



Gold Bullion Securities Limited

*(Incorporated and registered in Jersey under
the Companies (Jersey) Law 1991 (as amended) with registered number 87322)*

Programme for the Issuance of up to 1,000,000,000 Lyxor Gold Bullion Securities

Supplementary prospectus

This document (the "**Supplemental Prospectus**"), which comprises a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and Article 16 of Directive 2003/71/EC, should be read in conjunction with the prospectus (the "**Prospectus**") of the Company dated 24 October 2006. Terms used in this document, unless otherwise stated bear the same meanings as in the Prospectus.

This document has been filed with the Financial Services Authority (the "**FSA**") and made available to the public in accordance with Rule PR 3.2 of the Prospectus Rules and Articles 14 and 16 of the Prospectus Directive. This document has been approved as a supplementary prospectus by the FSA under section 87A of the FSMA and Articles 13 and 16 of the Prospectus Directive.

Gold Bullion Securities Limited (the "**Company**") has established a programme under which up to 1,000,000,000 Lyxor Gold Bullion Securities may be issued from time to time, provided that the Company reserves the right to increase the number of Lyxor Gold Bullion Securities that may be issued.

Application will be made for the admission of all of the Lyxor Gold Bullion Securities to listing on the Borsa Italiana s.p.a. Public trading of the Lyxor Gold Bullion Securities on the ETFplus market of the Borsa Italiana s.p.a. (a regulated market) can occur only after the application for such admission has been approved, which is expected to occur on 20 April 2007. There can be no assurance that such admission will necessarily be approved.

This Supplemental Prospectus contains additional information in connection with the trading of the Lyxor Gold Bullion Securities on the ETFplus market of the Borsa Italiana s.p.a.

An investment in Lyxor Gold Bullion Securities involves a degree of risk. In addition to the other information contained in this document and the prospectus, the risk factors set out under the heading "*Risk Factors*" in the Prospectus should be carefully considered by prospective investors before deciding whether to invest in Lyxor Gold Bullion Securities. It should be remembered that the price of securities can go down as well as up.

The Company accepts responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge and belief of the Company (who has taken all reasonable care to ensure that such is the case) the information contained in this Supplemental Prospectus is in accordance with the facts and does not omit anything likely to affect the import of the information.

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PART 1

GENERAL

Introduction

Gold Bullion Securities Limited (the “**Company**”) was incorporated as a public limited company in Jersey on 17 March 2004 under the Companies (Jersey) Law 1991 (as amended) (the “**Law**”) under company number 87322. The Company operates under the Law and secondary legislation made thereunder. The Company’s registered office is Ordnance House, 31 Pier Road, St Helier, Jersey, Channel Islands, JE4 8PW. All of the Company’s issued ordinary shares are owned by Gold Bullion Holdings (Jersey) Limited.

The Lyxor Gold Bullion Securities are listed on the official list of the UK Listing Authority and have been admitted to trading on the Domestic Market (a regulated market) of the London Stock Exchange. The Lyxor Gold Bullion Securities have also been admitted to the Eurolist of Euronext SA, Paris (a regulated market) and have also been admitted to trading on Euronext SA.

This Supplemental Prospectus contains additional information in connection with the trading of the Lyxor Gold Bullion Securities on the ETFplus market of the Borsa Italiana s.p.a.

The Company has requested the FSA to provide the competent authority in France, the *Autorité des Marchés Financiers* (France Authority for the Financial Markets) with a certificate of approval attesting that this Supplemental Prospectus has been drawn up in accordance with Directive 2003/71/EC.

The Company has asked the FSA to provide the competent authority in Italy, the *Commissione Nazionale per le Società e la Borsa* (CONSOB) with a certificate of approval attesting that the Prospectus and this Supplemental Prospectus have been drawn up in accordance with Directive 2003/71/EC.

The Company may request the FSA to provide competent authorities in other EEA Member States with such certificates.

The FSA will remain the competent authority for the purposes of approving all prospectuses published by the Company under the Prospectus Directive.

Significant new information

Admission to trading on the ETFplus market of the Borsa Italiana s.p.a.

Application will be made for the admission of all of the Lyxor Gold Bullion Securities to listing on the Borsa Italiana s.p.a. Public trading of the Lyxor Gold Bullion Securities on the ETFplus market of the Borsa Italiana s.p.a. (a regulated market) can occur only after the application for such admission has been approved, which is expected to occur on 20 April 2007. There can be no assurance that such admission will necessarily be approved.

Société Générale SA (registered office: 29 boulevard Haussman, 75009 Paris, France; operative office: Tour Société Générale, 17 cours Valmy, 92987 Paris La Défense Cedex, France) will act as the Specialist for the Lyxor Gold Bullion Securities on the Borsa Italiana s.p.a.

Settlement and Delivery

All Lyxor Gold Bullion Securities traded on the Borsa Italiana s.p.a. will be recorded in the Register in the name of Monte Titoli s.p.a. and held beneficially for persons who have bought through the Borsa Italiana s.p.a. For those persons Monte Titoli s.p.a. will maintain its own record of holders (“**sub-register**”). All Lyxor Gold Bullion Securities traded on the Borsa Italiana s.p.a. are eligible for settlement through the normal Monte Titoli s.p.a. settlement systems on the deposit accounts opened with Monte Titoli s.p.a. Market makers and other account holders at Monte Titoli s.p.a. will be permitted to transfer securities between the Register and the sub-register and any other sub-registers applicable to other markets to which the Lyxor Gold Bullion Securities may be admitted to trading and thereby be able to move securities between the London Stock Exchange, such other markets and Monte Titoli s.p.a.

General

Taxation

Information regarding United Kingdom, Jersey and Netherlands taxation in respect of the Programme and Lyxor Gold Bullion Securities is set out in Part 7 (*General Information*) of the Prospectus. If an investor is in any doubt about the tax position, it should consult a professional adviser.

Disclaimer

No person has been authorised to give any information or to make any representation in connection with the offering of the Lyxor Gold Bullion Securities other than those contained in this Supplemental Prospectus and the Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company.

PART 2

TAXATION IN ITALY

The information set out below is a summary of certain material Italian tax consequences of the acquisition, ownership and disposition of Lyxor Gold Bullion Securities and it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Lyxor Gold Bullion Securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Italy. This summary is based on the tax laws of Italy as in effect on the date of this Supplemental Prospectus, as well as regulations, rulings and decisions of its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary. Because it is a general summary, holders of Lyxor Gold Bullion Securities should consult their own tax advisors as to the Italian or other tax consequences of the purchase, holding and disposition of Lyxor Gold Bullion Securities including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws. This summary assumes that the Company is not a tax resident nor deemed to be a tax resident of Italy.

Tax on income and capital gains

Provided the Lyxor Gold Bullion Securities qualify broadly as derivative instruments for the purposes of Italian tax law, which they are expected to do, then the following consequences apply to a holder in respect of the net proceeds received from a redemption or sale of the Lyxor Gold Bullion Securities over the sum paid by such a holder on their subscription or purchase:

- (i) proceeds from the sale or redemption of the Lyxor Gold Bullion Securities received by a holder which is (a) an Italian resident corporation or similar commercial entity, (b) an Italian individual engaged in entrepreneurial activities to which the Lyxor Gold Bullion Securities are effectively connected, (c) a permanent establishment in Italy of a non-Italian resident to which the Lyxor Gold Bullion Securities are effectively connected or (d) an Italian commercial partnership (i.e. a *società in nome collettivo*, a *società in accomandita semplice* or similar partnerships), must be included in the relevant holder's corporate or income taxes (respectively, *IRES*, applicable at 33 per cent., or *IRPEF* applicable at marginal rates ranging between 23 per cent. and 43 per cent.) determination (and, in certain cases, depending on the status of such holder, may also have to be included in its taxable base for regional tax purposes, (*IRAP*) applicable at rates between 4.25 per cent. and 5.25 per cent.) and are therefore subject to the general Italian corporate tax regime, or to personal income taxation (as business income), as the case may be, according to the ordinary rules;
- (ii) capital gains realised by Italian resident individuals, not engaged in entrepreneurial activities to which the Lyxor Gold Bullion Securities are effectively connected, by non-commercial partnerships, and by certain other non-commercial entities upon the sale for consideration or redemption of the Lyxor Gold Bullion Securities are subject to a substitute tax (*imposta sostitutiva*) currently at the rate of 12.5 per cent. Under the tax return regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, *imposta sostitutiva* on capital gains is chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised pursuant to all disposals of Lyxor Gold Bullion Securities and other financial instruments triggering a capital gain that is subject to the same tax regime, carried out during any given fiscal year. These individuals and non-commercial entities must report the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual income tax return to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years;
- (iii) as an alternative to the tax return regime, Italian resident individuals not engaged in entrepreneurial activities to which the Lyxor Gold Bullion Securities are effectively connected, non-commercial partnerships, and certain other non-commercial entities may elect to pay the *imposta sostitutiva* separately on the capital gains realised upon each sale or redemption of the Lyxor Gold Bullion Securities (under a so-called "*Risparmio Amministrato*" regime, which is managed through the provision of non-discretionary asset management services to a taxpayer).

Such a separate taxation of each capital gain is allowed subject to: (a) the Lyxor Gold Bullion Securities being deposited with an Italian bank, a *società di intermediazione mobiliare* (SIM) or with one of certain other authorised financial intermediaries, (b) each relevant capital gain being realised through such intermediary, and (c) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Commodity Security holder. The financial intermediary, on the basis of the information provided by the taxpayer, accounts for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Lyxor Gold Bullion Securities (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Lyxor Gold Bullion Securities holder. Under the *Risparmio Amministrato* regime, where a sale or redemption of Lyxor Gold Bullion Securities results in a capital loss, such loss may be used to reduce the subsequent capital gains realised within the same securities management in the same tax year and up to the following fourth. All gains that have been subject to the *Risparmio Amministrato* regime do not have to be included in the yearly income tax return of the holder of Lyxor Gold Bullion Securities;

- (iv) also as an alternative to the tax return regime, the gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Lyxor Gold Bullion Securities are effectively connected, by non-commercial partnerships, and by certain other non-commercial entities upon the sale for consideration or redemption of the Lyxor Gold Bullion Securities, who have elected for the *Risparmio Gestito* regime (namely, a regime managed by an intermediary providing discretionary management services), will be included in the computation of the annual Net Asset Value increase of the managed assets, which is subject to a 12.5 per cent. *imposta sostitutiva*, applied directly by the authorised asset manager. Under the *Risparmio Gestito* regime, any net NAV loss reported at year end may be carried forward and deducted against future NAV increases within the same securities management in the four succeeding years. All gains that have been subject to the *Risparmio Gestito* regime do not have to be included in the yearly income tax return of the holder of Lyxor Gold Bullion Securities;
- (v) proceeds from the sale or redemption of the Lyxor Gold Bullion Securities received by Italian resident common funds and hedge funds are included in the determination of the yearly NAV increase of each fund that is subject to a substitute tax currently at a rate of 12.5 per cent.;
- (vi) proceeds from the sale or redemption of the Lyxor Gold Bullion Securities received by Italian resident pension funds (subject to the regime provided for by articles 14, 14 bis, 14 ter and 14 quater, paragraph 1, of Legislative Decree 21 April 1993, no. 124 as further substituted by Legislative Decree no. 252 of 5 December 2005) are included in the determination of the year-end accrued appreciation of the assets under management that is subject to a substitute tax (*imposta sostitutiva*) currently at a rate of 11 per cent.;
- (vii) non-Italian resident holders without a permanent establishment in Italy to which the Lyxor Gold Bullion Securities are effectively connected are not subject to income tax in Italy on the proceeds realised on the sale of the Lyxor Gold Bullion Securities, provided that:
 - the Lyxor Gold Bullion Securities have been deposited in Italy and are traded on an official market; or
 - the Lyxor Gold Bullion Securities have been deposited in Italy and the holder is a resident of a country which allows a satisfactory exchange of information with the Italian tax authorities and certain filing requirements have been complied with by the holder; or
 - the Lyxor Gold Bullion Securities have not been deposited in Italy;

If, instead of being treated as derivative instruments as expected, the Lyxor Gold Bullion Securities were to be characterised as debt instruments representing so-called “atypical securities” pursuant to Article 8 of Law Decree No. 512 of 30 September 1983 (as amended) a different tax treatment would apply. Interest and other proceeds received from “atypical securities” issued by non-Italian resident Companies are subject to a 27 per cent. withholding tax applied by an Italian resident intermediary intervening in the payment save where held by a commercial partnership, a commercial private and public institution resident in Italy for tax purposes or by an Italian permanent establishment of a non-Italian resident entity. Instead these entities must include the proceeds in their taxable business income, under the same terms as described under paragraph (i) above. However, it is expected that

the Lyxor Gold Bullion Securities should qualify broadly as derivative instruments rather than as “atypical securities”.

Inheritance and Gift Taxes

Italian inheritance and gift taxes were abolished by Law no. 383 of 18 October, 2001 in respect of gifts made or succession proceedings started after 25 October, 2001 and then recently reintroduced by Law Decree no. 262 of 3 October 2006, converted with amendments into Law no. 286 of 24 November 2006, entered in force on 29 November 2006 and further modified by Law No. 296 of 27 December 2006, effective as of 1 January 2007.

Further to the above law amendments, the transfer by inheritance of the Lyxor Gold Bullion Securities in respect of succession proceedings started from 3 October 2006 is currently subject to inheritance tax at the following rates:

- (i) when the beneficiary is the spouse or a relative in direct lineage, the value of the Lyxor Gold Bullion Securities transferred to each beneficiary exceeding Euro 1,000,000 is subject to a 4 per cent. rate;
- (ii) when the beneficiary is a brother or a sister, the value of the Lyxor Gold Bullion Securities exceeding Euro 100,000 for each beneficiary is subject to a 6 per cent. rate;
- (iii) when the beneficiary is a relative within the fourth degree or is a relative-in-law in direct and collateral lineage within the third degree, the value of the Lyxor Gold Bullion Securities transferred to each beneficiary is subject to a 6 per cent. rate;
- (iv) in cases different from points (i), (ii) and (iii) the value of the Lyxor Gold Bullion Securities transferred to each beneficiary is subject to an 8 per cent. rate.

The transfer of the Lyxor Gold Bullion Securities by reason of a donation filed for registration from 29 November 2006 is broadly subject to gift tax at the following rates:

- (v) when the donee is the spouse or a relative in direct lineage, the value of the Lyxor Gold Bullion Securities gifted to each beneficiary exceeding Euro 1,000,000 is subject to a 4 per cent. rate;
- (vi) when the beneficiary is a brother or a sister, the value of the Lyxor Gold Bullion Securities exceeding Euro 100,000 for each beneficiary is subject to a 6 per cent. rate;
- (vii) when the donee is a relative within the fourth degree or a relative-in-law in direct and collateral lineage within the third degree, the value of the Lyxor Gold Bullion Securities gifted to each beneficiary is subject to a 6 per cent. rate;
- (viii) when the donee is a person not listed under previous points (v), (vi) and (vii), the value of the Lyxor Gold Bullion Securities gifted to each beneficiary is subject to an 8 per cent. rate.

If the beneficiary of the transfer for gift purposes or *mortis causa* is a qualifying heavily disabled individual under Law 5 February 1992, No. 104, the gift or inheritance tax is levied exclusively on the part of the net transferred value exceeding Euro 1,500,000.

Value Added Tax

No Italian Value Added Tax will be payable by a holder of Lyxor Gold Bullion Securities in consideration for the issue or transfer of Lyxor Gold Bullion Securities.

Securities Transfer Tax

The purchase and sale of Lyxor Gold Bullion Securities should not be subject to the Italian securities transfer tax of Royal Decree no. 3278 of 1923 and later amendments. Please note that under the mentioned securities transfer tax law, all trades executed on an official stock exchange are in any case exempt from tax.

The European Savings Directive

The EU Savings Directive (the “**Directive**”) came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for

these purposes is any economic operator who pays interest to, or secures interest for the beneficial owner, and could in relation to Lyxor Gold Bullion Securities include an Italian broker effecting the sale of Lyxor Gold Bullion Securities.

Lyxor Gold Bullion Securities are undated secured limited recourse debt obligations of the Company. However, as no return in respect of Lyxor Gold Bullion Securities (whether in the form of gold or cash on redemption, or as a result of trading on the ETFplus market of the Borsa Italiana s.p.a.) should constitute a payment of interest for the purposes of the Directive, it is not envisaged that holders or their paying agents will be within the scope of the Directive.

Implementation in Italy of the Directive

Italy has implemented the Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree No. 84**”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Reform of taxation of financial revenue

A bill of law (namely A.C. 1762/XV) was recently presented by the Government to the Italian Parliament for a delegation to be granted to the same Government to issue, within six months from the entering into force of the bill of law, one or more legislative decrees introducing a general reform of the Italian tax treatment of financial income and capital gains of a financial nature. The guidelines provided by the bill of law for this purpose include the adoption of a common rate of tax not to exceed a maximum of 20 per cent. for all the relevant withholding and substitutive tax regimes. The legislative decree to be issued by the Government within six months from the entry in force of the delegation law may provide for a deferral of effectiveness of the new tax regime of up to one year after the enactment of the same legislative decree.

PART 3

OTHER NEW INFORMATION

Directors, Secretary and Advisers

In addition to the advisers listed under “*Directors, Secretary and Advisers*” in the Prospectus, the following are also the Company’s legal advisers in Italy in relation to the Programme:

Italian Legal Advisers to the Issuer:

Studio Legale Cieri Crocenzi

Via A. Bertoloni, 41

00197 Roma

Italy

