between Holders of the securities and the former owners of the Company was terminated on 17 October 2008 and ETFSL has notified that it has entered into an Administration Services Deed Poll with Holders effective from 18 October 2008, whereby, in consideration of creation and redemption fees and monthly gold sales charge being paid directly by Holders to ETFSL (rather than to the Company), ETFSL undertakes, for the benefit of the Holders, to procure the provision to the Holders and to the Company (as applicable) all services required to facilitate the Holders' investment in the securities issued by ETFSL Metal Securities Australia Limited.

The above transfer of Deed Poll arrangements will not affect the day-to-day operations of the Company nor will it change in anyway Holders rights to ETFSL Physical Metal Securities and underlying physical metal as outline in the Prospectus.

Graeme Ross was appointed as an additional Company Secretary on 21 January 2009. Mr Ross is a Director of R&H Fund Services (Jersey) Limited, the Company's administrator.

Capital reserves will remain at \$250,100; sufficient to maintain on-going operations and the continuing issue of the Company's Metal Securities.

### Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the company in future financial years.

## ETFS METAL SECURITIES AUSTRALIA LIMITED

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### Auditor's Independence Declaration

The auditor's independence declaration is included on page 5.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



**Vincent WJ FitzGerald**  
Director

Melbourne, 11<sup>th</sup> September 2009

11 September 2009

The Board of Directors  
ETFs Metal Securities Australia Limited  
Level 27, AMP Centre  
50 Bridge Street  
SYDNEY NSW 2000

Dear Board Members

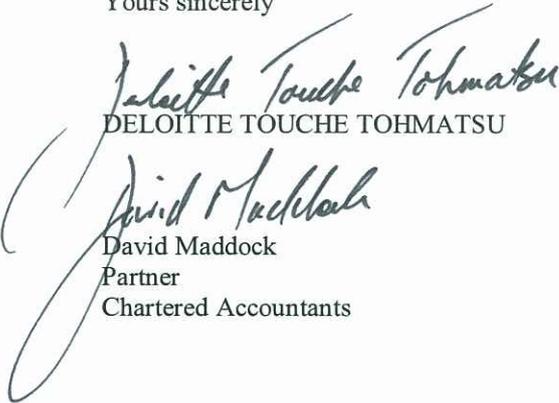
### ETFs Metal Securities Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ETFs Metal Securities Australia Limited.

As lead audit partner for the review of the financial statements of ETFs Metal Securities Australia Limited for the financial half year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review

Yours sincerely



DELOITTE TOUCHE TOHMATSU

David Maddock  
Partner  
Chartered Accountants

## Independent Auditor's Review Report to the Directors of ETFS Metal Securities Australia Limited

We have reviewed the accompanying half-year financial report of ETFS Metal Securities Australia Limited, which comprises the condensed statement of financial position as at 30 June 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration of the company as set out on pages 7 to 20.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of ETFS Metal Securities Australia Limited's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ETFS Metal Securities Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

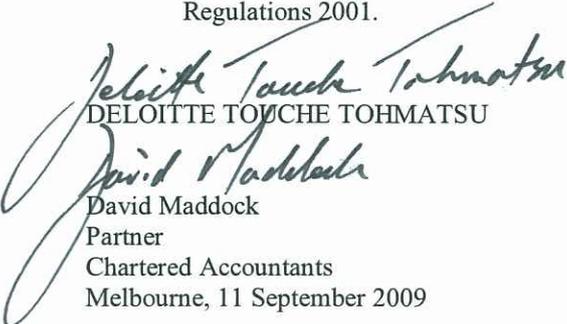
### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ETFS Metal Securities Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

  
DELOITTE TOUCHE TOHMATSU

David Maddock  
Partner

Chartered Accountants  
Melbourne, 11 September 2009

Member of  
Deloitte Touche Tohmatsu

# ETFs METAL SECURITIES AUSTRALIA LIMITED

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## DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and give a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to S.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Vincent WJ FitzGerald**  
Director

Melbourne, 11<sup>th</sup> September 2009

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# ETFs METAL SECURITIES AUSTRALIA LIMITED

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## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the Half-Year Ended 30 June 2009

		Half Year Ended 30 June 2009 \$	Half Year Ended 30 June 2008 \$
<i>Revenue</i>			
Creation and Redemption Fees	2	-	-
Monthly Gold Sales Charge	2	-	-
		-	-
<i>Expenses</i>			
Administration expenses	2	-	-
<i>Profit Before Income Tax Benefit</i>		-	-
Income tax benefit	3	158,000	-
<i>Profit from continuing operations</i>		158,000	-
<i>Profit for the period attributable to equity holders of the company</i>		158,000	-

Notes accompanying the financial statements are included on pages 12 to 20.

# ETFs METAL SECURITIES AUSTRALIA LIMITED

## CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	30 June 2009 \$	31 December 2008 \$
<i>Current Assets</i>			
Cash		21,820	32,406
Receivable from parent entity	4	-	4,164
Receivable from Gold Bullion (Jersey) Limited	4	543,152	573,571
Gold Bar	5	488,331	522,491
<i>Total Current Assets</i>		1,053,303	1,132,632
<i>Total Assets</i>		1,053,303	1,132,632
<i>Current Liabilities</i>			
Payable to parent entity	4	143,184	-
Gold Bar Loan payable	6	242,328	242,328
Other financial liabilities	7	246,003	280,163
Accruals		47	-
Current tax payable		171,581	360,000
<i>Total Current Liabilities</i>		803,143	882,491
<i>Non-Current Liabilities</i>			
Other	8	60	41
<i>Total Non-Current Liabilities</i>		60	41
<i>Total Liabilities</i>		803,203	882,532
<i>Net Assets</i>		250,100	250,100
<i>Equity</i>			
Issued Capital	9	250,100	250,100
Equity Contribution	10	202,000	360,000
Retained Earnings		(202,000)	(360,000)
<i>Total Equity</i>		250,100	250,100

Notes accompanying the financial statements are included on pages 12 to 20.

# ETFs METAL SECURITIES AUSTRALIA LIMITED

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## CONDENSED STATEMENT OF CHANGES IN EQUITY

for the Half Year Ended 30 June 2009

	Issued capital \$	Retained earnings \$	Other reserves \$	Total \$
Balance at 1 January 2008	250,100	(180,000)	180,000	250,100
Equity contribution	-	-	-	-
Profit for period	-	-	-	-
Balance at 30 June 2008	250,100	(180,000)	180,000	250,100
Balance at 1 January 2009	250,100	(360,000)	360,000	250,100
Equity contribution	-	-	(158,000)	(158,000)
Profit for period	-	158,000	-	158,000
Balance at 30 June 2009	250,100	(202,000)	202,000	250,100

Notes accompanying the financial statements are included on pages 12 to 20.

# ETFs METAL SECURITIES AUSTRALIA LIMITED

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## CONDENSED STATEMENT OF CASH FLOWS

for the Half Year Ended 30 June 2009

	Note	Half Year Ended 30 June 2009 \$	Half Year Ended 30 June 2008 \$
<i>Cash Flows From Operating Activities</i>			
Payment of taxation		(30,419)	
Payments to Suppliers (parent company)		(10,666)	(2,184)
<i>Net cash (used in) operating activities</i>	15	(41,085)	(2,184)
<i>Cash Flows From Investing Activities</i>			
Repayment of loan from parent		-	-
Repayment of loan from Gold Bullion (Jersey) Limited		30,419	
<i>Net cash (used in)/provided by investing activities</i>		30,419	-
<i>Cash Flows from Financing Activities</i>			
Payments for redemption of Metal Securities		(20)	(37)
Proceeds from issue of Metal Securities		100	17
<i>Net cash provided by/(used in) financing activities</i>		80	(17)
<i>Net (Decrease) In Cash and Cash Equivalents</i>		(10,586)	(2,201)
<i>Cash and Cash Equivalents At The Beginning Of The Financial Half Year</i>		32,406	33,508
<i>Cash and Cash Equivalents At The End Of The Financial Half Year</i>		21,820	31,307

Notes accompanying the financial statements are included on pages 12 to 20.

# ETFs METAL SECURITIES AUSTRALIA LIMITED

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## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the Financial Half Year Ended 30 June 2009

### 1. Summary of Accounting Policies

#### *Statement of compliance*

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

#### *Basis of preparation*

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 31 December 2008, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the current period, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the company's accounting policies.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### *(a) Payable*

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

#### *(b) Income Tax*

##### **Current Tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

### (c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (d) Gold Bar

The gold bar asset is a hedged item in a designated fair value hedge and is recorded at fair value. Changes in fair value are recognised in the profit and loss account.

### (e) Gold Bar Loan Payable

The gold bar loan is repayable in gold. This loan is recorded at amortised cost.

### (f) ETFS Redeemable Preference Shares

ETFS Metal Shares are redeemable preference shares and are recorded at their nominal value of 1/1,000th of one cent each.

### (g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## ETFs METAL SECURITIES AUSTRALIA LIMITED

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### *(h) Impairment of Assets*

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

### *(i) Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

### *(j) Loans and receivables*

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

### *(k) Derivative financial instruments*

#### Gold Bar Loan Payable Embedded Derivative

The company has a gold loan bar payable that is denominated in gold. This loan is recorded at cost in the current period.

Due to this loan being settled in gold, the value of the loan is linked to the market price of gold. Therefore an embedded derivative exists in respect of the loan. This embedded derivative is re-measured to its fair value at each reporting date. Movements in the fair value are recognised in the profit and loss account.

#### Fair-Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss immediately, together with any changes in the value of the hedged asset or liability that is attributable to the hedged risk. Hedge accounting is discontinued when the hedged asset is disposed or no longer qualifies for hedge accounting.

## ETFSL METAL SECURITIES AUSTRALIA LIMITED

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### 2. Revenue and costs

(a) Revenue from continuing operations consisted of the following items:

	Half Year Ended 30 June 2009 \$	Half Year Ended 30 June 2008 \$
<i>Revenue from the rendering of services:</i>		
Creation Fees	-	-
Monthly Gold Sales Charge (MGSC)	-	-
	-	-

(b) Profit/(loss) before income tax has been arrived at after charging the following expenses. The line items below represent expenses from continuing operations.

	Half Year ended 30 June 2009 \$	Half Year ended 30 June 2008 \$
<i>Administration expenses charged by related entity</i>		
ETFSL (and formally Gold Bullion Holdings (Jersey) Limited) - parent entity	-	-

In late 2008, ETFSL purchased the Company from a joint venture entity associated with the World Gold Council and the founders. The Company is now a wholly owned subsidiary of ETFSL. The management team and controlling shareholders who founded the Company are the same persons who now run and own the parent company. ETFSL is a Jersey registered company, it has 128 exchange traded commodities listed on the London Stock Exchange and other exchanges in Europe, with total assets under management of approximately US\$9.0bn.

Under the terms of the sale agreement, the Administration Services Deed Poll between Holders and the former owners was terminated on 17 October 2008 and ETFSL has notified that it has entered into an identical Administration Services Deed Poll with Holders effective from 18 October 2008, whereby, in consideration of creation and redemption fees and monthly gold sales charge being paid directly by Holders to ETFSL, ETFSL undertakes, for the benefit of the Holders, to procure the provision to the Holders and to the Company (as applicable) all services required to facilitate the Holders' investment in ETFSL Metal Securities Australia Limited.

The above transfer of Deed Poll arrangements will not affect the day-to-day operations of the Company nor will it change in anyway Holders rights to ETFSL Physical Metal Securities as outlined in the Prospectus.

Capital reserves will remain at \$250,100; sufficient to maintain on-going operations and the continuing issue of the Company's Metal Securities.

### 3. Income Tax

On 31 January 2007, the Company was advised by the Australian Taxation Office (ATO) that a tax audit of the Company's operations would be conducted on the period 1 July 2002 to 30 June 2006. In April 2008, ATO advised the period under review would be extended to 30 June 2007. The ATO's review was completed in early 2009 and the Company has lodged tax returns for the period under review. Tax assessments totalling \$202,000 have been issued for 2003-2007 tax years and this amount has since been paid to the ATO during June to August 2009.

## ETFs METAL SECURITIES AUSTRALIA LIMITED

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Holders of the Company's Metal Securities have been unaffected by the ATO's review and holders' rights and entitlements have remain unchanged. Under the terms of agreement between the Company and ETFSL, ETFSL (and its predecessor Gold Bullion Holdings (Jersey) Limited) have met their proportional share of the liability of the Company's Australian corporate taxation.

Under the terms of the Administration Services Deed Poll from 29 June 2007, between Holders and ETFSL (previously Gold Bullion Holdings (Jersey) Limited), the creation and redemption fees and monthly gold sales charge are paid directly by Holders to the holding company and the holding company pays all expenses required to facilitate the Holders' investment in ETFs Metal Securities Australia Limited. From 1 July 2007, this arrangement means the Company has received no income and incurred no liabilities or expenses. The Company's nil revenue and nil expenses position has been reflected in the Profit and Loss account from this date onwards. As the Company has no income, the Company will submit a nil tax return from the 2008 tax year onwards. Similarly, with the holding company receiving Australian sourced income from 1 July 2007, the holding company will prepare and lodge with the ATO returns from the 2008 year onwards.

In preceding years, the Company has made provisions for income tax payable of \$360,000 which was recognised in the profit and loss statement. Such provisions were based on the directors conservative estimate of the Company's tax liability and as a consequence, with tax payable of \$202,000, an over provision of \$158,000 has been recognised and has been written back within the Profit and Loss accounts of this period.

#### 4. Amount Receivable from Parent

	30 June 2008	31 December 2008
	\$	\$
Loan to and other amounts receivable from:		
Gold Bullion Holdings (Jersey) Limited	543,152	573,571
ETF Securities Limited	(143,184)	4,164
	<u>399,968</u>	<u>577,735</u>

This non-interest bearing loan is provided as a short term facility with repayment of the outstanding balance expected during the course of the 2009 year.

#### 5. Gold Bar

	30 June 2009	31 December 2008
	\$	\$
Gold Bar	<u>488,331</u>	<u>522,491</u>

The gold bar asset has been recorded at fair value. The fair value of the gold bar at reporting date is based on the market value of gold at reporting date of AUD1,162.69 per ounce.

The gold bar asset has been recorded at fair value on the basis that the fair value hedge exists between the company's gold bar and the company's gold bar loan payable. Changes in the fair value of the gold bar asset are recognised in the profit and loss account.

The Company's gold bar has been made available for use by Gold Bullion Nominees Pty Ltd, an entity subject to common control. Gold Bullion Nominees PTY Ltd uses this bar to facilitate the movement of gold between unallocated and allocated physical stocks of gold and ensures all Holder's receive gold in allocated form.

## ETFs METAL SECURITIES AUSTRALIA LIMITED

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### 6. Gold Bar Loan Payable

	30 June 2009	31 December 2008
	\$	\$
Gold Bar Loan Payable	242,328	242,328

The Company has a Gold Loan Agreement with HSBC USA, N.A. for the loan of a 420 fine troy ounce London good delivery gold bar. The Agreement signed on 9 December 2004 provides a no-interest at call facility which is denominated in gold. Apart from the gold bar made available to Gold Bullion Nominees Pty Ltd which remains in the vaults of HSBC USA, N.A. (refer Note 5) no other security has been provided.

The loan has been recorded at amortised cost based on the market value of gold on 9 December 2004 of AUD576.97 per ounce. The company intends to maintain the loan as long as the company continues to operate.

### 7. Other Current Liabilities

	30 June 2009	31 December 2008
	\$	\$
Gold Bar Loan Payable Embedded Derivative	246,003	280,163

Due to the Gold Bar Loan Payable being settled in gold, the value of the loan is linked to the market price of gold. Therefore an embedded derivative exists in respect of the loan. The embedded derivative has been re-measured to fair value at reporting date. The fair value of the embedded derivative at balance date is based on the market value of gold at balance date of AUD1,162.69 per ounce. The unrealised loss on movement in the Gold Bar for the current period (refer to note 6) of \$34,161 is offset by the unrealised gain on movement in the Gold Loan Payable Embedded Derivative of \$34,161.

### 8. Other Non-Current Liabilities

	30 June 2009	31 December 2008
	\$	\$
Redeemable preference shares	60	41

Redeemable preference shares include issued Metal Securities. A Metal Security comprises of a Metal Share of nominal value plus a Beneficial Interest in the relevant amount of Bullion (the Metal Entitlement), which is held in a Separate Trust for each Holder. A Metal Share is a redeemable preference share with a nominal value of 1/1000<sup>th</sup> of 1 cent which carries with it a right to the Metal Entitlement applicable to that class of share. Although a Metal Share in itself has no economic value, it exists in order to provide a class of "share" which is tradeable on the Australian Stock Exchange. The economic value of each Metal Security lies in the Metal Entitlement which is carried around with each Metal Share. Whenever there is a transfer in ownership of a Metal Share, there is a corresponding transfer in the ownership of the Metal entitlement applicable to that Metal Share. The Trustee of the gold is Gold Bullion Nominees Pty Ltd, a special purpose company established to facilitate the offer of Gold Bullion Securities. The owners and directors of the Trustee are the same as that of the Company.

## ETFs METAL SECURITIES AUSTRALIA LIMITED

The Metal Securities on issue at 30 June 2009 comprised the following:

	Platinum	Palladium	Silver	Gold	Basket
<b>Number of securities on issue at 31 Dec 08</b>	-	-	-	4,062,991	-
Created in 2009	11,504	37,002	311,331	633,641	12,500
Redeemed in 2009	-	-	-	(200,008)	-
<b>Number of securities on issue At 30 June 09</b>	<b>11,504</b>	<b>37,002</b>	<b>311,331</b>	<b>4,496,624</b>	<b>12,500</b>

Ownership of the Metals (1179.928 troy ounces of platinum, 3,877.005 troy ounces of palladium, 441,031.469 fine troy ounces of gold and 325,392.39 troy ounces of silver) at 30 June 2009 is held in the name of the Trustee for the benefit of the holders.

Holders of Metal Securities have the right to vote:

- on any proposal that affects rights attached to a Metal Security (except the issue of new Metal Securities, or the redemption of Metal Securities on issue);
- on any proposal to wind up the Company; and
- during the winding up of the Company.

Holders of ETFs Physical Gold are not entitled to:

- any right to the payment of any dividends;
- any rights of participation in any surplus assets and profits of the Company; or
- priority of payment of capital or dividends in relation to other classes of shares, except on the winding up of the Company.

Shares of Metal Securities are redeemable at any time (in accordance with the terms of Redemption) by the holder. Metal Securities can also be compulsorily redeemed by the Company on provision of 30 days notice or in the case of insolvency. Therefore an investment in Metal Securities may be redeemed earlier than desired by the holder.

### 9. Issued Capital

	30 June 2009	31 December 2008
	\$	\$
250,100 fully paid ordinary shares (2008: 250,100)	250,100	250,100

All ordinary shares issued by ETFs Metal Securities Australia Limited carry one vote per share without restriction and carry the right to dividends.

ETFs acquired the entire share capital of Gold Bullion Securities Limited from Gold Bullion Holdings (Jersey) Limited on 18<sup>th</sup> July 2008. Therefore, all Ordinary shares are now held by ETF Securities Limited, a Jersey registered company.

	30 June 2009		31 December 2008	
	No.	\$	No.	\$
<i>Fully Paid Ordinary Shares</i>				
Balance at beginning of financial year	250,100	250,100	250,100	250,100
Balance at end of financial year	250,100	250,100	250,100	250,100

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

## ETFs METAL SECURITIES AUSTRALIA LIMITED

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### 10. Equity Contribution

	30 June 2009	31 December 2008
	\$	\$
Equity Contribution	202,000	360,000

The equity contribution from the parent entity was receivable by the company at the year end and will be used by the company to settle the tax liability arising for the period to 30 June 2009.

### 11. Contingent Liabilities and Contingent Assets

The Company does not have any material contingent liabilities or contingent assets at 30 June 2009.

### 12. Economic Support

Pursuant to the Administration Services Deed Poll between the Company and the parent entity, all the operating costs relating to the Company, including gold storage, gold insurance, marketing and administration costs, are incurred by the parent entity and paid by the parent entity to enable the continued operation of the Company.

### 13. Related Party Disclosures

As a result of ETF Securities Limited acquiring the entire share capital of Gold Bullion Securities Limited on 18 July 2008 from Gold Billion Holdings (Jersey) Limited, the immediate and ultimate parent and controlling entity of the Company is now ETF Securities Limited, a Jersey company registered No: 88370.

### 14. Financial Instruments

#### *Significant Accounting Policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

#### *Significant Terms and Conditions*

Significant terms and conditions of financial instruments are disclosed in notes 1, 6, 7 and 8.

#### *(a) Interest Rate Risk*

The company does not have significant exposure to interest rate risk as at 30 June 2009, except short term surplus cash which earns 2.5% interest.

#### *(b) Fair Value*

The carrying amount of financial assets and financial liabilities recorded in the financial statements are recorded at their fair values.

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### 15. Notes To Cash Flow Statement

	Half Year Ended 30 June 2009 \$	Half Year Ended 30 June 2008 \$
Reconciliation of Profit/(Loss) for the period to Net Cash Flows From Operating Activities <i>Profit/(Loss) for the period</i>	158,000	-
<i>Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:</i>		
<i>(Increase)/decrease in assets:</i>		
Current receivables	(41,085)	(2,184)
<i>Increase/(decrease) in liabilities:</i>		
Current tax payable	(158,000)	-
<i>Net cash used in operating activities</i>	<u>(41,085)</u>	<u>(2,184)</u>

### 16. Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial half-year that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the Company in future financial years.

### 17. Additional Company Information

ETFS Metal Securities Australia Limited is a public company incorporated and operating in Australia and admitted to the official list of the Australian Stock Exchange (ASX) under the debt listing rules. The Company's Metal Securities are quoted on the ASX under the following codes:

ETFS Physical Gold	GOLD
ETFS Physical Silver	ETPMAG
ETFS Physical Platinum	ETPMPT
ETFS Physical Palladium	ETPMPD
ETFS Physical PM Basket	ETPMPM

The Company's registered addresses and principal place of business is as follows:

Level 27, AMP Centre  
50 Bridge Street  
Sydney NSW 2000  
Australia