

Ground Rules for the Management of The FTSE Gold Mines Indices

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1.0 INTRODUCTION

1.1 Ground Rules

This paper sets out the Ground Rules for compilation and management of the FTSE Gold Mines Index ("the Index") as adopted by the FTSE Policy Group. Copies of the Ground Rules are available from FTSE.

1.2 Objectives

The FTSE Gold Mines Index is designed to reflect the performance of the world-wide market in the shares of companies whose principal activity is the mining of gold. Eligibility is based on the quantity of gold production. All Index values are denominated in US dollars.

1.3 Status of Index

1.3.1 The Index and Regional Indices will be calculated once daily at approximately 21.30 hours London time following the close of business on the New York and Toronto Stock Exchanges.

1.3.2 The Index will be calculated daily from Monday to Friday and published immediately following calculation. The Index will not be calculated when all the relevant stock markets are closed (see rule 1.3.3).

1.3.3 Indicative Calculation

An indicative calculation may be undertaken when problems occur with corporate data. This will be clearly stated in a notice to users. The indicative calculation will be subject to a recalculation (if/when the missing data becomes available) under Rule 6.1.

1.3.4 Partial Calculation

The Index will be calculated on a partial basis on the weekdays which are public holidays in one of more of the stock markets from which prices are normally drawn. A foreign exchange rate update will be applied to the previous day's index value for the market(s) closed.

2.0 MANAGEMENT RESPONSIBILITIES

2.1 FTSE Policy Group

2.1.1 The FTSE Policy Group advises on the creation of new indices and reviews the ongoing management of the FTSE family of indices. The FTSE Policy Group ensures compliance with the high standards which apply to all FTSE's Indices and assists in determining development priorities. It approves major policy matters and monitors the activities of the other Committees. Significant exceptions and/or changes to the Ground Rules may be made only as permitted by Rule 10.1.

2.2 FTSE Gold Mines Indices Committee

2.2.1 The FTSE Gold Mines Indices Committee is established by FTSE. The Committee is responsible for undertaking the periodic review of constituents and for approving changes of constituents.

2.3 Chairmen and Deputy Chairmen

2.3.1 FTSE will appoint a Chairman and Deputy Chairman of the Policy Group. The Policy Group will appoint the Chairman, Deputy Chairman and members to the FTSE Gold Mines Indices Committee. The Chairman, or in his absence Deputy Chairman, will chair meetings of the committee and will represent that committee outside meetings.

2.3.2 The Chairman and Deputy Chairman of the FTSE Gold Mines Indices Committee will be responsible for approving constituent changes to the FTSE Gold Mines Indices between meetings of the Committee on advice from the Secretary to the Committee and as permitted and as specified by these Ground Rules. Two nominated deputies will be appointed from the Committee to deputise for the Chairman in his/her absence.

2.4 Secretary to the Policy Group and Gold Mines Indices Committees

2.4.1 A Secretary to the Policy Group and Gold Mines Indices Committee will be appointed by FTSE to support the work of the Policy Group/Indices Committee. The Secretary will maintain a record of constituent changes to the FTSE Gold Mines Indices and will be responsible for the timely publication of all constituent changes.

2.4.2 The Secretary will be responsible for conducting the periodic review of the FTSE Gold Mines Indices and will recommend for the approval of the Gold Mines Indices Committee which companies, if any, should be inserted and deleted at the periodic review.

2.0 MANAGEMENT RESPONSIBILITIES

2.4.3 Other than the periodic review, the Secretary will seek the approval of the Chairman of the Gold Mines Indices Committee before removing or inserting constituents to the FTSE Gold Mines Indices. In the absence of the Chairman, the views of his/her nominated deputies shall be sought. The Chairman (or his/her deputies) may request that a full meeting of the Committee be convened to consider a proposed change of constituent should any one of them consider it appropriate to do so. The Secretary will inform the Gold Mines Indices Committee of all constituent changes as soon as possible after the change has been approved and he/she will be responsible for the timely publication of changes of constituents.

2.5 FTSE

2.5.1 FTSE is responsible for the operation of all the FTSE Gold Mines Indices. FTSE will maintain records of the market capitalisation of all constituents and monitored companies and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will carry out the semi-annual review in June and December and the resulting constituent changes will be implemented after the close of business on the third Friday in June and December.

2.5.2 Changes to constituent weightings will be made by FTSE in accordance with the Ground Rules. FTSE will inform the Secretary to the Policy Group/Indices Committee of all changes to constituent weightings as soon as possible after the new weightings have been determined. FTSE will be responsible for publicising and keeping a record of all changes to constituent weightings. The weightings of constituents in the real time Indices shall be used in the calculation of the end of day Indices.

3.0 ELIGIBLE SECURITIES

3.1 Gold Production

3.1.1 Any gold mining company, with a sustainable attributable share of production from mining *in situ* ore of 300,000 oz/year or more, is eligible for inclusion in the Index. To demonstrate this a potential entrant must produce the equivalent of at least 75,000 ounces per quarter for two consecutive calendar quarters or one six-month period.

3.1.2 In exceptional circumstances, following a corporate event, the Committee may allow a company which has produced the equivalent of 75,000 ounces for one calendar quarter to enter the Indices. A new entrant to the Indices will be exempted from ground rule 3.1.2 until it has 4 quarters worth of gold production figures as a constituent of the Indices.

3.1.3 To remain eligible, constituents must exceed the minimum gold output level of 300,000 ounces per annum for the equivalent of two consecutive quarters or one six-month period. For example;

XYZ gold mine's production is as follows:

For the four quarters to March	- 156,000 ounces of gold
For the four quarters to June	- 234,000 ounces of gold
For the four quarters to September	- 363,000 ounces of gold
For the four quarters to December	- 453,000 ounces of gold

XYZ gold mine's, having achieved gold production of over 300,000 ounces for two successive quarters is now eligible for inclusion in the Index.

The decision on inclusion will be taken at the following semi-annual review - see Rule 9.1.

3.1.4 An eligible company formed as a result of the merger of two established, but individually ineligible, gold mining companies will be considered for immediate inclusion in the Index - see Rule 9.2 and Rule 3.3.3 (vi)

3.1.5 An existing constituent will be considered for deletion from the Index if its output, measured on a rolling four-quarter basis, falls below the 300,000 oz/ year level for two consecutive quarters or one six-month period, as a result of progressively diminishing grades of ore. The decision on its status as a constituent will be taken at the subsequent semi-annual review.

3.1.6 If the closure or partial closure, or sale or partial sale (voluntary or involuntary) of a mine is the reason for a drop in a constituent's attributable production to below 300,000 oz/year, it will be considered for immediate deletion.

3.1.7 A constituent which closes or disposed of its gold mining activities will be deleted immediately.

3.0 ELIGIBLE SECURITIES

3.2 Corporate Activity

3.2.1 To be included in the Index, an eligible gold mining company must derive 51 per cent or more of its revenue from mined gold.

3.2.2 Diversification into other metals, minerals or other activities may require deletion under this Rule, but will be subject to review for two consecutive quarters before any action is considered.

3.2.3 Any change of corporate focus, which causes a further dilution of the importance of primary gold mining, will lead to immediate deletion.

3.3 Investibility

3.3.1 Only ordinary / common shares are eligible for inclusion in the Index.

3.3.2 If a company, eligible on the production and gold shares criteria, secures a stock market listing and exceeds the minimum free float requirement of 5% (conditional), it will be considered for immediate entry.

3.3.3 The FTSE Gold Mines Indices are adjusted for free float, cross-holdings and foreign ownership limits. "Free float" is defined as the proportion of ordinary/common shares available for purchase by the investing public

(i) Free float restrictions include:

- a) trade investments in an index constituent either by another constituent (i.e., cross-holdings) or non-constituent company or entity,
- b) significant long term holdings by founders, their families and/or directors,
- c) employee share schemes (if restricted),
- d) government holdings,
- e) foreign ownership limits,
- f) portfolio investments subject to a lock-in clause, for the duration of that clause.

(ii) The following are not considered as restricted free float:

- a) portfolio investments,
- b) nominee holdings (including those supporting ADRs & GDRs), unless they represent restricted free float as defined by 3.3.3 (i) above,
- c) holdings by investment companies.

3.0 ELIGIBLE SECURITIES

- (iii) Free float restrictions will be calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.
- | | | | |
|----|---|---|---------------------|
| a) | free float less than or equal to 15% | = | see rule 3.3.3 (iv) |
| b) | free float greater than 15% but less than or equal to 20% | = | 20% |
| c) | free float greater than 20% but less than or equal to 30% | = | 30% |
| d) | free float greater than 30% but less than or equal to 40% | = | 40% |
| e) | free float greater than 40% but less than or equal to 50% | = | 50% |
| f) | free float greater than 50% but less than or equal to 75% | = | 75% |
| g) | free float greater than 75% | = | 100% |
- (iv) However, a company that has a free float greater than 5% but less than or equal to 15% will be eligible for the index providing the market capitalisation of its available float is greater than the average company's free float capitalisation within the country index, and it qualifies in all other respects. The actual free float will be rounded up to the next highest whole number percentage.
- (v) The FTSE Gold Mines Index will be periodically reviewed for changes in free float. These reviews will coincide with the quarterly reviews undertaken by FTSE. Implementation of any changes will be after the close of business on the third Friday in March, June, September or December.
- (vi) A constituent's free float will also be reviewed and adjusted if necessary following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is no corporate action, the change in free float will be applied as soon as practicable after the corporate event, subject to Rule 3.3.3 (vii) below.
- (vii) Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float is more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent band. This 5 percentage points threshold does not apply if the change is greater than 10 percentage points for the bands between 20% and 50% and 25 percentage points for the bands between 50% and 100% or to the 15% limit in 3.3.3 (iii) (a).
- (viii) Foreign ownership limits, if any, will be applied after calculating the actual free float restriction, but before applying the bands detailed in 3.3.3 (iii) above. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied. If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to the bands in Rule 3.3.3 (iii).

3.0 ELIGIBLE SECURITIES

3.4 Allocation of Stocks to Countries

3.4.1 In principle, stocks are classified by the country where the quoted company is legally incorporated.

3.4.2 Where a share listing and significant trading are on an exchange in the country of incorporation, the stock will be allocated to that country.

3.4.3 If the criteria in (3.4.2) are not met, the Gold Mines Committee may make an exception if the stock market listing, share trading and /or share ownership clearly warrant a different allocation.

3.4.3 A quoted company will be allocated to the same, single country throughout all FTSE's indices.

3.5 Corporate Information

3.5.1 To be included in the Index, a company must publish quarterly or six-monthly operating reports.

4.0 DATA SOURCES

4.1 Stock prices

4.1.1 Prices used will be last traded or mid-prices taken at official market close in the stock exchange where the principal market in an eligible company's shares takes place, or from any other appropriate market.

4.2 Exchange rates

4.2.1 Exchange rates used for the Index will be the WM/Reuters Closing Spot Rates, taken at 1600 hours London time.

5.0 BASIS OF CALCULATION

- 5.1 The Index will be calculated on an arithmetic, full market capitalisation basis and will be denominated in US dollars throughout.
- 5.2 Regional Indices for Europe/Middle East/Africa, Asia Pacific, and Americas will be calculated.
- 5.3 The Index is designed to be open-ended: there will be no fixed number of constituents and no set number of regions.
- 5.4 Base value for the Index and for each Regional Index is 1000.00 at close of business on Thursday, 31 December 1992.
- 5.5 Dividend yields will be calculated on the Index and Regional Indices.
- 5.6 Total Return Indices will be calculated on the Index and Regional Indices.

6.0 RECALCULATIONS

- 6.1 If data errors cause a variance greater than 0.25 per cent from the correct values for the Index or the Regional Indices, a recalculation will be carried out and the corrected figures published.

7.0 SUSPENSIONS

- 7.1 In the event that a constituent is suspended, the constituent may remain in the Index, at the price at which it is suspended, for up to ten business days. During this time, the constituent may be deleted with immediate effect either at its suspension price or, if insolvency is suspected, at a nominal value (eg US\$.01)
- 7.2 Where a suspension of a constituent lasts beyond the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the Index on the eleventh trading day at a nominal value.
- 7.3 If a suspended constituent is removed and is subsequently relisted and is eligible for inclusion in the Index, it may be reinstated at the value at which it was removed.

8.0 OPERATION OF THE INDEX

- 8.1 FTSE is responsible for the operation of the FTSE Gold Mines Index. FTSE will maintain records of the gold production and corporate details of all constituents and potential entrants and will make changes to the constituents and their weightings in accordance with these Ground Rules.
- 8.2 While FTSE shall use all reasonable endeavours to ensure that all information set out in the Index is correct, it cannot be responsible for any errors or omissions or losses incurred by users of the Index.

9.0 REVIEW OF INDEX

- 9.1 The Index constituents and companies considered for addition or deletion will be reviewed twice a year in June and December by the Committee nominated by the FTSE Policy Group for this purpose.
- 9.2 When these rules call for action between semi-annual meetings of the Review Committee, FTSE will, as far as practical, consult with members of the Committee before implementing change.
- 9.3 All changes to the Index, its Regional Indices and Constituents will be announced immediately.

10.0 AMENDMENTS TO THE GROUND RULES

- 10.1 In the event that the FTSE Gold Mines Indices Committee or any of those responsible for the operation and administration of the FTSE Gold Mines Indices consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of the Chairman (or his/her deputies) of the FTSE Gold Mines Indices Committee, who will normally put the matter to the full FTSE Gold Mines Indices Committee for a decision. If, however, the matter is urgent, the Chairman (or his/her deputies) are empowered to authorise an exception on behalf of the FTSE Gold Mines Indices Committee but must immediately notify, and subsequently refer the matter to, a meeting of the Gold Committee. Where an exception is granted to the Ground Rules under Rule 10.1, it shall not be deemed to create a precedent for future decisions of the FTSE Gold Mines Indices Committee. Significant changes to these Ground Rules can be authorised only by the FTSE Policy Group.

11.0 APPEALS AGAINST DECISIONS OF THE COMMITTEES

- 11.1 A constituent or prospective constituent company (or agent acting on behalf of the company) may appeal against the decisions of the FTSE Policy Group or FTSE Gold Mines Indices Committee on two grounds;
- (a) that the Committee acted outside of the Ground Rules for the Management of the FTSE Gold Mines Indices; or
 - (b) that the Committee when reaching its decisions failed to take into consideration a substantial and material fact. A substantial and material fact is defined as a fact which would have influenced the decision of the Committee if it had been considered.
- 11.2 A request for an appeal must be made in writing to the Secretary to the Policy Group/Gold Mines Indices Committee and must be received within six months of the application of the event giving rise to the appeal.

12.0 FURTHER INFORMATION

For further information and enquiries log on to: www.ftse.com

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