

## **SELECT COMMITTEE ON THE PERTH MINT AND COMMONWEALTH REGULATORY COMPLIANCE**

**Response by The Perth Mint to Questions on Notice received on 9 February 2024 from Senator the Hon Linda Reynolds CSC**

### **Question 1: Governance of Gold Corporation Interim Report**

*Regarding section 1.15 of the Interim Report which outlines the Governance arrangements for Gold Corporation.*

- a) *Provide a copy of the Strategic Development Plan and Statement of Corporate Intent for Gold Corp for each year since 2014?*

### **Response**

- a) In accordance with its obligations under the *Gold Corporation Act 1987* (WA) (GC Act), Gold Corporation, trading as The Perth Mint (The Peth Mint), prepares and submits to the Minister a Statement of Corporate Intent (SCI) and a Strategic Development Plan (SDP) every year.

A copy of the SCI for each year from 2013-14 to 2023-24 is attached (Appendices 1-11).

The Perth Mint SDP is submitted by the Minister to the Expenditure Review Committee, which is a subcommittee of State Cabinet. Accordingly, The Perth Mint's SDPs are regarded as confidential records of Cabinet and cannot be provided to the Committee.

### **Question 2: Gold Corp Divests Itself of Perth Mint Physical Gold Exchange Traded Fund Interim Report**

*Regarding section 2.7 of the Interim Report of the Select Committee on the Perth Mint and Regulatory Compliance provide the following information regarding the physically – backed Gold exchange traded fund.*

- a) *When did the Perth Mint decide to set up a physically gold-backed Exchange Traded Fund (ETF)?*
- b) *Was the Responsible Minister or WA Treasury briefed on the introduction of the ETF?*
- c) *Did any Gold Corporation Directors or Key Management Personnel declare an interest in Exchange Traded Concepts LLC?*
- d) *Did the Perth Mint use any external advisors or consultants in setting up the Gold ETF? If yes, provide details about the external advisors used?*

### **Response**

**Note 1:** The Perth Mint respectfully notes that it is inaccurate to characterise the divestment decision as an example of The Perth Mint “not properly adhering to regulatory frameworks” as is currently stated in section 2.5 of the Interim Report.

**Note 2:** An Exchange Traded Fund (ETF) is an investment fund that trades on a stock exchange, in the same manner as shares. The Perth Mint's divestment of its ETF in 2020 was a financial decision based on the ETF's slower than expected fund inflows which reflected the challenges of building US market share for non-US based companies.

- a) Around 2017, The Perth Mint made the decision to launch an ETF. The product was listed on the New York Stock Exchange in July 2018, and officially launched in July 2019.
- b) Yes.
- c) No.
- d) Yes, Exchange Traded Concepts limited liability company (LLC) were engaged as The Perth

Mint's primary partner and co-sponsor in setting up the ETF. The Perth Mint also engaged a range of other external parties, including to provide specialist advice. The main parties engaged were: Morgan Lewis (legal), BNY Mellon (fund administration) and Virtu Financial (Authorised Participant).

### **Question 3: London Bullion Market Association Incident Review - Supply Chain Interim Report**

*Regarding section 2.12 to 2.15 of the Interim Report outlining the issues around the London Bullion Market Association incident review – supply chain at the Perth Mint.*

- a) *When did the Perth Mint first become aware that they had potentially sourced gold from Papua New Guinea?*
- b) *When did the Perth Mint notify the Responsible Minister or WA Treasury of the issue?*

### **Response**

**Note 3:** The LBMA is an international trade association based in London. The LBMA is considered the global precious metals authority and maintains a Good Delivery List of refiners, which produce bars to specified standards and comply with the Responsible Gold Guidance (RGG) under the LBMA Responsible Sourcing Program.

- a) Since Gold Corporation acquired full ownership of its Refinery in 2010, it has refined gold sourced from Papua New Guinea (PNG), largely from listed multinational mining companies. At all times, this supply has been subject to the RGG requirements of the LBMA, which include an annual audit by an LBMA-approved service provider.

The Perth Mint currently receives non-artisanal and small-scale (non-ASM) gold sourced from PNG by a large, listed mining company. In accordance with its confidentiality obligations under the GC Act, The Perth Mint is precluded from disclosing information regarding previous, current or potential customers.

In relation to historical matters associated with ASM sources of gold from PNG, as stated in The Perth Mint's written response to questions taken on notice at the Committee hearing on 3 November 2023 and tabled on 24 November 2023: in mid-2020 the Chair Mr Sam Walsh AO and the Board became aware of concerns related to the then operational practice of refining extremely small quantities of gold from ASM mines in PNG.

In June 2020, The Perth Mint ceased accepting gold from ASM sources outside of Australia. In addition, under Mr Walsh's leadership, an external organisation with relevant expertise was engaged to conduct a review of this matter.

In June 2020, LBMA commenced an Incident Review Process (IRP) in relation to the ASM issue. In August 2020, LBMA advised that the IRP had concluded and found no instances of zero tolerance non-conformance with its RGG.

The LBMA confirmed that The Perth Mint remained on the LBMA Good Delivery List and continues to be compliant with the LBMA Responsible Sourcing Program. The LBMA noted that there were areas for improvement in The Perth Mint's risk assessment processes, which were addressed by The Perth Mint through a Corrective Action Plan.

The resolution of this supply chain matter has been in the public domain through information from The Perth Mint, the LBMA and media reports since August 2020.

- b) The Chair notified the then responsible Minister, former Premier Mark McGowan, when the concerns regarding ASM gold from PNG were raised.

### **Question 4: Euro Pacific Bank Ceases to be a Perth Mint Client Interim Report**

*Regarding section 2.16 to 2.21 of the Interim Report which outlines the Perth Mint's relationship with the Euro Pacific Bank:*

- a) *What services did the Perth Mint provide to Euro Pacific Bank clients? In reference to the answer in **Part a**, can you provide for each reporting period how much gold in monetary terms the Perth Mint held on behalf of Euro Pacific Bank Clients?*
- b) *Does the Perth Mint hold any of its physical gold overseas?*
- c) *What contractual arrangements existed between Perth Mint and the Euro Pacific Bank and or Euro Pacific Capital?*
- d) *What date did the Perth Mint first start holding Gold on behalf of Euro Pacific Bank clients?*
- e) *Did any Perth Mint Board Directors or Key Management Staff declare a prior relationship with Euro Pacific Bank or Euro Pacific Capital prior to the Perth Mint conducting business with the bank?*
- f) *Did any Perth Mint Directors or executive staff declare a relationship with Peter Schiff?*
- g) *Did any Perth Mint Directors or Key Management Personnel declare having bank accounts with the Euro Pacific Bank?*
- h) *Did any external advisors or consultants provide advice to the Perth Mint on doing business with Euro Pacific Bank?*
- i) *Did the Perth Mint do any KYC on any of the Euro Pacific Clients they held gold for? If yes, please provide the details?*
- j) *How much revenue did the Perth Mint receive from the Euro Pacific Bank during the duration of their business relationship?*
- k) *How much dividend realisation did the WA State Government receive as a result of the business relationship between the Perth Mint and the Euro Pacific Bank?*
- l) *Did any Australian Federal Government Agency or International Government Agency provide information to the Perth Mint about the Euro Pacific Bank or express concern about the bank at any time? If so, who, when and how?*

### **Response**

- a) In accordance with its confidentiality obligations under the GC Act, The Perth Mint is precluded from disclosing information regarding previous, current or potential customers.
- b) The Perth Mint holds gold, silver, platinum and palladium in a number of secure locations. The vast majority of The Perth Mint's physical metal stock is held in Australia. The GC Act provides that The Perth Mint may maintain storage and safekeeping facilities to international standards for gold and other valuable objects. This provision has underpinned the operation of The Perth Mint's Depository Program for precious metals since 1994.

For the purposes of risk mitigation, the holdings are dispersed across a number of secure locations. These holdings are understood to be protected by the Government Guarantee, for which the GC Act also provides.

In practice, these holdings are covered by The Perth Mint's comprehensive insurance program, which would be expected to cover the value of the metal in the event of loss or theft. The cost of this insurance is carried by The Perth Mint and reflected in the depository fee paid by investors for allocated gold and silver. The precise location of The Perth Mint's holdings is confidential, for commercial and security purposes.

c)-d) Refer to a).

e)-h) No.

i)-k) In accordance with its confidentiality obligations under the GC Act, The Perth Mint is precluded from disclosing information regarding previous, current or potential customers.

l) As advised in The Perth Mint's response to questions on notice tabled to the Committee on 24 January 2023, The Perth Mint maintains strong and collaborative relationships with state and federal law enforcement agencies to support their efforts to disrupt and prosecute financial crime

and other criminal activity. Information sharing activities between The Perth Mint and law enforcement agencies is confidential.

**Question 5: One-Future Enterprise Resource Planning Program Interim Report**

*Regarding section 2.22 to 2.29 of the Interim report which outlines the One-Future Enterprise Resource Planning Program (ERP) at the Perth Mint.*

- a) *What was the projected cost and actual cost for each financial year since 2014 for the implementation of the ERP program and the replacement of the existing e-commerce platform and digital experience as outlined in section 2.23 and 2.26 of the interim report?*
- b) *Did the ERP system work when it was launched in November 2021?*
- c) *Who were the external advisors, consultants and parties used in implementing the ERP program and replacement of the e-commerce platform?*
- d) *Did any Perth Mint consultant, director or executive declare a conflict of interest in the ERP program procurement?*
- e) *Please describe the tender process that was used for the ERP Program?*

**Response**

- a) See below actual and projected spend for each year since 2013/14. Please note that ‘Projected Spend’ figures are based on the Budget Estimate number included within the WA Government Budget Papers for the relevant year.

	<b>Actual Spend (\$'000)</b>	<b>Projected Spend (\$'000)</b>
2013/14	824	3,000
2014/15	57	2,000
2015/16	1,685	2,500
2016/17	5,618	2,000
2017/18	3,806	5,300
2018/19	5,366	3,600
2019/20	9,209	10,201
2020/21	14,338	8,282
2021/22	14,161	11,594
2022/23	-	-

- b) Yes, the enterprise resource planning (ERP) system was operational when it was launched. Confirmation that the system was fully operational in 2021 was provided to the WA Parliament on 8 December 2021 in response to Legislative Council Question Without Notice No. 1119.
- c) As stated in the WA Parliament on 16 November 2021 in response to Legislative Assembly Question on Notice 237, numerous consultants were used in various capacities for the One Future project. The three largest vendors by spend were (in alphabetical order); Churchill Consulting (Project Manager); Microsoft (ERP Provider); and PwC (ERP Implementation Partner).
- d) As stated in the WA Parliament on 16 November 2021 in response to Legislative Assembly Question on Notice 237, The Perth Mint’s Board and senior staff included former employees of firms that performed work on the One Future project. All parties were engaged on an arms-length basis and all senior staff and Board members were subject to appropriate Conflict of Interest policies.
- e) A full Request for Proposal Process was conducted with the key evaluation criteria being solution fit; ability to partner; and total cost of ownership.

## **Question 6: Gold Corp AUSTRAC Registration and Reporting Failures Interim Report**

Regarding section 2.30 to 2.35 of the Interim Report which outlines Gold Corp registration and reporting failures with AUSTRAC.

- a) When did the Gold Corp advise the Responsible Minister that it had not registered with AUSTRAC as a Remittance Service Provider under the AML/CTF act?
- b) Has the Perth Mint ever reported any suspicious matter reports (SMR) or Threshold Transaction Reports (TTR) breaches to AUSTRAC? If yes, how, and when?
- c) Has the Perth Mint committed any breaches under the “fail to” provisions of the Financial Transactions Report Act 1998 with regards to non-compliance of designated service reporting under the AML/CTF Act? If yes, please provide the number, dates, and type?

### **Response**

- a) The Perth Mint registered as a remittance service provider (RSP) on 5 March 2021. At this time, the Westminster Caretaker Convention was in effect, ahead of the State election held on 13 March 2021.

It is a matter of public record that the then CEO of The Perth Mint did not advise the then responsible Minister, former Premier Mr McGowan, regarding the registration. Mr Bill Johnston MLA was appointed Responsible Minister in April 2021, and shortly after that The Perth Mint team advised Mr Johnston of its recent registration with AUSTRAC.

- b) AUSTRAC defines a ‘threshold transaction’ as the transfer of physical currency (cash) of AUD 10,000 or more (or the foreign currency equivalent) as part of providing a designated service.

A transfer can include receiving or paying cash. If an entity provides a designated service that involves a threshold transaction, the entity must report these transfers to AUSTRAC in a threshold transaction report (TTR) within 10 business days.

While The Perth Mint was accepting cash payments, it submitted TTRs to AUSTRAC, in accordance with its obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Act).

Since July 2021, The Perth Mint has not accepted cash, or payments by cheque or money order at its premises.

In accordance with its obligations under the AML/CTF Act, The Perth Mint lodges Suspicious Matter Reports (SMRs) with AUSTRAC where appropriate to do so.

The Perth Mint requires customers purchasing bullion products worth AUD 2,000 or more to present appropriate identification documentation prior to sale. This represents a stricter threshold than what is prescribed by the AML/CTF Act, which requires regulated entities to conduct applicable customer identification procedures for purchases of bullion products worth AUD 5,000 or more.

The Perth Mint also conducts a range of pre- and post-transaction checks on its customers, in accordance with guidance from AUSTRAC.

If The Perth Mint considers a transaction or a customer is suspicious, it lodges a SMR with AUSTRAC. Due to the ‘tipping off’ prohibitions in the AML/CTF Act, The Perth Mint cannot reveal whether it has lodged an SMR.

- c) The Perth Mint respectfully notes AUSTRAC’s public advice that the *Financial Transaction Reports Act 1988* (Cth) (FTR Act) imposes certain obligations on solicitors and entities known as ‘cash dealers’ under the FTR Act. However, because the obligations specified in the FTR Act have largely been replaced by obligations under the AML/CTF Act, the FTR Act now mostly affects solicitors, and motor vehicle dealers who act as insurers or insurance intermediaries.

In relation to the AML/CTF Act, The Perth Mint’s Enforceable Undertaking (EU) with

AUSTRAC, which was made publicly available on 23 November 2023, outlines instances of failures by The Perth Mint in relation to relevant provisions of the AML/CTF Act.

The Perth Mint has publicly acknowledged its historical shortcomings and non-compliance. The Perth Mint is working hard to complete its comprehensive and fully funded Anti Money Laundering (AML) Remediation Program to strengthen these systems and processes.

In paragraph 16 of the Enforceable Undertaking, it is noted that The Perth Mint requested that the external audit be expanded to include consideration of whether its Remediation Program is appropriate to deliver effective remediation of issues identified by AUSTRAC.

Importantly, paragraph 16 of the EU document also notes that the external auditor's report confirmed that The Perth Mint's AML Remediation Program is appropriate to deliver effective remediation of these issues.

Under the EU, The Perth Mint's implementation of the AML Remediation Program is being monitored by an independent external auditor, who will prepare reports to be provided to AUSTRAC every six months until the Remediation Program is complete.

In accordance with the terms of the EU, The Perth Mint must complete the AML Remediation Program by 30 April 2025.

#### **Question 7: Perth Mint Goes Cashless Interim Report**

*Regarding section 2.36 to 2.37 of the Interim report which outlines the Perth Mint discontinuing cash transactions.*

a) *What is the outcome of the review referenced in section 2.37 of the Interim Report?*

#### **Response**

a) The review was conducted in consultation with The Perth Mint's transactional banking partners and affirmed that The Perth Mint does not accept cash payments. The Perth Mint's cashless payment policy is clearly stated on The Perth Mint's website and in its various Terms and Conditions documents as follows: The Perth Mint does not accept payment by cash, cheque or money order.

#### **Question 8: Shanghai Gold Exchange Standard Breached Interim Report**

*Regarding section 2.38 to 2.45 of the Interim Report which outlines the Gold Standard purity issues at the Perth Mint.*

- a) *How much Gold in monetary terms did the Perth Mint sell to the Shanghai Gold Exchange that did not meet their specifications?*
- b) *Why did the Perth Mint board not immediately notify the responsible Minister of the issue outlined in section 2.38 of the Interim Report?*
- c) *Is the London Bullion Market Association still conducting investigations into Perth Mint's compliance and management systems?*
- d) *Is the Perth Mint still accredited with the Shanghai Gold Exchange?*
- e) *Are there any Gold exchanges that the Perth Mint has been previously accredited, but is not currently accredited with?*

#### **Response**

**Note 4:** As advised in the response to Question 3 above, the LBMA maintains a Good Delivery List of refiners, which produce bars to specified standards and comply with the RGG under the LBMA Responsible Sourcing Program.

**Note 5:** The 'gold standard' refers to a monetary system in which the standard economic unit of account is based on a fixed quantity of gold. The Commonwealth of Australia ceased utilising the

gold standard in 1932, and the gold standard is not currently used by any government.

In relation to gold bullion products, The Perth Mint adheres to requirements that the percentage of gold in a bullion product is the same or higher than the purity stamped on the product.

**Note 6:** As advised in The Perth Mint's written response to questions taken on notice at the Committee hearing on 3 November 2023 and tabled on 24 November 2023, in 2021 there was a production issue related to the non-conformance of a limited number of gold kilogram bars with the unique non-gold specifications of the Shanghai Gold Exchange (SGE).

As publicly stated by The Perth Mint, the then Premier Mr McGowan and the then Minister Mr Johnston MLA, there were no issues regarding the gold purity of products manufactured by The Perth Mint in 2021 (or since). The Perth Mint continues to produce one-kilogram bullion bars with an average minimum gold purity of 99.996%, well above the required purity of 99.990%.

- a) As stated in the WA Parliament on 14 March 2023 by the then Premier Mr McGowan, the issue raised in September 2021 related to two gold one-kilogram bars. An estimate of the monetary value of these bars, based on the spot price of gold at 9:00 AWST on 30 September 2021, is AUD 78, 120 per bar, or an estimated total of AUD 156,240.
- b) In October 2021, the then CEO notified the Board that a limited number of gold bars did not conform to the non-gold specifications of the SGE. It is a matter of public record that this was a production matter that was promptly resolved at an operational level and the Minister was appropriately advised. The resolution of this operational matter has been in the public domain since March 2023 through statements by Mr Walsh and The Perth Mint, as well as media reports.
- c) As noted by the State of Western Australia in its submission to the Committee in July 2023, on 4 April 2023 the LBMA publicly announced that it had concluded its IRP and affirmed that The Perth Mint remains on the LBMA Good Delivery List as an accredited refiner.
- d)-e) The Perth Mint is accredited by the LBMA as a Good Delivery List refiner. For other international gold exchanges, including the Shanghai Gold Exchange, The Perth Mint must meet various requirements to obtain membership which allows its products to be traded on those exchanges. A key requirement for these other gold exchanges is the maintenance of LBMA accreditation. Information regarding The Perth Mint's accreditation and memberships is available on The Perth Mint's corporate website and in The Perth Mint's Annual Report 2022-23, which supersedes information published prior to 2023.

#### **Question 9: GoldPass app Discontinued Interim Report**

*Regarding section 2.46 to 2.49 of the Interim Report which outlines the Perth Mint GoldPass app.*

- a) *When did the Perth Mint first start considering establishing the GoldPass App?*
- b) *Was the Perth Mint GoldPass initiated by the Gold Corp Board or was it first proposed by a consultant or third party? If not by Gold Corp, who and when?*
- c) *Did the Perth Mint hire any external advisors or consultants to advise on and set up the GoldPass App? If yes, who and for how much?*
- d) *Did the Perth Mint hire any risk consultants or lawyers to advise on the regulatory and compliance risks with the Perth Mint GoldPass app? If yes, who how and when?*
- e) *How did customers sign up to the Perth Mint Gold Pass?*
- f) *Did the Perth Mint conduct KYC checks on all its GoldPass customers?*
- g) *How was the Perth Mint Gold Token traded on the GoldPass app?*
- h) *Was the Perth Mint aware of United States Government compliance concerns with the Perth Mint GoldPass app as outlined in section 2.50 to 2.54 of the Interim Report?*

## **Response**

**Note 7:** The GoldPass app entailed the purchase or sale of a digital GoldPass certificate which recorded an entitlement to gold (or silver) backed by precious metal held by The Perth Mint. During its period of operation, the app was available to customers based in Australia or the US.

As stated in the WA Parliament on 9 May 2023 in response to Question on Notice 715, the gold (and silver) in GoldPass accounts was unallocated metal. The customer did not own the metal but rather held an entitlement to metal in The Perth Mint's inventory.

The customer could either sell the entitlement back to The Perth Mint at the prevailing gold (or silver) price or pay a fabrication fee to convert the entitlement into physical metal, at which point the customer would take ownership of the gold (or silver).

In line with its public statements in March 2023, The Perth Mint undertook an orderly winddown of the GoldPass app from April to November 2023. The Perth Mint ceased offering GoldPass on 30 November 2023.

- a) In 2017-18, The Perth Mint commenced discussions with a private company InfiniGold (now Trovio) to utilise its digital platform to develop the GoldPass app. On 3 October 2018, The Perth Mint launched GoldPass for Australian-based accounts only. In June 2020, the GoldPass app was launched for US-based accounts.
- b) GoldPass was proposed by the then Perth Mint Treasurer and was subsequently approved by the then Board in February 2018.
- c-d) Yes, The Perth Mint engaged external parties to provide specialist advice in relation to GoldPass. The main external parties engaged were: Corrs Chambers Westgarth (legal advice), Jones Day (legal advice), Zirilio Cyber Security (penetration testing) and Casobe (overview of privacy impact).
- e) An individual could download the app, complete the required steps to open an account and complete onboarding and verification requirements. As stated on 14 February 2023 in the WA Parliament in response to Legislative Assembly Question on Notice 652, downloading the GoldPass app and opening an account were separate processes, and not all downloads led to the user opening an account. A user with an account that is verified/open could trade, but the user may elect to not be active.
- f) Yes. A prospective customer was required to provide appropriate identification documents and a know your customer (KYC) check was undertaken via Trulioo, a company that provides electronic identity and address verification of both individuals and businesses. Trulioo is a well-regarded multinational company engaged by many organisations to verify the identity of their customers as part of KYC verification. If any prospective customer was not able to be verified by Trulioo, the individual was directed to a Perth Mint customer service team, who undertook manual checks to verify the individual The Perth Mint required that KYC verification had to be successfully completed before the GoldPass account was deemed verified. Only customers with a verified account could trade via the GoldPass app. All GoldPass accounts were subject to transaction monitoring, due diligence and reporting, in accordance with The Perth Mint's regulatory obligations under the AML/CTF Act and Rules.
- g) PMGT was not traded on the GoldPass app, which enabled the trading of GoldPass certificates (not PMGT or any other digital tokens). As outlined below, there was a procedure for a customer to open a GoldPass account and apply to convert PMGT tokens to GoldPass certificates, but this occurred in very limited instances due to the nature of the KYC and conversion process and the low consumer appeal of this feature.
- h) As stated in The Perth Mint's response by Questions on Notice received on 24 October 2023 and tabled to the Committee on 2 November 2023, and in The Perth Mint's response to

questions taken on notice on 3 November and tabled on 24 November 2023, in 2022 The Perth Mint voluntarily self-disclosed to US regulators the compliance issue regarding the Model Code. The Perth Mint continues to actively engage with US regulators to address and remediate the compliance issue.

### **Question 10: Withdrawal of Perth Mint Gold Token Interim Report**

*Regarding section 2.55 to 2.57 of the Interim Report which outlines the Perth Mint Gold Token.*

- a) When did Perth Mint first start looking into establishing a gold backed cryptocurrency token? Was this initiated by the board or executive?*
- b) Was the Perth Mint Gold Token an initiation of Gold Corp? If not, who was the consultant or third party? Who proposed the Perth Mint Gold Token?*
- c) Did InfiniGold (Trovia) approach the Perth Mint regarding setting up a gold backed cryptocurrency coin? If yes, how and who made the approach?*
- d) Did any external advisors, consultants or external parties advise the Perth Mint on setting up the Perth Mint Gold Token? If yes, who?*
- e) Did the Perth Mint at any time receive advice around AML/CTF compliance concerns about the Perth Mint Gold Token? If so who and when?*
- f) Did the Perth Mint Board brief the Responsible Minister or WA Treasury about establishing a Perth Mint Gold Token and about potential AML/CTF risks and complications?*
- g) How did the Perth Mint Gold Token operate?*
- h) Was the State Government guarantee advertised in the Perth Mint Gold Token promotional material?*
- i) What was the Perth Mint's role in administering the Perth Mint Gold Token?*
- j) What was the role of InfiniGold (Trovia) in administering the Perth Mint Gold Token?*
- k) How did the Perth Mint Gold Token incorporate with the Perth Mint GoldPass?*
- l) What was the process for new customers buying Perth Mint Gold Tokens?*
- m) What KYC was done on new customers purchasing Perth Mint Gold Tokens?*
- n) How was the Perth Mint Gold Token issued on the Ethereum Crypto Network?*
- o) Is it correct that unless counterparty details are recorded by a regulator or some other trusted third party then users on the Ethereum platform can exchange Perth Mint Gold Tokens anonymously?*
- p) Did the Perth Mint consider on the program/app that the Perth Mint Gold Token could be traded anonymously on the Ethereum platform?*
- q) Was it possible for the Perth Mint Gold Token to be used to launder money?*
- r) Did the Perth Mint operate a Digital Currency Exchange? If yes, how did it operate?*
- s) What were the regulatory issues United States authorities had with the Perth Mint Gold Token?*
- t) Did any Perth Mint Director, Executive or paid advisor declare an interest in Trovia, InfiniGold or Ethereum?*
- u) What was the contractual relationship for the Perth Mint Gold Token between Gold Corporation and Trovia (InfiniGold)?*
- v) What was the forecasted revenue and profit for the Perth Mint Gold Token?*
- w) What was the actual revenue, profit and expense derived from the Perth Mint Gold Token?*
- x) How much did the State Government receive as a dividend from the Perth Mint Gold Token's profits?*

### **Response**

**Note 8:** Around 2018, Trovia developed a digital token on the public blockchain called Perth Mint Gold Token (PMGT). At all times PMGT was a Trovia product. PMGT was an example of a stablecoin, a digital currency whose value is pegged, or tied to, the value of a traditional reserve asset, such as a fiat currency, a commodity or a financial instrument.

There was a license agreement (now ceased) that enabled Trovio to utilise limited Perth Mint branding. The Perth Mint was the custodian of the gold which was purchased by Trovio to back PMGT.

Trovio listed PMGT for trading on KuCoin, a Singapore-based digital currency exchange, delisted after a period and subsequently listed PMGT on Independent Reserve, an Australian-based digital currency exchange.

Trovio was responsible for matters relating to PMGT token holders, who were Trovio customers. A PMGT token holder was able to open a GoldPass account via the GoldPass App, subject to KYC verification, and then through a verified account request to convert PMGT tokens to digital GoldPass certificates on a 1:1 basis. In practice, this option was exercised by a very limited number of individuals due to the nature of the conversion process and the low consumer appeal of this feature.

On 30 June 2023, Trovio delisted PMGT from Independent Reserve. Since that date, individuals can no longer buy or sell PMGT. Any remaining tokens that may exist are a matter for Trovio and are no longer backed by The Perth Mint gold.

- a)-c) Around 2018, discussions commenced in relation to the proposed development of PMGT. The Perth Mint is bound by contractual confidentiality obligations which prevent it from disclosing further information regarding its commercial discussions with Trovio in relation to the PMGT.
- d) Yes, The Perth Mint engaged external parties to provide specialist advice in relation to PMGT. The main external parties engaged were: PwC Australia and Corrs Chambers Westgarth.
- e) PMGT was a Trovio product, and the primary onus for AML/CTF compliance rested with Trovio. The Perth Mint did obtain advice and implement AML/CTF risk mitigation measures that aligned with its role in the PMGT matter.
- f) Historical records indicate that the then Chair did not formally brief the then Responsible Minister or the Department of Treasury.
- g) See Note 8.
- h) For awareness and transparency, The Perth Mint acknowledged PMGT on its website. References to the token being backed by government-guaranteed gold were made, reflecting the fact that The Perth Mint was the custodian of the gold which was purchased by Trovio to back PMGT.
- i) See Note 8.
- j) Trovio administered PMGT on a day-to-day basis.
- k) The Perth Mint was the custodian of the gold which was purchased by Trovio to back PMGT. Trovio purchased this gold in the form of GoldPass certificates through a verified GoldPass account held by Trovio.
- l) Trovio was responsible for matters relating to PMGT token holders, who were customers of Trovio. Traders could previously buy PMGT via the digital exchange where it was listed by Trovio. This was a process external to The Perth Mint. Trovio delisted the PMGT on 30 June 2023, and the PMGT is no longer available. Any remaining tokens that may exist are a matter for Trovio and are no longer backed by The Perth Mint gold.
- m)-n) PMGT was a Trovio product developed, listed and managed by Trovio.
- o) PMGT was limited to trading on KuCoin, and subsequently on Independent Reserve, which are both subject to relevant AML/CTF legislation which precludes anonymous trading.
- p) No, due to specialist advice received (see d) and the platforms where Trovio listed PMGT (see

- o) above).
- q) The Perth Mint is not aware of any instances of the PMGT being used for money laundering, nor is it aware of any characteristics of the PMGT that made it vulnerable to money laundering.
- r) No.
- s) Not applicable, Trovio did not make PMGT available for trading in the US.
- t) See Note 8.
- u) No.
- v)-x) Not applicable, PMGT was a Trovio product developed, listed and managed by Trovio.

**Question 11: Perth Mint Executive Remuneration**

*In the Perth Mint Select Committee public hearing on Friday the 2<sup>nd</sup> of February 2024, Senator Reynolds asked questions to the AUSTRAC witnesses about executive remuneration, bonuses, and incentives and the link between executive remuneration and non-compliance with legislative requirements.*

- a) *Can you provide (In Confidence if Required) the remuneration packages for each of the Perth Mint Directors and Executives Personnel for each financial year since 2014?*
- b) *Were Director fees and executive salaries ever tied to the price of gold or Perth Mint profitability?*
- c) *At the Perth Mint how are remuneration packages for Directors and Executive personnel calculated?*
- d) *Has this changed since 2014 if so, outline which year and the nature of the change?*
- e) *What performance bonuses or incentives were offered to Perth Mint Directors and Executives during the period from 2014 to the present?*
- f) *Can you describe what performance metrics were used to determine bonuses at the Perth Mint from 2014 to the present?*
- g) *Since 2014 what has been the most important metric for determining bonuses for Key Management Personnel and Directors of Perth Mint?*
- h) *What were the changes in nominal and percentage terms for each preceding year in overall pay for all Perth Mint executives and directors from 2014 to the present?*

**Response**

- a) The remuneration of Board Directors and Perth Mint Executives is made publicly available the Annual Report published by The Perth Mint and tabled in the WA Parliament by the Minister each year, in accordance with the *Financial Management Act 2006* (WA).

Remuneration details (in \$'000) for each year from 2014/15 to 2022/23 is listed below (inclusive of salary, superannuation, net movement in leave entitlements, any incentive payable or any other oncost):

**Directors:**

From	To	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
-	10,000	1	1	2	1	2	3	1	1	1	1
10,001	20,000						1			1	1
20,001	30,000			2		1			1	1	
30,001	40,000		1	1							
40,001	50,000	4	3	1			2			1	
50,001	60,000			2			2			1	1
60,001	70,000				5	5	4	6	5	2	4
70,001	80,000									1	

80,001	90,000		1								
90,001	100,000	1		1							
100,001	110,000				1	1		1	1	1	1
130,001	140,000									2	
440,001	450,000		1								
460,001	470,000									1	
470,001	480,000	1								1	
480,001	490,000										1
520,001	530,000			1							
550,001	560,000					1					
580,001	590,000		1								
610,001	620,000	1									
620,001	630,000						1				
630,001	640,000				1						
690,001	700,000							1	1		
700,001	710,000										1

### Executives

From	To	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
60,001	70,000		1							1	
70,001	80,000		1	1					1		
80,001	90,000	1			1						
90,001	100,000	1									
130,001	140,000	1									
150,001	160,000		1						1		1
160,001	170,000	1	1								
170,001	180,000	1	1								
180,001	190,000	1	1							1	
200,001	210,000	1	1	1							
230,001	240,000				1						
240,001	250,000			1		1	1				
260,001	270,000			1							
270,001	280,000		1					1			
280,001	290,000	1				2		1			
290,001	300,000		3							1	
300,001	310,000	2					2				
310,001	320,000	1			2					1	
320,001	330,000								1	1	
340,001	350,000									1	1
350,001	360,000	1	1					1			
370,001	380,000							1		1	2
380,001	390,000			1					1		
410,001	420,000								1		
420,001	430,000									2	1
430,001	440,000										2
440,001	450,000			1					1		
480,001	490,000				1						
550,001	560,000				1						
580,001	590,000					1					
600,001	610,000					1					

630,001	640,000						1				
720,001	730,000									1	

b) **Director remuneration:** Remuneration for Board members is set by the Public Sector Commission in accordance with WA Government policies and procedures.

Non-executive Director fees are not, and have never been, associated with either the price of gold or the financial results of The Perth Mint. The price of gold is set by the market and has never been a consideration in the setting of executive salary at The Perth Mint.

**Executive remuneration:** The Perth Mint has implemented various strategies over time to attract and retain a skilled and committed workforce that can enable the delivery of outputs and generate a commercial return for the State and the community of WA.

These strategies include a General Staff Incentive Scheme (General Scheme), which commenced in 2003 and is still in effect, and a time-limited Treasury Incentive Scheme (Treasury Scheme) which commenced in 2014 and ceased in 2020.

The Perth Mint has complied with the Public Sector Wages Policy Statement (Wages Policy), where applicable.

The Perth Mint has provided information on any staff payments made in its Annual Report that is published each year and tabled by the Minister in the WA Parliament. The information is set out in accordance with Australian Accounting Standards and relevant annual reporting requirements of the WA Government.

The scope and payment criteria of the General Scheme have evolved over time. In its previous forms, the CEO and senior executives were eligible for payments under the General Scheme.

Until July 2022, certain Perth Mint Executives were eligible for a payment under a General Staff Incentive Scheme if annual financial targets were achieved and the Board approved the payments.

Due to regular fluctuations in the precious metal market, there have been a number of years where employees, including Executives, did not receive a payment under the General Scheme.

From 2014 until 2020, the Treasury Scheme was in effect at The Perth Mint. Under the Treasury Scheme, a total of \$3.16 million was paid to certain executives between 2015/16 and 2020/21.

The Treasury Scheme was ceased under the leadership of the Chair Mr Walsh, in recognition that such a program is incompatible with The Perth Mint values, government expectations and community standards.

c) Director and CEO remuneration is set in accordance with the applicable legislative provisions. Remuneration of Executives other than the CEO is calculated in accordance with Hay Grade market data.

d) Other than changes to the Scheme incentive arrangements described outlined in 11(b) above there have been no changes to the Hay Grading total remuneration methodology, or in relation to The Perth Mint’s compliance with applicable legislative provisions.

e) See 11.b).

f) Both Schemes outlined in 11(b) above were calculated with reference to profits before tax (either for The Perth Mint overall, or to a specific Business Unit where applicable). Payments under the General Scheme were subject to Board discretion and while The Perth Mint’s profits determined the maximum potential incentive for any given individual employee, individual incentives could be (and were) varied downwards or completely withheld depending on the conduct or performance of that employee.

- g) As referenced in 11(b) above, non-executive Directors have never been eligible for incentives. For key management personnel, as referenced in 11(f) above, while profit before tax was the metric that determined the maximum incentive payable for any individual, the amount an individual employee received was contingent upon their conduct and performance in that period. At all times, Directors and key management personnel have been remunerated in accordance with the methodology outlined in 11.c).
- h) As outlined in 11.a), the Executive team has varied in size from four to twelve, depending on the needs of the business and other historical factors. Both the nominal and percentage variations will primarily reflect those changes.

While an analysis of changes could be undertaken based on the publicly available information disclosed in the Key Management Personnel note within The Perth Mint's annual financial reports, it is respectfully noted that such an analysis may not provide further useful information due to the material changes in the structure and composition of the Executive team in the years between 2014 and 2023.

Should the Committee consider that it would be assisted by this information, The Perth Mint will provide it in the week commencing 19 February 2024.

**Question 12: Perth Mint Governance and Non-Compliance Impacting Dividend Payments from Gold Corporation to the State Government of Western Australia**

*Regarding evidence given to the Committee from the Chair of Gold Corporation at the Public Hearing on Friday 3<sup>rd</sup> of November 2023 about withholding dividends from Gold Corp to the WA State Government to pay for compliance programs.*

- a) *What were the Perth Mint profits for each financial year since 2014?*
- b) *What were the Perth Mint's Dividend payments to the WA State Government for each financial year since 2014?*
- c) *What were the percentage of profits from the Perth Mint that the State Government received as a dividend for each year from 2014 to the present?*
- d) *How much has the Perth Mint spent annually on compliance deficiencies since 2014?*
- e) *What year is the Perth Mint expected to return a positive dividend to the Government of Western Australia?*

**Response**

**Note 9:** In the interests of transparency, The Perth Mint would like to respectfully note that it appears the Chair misspoke at the Committee hearing on 3 November 2023. The Chair's intended meaning was that the current Phase 2 of the AML Remediation Program is funded through retained earnings rather than retained dividends.

**Note 10:** The Perth Mint does not have the statutory power to decide to withhold a dividend. In accordance with the provisions of the GC Act, the Minister determines, with the concurrence of the State Treasurer, the amount of the dividend required to be paid by The Perth Mint.

The WA Government directed The Perth Mint to retain the dividends payable in the 2021-22 and 2022-23 periods, as a result of a WA Government policy decision that applied to most State Government Trading Enterprises. Expenditure of the 2021-22 and 2022-23 retained dividends is limited to investment in infrastructure, and subject to the prior approval of the Expenditure Review Committee (ERC).

To date, all of The Perth Mint's expenditure of retained dividends has pertained to capital investment throughout the business, as approved by the ERC, with all compliance expenditure having been funded out of The Perth Mint's profits.

a – c) See table below showing Profit Before Tax (PBT) and Profit After Tax (PAT), dividend payment made, and the dividend payout ratio for each year since 2013-14.

Please note that the PBT and PAT numbers provided exclude any amounts attributable to non-controlling interests, and that the dividend payout ratio is calculated based on PAT from the previous year. PBT, PAT & Dividend figures below are in thousands of dollars.

<b>Year</b>	<b>PBT</b>	<b>PAT</b>	<b>Dividend</b>	<b>Ratio</b>
2013-14	28,377	17,220	19,278	75%
2014-15	19,919	14,059	12,918	75%
2015-16	41,037	29,540	10,544	75%
2016-17	24,451	17,003	22,154	75%
2017-18	10,053	6,652	12,754	75%
2018-19	13,257	7,942	4,989	75%
2019-20	47,546	31,266	5,959	75%
2020-21	55,963	39,251	23,449	75%
2021-22	40,277	28,185	-	0%
2022-23	52,668	36,828	-	0%

- d) The Perth Mint continually seeks to identify areas for improvement, and to take action accordingly. In addition to general expenditure on business upgrades, specific expenditure on addressing identified compliance issues is associated with The Perth Mint’s implementation of Phase 2 of the AML Remediation Program. This Program was approved with a total budget of \$34 million. Implementation and the related expenditure on this Program commenced in September 2022, and total expenditure in the 2022-23 year was \$6.51 million.
- e) The retention of dividends is a matter of WA Government policy and a decision of the ERC as a sub-committee of Cabinet. Where it is determined that dividends will be retained, the ERC generally applies this approach to most or all State Government Trading Enterprises for the relevant financial year. The Perth Mint will continue to comply with the payment or retention of dividends in line with the prevailing WA Government policy.

GOLD CORPORATION  
STATEMENT OF CORPORATE INTENT  
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## 1. INTRODUCTION

Uncertainty in the world economy continues; growth has not returned to the USA convincingly and unemployment continues to be a problem, the euro zone is seemingly unable to address the crisis caused by the common currency, Japan's economy continues to languish, China's growth is below expectations and the other large developing economies have uncertain outlooks. In this environment, investment demand for precious metals continues to be robust and prices remain elevated, providing opportunities for Gold Corporation.

The malaise in the world economy has continued far longer than expected and there is reason to believe that the favourable conditions for Gold Corporation will continue during the plan period. Gold Corporation should be able to render an important service to the gold industry, deliver satisfactory profits by adding value to precious metals produced in Australia, make significant tax equivalent and dividend payments to the Western Australian Government and meet its funding needs from its own resources.

## 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is an integrated precious metals business, starting with the refining of gold and silver, moving on to the production of London Good Delivery bullion bars, value added bullion bars, bullion coins, coin blanks and other bullion products and finally providing safe storage for bullion to investors from around the world. It is Australia's sole gold refiner and sole producer of the Australian legal tender bullion coin series. It is also licensed to produce Australian legal tender numismatic, collector or commemorative coins and produces such coins on behalf of other issuing authorities as well. Over 90% of its revenue is generated from exports and it is Western Australia's fourth largest exporter.

Gold Corporation has two subsidiaries; Western Australian Mint and GoldCorp Australia but its integrated business operates within Gold Corporation itself and the two subsidiaries in such a way that it is impossible to give meaningful financial figures for the subsidiaries. The figures in this plan are for Gold Corporation as a whole and its integrated business.

Aspects of the business are:

### **Gold Refining**

The refinery located near Perth International Airport refines nearly all of Australia's gold production, gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and assayed, after which the producer's bullion account is credited with the precious metal ounces. It takes the refinery about ten days to refine the gold and silver and after that it is ready to be used elsewhere in the organisation, to be sold to customers around the world as bullion (bars and other forms) or, failing either of these, to be shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in The Perth Mint's own products. The latter include:

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produce bullion coins and is the sole official issuer of Australia's bullion coin series. The series consists of the Australian gold Kangaroo, the silver Kookaburra and Koala, the Lunar gold and silver coins and the platinum Platypus. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals – in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of Tuvalu, Cook Islands and, occasionally, other countries.

The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

#### *Minted Bars*

These are becoming popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metal can be acquired conveniently.

### **Depository – The Safe Storage of Precious Metals**

Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in Perth Mint Depository have access to the following types of products:

*Unallocated Metal:* A customer owns part of a pool of precious metal. The metal is in various locations: the mint, the refinery, vaults or in bullion banks in London. The metal is used to fund the bullion inventory needs of Gold Corporation and the metal in London is kept there for liquidity and transactional purposes. The advantage to customers is that they pay no storage fees.

*Allocated Metal:* Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

*Pool Allocated Metal:* Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for Allocated Metal) is payable.

The ways in which customers have access to these products are:

*Perth Mint Certificate Program:* This is for small investors.

*Perth Mint Depository Services:* This is for investors wishing to invest larger amounts.

*Perth Mint Gold:* This is for gold only and is a security listed on the Australian Stock Exchange.

### **The Visitor Experience**

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The site contains all of Gold Corporation's operations, other than the refinery, and accommodation has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Visitor Experience which includes a retail outlet as well as the exhibition.

The retail outlet sells not only The Perth Mint's own products; coins and bullion bars, but other Australian goods like natural gold nuggets, South Sea pearls, opals, pink diamonds and all these items set in jewellery.

The exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. The highlights of any visit are the world record holding 1 tonne gold coin and the hourly gold pour in the historic melt house, in which a 200 ounce bar of pure gold is melted and poured into a bar – with much drama.

### 3. OBJECTIVES

Gold Corporation's financial objectives are:

- To earn a commercial return on its capital.
- To meet its capital expenditure and other funding requirements from its own resources.
- To pay tax equivalent and a dividend to Government.
- To maintain a conservative level of debt.

It is anticipated that it will meet these objectives in the plan year.

Operational Objectives are:

- Maintain gold refining volumes and levels of service to the gold industry.
- Maximise bullion coin production and plan for future increases in capacity.
- Continue developing the market for numismatic coins.
- Increase precious metal in depository to meet the operation's precious metals requirements.
- Grow Pool Allocated products in Depository once funding needs are met.
- Continue enhancement of safety, environmental and quality systems.

### 4. PRIORITIES FOR 2013/14

- Maintaining refining volumes will continue to be a challenge in the face of stiff international competition. Maintain high levels of service to refining customers and obtain additional refining contracts if possible.
- Commence the building of a new factory for silver blanks, and upgrade the existing factory to increase coin production capacity in total. Plan for the launch of the new silver bullion coin.
- Further increase market share in gold bullion coins and minted bars.
- Develop market for value added gold bars in Asia.
- Withdraw from involvement in former State Batteries as Gold Corporation's function in respect of these has been discharged.
- Complete refurbishment of the exhibition and launch the new facility.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's 2013/2014 Capital Investment Programme is \$17.93 million. It covers the following:

#### **Fixed Assets, Including Plant and Equipment**

- The new silver blank production facility will be largely completed during the financial year at a cost of \$16.8 million, and commissioning of the plant will commence. This has been brought forward from the 2014/15 year and a second vault (cost: \$8 million) has been delayed. These changes have been made because of changes in business priorities.
- Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements. Some expenditure is being delayed in view of the new blank production facility, and other expenditure is being removed from the 10 year plan as it will now be unnecessary because of the change in technology.

#### **Intangibles**

- The upgrade of the enterprise wide computer system is essential for the organisation's future success and will be commenced during the plan period.

- Upgrades of legacy systems which will continue to be used will be ongoing.

## 6. BUSINESS MANAGEMENT

### Dividend Policy

A dividend of 75% of after tax profit will be paid.

### Borrowings

Gold Corporation will not seek to borrow any funds from WATC and will fund its capital expenditure from operational cash flows.

### Accounting Policies

The Corporation's financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2012 Annual Report.

### Performance Reporting

The Chairman and Board of Directors are appointed in terms of Section 5 of the *Gold Corporation Act 1987*. One director is delegated by the Under Treasurer as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established two committees – the Audit and Risk Management Committee and the Remuneration & Allowances Committee. These meet regularly as appropriate.

## STATEMENT OF CORPORATE INTENT – 2013 / 2014

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Meetings are also held with the Minister or members of his staff when necessary at which performance and other issues are discussed.

### **Annual Report**

Gold Corporation's web site at [www.perthmint.com.au](http://www.perthmint.com.au) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the web site. Printed annual reports will be submitted to the Minister (the Premier), Department of Treasury and Finance and the required number of copies for tabling in Parliament.

### **Note on Financial Parameters**

This Statement was initially prepared prior in November 2012 and was updated in August 2013 to reflect the Asset Investment Program as approved in the State Government's Budget. The financial parameters within this document contain approved capital expenditure, and also contain net surplus and net flows to/from government.

## **GOLD CORPORATION**

August 2013

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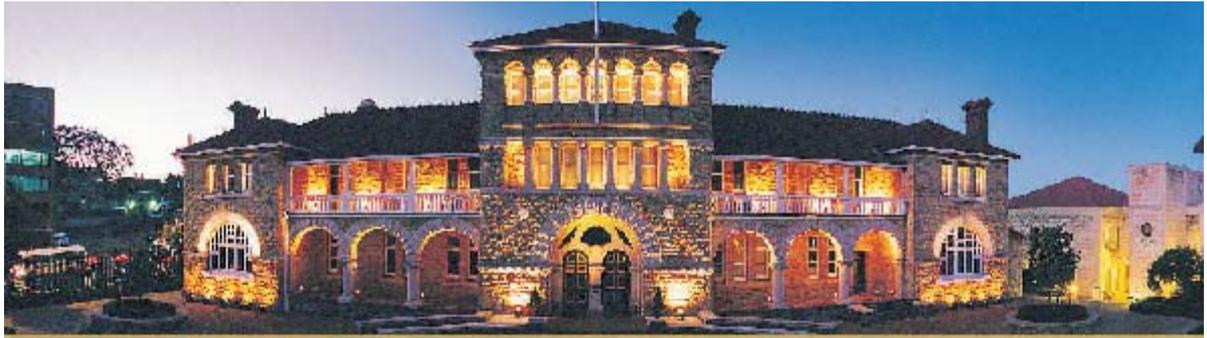
### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u> <b>2012-13</b>	<u>Projected</u> <b>2013-14</b>
	\$000	\$000
<b>Assumptions</b>		
Gold Price - USD/oz.	1,770	1,800
Exchange Rate USD/AUD	1.075	1.000
Dividend Provision Rate		
- Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	30,641	38,815
Operating Profit after income Tax	21,449	27,171
Dividend (for previous fin. year)	20,703	16,087
Net Surplus	26,815	23,881
Net Assets/Equity	115,084	126,314
Capital Expenditure	20,337	17,931
<b>Performance Indicators</b>		
Return on Fixed Assets (projected)	36%	42%
Return on Equity (before tax)	27%	31%
<b>Accruals to Government</b>		
Income Tax	9,192	11,645
State Tax on Payroll	1,392	1,448
Dividend	20,703	16,087
Total Accrual to Government	<b>31,288</b>	<b>29,179</b>

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## 1. INTRODUCTION

After an upward run of over a decade, prices of precious metals have started to falter. Speculators seem to have lost interest in metals, and it is the reduction in speculative positions which has contributed most to the price declines. However investment demand, especially physical demand, remains relatively strong. Sales of gold bars into Asia and bullion coins into Europe and North America remain reasonably healthy. Demand for gold bars in India has been artificially choked off by high import taxes but growth in demand elsewhere in Asia, especially China, has compensated for this.

## 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is an integrated precious metals business, starting with the refining of gold and silver, moving on to the production of London Good Delivery bullion bars, value-added bullion bars, bullion coins, coin blanks and other bullion products and finally providing safe storage for bullion to investors from around the world. It is Australia's sole gold and silver refiner and sole producer of the Australian legal tender bullion coin series. It is also licensed to produce Australian legal tender numismatic, collector or commemorative coins and produces such coins on behalf of other issuing authorities as well. Much of its revenue is generated from exports and it is Western Australia's fourth largest exporter.

Gold Corporation has two subsidiaries; Western Australian Mint and GoldCorp Australia but its integrated business operates within Gold Corporation itself and the two subsidiaries in such a way that it is impossible to give meaningful financial figures for the subsidiaries. The figures in this plan are for Gold Corporation as a whole and its integrated business.

Aspects of the business are:

### **Gold Refining**

The refinery located near Perth International Airport refines nearly all of Australia's gold doré production, gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and

assayed, after which the producer's bullion account is credited with the precious metal ounces. It takes the refinery about ten days to refine the gold and silver and after that it is ready to be used elsewhere in the organisation, to be sold to customers around the world as bullion (bars and other forms) or, failing either of these, to be shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in The Perth Mint's own products. The latter include:

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produce bullion coins and is the sole official issuer of Australia's bullion coin series. The series consists of the Australian gold Kangaroo, the silver Kookaburra and Koala, the Lunar gold and silver coins and the platinum Platypus. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals – in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of Tuvalu, Cook Islands and, occasionally, other countries.

The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metal can be acquired conveniently.

### **Depository – The Safe Storage of Precious Metals**

Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in Perth Mint Depository have access to the following types of products:

*Unallocated Metal:* A customer owns part of a pool of precious metal. The metal is in various locations: the mint, the refinery, vaults or in bullion banks in London. The metal is used to fund the bullion inventory needs of Gold Corporation, and the metal in London is kept there for liquidity and transactional purposes. The advantage to customers is that they pay no storage fees.

*Allocated Metal:* Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

*Pool Allocated Metal:* Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for Allocated Metal) is payable.

The ways in which customers have access to these products are:

*Perth Mint Certificate Program:* This is for small investors.

*Perth Mint Depository Services:* This is for investors wishing to invest larger amounts.

*Perth Mint Gold:* This is for gold only and is a security listed on the Australian Stock Exchange.

### **The Visitor Experience**

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The site contains all of Gold Corporation's operations, other than the refinery, and accommodation has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Visitor Experience which includes a retail outlet as well as the exhibition.

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The retail outlet sells not only The Perth Mint's own products; coins and bullion bars, but other Australian goods like natural gold nuggets, South Sea pearls, opals, pink diamonds and all these items set in jewellery.

The exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. The highlights of any visit are the world record holding 1 tonne gold coin and the hourly gold pour in the historic melt house, in which a 200 ounce bar of pure gold is melted and poured into a bar – with much drama. The retail outlet was refurbished some years ago and the exhibition's latest refurbishment will be completed in December 2013.

### 3. OBJECTIVES

The financial objectives of Gold Corporation are:

- To earn a commercial return on capital.
- To meet its capital expenditure and other funding requirements from its own resources.
- To pay tax equivalent and a 75% dividend to Government.
- To remain debt free.

According to the financial projections, Gold Corporation will achieve its financial objectives during the plan period.

Operational Objectives are:

- Maintain gold and silver refining volumes and levels of service to the precious metals industry.
- Increase bullion coin production capacity and world market share.
- Continue developing the market for numismatic coins.
- Increase precious metal in depository to meet the operation's precious metals requirements.
- Grow Pool Allocated products in Depository once funding needs are met.
- Continue enhancement of safety, environmental and quality systems.

### 4. PRIORITIES FOR 2014/15

- Maintain high levels of service to refining customers to retain their business and obtain additional refining contracts if possible.
- Complete the building of the new factory for silver blanks, and upgrade the existing factory to increase coin production capacity in total. Plan for the launch of the new silver bullion coin.
- Further increase market share in bullion coins and minted bars.
- Increase sales of value-added gold bars in Asia.
- Withdraw from involvement in former State Batteries as Gold Corporation's function in respect of these has been discharged.
- Enhance active management of safety and environment effort.

### 5. CAPITAL INVESTMENT

Because of the unavoidable delay of some projects, some of the Capital Investment Plan expenditure from 2012/2013 has been rolled forward into 2013/2014. Similarly, some expenditure from 2013/2014 has been rolled forward into 2015/2016. The total expenditure has not changed.

The cost of Gold Corporation's 2014/2015 Capital Investment Programme is \$18.992 million. It covers the following:

#### **Fixed Assets, Including Plant and Equipment**

- The new silver blank production facility will be completed during the financial year at a total cost of \$16.8 million, and the plant will be commissioned.
- Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements.

#### **Intangibles**

- The upgrade of the enterprise wide computer system is essential for the organisation's future success and the project will be in progress during the plan period.
- Upgrades of legacy systems which will continue to be used will be ongoing.

### 6. BUSINESS MANAGEMENT

#### **Dividend Policy**

A dividend of 75% of after tax profit will be paid.

#### **Borrowings**

Gold Corporation will not seek to borrow any funds from WATC and will fund its capital expenditure from operational cash flows.

#### **Accounting Policies**

The Corporation's financial statements for the year ended 30 June 2013 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2013 Annual Report.

#### **Performance Reporting**

The Chair and Board of Directors are appointed in terms of Section 5 of the *Gold Corporation Act 1987*. One director is delegated by the Under Treasurer as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established two committees – the Audit and Risk Management Committee and the Remuneration & Allowances Committee. These meet regularly as appropriate.

Meetings are also held with the Minister or members of his staff when necessary at which performance and other issues are discussed.

### **Annual Report**

Gold Corporation's web site at [www.perthmint.com.au](http://www.perthmint.com.au) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the web site. Printed annual reports will be submitted to the Minister (the Premier), Department of Treasury and the required number of copies for tabling in Parliament.

**M E HARBUZ**

Chief Executive Officer

17 December 2013, updated 27 May 2014

# STATEMENT OF CORPORATE INTENT – 2014 / 2015

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## APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

### TARGETS

	<u>Forecast</u> <b>2013-14</b>	<u>Projected</u> <b>2014-15</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assumptions</b>		
Gold Price - USD/oz.	1,550	1,350
Exchange Rate USD/AUD	1.03	0.90
Dividend Provision Rate		
- Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	30,014	33,600
Operating Profit after income Tax	21,010	23,520
Dividend (for previous fin. year)	19,278	15,757
Net Surplus	25,151	20,006
Net Assets/Equity	120,829	128,590
Capital Expenditure	24,220	18,992
<b>Performance Indicators</b>		
Return on Fixed Assets (projected)	30%	30%
Return on Equity (before tax)	25%	26%
<b>Accruals to Government</b>		
Income Tax	9,004	10,080
State Tax on Payroll	1,672	1,739
Dividend	19,278	15,757
Total Accrual to Government	<b>29,955</b>	<b>27,577</b>

**GOLD CORPORATION**  
**STATEMENT OF CORPORATE INTENT**  
**2015 / 2016**





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### 1. INTRODUCTION

The last decade has seen an increase in the investment demand for precious metals, increased speculation and significant increases in prices. This trend seems to have been broken recently and the markets are now uncertain. Although real demand may still be intact, speculative demand has gone and, indeed, speculation against price rises is now evident.

This plan tentatively suggests a continuation of current conditions in the world economy – best described as “muddling through”. These conditions have affected the precious metals markets and the prospects for Gold Corporation, making future growth more difficult to achieve. The plan, however, does include a number of strategic actions which will result in some growth even under the projected unexciting market conditions. To the extent that they include capital expenditure, the expenditure will all be funded from internal resources and there will be no need to borrow funds.

Of course, any forecast of economic and market conditions is tentative. There is no way of knowing the future, as history has repeatedly shown. Flexibility and quick reactions will be required as, inevitably, unexpected developments occur. The plan also considers the flexibility necessary to operate in this environment.

### 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is an integrated precious metals business, starting with the refining of gold and silver, moving on to the production of London Good Delivery bullion bars, value-added bullion bars, bullion coins, coin blanks and other bullion products and finally providing safe storage for bullion to investors from around the world. It is Australia’s sole accredited gold and silver refiner and sole producer of the Australian legal tender bullion coin series. It is also licensed to produce Australian legal tender numismatic, collector or commemorative coins and produces such coins on behalf of other issuing authorities as well. Much of its revenue is generated from exports and it is Western Australia’s fifth largest exporter.

Gold Corporation has two subsidiaries; Western Australian Mint and GoldCorp Australia but its integrated business operates within Gold Corporation itself and the two subsidiaries in such a way that it is impossible to give meaningful financial figures for the subsidiaries. The figures in this plan are for Gold Corporation as a whole and its integrated business.

Aspects of the business are:

### **Gold Refining**

The refinery located near Perth International Airport refines nearly all of Australia's gold doré production, gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and assayed, after which the producer's bullion account is credited with the precious metal ounces. It takes the refinery about ten days to refine the gold and silver and after that it is ready to be used elsewhere in the organisation, to be sold to customers around the world as bullion (bars and other forms) or, failing either of these, to be shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in The Perth Mint's own products. The latter include;

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produce bullion coins and is the sole official issuer of Australia's bullion coin series. The series consists of the Australian gold Kangaroo, the silver Kookaburra and Koala, the Lunar gold and silver coins and the platinum Platypus. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals – in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of Tuvalu, Cook Islands and, occasionally, other countries.

The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metal can be acquired conveniently.

### **Depository – The Safe Storage of Precious Metals**

Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in Perth Mint Depository have access to the following types of products:

*Unallocated Metal:* A customer owns part of a pool of precious metal. The metal is in various locations: the mint, the refinery, vaults or in bullion banks in London. The metal is used to fund the bullion inventory needs of Gold Corporation, and the metal in London is kept there for liquidity and transactional purposes. The advantage to customers is that they pay no storage fees.

*Allocated Metal:* Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

*Pool Allocated Metal:* Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for Allocated Metal) is payable.

The ways in which customers have access to these products are:

*Perth Mint Certificate Program:* This is for small investors.

*Perth Mint Depository Services:* This is for investors wishing to invest larger amounts.

*Perth Mint Gold:* This is for gold only and is a security listed on the Australian Stock Exchange.

### **The Visitor Experience**

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The site contains all of Gold Corporation's operations, other than the refinery, and accommodation has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Visitor Experience which includes a retail outlet as well as the exhibition.

The retail outlet sells not only The Perth Mint's own products; coins and bullion bars, but other Australian goods like natural gold nuggets, South Sea pearls, opals, pink diamonds and all these items set in jewellery.

## STATEMENT OF CORPORATE INTENT – 2015 / 2016

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The exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. The highlights of any visit are the world record holding 1 tonne gold coin and the hourly gold pour in the historic melt house, in which a 200 ounce bar of pure gold is melted and poured into a bar – with much drama.

### 3. OBJECTIVES

The financial objectives of Gold Corporation are:

- To earn a commercial return on capital.
- To meet its capital expenditure and other funding requirements from its own resources.
- To pay tax equivalent and a 75% dividend to Government.
- To remain debt free.

According to the financial projections, Gold Corporation will achieve its financial objectives during the plan period.

Operational Objectives are:

- Continue enhancement of safety, environmental and quality systems.
- Maintain gold and silver refining volumes and levels of service to the precious metals industry.
- Increase bullion coin world market share.
- Continue developing the market for numismatic coins.
- Increase precious metal in depository to meet the operation's precious metals requirements.
- Grow Pool Allocated products in Depository once funding needs are met.

### 4. PRIORITIES FOR 2015/16

- Enhance active management of safety and environment effort.

## STATEMENT OF CORPORATE INTENT – 2015 / 2016

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- Maintain high levels of service to refining customers to retain their business in the face of recently emerged serious competitive pressures.
- Launch the new high volume silver Kangaroo bullion coin in the USA and Europe and build up market share. Try to increase market share in all bullion coins.
- Increase direct sales of value-added gold bars in Asia.
- Withdraw from involvement in former State Batteries as Gold Corporation's function in respect of these has been discharged.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's Capital Investment Programme from 2014/15 to 2018/19 is \$55.6 million. It covers the following:

#### **Fixed Assets, Including Plant and Equipment**

- Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements.

#### **Intangibles**

- The web replacement project should be completed early in the plan period.
- The ERP replacement project will commence in the plan period.

### 6. BUSINESS MANAGEMENT

#### **Dividend Policy**

A dividend of 75% of after tax profit will be paid.

#### **Borrowings**

Gold Corporation will not seek to borrow any funds from WATC and will fund its capital expenditure from operational cash flows.

#### **Accounting Policies**

The Corporation's financial statements for the year ended 30 June 2014 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2014 Annual Report.

#### **Performance Reporting**

The Chairman and Board of Directors are appointed in terms of Section 5 of the *Gold Corporation Act 1987*. One director is delegated by the Under Treasurer as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established three committees – the Audit and Risk Management Committee, the Remuneration & Allowances Committee and the Information Systems Committee. These meet regularly as appropriate.

Meetings are also held with the Minister or members of his staff when necessary at which performance and other issues are discussed.

## STATEMENT OF CORPORATE INTENT – 2015 / 2016

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### **Annual Report**

Gold Corporation's web site at [www.perthmint.com.au](http://www.perthmint.com.au) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the web site. Printed annual reports will be submitted to the Minister (the Premier), Department of Treasury and the required number of copies for tabling in Parliament.

**M E HARBUZ**

Chief Executive Officer

27 May 2015

## STATEMENT OF CORPORATE INTENT – 2015 / 2016

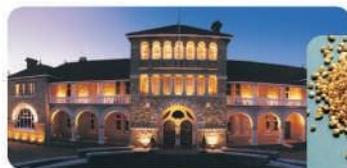
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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u>	<u>Projected</u>
	<u>2014-15</u>	<u>2015-16</u>
	<u>\$000</u>	<u>\$000</u>
<b>Assumptions</b>		
Gold Price - USD/oz.	1,293	1,243
Exchange Rate USD/AUD	0.876	0.878
Dividend Provision Rate		
- Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	28,001	29,905
Operating Profit after income Tax	19,601	20,934
Dividend (for previous fin. year)	13,052	14,701
Net Surplus	8,118	10,574
Net Assets/Equity	123,769	130,002
Capital Expenditure	21,292	9,315
<b>Performance Indicators</b>		
Return on Fixed Assets (projected)	26%	28%
Return on Equity (before tax)	23%	23%
<b>Accruals to Government</b>		
Income Tax	8,400	8,972
State Tax on Payroll	1,739	1,863
Dividend	13,052	14,701
Total Accrual to Government	<b>23,191</b>	<b>25,535</b>

**GOLD CORPORATION**  
**STATEMENT OF CORPORATE INTENT**  
**2016 / 2017**





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### 1. INTRODUCTION

The period from 2007 to 2013 saw an increase in the investment demand for precious metals, increased speculation and significant increases in prices. The environment changed in 2013 and the markets are now uncertain. Although real demand may still be intact, speculative demand has gone and, indeed, speculation against price rises is now evident.

This plan suggests a continuation of current conditions in the world economy. The plan, however, does include a number of strategic actions which will result in some growth even under the projected unexciting market conditions. To the extent that they include capital expenditure, the expenditure will all be funded from internal resources and there will be no need to borrow funds.

Of course, any forecast of economic and market conditions is tentative. There is no way of knowing the future, as history has repeatedly shown. Flexibility and quick reactions will be required as, inevitably, unexpected developments occur. The plan also considers the flexibility necessary to operate in this environment.

### 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is an integrated precious metals business, starting with the refining of gold and silver, moving on to the production of London Good Delivery bullion bars, value-added bullion bars, bullion coins, coin blanks and other bullion products and finally providing safe storage for bullion to investors from around the world. It is Australia's sole accredited gold and silver refiner and sole producer of the Australian legal tender bullion coin series. It is also licensed to produce Australian legal tender numismatic, collector or commemorative coins and produces such coins on behalf of other issuing authorities as well. Much of its revenue is generated from exports and it is Western Australia's seventh largest exporter.

Gold Corporation has three subsidiaries; Western Australian Mint, GoldCorp Australia and AGR Management Services Pty Ltd. It's integrated business model operates across all three in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries – the operations report on a consolidated basis.

Aspects of the business are:

### **Gold Refining**

The refinery located near Perth International Airport refines nearly all of Australia's gold doré production, gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and assayed, after which the producer's bullion account is credited with the precious metal ounces. It takes the refinery about ten days to refine the gold and silver and after that it is ready to be used elsewhere in the organisation, to be sold to customers around the world as bullion (bars and other forms) or, failing either of these, to be shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in The Perth Mint's own products. The latter include;

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produce bullion coins and is the sole official issuer of Australia's bullion coin series. The series consists of the Australian gold Kangaroo, the silver Kookaburra and Koala, the Lunar gold and silver coins and the platinum Platypus. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals – in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of Tuvalu, Cook Islands and, occasionally, other countries.

The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metal can be acquired conveniently.

### **Depository – The Safe Storage of Precious Metals**

Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in Perth Mint Depository have access to the following types of products:

*Unallocated Metal:* A customer owns part of a pool of precious metal. The metal is in various locations: the mint, the refinery, vaults or in bullion banks in London. The metal is used to fund the bullion inventory needs of Gold Corporation, and the metal in London is kept there for liquidity and transactional purposes. The advantage to customers is that they pay no storage fees.

*Allocated Metal:* Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

*Pool Allocated Metal:* Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for Allocated Metal) is payable.

The ways in which customers have access to these products are:

*Perth Mint Certificate Program:* This is for small investors.

*Perth Mint Depository Services:* This is for investors wishing to invest larger amounts.

*Perth Mint Gold:* This is for gold only and is a security listed on the Australian Stock Exchange.

### **The Shop & Exhibition**

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The Hay Street site contains all of Gold Corporation's operations, other than the refinery, and accommodation has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Shop & Exhibition.

The Shop sells not only The Perth Mint's own products; coins and bullion bars, but other Australian goods like natural gold nuggets, South Sea pearls, opals, pink diamonds and all these items set in jewellery.

## STATEMENT OF CORPORATE INTENT – 2016 / 2017

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The Exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. The highlights of any visit are the world record holding 1 tonne gold coin and the hourly gold pour in the historic melt house, in which a 200 ounce bar of pure gold is melted and poured into a bar – with much drama.

### 3. OBJECTIVES

The financial objectives of Gold Corporation are:

- To earn a commercial return on capital.
- To meet its capital expenditure and other funding requirements from its own resources.
- To pay tax equivalent and a 75% dividend to Government.
- To remain debt free.

According to the financial projections, Gold Corporation will achieve its financial objectives during the plan period.

Operational Objectives are:

- Continue enhancement of safety, environmental and quality systems.
- Maintain gold and silver refining volumes and levels of service to the precious metals industry.
- Increase bullion coin world market share.
- Continue developing the market for numismatic coins.
- Increase precious metal in depository to meet the operation's precious metals requirements.
- Grow Pool Allocated products in Depository once funding needs are met.
- Increase Gold Corporation's profile in the industry and Western Australia.

## STATEMENT OF CORPORATE INTENT – 2016 / 2017

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### 4. PRIORITIES FOR 2016/17

- Improved management of safety and the environment within the Corporation.
- Maintain high levels of service to refining customers to retain their business in the face of recently emerged serious competitive pressures.
- Increase direct sales of value-added gold bars into target markets.
- Continue to market the new high volume silver Kangaroo bullion coin in the USA and Europe and build up market share. Try to increase market share in all bullion coins utilising blanks produced in the completed silver blank factory.
- Pursue international accounts and grow on-line depository business.
- Actively market all components of Gold Corporation's business to existing and target customers.
- Continue to replace the outdated ERP system.
- Withdraw from involvement in former State Batteries as the Corporation is not equipped to manage them.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's Capital Investment Programme from 2016/17 to 2020/21 is \$36.9 million. It covers the following:

#### **Fixed Assets, Including Plant and Equipment**

- The assay lab upgrade will be completed by 2017, allowing Gold Corporation to continue to operate at international standards and maintain its accreditation with the London Bullion Market Association (LBMA) without which Gold Corporation cannot compete in international markets.
- The electrolytic gold room will be completed during 2017 enabling Gold Corporation to produce 99.999% gold product in order to meet market demand.
- Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements.

### **Intangibles**

- The ERP replacement project will commence in the plan period.

## **6. BUSINESS MANAGEMENT**

### **Dividend Policy**

A dividend of 75% of after tax profit will be paid.

### **Borrowings**

Gold Corporation will not seek to borrow any funds from WATC and will fund its capital expenditure from operational cash flows.

### **Accounting Policies**

The Corporation's financial statements for the year ended 30 June 2015 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2015 Annual Report.

### **Performance Reporting**

The Chairman and Board of Directors are appointed in terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Under Treasurer as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established three committees – the Audit and Risk Management Committee, the Remuneration & Allowances Committee and the Occupational Health, Safety and the Environment Committee. These meet regularly as appropriate.

## STATEMENT OF CORPORATE INTENT – 2016 / 2017

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Meetings are also held with the Minister or members of his staff regularly at which performance and other issues are discussed.

### **Annual Report**

Gold Corporation's web site at [www.perthmint.com.au](http://www.perthmint.com.au) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the web site. Printed annual reports will be submitted to the Minister (the Premier), Department of Treasury and the required number of copies for tabling in Parliament.

**RICHARD G HAYES**

Chief Executive Officer

19 November 2015

## STATEMENT OF CORPORATE INTENT – 2016 / 2017

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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u> 2015-16 \$000	<u>Projected</u> 2016-17 \$000
<b>Assumptions</b>		
Gold Price - USD/oz.	1,105	1,099
Exchange Rate USD/AUD	0.708	0.684
Dividend Provision Rate - Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	24,705	27,600
Operating Profit after income Tax	17,294	19,320
Dividend (for previous fin. year)	10,544	12,969
Net Surplus	(3,738)	(269)
Net Assets/Equity	124,930	131,281
Capital Expenditure	9,269	12,993
<b>Performance Indicators</b>		
Return on Fixed Assets (projected)	25%	29%
Return on Equity (before tax)	21%	23%
<b>Accruals to Government</b>		
Income Tax	7,411	8,280
State Tax on Payroll	1,620	1,748
Dividend	10,544	12,969
Total Accrual to Government	<b>19,575</b>	<b>22,997</b>



THE PERTH MINT AUSTRALIA

Gold Corporation

Statement of Corporate Intent

2017-18





THE PERTH MINT AUSTRALIA





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### 1. INTRODUCTION

The advent of the global financial crisis in 2008 sparked a significant resurgence in investment demand for precious metals, with investors seeking safe havens from the financial turmoil that beset and in some cases froze the markets. This led inevitably to an increase in speculative activity which in turn led to significant price rises. As the global economy began emerging from recession in 2013, the precious metal markets established a broad downtrend which found some bottoming and reversal during 2016 as global political and economic events took centre stage and again sparked some investor interest in precious metals as an alternate asset investment class. Precious metals as an asset class found support, evidenced by increases in physically backed gold exchange traded fund holdings. The current situation appears to be one where broad underlying political and macro-economic risks remain, such as nationalistic protectionism, tax competition and national debt levels, but a risk-on attitude appears to have captured some investor imagination – for now at least. As the rhetoric driving the current paradigm passes it will become the job of underlying fundamental facts and performance to inform markets as to the real impacts of new and previously unseen global policies and events.

This plan suggests a continuation of current conditions in the world economy. The plan, however, does include a number of strategic actions which are expected to result in growth regardless of market conditions, and in the right market conditions should add materially to the profitability of Gold Corporation. To the extent that they include capital expenditure, this will be funded from internal resources and there will be no requirement to borrow funds.

Of course, any forecast of economic and market conditions is tentative and uncertain. There is no way of knowing the future, as history has repeatedly shown. Flexibility and quick reactions will be required as, inevitably, unexpected developments occur. The plan also considers the flexibility necessary to operate in this environment.

### 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is an integrated precious metals business, starting with the refining of gold and silver, moving on to the production of London Good Delivery bullion bars, value-added bullion bars, bullion coins, coin blanks and other bullion and numismatic products. Safe storage facilities for bullion are also marketed to investors from around the world. The Perth Mint Refinery is Australia's sole accredited gold and silver refiner and sole producer of the Australian legal tender bullion coin series. It is also licensed to produce Australian legal

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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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tender numismatic, collector or commemorative coins and produces such coins on behalf of other issuing authorities as well. Much of its revenue is generated from exports and it is currently Western Australia's sixth largest exporter.

Gold Corporation has three wholly owned subsidiaries; Western Australian Mint, GoldCorp Australia and AGR Management Services Pty Ltd. Its integrated business model operates across all three in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries – the operations report on a consolidated basis.

Aspects of the business are:

### **Gold Refining**

The refinery located near Perth International Airport refines nearly all of Australia's gold doré production, as well as gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and assayed, after which the producer's bullion account is credited with the precious metal ounces or payment is made in cash to the producer. It takes the refinery about ten days to refine the gold and silver and after that it is ready to be used elsewhere in the organisation, to be sold to customers around the world as bullion (bars and other forms) or, failing either of these, to be shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in the Corporation's own products. The latter include;

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produce bullion coins and is the sole official issuer of Australia's bullion coin series. The series consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, the Lunar gold and silver coins and the platinum Platypus. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals – in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of other countries.

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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metal can be acquired conveniently.

### **Depository – The Safe Storage of Precious Metals**

Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in Perth Mint Depository have access to the following types of products:

*Unallocated Metal:* Gold Corporation has a liability to the customer denominated in fine ounces. Gold Corporation provides assurance to such customers and ensures that at all times it holds sufficient metal inventory to back all such liabilities. Gold Corporation's precious metal holdings are held in various locations: the mint, the refinery, approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the bullion inventory needs of Gold Corporation. Gold Corporation's London metal holdings are maintained for liquidity and transactional purposes. The advantage to customers of unallocated over allocated products is that they pay no storage fees.

*Allocated Metal:* Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

*Pool Allocated Metal:* Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for Allocated Metal) is payable.

The ways in which customers have access to these products are:

*Perth Mint Certificate Program:* Generally for small investors.

*Perth Mint Depository Services (off-line and on-line services):* Generally for investors wishing to invest larger amounts.

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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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*Perth Mint Gold*: This is for gold only and is a security listed on the Australian Stock Exchange.

### **The Shop & Exhibition**

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The Hay Street site contains all of Gold Corporation's operations, other than the refinery, and accommodation has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Shop & Exhibition.

The Shop sells not only The Perth Mint's own products (such as coins and bullion bars), but other Australian goods like natural gold nuggets, South Sea pearls, opals, pink diamonds and all these items set in jewellery.

The Exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. The highlights of any visit are the world record holding 1 tonne gold coin and the hourly gold pour in the historic melt house, in which a 200 ounce bar of pure gold is melted and poured into a bar.

### **3. OBJECTIVES**

The financial objectives of Gold Corporation are:

- To earn a commercial return on capital.
- To meet its capital expenditure and other funding requirements from its own resources.
- To pay tax equivalent and a 75% dividend to Government.
- To remain debt free.

According to the financial projections, Gold Corporation will achieve its financial objectives during the plan period.

Operational Objectives are:

- Continue enhancement of safety, environmental and quality systems.
  - Maintain gold and silver refining volumes and levels of service to the precious metals industry.
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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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- Increase bullion coin world market share.
- Continue developing the market for numismatic coins.
- Increase Gold Corporation's profile in the industry both in Australia and overseas.

### 4. PRIORITIES FOR 2017/18

- Continual improvements in the management of safety and the environment within Gold Corporation.
- Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
- Increase distribution of gold bars into target markets.
- Pursue institutional accounts and on-line depository business to increase the amount of metal held on deposit.
- Actively market all components of Gold Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's Capital Investment Programme for 2017/18 is \$25.4 million. It covers the following:

- The assay laboratory upgrade will be completed in 2018, allowing Gold Corporation to continue to operate at international standards and maintain its accreditation with the London Bullion Market Association (LBMA) without which Gold Corporation cannot compete in international markets.
  - The manufacturing operations are capacity constrained due to the speed of press machines. The addition of various new presses will replace equipment at the end of its economic life and increase the capacity of the manufacturing operations through the plan period.
  - Gold Corporation's silver refining volumes have reached their production capacity. An upgrade to the silver production area is required to ensure Gold Corporation remains competitive.
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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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- The heritage-listed buildings at the Hay Street site require some additional attention over the plan period to ensure their continued longevity and to preserve their cultural and historical importance.
- Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements.
- The replacement of the ERP computer system, the organisation's core financial computer system, and the development of a front end customer facing e-commerce platform capable of meeting Gold Corporations growth objectives are being planned during the plan period in tandem. The current systems are several IT generations old and continuity of service is likely to become an increasing risk. Growth in the business has also resulted in current systems being at the limit of their performance and are incapable of delivering the next stage of the strategic initiatives to increase profitability.

## 6. BUSINESS MANAGEMENT

### **Dividend Policy**

A dividend of 75% of after tax profit is expected to be paid.

### **Borrowings**

Gold Corporation will not seek to borrow any funds from WATC and will fund its capital expenditure from operational cash flows.

### **Accounting Policies**

Gold Corporation's financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2016 Annual Report.

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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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### **Performance Reporting**

The Chairman and Board of Directors are appointed in terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Under Treasurer as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established four committees – the Audit and Risk Management Committee, the Remuneration & Allowances Committee, the Treasury Committee and the Occupational Health, Safety and Environment Committee. These meet regularly as appropriate.

Meetings are also held with the responsible Minister or members of his or her staff regularly at which performance and other issues are discussed.

### **Annual Report**

Gold Corporation's web site at [www.perthmint.com.au](http://www.perthmint.com.au) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the web site. Printed annual reports are submitted to the Minister (the Premier) and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

**RICHARD G HAYES**

**Chief Executive Officer**

**14 February 2017**

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## STATEMENT OF CORPORATE INTENT – 2017 / 2018

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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u> 2016-17 \$000	<u>Projected</u> 2017-18 \$000
<b>Assumptions</b>		
Gold Price - USD/oz.	1,250	1,216
Exchange Rate USD/AUD	0.750	0.751
Dividend Provision Rate - Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	31,000	34,890
Operating Profit after income Tax	21,700	24,840
Dividend (for previous fin. year)	22,155	16,275
Cash balance	54,188	49,023
Net Assets/Equity	137,780	146,344
Capital Expenditure	19,998	25,441
<b>Accruals to Government</b>		
Income Tax	9,300	10,050
State Tax on Payroll	1,898	2,169
Dividend	22,155	16,275
Total Accrual to Government	<b>33,353</b>	<b>28,494</b>

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## Gold Corporation

### Statement of Corporate Intent

2018-19





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### 1. INTRODUCTION

The state of the global economy impacts Gold Corporation through both the supply and demand for precious metals. The current global economic outlook continues to change, with economists moving from an outlook of weak cyclical stagnation to one of global growth stabilisation. As a result, the markets for precious metal remain challenging, and it is possible that the buying of safe-haven assets may not return until a significant macro-economic or geo-political shock occurs.

This plan suggests a continuation of current conditions in the world economy. The plan, however, does include a number of strategic actions which are expected to result in growth regardless of market conditions, and in the right market conditions should add materially to the profitability of Gold Corporation. To the extent that they include capital expenditure, this will be funded from internal resources and there will be no requirement to borrow funds.

Of course, any forecast of economic and market conditions is tentative and uncertain. There is no way of knowing the future, as history has repeatedly shown. Flexibility and quick reactions will be required as, inevitably, unexpected developments occur. The plan also considers the flexibility necessary to operate in this environment.

### 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is an integrated precious metals business, starting with the refining of gold and silver, moving on to the production of London Good Delivery bullion bars, value-added bullion bars, bullion coins, coin blanks and other bullion and numismatic products. Safe storage facilities for bullion are also marketed to investors from around the world. The Perth Mint is Australia's sole accredited gold and silver refiner and sole producer of the Australian legal tender bullion coin series. It is also licensed to produce Australian legal tender numismatic, collector or commemorative coins and produces such coins on behalf of other issuing authorities as well. Much of its revenue is generated from exports and it is currently Western Australia's fifth largest exporter.

Gold Corporation has three wholly owned subsidiaries; Western Australian Mint, GoldCorp Australia and AGR Management Services Pty Ltd. Its integrated business model operates across all three in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries – the operations report on a consolidated basis.

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## STATEMENT OF CORPORATE INTENT – 2018 / 2019

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Aspects of the business are:

### **Precious Metal Refining**

The refinery located near Perth Airport refines nearly all of Australia's gold doré production, as well as gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and assayed, after which the producer's bullion account is credited with the precious metal ounces or payment is made in cash to the producer. It takes the refinery about ten days to refine the gold and silver and after that it is ready to be used elsewhere in the organisation, to be sold to customers around the world as bullion (bars and other forms) or, failing either of these, to be shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in Gold Corporation's own products. The latter include;

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produce bullion coins and is the sole official issuer of Australia's bullion coin series. The series consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, the Lunar gold and silver coins and the platinum Platypus. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals – in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of other countries.

The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metal can be acquired conveniently.

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## STATEMENT OF CORPORATE INTENT – 2018 / 2019

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### Depository – The Safe Storage of Precious Metals

Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in Perth Mint Depository have access to the following types of products:

*Unallocated Metal:* Gold Corporation has a liability to the customer denominated in fine ounces. Gold Corporation provides assurance to such customers and ensures that at all times it holds sufficient metal inventory to back all such liabilities. Gold Corporation's precious metal holdings are held in various locations: the mint, the refinery, approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the precious metal inventory needs of Gold Corporation. Gold Corporation's London metal holdings are maintained for liquidity and transactional purposes. The advantage to customers of unallocated over allocated products is that they pay no storage fees.

*Allocated Metal:* Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

*Pool Allocated Metal:* Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for Allocated Metal) is payable.

The ways in which customers have access to these products are:

*Perth Mint Certificate Program:* Generally for small investors.

*Perth Mint Depository Services (off-line and on-line services):* Generally for investors wishing to invest larger amounts.

*Perth Mint Gold:* This is for gold only and is a security listed on the Australian Stock Exchange.

### The Shop & Exhibition

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The Hay Street site contains all of Gold Corporation's operations, other than the refinery, and accommodation has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Shop & Exhibition.

The Shop sells not only The Perth Mint's own products (such as coins and bullion bars), but other Australian goods like natural gold nuggets, South Sea pearls, opals, pink diamonds and all these items set in jewellery.

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## STATEMENT OF CORPORATE INTENT – 2018 / 2019

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The Exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. The highlights of any visit are the world record holding 1 tonne gold coin and the hourly gold pour in the historic melt house, in which a 200 ounce bar of pure gold is melted and poured into a bar.

### 3. OBJECTIVES

The financial objectives of Gold Corporation are:

- to earn a commercial return on capital;
- to meet its capital expenditure and other funding requirements from its own resources;
- to pay tax equivalent and a 75% dividend to Government; and
- to remain debt free.

According to the financial projections, Gold Corporation will achieve its financial objectives during the plan period.

Operational Objectives are:

- continue enhancement of safety, environmental and quality systems;
- maintain gold and silver refining volumes and levels of service to the precious metals industry;
- increase bullion coin world market share;
- continue developing the market for numismatic coins; and
- increase Gold Corporation's profile in the industry both in Australia and overseas.

### 4. PRIORITIES FOR 2018/19

- Continual improvements in the management of safety and the environment within Gold Corporation.
  - Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
  - Increase distribution of precious metal bars and coins into target markets.
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## STATEMENT OF CORPORATE INTENT – 2018 / 2019

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- Pursue institutional accounts and Depository Online business to increase the amount of metal held on deposit.
- Actively market all components of Gold Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's Capital Investment Programme for 2018/19 is \$20.8 million. It covers the following:

- The manufacturing operations are capacity constrained due to the speed of press machines. The addition of various new presses will replace equipment at the end of its economic life and increase the capacity of the manufacturing operations through the plan period.
  - Gold Corporation's silver refining volumes are approaching the maximum production capacity. An upgrade to the silver production area is required to ensure Gold Corporation maintains sufficient production capacity to meet demand.
  - The heritage-listed buildings at the Hay Street site require some additional attention over the plan period to ensure their continued longevity and to preserve their cultural and historical importance.
  - Assay fingerprint technology will improve overall security for the gold industry and reduce theft, as well as assisting Gold Corporation in complying with OECD conflict minerals requirements.
  - Upgrading the existing caster with modern technology increases the production capacity of the factory and replaces equipment that is already at the end of its economic life.
  - Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements.
  - The replacement of the ERP computer system, the organisation's core financial computer system, and the development of a front end customer facing e-commerce platform capable of meeting Gold Corporation's growth objectives are being planned during the plan period in tandem. The current systems are several IT generations old and continuity of service is likely to become an increasing risk. Growth in the business has also resulted in current systems being at the limit of their performance making them incapable of delivering the next stage of the strategic initiatives to increase profitability.
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## STATEMENT OF CORPORATE INTENT – 2018 / 2019

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### 6. BUSINESS MANAGEMENT

#### Dividend Policy

A dividend of 75% of after tax profit is expected to be paid.

#### Borrowings

Gold Corporation will not seek to borrow any funds from Western Australian Treasury Corporation and will fund its capital expenditure from operational cash flows.

#### Accounting Policies

Gold Corporation's financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2017 Annual Report.

The impact of the new Accounting Standards, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* has not been included within this Statement of Corporate Intent.

#### Performance Reporting

The Chairman and Board of Directors are appointed in terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Executive Director of Infrastructure and Finance in the Department of Treasury as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established four committees – the Audit and Risk Management Committee, the Remuneration & Allowances Committee, the Treasury Committee and the Environment, Occupational Health and Safety Committee. These meet regularly as appropriate.

Meetings are also held with the responsible Minister or members of his or her staff regularly at which performance and other issues are discussed.

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## **STATEMENT OF CORPORATE INTENT – 2018 / 2019**

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### **Annual Report**

Gold Corporation's web site at [www.perthmint.com.au](http://www.perthmint.com.au) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the web site. Printed annual reports are submitted to the Minister (the Premier) and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

**RICHARD G HAYES**

**Chief Executive Officer**

**5 June 2018**

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## STATEMENT OF CORPORATE INTENT – 2018 / 2019

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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u> 2017-18 \$000	<u>Projected</u> 2018-19 \$000
<b>Assumptions</b>		
Gold Price - USD/oz.	1,303	1,349
Exchange Rate USD/AUD	0.780	0.778
Dividend Provision Rate - Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	12,044	30,686
Operating Profit after Income Tax	8,431	21,480
Dividend (for previous fin. year)	12,752	6,323
Cash balance	35,338	42,271
Net Assets/Equity	128,634	143,791
Capital Expenditure	17,873	20,788
<b>Accruals to Government</b>		
Income Tax	3,613	9,206
State Tax on Payroll	2,101	2,082
Dividend	12,752	6,323
Total Accrual to Government	<b>18,466</b>	<b>17,611</b>

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THE PERTH MINT AUSTRALIA

Gold Corporation

Statement of Corporate Intent

2019-20





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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### 1. INTRODUCTION

The state of the global economy impacts on Gold Corporation through both the supply of and the demand for precious metals. The current global economic outlook continues to change, with economists moving from an outlook of weak cyclical stagnation to one of global growth stabilisation. As a result, the markets for precious metals remain challenging. It is possible that the buying of safe haven assets may not return until a significant macro-economic or geo-political shock occurs.

This plan suggests a continuation of current conditions in the world economy. However the plan does include a number of strategic actions which are expected to result in growth regardless of market conditions. In favourable market conditions these actions should add materially to the profitability of Gold Corporation. To the extent that they include capital expenditure, this will be funded from internal resources and there will be no requirement to borrow funds.

Of course, any forecast of economic and market conditions is tentative and uncertain. There is no way of knowing the future, as history has repeatedly shown. Flexibility and quick reactions will be required as unexpected developments inevitably occur. The plan also considers the flexibility necessary to operate in this environment.

Gold Corporation also notes that it is a for-profit entity operating in a competitive environment. This document has been prepared accordingly, with the scope being restricted to ensure any commercially sensitive information is not made publically available.

### 2. ACTIVITIES

Gold Corporation, using the trading name The Perth Mint, is a unique vertically integrated precious metals business employing over 400 Western Australians. It refines newly mined as well as scrap gold and silver. From that it produces a wide range of value-added bullion and numismatic products. Additionally, safe storage facilities for bullion are marketed to investors from around the world. The Perth Mint is Australia's sole accredited gold and silver refiner and the only producer of the Australian legal tender bullion coin series. The Perth Mint is also licensed to produce Australian legal tender numismatic, collector or commemorative coins. Furthermore it produces such coins on behalf of other issuing authorities. Approximately 90% of Gold Corporation's revenue is generated from exports and it is currently Western Australia's third largest exporter.

The Perth Mint has consistently played a vital role in Western Australia's precious metal industry since opening in 1899. By forging relationships spanning the entire spectrum of the precious metal value chain, from the miners themselves, to the delivery of physical products

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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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and investment solutions to markets the world over, Gold Corporation is uniquely positioned to promote, and facilitate continued excellence in, Western Australia's precious metal industry.

Gold Corporation has three wholly owned subsidiaries: Western Australian Mint, GoldCorp Australia and AGR Management Services Pty Ltd. Its integrated business model operates across all three in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries, with the operations reporting on a consolidated basis.

Aspects of the business are:

### **Precious Metal Refining**

The refinery, located near Perth Airport refines nearly all of Australia's gold doré production, as well as gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the refinery it is weighed, melted and assayed. After these processes have been completed, the producer's bullion account is credited with the precious metal ounces or payment is made in cash. It takes the refinery about 10 days to refine the gold and silver. After that it is ready to be used elsewhere in the organisation or be sold to customers around the world as bullion (in bars and other forms). Failing either of these options, the gold is shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in Gold Corporation's own products. The latter include:

#### *Bullion Coins*

The Perth Mint is one of a handful of mints worldwide which produces bullion coins and is the sole official issuer of Australia's bullion coin program. The program consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, and the Lunar gold and silver coins. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals in a form that can be trusted, is difficult to forge, easily recognisable and readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Perth Mint is one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of other countries. The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they also promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metals can be acquired conveniently.

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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### Depository – The Safe Storage of Precious Metals

The Perth Mint Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the problems associated with taking physical possession of the metal, such as transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport the metal anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in The Perth Mint Depository have access to the following types of products:

#### *Unallocated Metal*

Gold Corporation has a liability denominated in fine ounces to the customer. Gold Corporation provides assurance to these customers and ensures that at all times it holds sufficient metal inventory to back all such liabilities. Gold Corporation's precious metal holdings are held in various locations: the mint, the refinery, approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the precious metal inventory needs of Gold Corporation. Gold Corporation's London metal holdings are maintained for liquidity and transactional purposes. The advantage to customers of unallocated over allocated products is that they pay no storage fees.

#### *Allocated Metal*

Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by Gold Corporation and there is a storage charge for the service.

#### *Pool Allocated Metal*

Customers own a share in a stock of bullion bars kept in vaults. Gold Corporation does not use the metal and a storage charge (lower than for allocated metal) is payable.

The ways in which customers have access to these products are:

#### *Perth Mint Certificate Program*

Generally for investors with smaller holdings.

#### *Perth Mint Depository Services (offline and online services)*

Generally for investors wishing to invest larger amounts.

#### *Perth Mint Gold*

This is for gold only and is a security listed on the Australian Stock Exchange.

#### *AAAU ETF*

The Perth Mint Physical Gold Exchange Traded Fund (AAAU ETF) is also for gold only and listed on the New York Stock Exchange.

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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### *GoldPass app*

The GoldPass app allows registered users to electronically buy and sell gold holdings and to transfer those holdings to other approved users.

### **The Shop & Exhibition**

The Perth Mint is housed in a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. The Hay Street site contains all of Gold Corporation's operations, other than the refinery, and office space has been increased over the years with the addition of a number of new buildings. Part of the ground floor of the original building is taken up by the Shop & Exhibition.

The Shop sells not only The Perth Mint's own products (such as coins and bullion bars), but other Australian goods such as natural gold nuggets, south sea pearls, opals, pink diamonds and all these items set in jewellery.

The Exhibition is an award-winning tourist attraction with an array of displays telling the story of Western Australian gold. The highlights of any visit are the world record holding Australian Kangaroo One Tonne Gold Coin and the hourly gold pour in the historic melting house, in which 200 ounces of pure gold is melted and poured into a bar. Visitors can also glimpse the coin minting process through security glass.

## **3. OBJECTIVES**

The financial objectives of Gold Corporation are to:

- Earn a commercial return on capital.
- Meet its capital expenditure and other cashflow requirements from its own resources.
- Pay tax equivalent and a 75% dividend to Government.

According to the financial projections, Gold Corporation will achieve its financial objectives during the plan period.

Operational objectives are to:

- Continue enhancement of safety, environmental and quality systems.
  - Maintain gold and silver refining volumes and levels of service to the precious metals industry.
  - Increase bullion coin world market share.
  - Continue developing the market for numismatic coins.
  - Increase Gold Corporation's profile in the industry, both in Australia and overseas.
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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### 4. PRIORITIES FOR 2019/20

- Continual improvements in the management of safety and the environment within Gold Corporation.
- Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
- Increase distribution of precious metal bars and coins into target markets.
- Pursue institutional accounts and Depository Online business to increase the amount of metal held on deposit.
- Actively market all components of Gold Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's Capital Investment Program for 2019/20 is \$18.98 million. It covers the following:

- The IT systems are in the process of being upgraded to enable the strategic initiatives being undertaken by Gold Corporation
  - The manufacturing operations are capacity constrained due to the speed of press machines. The addition of various new presses will replace equipment at the end of its economic life and increase the capacity of the manufacturing operations through the plan period.
  - Gold Corporation's silver refining volumes are approaching the maximum production capacity. An upgrade to the silver production area is required to ensure Gold Corporation maintains sufficient production capacity to meet demand.
  - Routine capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, and safety and security enhancements.
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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### 6. BUSINESS MANAGEMENT

#### Dividend Policy

A dividend of 75% of after tax profit is expected to be paid.

#### Borrowings

Gold Corporation will not seek to borrow any funds from Western Australian Treasury Corporation and will fund its capital expenditure from operational cash flows.

#### Accounting Policies

Gold Corporation's financial statements for the year ended 30 June 2018 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2018 Annual Report.

The impact of the new Accounting Standards, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* have been included within this Statement of Corporate Intent for the 2019-2020 period.

#### Performance Reporting

The Chairman and Board of Directors are appointed according to terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Executive Director of the Economic Business Unit in the Department of Treasury as an *ex officio* board member.

The Board receives monthly reports on the performance of Gold Corporation and more detailed reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established five committees – the Audit and Risk Management Committee, the Remuneration and Allowances Committee, the Treasury Committee, the Environment, Occupational Health and Safety Committee and the One-Future Committee. These meet regularly as appropriate.

Regular meetings are also held with the responsible Minister, or members of his or her staff, during which performance and other issues are discussed.

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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### **Annual Report**

Gold Corporation's website at [www.perthmint.com](http://www.perthmint.com) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the website. Printed annual reports are submitted to the Minister (the Premier) and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

**RICHARD G HAYES**

**Chief Executive Officer**

**May 2019**

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## STATEMENT OF CORPORATE INTENT – 2019 / 2020

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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u>	<u>Projected</u>
	2018-19	2019-20
	\$000	\$000
<b>Assumptions</b>		
Gold Price - USD/oz.	1,268	1,347
Exchange Rate USD/AUD	0.719	0.716
Dividend Policy Rate		
- Percentage of After Tax Profit	75%	75%
<b>Financial outcome</b>		
Operating Profit before Income Tax	13,568	18,523
Operating Profit after income Tax	9,498	12,966
Dividend (for previous fin. year)	4,989	7,123
Cash balance	27,291	23,537
Net Assets/Equity	130,902	135,623
Capital Expenditure	27,243	18,977
<b>Accruals to Government</b>		
Income Tax	4,070	5,557
State Tax on Payroll	2,014	2,049
Dividend	4,989	7,123
Total Accrual to Government	<b>11,073</b>	<b>14,729</b>

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THE PERTH MINT AUSTRALIA

Gold Corporation

Statement of Corporate Intent

2020-21





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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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### 1. INTRODUCTION

The state of the global economy impacts on Gold Corporation ('the Corporation'), through the international supply and demand for precious metals. As gold is a safe haven asset, demand for many of the Corporation's products and services tends to be inversely correlated with worldwide economic sentiment.

Demand for the Corporation's products and services had therefore, in recent years, been negatively affected by the strong performance of major equity, property and bond markets throughout OECD nations. This was particularly evident in the US where the main equity markets had set record highs, even amid mounting geopolitical tensions.

However the global impact of COVID-19, which started in early 2020, gave rise to unusually volatile trading conditions. This, in turn, heightened demand for precious metal products. While it is impossible to know when conditions will begin to normalise, historically precious metals markets reverse strongly when global equities rebound after periods of significant instability. Such conditions result in poorer financial outcomes for the Corporation. The budget for 2020-21 has therefore been prepared on the assumption that overall market conditions will normalise early in the period as restrictions globally begin to ease and sentiment improves.

The Corporation also notes that it is a for-profit entity operating in a competitive environment. This document has been prepared accordingly, with the scope being restricted to ensure any commercially sensitive information is not made publicly available.

### 2. ACTIVITIES

The Corporation, trading as The Perth Mint, is a unique vertically integrated precious metals business employing more than 400 West Australians. It refines newly mined as well as scrap gold and silver. From that it produces a wide range of value-added bullion and numismatic products. Additionally, safe storage facilities for bullion are marketed to investors from around the world. The Corporation is Australia's sole accredited gold and silver refiner and the only producer of the Australian legal tender bullion coin series. It is licensed to produce Australian legal tender numismatic coins, also referred to as collector and commemorative coins. Furthermore, it produces such coins on behalf of other issuing authorities. Approximately 90% of the Corporation's revenue is generated from exports and it is currently Western Australia's third largest exporter.

It has consistently played a vital role in Western Australia's precious metal industry since opening as The Perth Mint in 1899. By forging relationships spanning the entire spectrum of the precious metal value chain, from miners to the delivery of physical products and investment solutions across global markets, the Corporation is uniquely positioned to promote, and facilitate continued excellence in, Western Australia's precious metal industry.

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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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The Corporation has three wholly owned subsidiaries: Western Australian Mint, GoldCorp Australia and AGR Management Services Pty Ltd. Its integrated business model operates across all three in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries, with the operations reporting on a consolidated basis.

Aspects of the business are outlined below.

### **Precious Metal Refining**

The Refinery, located near Perth Airport, processes nearly all of Australia's gold doré production, as well as gold produced in surrounding countries and varying quantities of recycled gold, mainly from Asia. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the Refinery it is weighed, melted and assayed. After these processes have been completed, the producer's bullion account is credited with the precious metal ounces or payment is made in cash. It takes the Refinery about 10 days to process the gold and silver. After that it is ready to be used elsewhere in the organisation or be sold to customers around the world as bullion (in bars and other forms). Failing either of these options, the gold is shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in the Corporation's own products. The latter include:

#### *Bullion Coins*

The Corporation operates one of a handful of mints worldwide which produces bullion coins and is the sole official issuer of Australia's bullion coin program. The program consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, and the Lunar gold and silver coins. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals in a form that can be trusted, is difficult to forge, easily recognisable and readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Corporation operates one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of other countries. The Australian numismatic coins celebrate Australian culture, places, history, nature and events, and they promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metals can be acquired conveniently.

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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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### Depository – The Safe Storage of Precious Metals

The Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the issues associated with taking physical possession of the metal, such as transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport the metal anywhere and can give the instruction to sell from anywhere in the world.

Customers wishing to invest in precious metals in the Depository have access to the following types of products:

#### *Unallocated Metal*

The Corporation has a liability denominated in fine ounces to the customer. It provides assurance to these customers and ensures that at all times it holds sufficient metal inventory to back all such liabilities. The Corporation's precious metal holdings are held in various locations: the Mint, the Refinery, approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the precious metal inventory needs of the Corporation. The Corporation's London metal holdings are maintained for liquidity and transactional purposes. The advantage to customers of unallocated over allocated products is that they pay no storage fees.

#### *Allocated Metal*

Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by the Corporation and there is a storage charge for the service.

#### *Pool Allocated Metal*

Customers own a share in a stock of bullion bars kept in vaults. The Corporation does not use the metal and a storage charge (lower than for allocated metal) is payable.

The ways in which customers have access to these products are:

#### *Perth Mint Certificate Program*

Generally for investors with smaller holdings.

#### *Perth Mint Depository Services (offline and online services)*

Generally for investors wishing to invest larger amounts.

#### *Perth Mint Gold*

This is a security listed on the Australian Securities Exchange (ASX: PMGOLD).

#### *AAAU ETF*

The Perth Mint Physical Gold Exchange Traded Fund is listed on the New York Stock Exchange (NYSE: AAAU).

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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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### *GoldPass*

The GoldPass app allows registered users to electronically buy and sell gold holdings, and to transfer those holdings to other approved users.

### *Perth Mint Gold Token (PMGT):*

The Corporation has worked with leading precious metals digitisation company InfiniGold to launch gold tokens on a public blockchain. The Corporation's role is to store the gold backing the digital tokens which are marketed to individual and institutional investors.

### **The Shop & Exhibition**

The East Perth site is home to a beautiful heritage building, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. Located in Hay Street the site contains all the Corporation's operations, other than the Refinery. Office space has been increased over the years with the addition of new buildings. Part of the ground floor of the original building is taken up by the Shop and Exhibition.

The Shop sells not only the Corporation's own products (such as coins and bullion bars), but other Australian goods such as natural gold nuggets, south sea pearls, opals and pink diamonds set in jewellery.

The Exhibition is an award-winning tourist attraction with an array of displays telling the story of Western Australian gold. The highlights of any visit are the world record holding Australian Kangaroo One Tonne Gold Coin and the hourly gold pour in the historic melting house, in which 200 ounces of pure gold is melted and poured into a bar. Visitors can also view the coin minting process through security glass.

## **3. OBJECTIVES**

The financial objectives of the Corporation are to:

- Earn a commercial return on capital.
- Meet its capital expenditure and other cashflow requirements from its own resources.
- Pay tax equivalent and a 75% dividend to Government.

According to the financial projections, the Corporation will achieve its financial objectives during the plan period.

Operational objectives are to:

- Continue enhancement of safety, environmental and quality systems.
  - Maintain gold and silver refining volumes, and levels of service to the precious metals industry.
  - Increase bullion coin world market share.
  - Continue developing the market for numismatic coins.
  - Increase the Corporation's profile in the industry, both in Australia and overseas.
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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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### 4. PRIORITIES FOR 2020/21

- Continual improvements in the management of safety and the environment within the Corporation.
- Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
- Increase distribution of precious metal bars and coins into target markets.
- Pursue institutional accounts and Depository Online business to increase the amount of metal held on deposit.
- Actively market all components of the Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of the Corporation's Capital Investment Program for 2020/21 is \$26.53 million. It covers the following:

- An upgrade to the security systems to ensure the Corporation continues to have state of the art security arrangements in place. With more than \$6b worth of precious metal on site, security upgrades are of critical importance to the organisation.
  - An upgrade to the existing rolling mill with modern technology to improve the accuracy of product weights, and hence reduce metal giveaways. The upgrade also replaces equipment that is already at the end of its economic life.
  - The manufacturing operations are capacity constrained due to the speed of press machines. The addition of various new presses will replace equipment at the end of its economic life and increase the capacity of the manufacturing operations through the plan period.
  - Routine capital expenditure in the Mint and Refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, and safety and security enhancements.
  - The replacement of the ERP system, which is the organisation's core financial computer system, and the development of a front-end customer facing e-commerce platform are expected to be completed during the period. The current systems are several IT generations old and continuity of service was becoming an increasing risk. Growth in the business has also resulted in current systems being at the limit of their performance, making them incapable of delivering the next stage of the strategic initiatives to increase profitability.
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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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### 6. BUSINESS MANAGEMENT

#### Dividend Policy

A dividend of 75% of after tax profit is expected to be paid.

#### Borrowings

The Corporation will not seek to borrow any funds from Western Australian Treasury Corporation and will fund its capital expenditure from operational cash flows.

#### Accounting Policies

The Corporation's financial statements for the year ended 30 June 2020 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of the Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2020 Annual Report. These policies are not expected to change during the 2020-21 financial year.

#### Performance Reporting

The Chairman and Board of Directors are appointed according to terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Executive Director of the Infrastructure and Finance Business Unit in the Department of Treasury as an *ex officio* board member.

The Board receives monthly reports on the performance of the Corporation and more detailed reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established five committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Treasury Committee, the Environment, Occupational Health and Safety Committee and the One-Future Committee. These meet regularly as appropriate.

Regular meetings are also held with the responsible Minister, or members of his or her staff, during which performance and other issues are discussed.

#### Annual Report

The Corporation's website at [www.perthmint.com](http://www.perthmint.com) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the

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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

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annual report for the plan year will have contents similar to the one currently on the website. Printed annual reports are submitted to the Minister (the Premier) and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

### **Impact of COVID-19**

The Corporation has implemented a COVID-19 management plan to ensure the safety of its employees first and foremost, as well as to ensure business continuity amid the various difficulties presented by the spread of the virus.

**RICHARD G HAYES**

**Chief Executive Officer**

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## STATEMENT OF CORPORATE INTENT – 2020 / 2021

### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Actual</u> 2019-20	<u>Projected</u> 2020-21
<b>Assumptions</b>		
Gold price - USD/oz.	1,578	1,944
Exchange rate USD/AUD	0.671	0.726
Dividend policy rate: % of after-tax profit	75%	75%
<b>Financial outcome</b>		
Operating profit before income tax (\$000)	47,546	19,510
Operating profit after income tax (\$000)	31,266	13,657
Cash balance (\$000)	127,082	131,377
Net assets/equity (\$000)	152,949	143,157
Capital expenditure (\$000)	19,827	26,526
<b>Accruals to Government</b>		
Income tax (\$000)	16,280	5,853
State tax on payroll (\$000)	2,151	2,103
Dividend (for previous financial year) (\$000)	5,959	23,450
Total accrual to Government (\$000)	<b>24,390</b>	<b>31,406</b>
<b>Non-financial KPIs</b>		
Number of fatalities	0	0
Lost time injury / disease incident rate	0	0
Lost time injury severity rate	0	0
% of workers returned to work within 26 weeks	100%	>80%
% of managers trained in OSH & injury management	96%	>80%
Global market share of Australian gold bullion coins	7%	12%
Coins and bars - total premium income (\$000)	84,900	62,000
Coins and bars - premiums as a % of metal value	3.9%	5.8%
% of Australian gold doré production refined	87%	90%
Return on equity	31.1%	13.6%
Visitors to Perth Mint Exhibition	60,000	35,000
Visitors' satisfaction level	99.5%	99.9%



## Gold Corporation

### Statement of Corporate Intent

2021-22





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# STATEMENT OF CORPORATE INTENT – 2021 / 2022

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## 1. INTRODUCTION

The state of the global economy impacts on Gold Corporation ('the Corporation'), through the international supply and demand for precious metals. As gold is a safe haven asset, demand for many of the Corporation's products and services tends to be inversely correlated with worldwide economic sentiment.

Demand for the Corporation's products and services had therefore, in recent years, generally been negatively affected by the strong performance of major equity, property and bond markets throughout OECD nations. This was particularly evident in the US where the main equity markets had set record highs, even amid mounting geopolitical tensions.

However, the global impact of COVID-19, which started in early 2020, gave rise to unusually volatile trading conditions. This, in turn, heightened demand for precious metal products. While it is impossible to know when conditions will begin to normalise, historically precious metal markets reverse strongly when global equities rebound after periods of significant instability. Such conditions result in poorer financial outcomes for the Corporation. The budget for 2021-22 has therefore been prepared on the assumption that overall market conditions will have normalised prior to the beginning of the period or will normalise early in the period as the vaccines are rolled out, restrictions globally begin to ease and sentiment improves.

The Corporation also notes that it is a for-profit entity operating in a competitive environment. This document has been prepared accordingly, with the scope being restricted to ensure any commercially sensitive information is not made publicly available.

## 2. ACTIVITIES

The Corporation, trading as The Perth Mint, is a unique vertically integrated precious metals business employing more than 500 West Australians. It refines newly mined as well as secondary gold and silver. From that it produces a wide range of value-added bullion and numismatic products. Additionally, safe storage facilities for bullion are marketed to investors from around the world. The Corporation is Australia's sole accredited gold and silver refiner and the only official producer of the Australian legal tender bullion coin series. It is licensed to produce Australian legal tender numismatic coins, also referred to as collector and commemorative coins. It also produces such coins on behalf of other issuing authorities. Approximately 90% of the Corporation's revenue is generated from exports and it is currently Western Australia's third largest exporter.

The Corporation has consistently played a vital role in Western Australia's precious metal industry since opening as The Perth Mint in 1899. By forging relationships spanning the entire spectrum of the precious metal value chain, from miners to the delivery of physical products and investment solutions across global markets, the Corporation is uniquely positioned to promote, and facilitate continued excellence in, Western Australia's precious metal industry.

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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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The Corporation has four wholly owned subsidiaries: Western Australian Mint, GoldCorp Australia, AGR Management Services Pty Ltd and W.A. Mint Pty Ltd. Its integrated business model operates across all four in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries, with the operations reporting on a consolidated basis.

Aspects of the business are outlined below.

### **Precious Metal Refining**

The Refinery, located near Perth Airport, processes the vast majority of Australia's gold doré production, as well as some gold produced in surrounding countries. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the Refinery it is weighed, melted and assayed. After these processes have been completed, the producer's bullion account is credited with the precious metal ounces or payment is made in cash. It takes the Refinery about 10 days to process the gold and silver. After that it is ready to be used elsewhere in the organisation or be sold to customers around the world as bullion (in bars and other forms). Failing either of these options, the gold is shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in the Corporation's own products. The latter include:

#### *Bullion Coins*

The Corporation operates one of a handful of mints worldwide which produces bullion coins and is the sole official issuer of Australia's bullion coin program. The program consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, and the Lunar gold and silver coins. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

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#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metals can be acquired conveniently.

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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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### Depository – The Safe Storage of Precious Metals

The Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the issues associated with taking physical possession of the metal, such as transport, physical security or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's nominated bank account. The customer does not have to transport the metal anywhere and can give the instruction (in an approved safe manner) to sell from anywhere in the world.

Customers wishing to invest in precious metals in the Depository have access to the following types of products:

#### *Unallocated Metal*

The Corporation has a liability denominated in fine ounces to the customer. It provides assurance to these customers and ensures that at all times it holds sufficient metal inventory to back all such liabilities. The Corporation's precious metal holdings are held in various locations: the Mint, the Refinery, approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the precious metal inventory needs of the Corporation. The Corporation's London metal holdings are maintained for liquidity and transactional purposes. The advantage to customers of unallocated over allocated products is that they pay no storage fees.

#### *Allocated Metal*

Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by the Corporation and there is a storage charge for the service.

#### *Pool Allocated Metal*

Customers own a share in a stock of bullion bars kept in vaults. The Corporation does not use the metal and a storage charge (lower than for allocated metal) is payable.

The ways in which customers have access to these products are:

#### *Perth Mint Certificate Program*

Generally for investors with smaller holdings.

#### *Perth Mint Depository Services*

Generally for investors wishing to invest larger amounts.

#### *Perth Mint Depository Online*

The Depository Online platform allows registered users to buy and sell precious metals through an easy to use and secure online trading platform.

#### *Perth Mint Gold*

This is a security listed on the Australian Securities Exchange (ASX: PMGOLD).

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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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### *GoldPass*

The GoldPass app allows registered users to electronically buy and sell gold holdings, and to transfer those holdings to other approved users.

### *Perth Mint Gold Token (PMGT):*

The Corporation has worked with leading precious metals digitisation company InfiniGold to launch gold tokens on a public blockchain. The Corporation's role is to store the gold backing the digital tokens which are marketed to individual and institutional investors.

### **The Shop & Exhibition**

The East Perth site is home to heritage buildings, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. Located in Hay Street, East Perth, the site contains all the Corporation's operations, other than the Refinery. Office space has been increased over the years with the addition of new buildings. Part of the ground floor of the original building is taken up by the Shop and Exhibition.

The Shop sells not only the Corporation's own products (such as coins and bullion bars), but other Australian goods such as natural gold nuggets, south sea pearls, opals and pink diamonds.

The Exhibition is an award-winning tourist attraction with an array of displays telling the story of Western Australian gold. The highlights of any visit are the world record holding Australian Kangaroo One Tonne Gold Coin and the hourly gold pour in the historic melting house, in which 200 ounces of pure gold is melted and poured into a bar. Visitors can also view the coin minting process through security glass.

## **3. OBJECTIVES**

The financial objectives of the Corporation are to:

- Earn a commercial return on capital.
- Meet its capital expenditure and other cashflow requirements from its own resources.
- Pay tax equivalent and a 75% dividend to Government.

According to the financial projections, the Corporation will achieve its financial objectives during the plan period. In accordance with Government policy, the Corporation will retain its forecast 2021-22 dividend payment of \$30.02 million to instead contribute to funding future infrastructure investment. The funds will be quarantined until the Government approves business cases for the strategic infrastructure requirements of Gold Corporation as part of future Budgets

Operational objectives are to:

- Continue the enhancement of safety, environmental and quality systems, and operate in a sustainable manner that acknowledges the Corporation's social and legal
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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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obligations in accordance with established Environmental, Social and Governance protocols.

- Maintain gold and silver refining volumes, and levels of service to the precious metals industry.
- Increase bullion coin world market share.
- Continue developing the market for numismatic coins.
- Increase the Corporation's profile in the industry, both in Australia and overseas.
- Promote Western Australia's heritage and maintain The Perth Mint's position as a premier tourist destination.

### 4. PRIORITIES FOR 2021/22

- Continual improvements in the management of safety and the environment within the Corporation.
- Ensure the Corporation's commitment to sound sustainability principles is embedded in all its undertakings and decision-making processes.
- Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
- Increase distribution of precious metal bars and coins into target markets.
- Pursue institutional accounts and Depository Online business to increase the amount of metal held on deposit.
- Actively market all components of the Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of the Corporation's Capital Investment Program for 2021/22 is \$32.01 million. It covers the following:

- One-Future Program: the replacement of the Enterprise Resource Planning (ERP) system, which is Gold Corporation's core financial computer system, and the development of a front-end customer facing e-commerce platform are nearing completion. Growth in the business has resulted in current systems being at the limit of their performance, making them unsuitable for delivering the next stage of the strategic initiatives to increase profitability.
  - Installation of a solar array at the Refinery to aid in minimising the environmental impact of the refining operations and securing the associated ongoing energy cost savings.
  - An upgrade to the security systems to ensure the Corporation continues to have state of the art security arrangements in place. With approximately \$6b worth of precious metal on site, security upgrades are of critical importance to the organisation.
  - The manufacturing operations are constrained due to the age of the current equipment. The addition of new manufacturing plant (such as continuous casters) will replace
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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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equipment at the end of its economic life and increase the capacity of the manufacturing operations through the plan period.

- Ongoing uplift of existing business technology infrastructure and platforms in order to further improve security, reduce risks, facilitate automations and associated cost savings, centralise information and improve the customer experience.
- Routine capital expenditure in the Mint and Refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, and safety and security enhancements.

## 6. BUSINESS MANAGEMENT

### Dividend Policy

Gold Corporation complies with the Government's Dividend Payout Ratio as determined by Government or any other dividend amount which may be determined.

### Borrowings

The Corporation will not seek to borrow any funds from Western Australian Treasury Corporation and will fund its capital expenditure from operational cash flows.

### Accounting Policies

The Corporation's financial statements for the year ended 30 June 2020 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of the Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2020 Annual Report. These policies did not change in the 2020-21 financial year, nor are not expected to change in the 2021-22 financial year.

### Performance Reporting

The Chairman and Board of Directors are appointed according to terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Executive Director of the Infrastructure and Finance Business Unit in the Department of Treasury as an *ex officio* board member.

The Board receives monthly reports on the performance of the Corporation and more detailed reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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The Board has established five committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Treasury Committee, the Environment, Occupational Health and Safety Committee and the One-Future Committee. These meet regularly as appropriate.

Regular meetings are also held with the responsible Minister, or members of his or her staff, during which performance and other issues are discussed.

### **Annual Report**

The Corporation's website at [www.perthmint.com](http://www.perthmint.com) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents similar to the one currently on the website. Printed annual reports are submitted to the Minister and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

### **Impact of COVID-19**

The Corporation has implemented a COVID-19 management plan to ensure the safety of its employees first and foremost, as well as to ensure business continuity amid the various difficulties presented by the virus.

**RICHARD G HAYES**

**Chief Executive Officer**

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## STATEMENT OF CORPORATE INTENT – 2021 / 2022

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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u>	<u>Projected</u>
	2020-21	2021-22
<b>Assumptions</b>		
Gold price - USD/oz.	1,850	1,802
Exchange rate AUD/USD	0.747	0.738
Dividend policy rate: % of after-tax profit	75%	75%
<b>Financial outcome</b>		
Operating profit before income tax (\$000)	57,178	20,755
Operating profit after income tax (\$000)	40,024	14,528
Cash balance (\$000)	118,266	110,547
Net assets/equity (\$000)	169,527	184,055
Capital expenditure (\$000)	24,633	32,008
<b>Accruals to Government</b>		
Income tax (\$000)	17,154	6,227
State tax on payroll (\$000)	2,430	2,263
Dividend (for previous financial year) (\$000)	23,450	-
<b>Total accrual to Government (\$000)</b>	<b>43,034</b>	<b>8,490</b>
<b>Non-financial KPIs</b>		
Number of fatalities	-	-
Lost time injury / disease incident rate	-	-
Lost time injury severity rate	-	-
% of workers returned to work within 26 weeks	>80%	>80%
% of managers trained in OSH & injury management	>80%	>80%
Global market share of Australian gold bullion coins	11%	12%
Coins and bars - total premium income	\$111.0m	\$63.9m
Coins and bars - premiums as a % of metal value	3.30%	4.20%
% of Australian gold doré production refined	83%	80%
Return on equity	33.60%	13.70%
Visitors to Perth Mint Exhibition	12,000	75,000
Visitors' satisfaction level	97.90%	99.90%

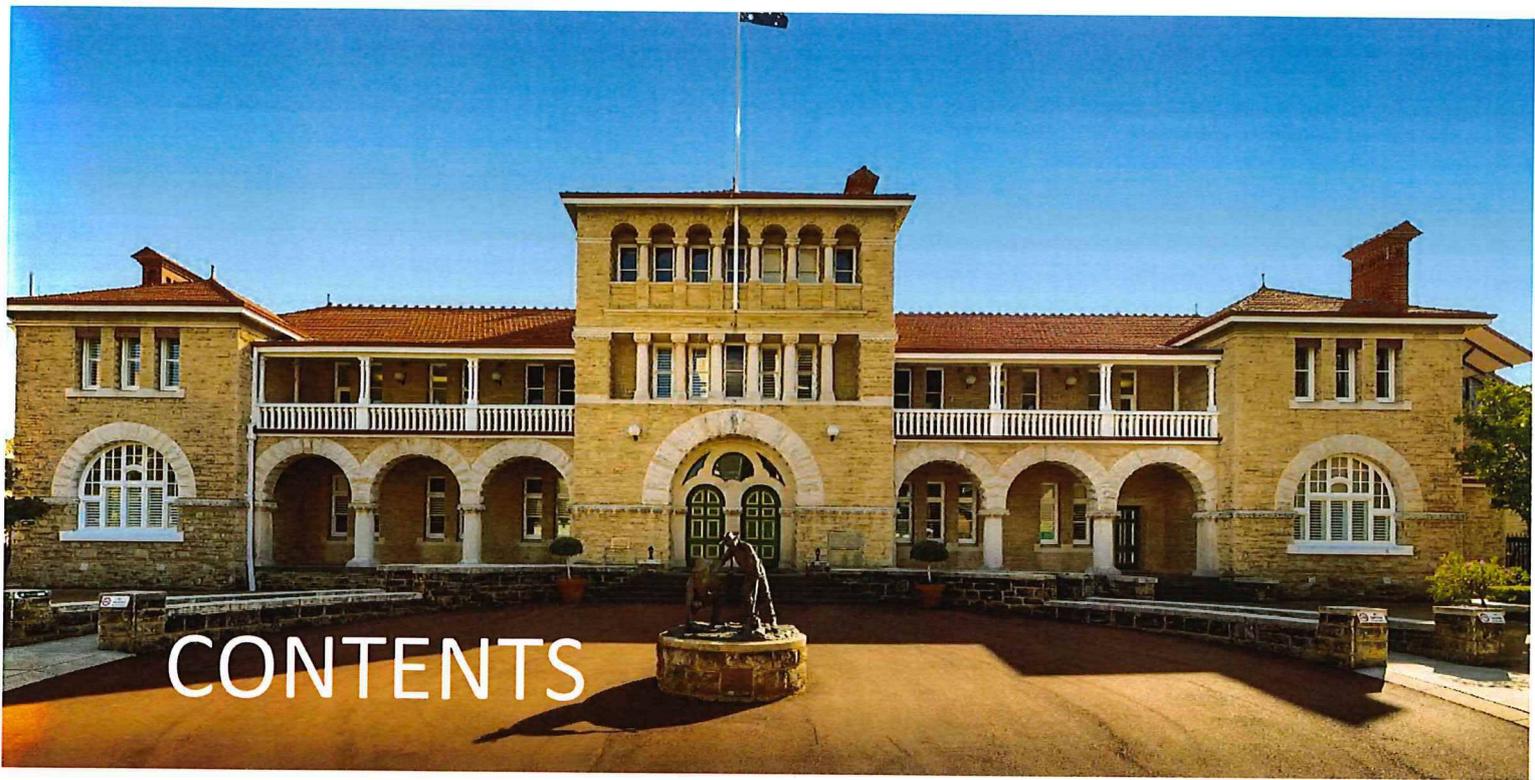
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Gold Corporation

Statement of Corporate Intent

2022-23





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## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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### 1. INTRODUCTION

The state of the global economy impacts on Gold Corporation ('the Corporation'), through the international supply and demand for precious metals. As gold is a safe-haven asset, demand for many of the Corporation's products and services tends to be inversely correlated with worldwide economic sentiment.

Demand for the Corporation's products and services has therefore, in recent years, generally been negatively affected by the strong performance of major equity, property and bond markets throughout OECD nations. This was particularly evident in the US and then Australia, where the main equity markets had set record highs, even amid mounting geopolitical tensions.

However, the global impact of COVID-19, which started in early 2020, gave rise to unusually volatile trading conditions. This, in turn, heightened demand for precious metal products. While it is impossible to know when conditions will begin to normalise, historically precious metal markets have weakened when global equities rebound after periods of significant instability. Such conditions, in the past, have resulted in poorer financial outcomes for the Corporation. The budget for 2022-23 has therefore been prepared on the assumption that overall market conditions will have commenced normalisation prior to the beginning of the period, as COVID-19 restrictions ease and sentiment improves.

The Corporation is a 100% WA State Government (Government) owned, for-profit entity operating in a competitive environment. This document has been prepared to ensure any commercially sensitive information is not made publicly available.

### 2. ACTIVITIES

The Corporation, trading as The Perth Mint, is a unique vertically integrated precious metals business employing more than 500 Western Australians. It refines newly mined as well as secondary gold and silver. From that it produces a wide range of value-added bullion and numismatic products. Additionally, safe storage facilities for bullion are marketed to investors from around the world. The Corporation is the only official producer of Australian legal tender bullion coin series. It is licensed to produce Australian legal tender numismatic coins, also referred to as collector and commemorative coins. It also produces such coins on behalf of other issuing authorities. Approximately 90% of the Corporation's revenue is generated from exports and it is currently Western Australia's third largest exporter.

The Corporation has consistently played a vital role in Western Australia's precious metal industry since opening as The Perth Mint in 1899. By forging relationships spanning the entire spectrum of the precious metal value chain, from miners to the delivery of physical products and investment solutions, the Corporation is uniquely positioned to promote, and facilitate continued excellence in Western Australia's precious metal industry.

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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The Corporation has four wholly owned subsidiaries: Western Australian Mint, GoldCorp Australia, AGR Management Services Pty Ltd and W.A. Mint Pty Ltd. Its integrated business model operates across all four in such a way that it is impossible to give meaningful financial figures for each of the subsidiaries, with the operations reporting on a consolidated basis.

Aspects of the business are outlined below.

### **Precious Metal Refining**

The Refinery, located near Perth Airport, processes most of Australia's gold doré production, as well as some gold produced in surrounding countries. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the Refinery it is weighed, melted and assayed. After these processes have been completed, the producer's bullion account is credited with the precious metal ounces or payment is made in cash. It takes the Refinery about 10 days to process the gold and silver. After that it is ready to be used elsewhere in the organisation or be sold to customers around the world as bullion (in bars and other forms). Failing either of these options, the gold is shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in the Corporation's own products. The latter include:

#### *Bullion Coins*

The Corporation operates one of a handful of mints worldwide which produces bullion coins and is the sole official issuer of Australia's bullion coin program. The program consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, and the Lunar gold and silver coins. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Corporation operates one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of other countries. The Australian numismatic coins celebrate Australian culture, places, history, nature, and events, and they promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metals can be acquired conveniently.

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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### **Depository – The Safe Storage of Precious Metals**

The Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the issues associated with taking physical possession of the metal, such as transport, physical security, or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's nominated bank account. The customer does not have to transport the metal anywhere and can give the instruction (in an approved safe manner) to sell from the comfort of their homes.

Customers wishing to invest in precious metals in the Depository have access to the following types of products:

#### *Unallocated Metal*

The Corporation has a liability denominated in fine ounces to the customer. It provides assurance to these customers and always ensures that it holds sufficient metal inventory to back all such liabilities. The Corporation's precious metal holdings are held in various locations: the Mint, the Refinery, other approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the precious metal inventory needs of the Corporation. The Corporation's London metal holdings are maintained for liquidity and transactional purposes. The main advantage for customers of unallocated metal over allocated products is that they pay no storage fees.

#### *Allocated Metal*

Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by the Corporation and there is a storage charge for the service.

#### *Pool Allocated Metal*

Customers own a share in a stock of bullion bars kept in vaults. The Corporation does not use the metal and a storage charge (lower than for allocated metal) is payable.

The ways in which customers have access to these products are:

#### *Perth Mint Certificate Program*

Generally, for investors with smaller holdings.

#### *Perth Mint Depository Services*

Generally, for investors wishing to invest larger amounts.

#### *Perth Mint Depository Online*

The Depository Online platform allows registered users to buy and sell precious metals through an easy to use and secure online trading platform.

#### *Perth Mint Gold*

This is a security listed on the Australian Securities Exchange (ASX: PMGOLD).

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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### *GoldPass*

The GoldPass app allows registered users to electronically buy and sell gold holdings, and to transfer those holdings to other approved users.

### *Perth Mint Gold Token (PMGT):*

The Corporation has worked with leading precious metals digitisation company Trovio (formerly InfiniGold) to launch gold tokens on a public blockchain. The Corporation's role is to store the gold backing the digital tokens which are marketed to individual and institutional investors.

### **The Shop & Exhibition**

The East Perth site is home to heritage buildings, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. Located in Hay Street, East Perth, the site contains all the Corporation's operations, other than the Refinery. Office space has been increased over the years with the addition of new buildings. Part of the ground floor of the original building is taken up by the Shop and Exhibition.

The Shop sells not only the Corporation's own products (such as coins and bullion bars), but other Australian goods such as natural gold nuggets, south sea pearls, opals, and pink diamonds.

The Exhibition is an award-winning tourist attraction with an array of displays telling the story of Western Australian gold. The highlights of any visit include viewing the world's largest coin, the 2012 Australian Kangaroo One Tonne Gold Coin, and the hourly gold pour. This takes place in the historic melting house, in which 200 ounces of gold is melted and poured into a bar. Visitors can also view the coin minting process through security glass.

## **3. OBJECTIVES**

Financial objectives of the Corporation are to include:

- Earning a commercial return on capital.
- Meet its capital expenditure and other cashflow requirements from its own resources.
- Pay tax equivalent amount and a 75% dividend to Government, subject to Government Policy.

According to the financial projections, the Corporation will achieve its financial objectives during the plan period.

Operational objectives are to:

- Continue the enhancement of safety, environmental and quality systems, and operate in a sustainable manner that acknowledges the Corporation's social and legal obligations in accordance with established Environmental, Social and Governance protocols.

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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- Ensure the Corporation operates in accordance with the Government's expectations and risk appetite.
- Maintain gold and silver refining volumes, and levels of service to the precious metals industry.
- Increase bullion coin world market share.
- Continue developing the market for numismatic coins.
- Maintain and improve the Corporation's reputation in the industry, both in Australia and overseas.
- Promote Western Australia's heritage and maintain The Perth Mint's position as a premier tourist destination.

### 4. PRIORITIES FOR 2022/23

- Continual improvements in the management of safety and the environment at the Corporation.
- Ongoing enhancement of the Corporation's risk management capabilities.
- Ensure the Corporation's commitment to sound sustainability principles is embedded in all its undertakings and decision-making processes.
- Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
- Increase distribution of precious metal bars and coins into target markets.
- Pursue appropriate institutional and Depository Online business.
- Actively market all components of the Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of the Corporation's Capital Investment Program for 2022/23 is \$17.97 million. It covers the following:

- Installation of a solar array (non-exporting) at the Refinery for environmental and commercial purposes.
- The addition of new manufacturing plant and equipment (such as coin presses and rolling mills) will replace aging equipment and increase the capacity of the manufacturing operations.
- Continuing investment in business technology to further improve security, reduce risks, facilitate automation, centralise information management and improve the customer experience.
- Routine capital expenditure in the Mint and Refinery is managed in terms of a rolling 10-year plan.

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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### 6. BUSINESS MANAGEMENT

#### Dividend Policy

The Corporation will comply with the Government's Dividend Policy, as determined from time to time by our owner, the Government.

#### Borrowings

Although always an option, the Corporation will not seek to borrow funds from Western Australian Treasury Corporation and will seek to fund its capital expenditure from operational cash flows.

#### Accounting Policies

The Corporation's financial statements for the year ended 30 June 2021 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts, and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of the Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2020-21 Annual Report. These policies are not expected to change in the 2021-22 or 2022-23 financial years.

#### Performance Reporting

The Chair and Board of Directors are appointed according to terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Executive Director of the Infrastructure and Finance Business Unit in the Department of Treasury as an *ex officio* board member.

The Board receives monthly reports on the performance of the Corporation and more detailed reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established four committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Treasury Committee and the Environment, Occupational Health and Safety Committee. These meet regularly as appropriate.

Regular meetings are also held with the responsible Minister, or members of his or her staff, during which performance and other issues are discussed.

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

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### **Annual Report**

The Corporation's website at [www.perthmint.com](http://www.perthmint.com) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents like the one currently on the website. Printed annual reports are submitted to the Minister and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

### **Impact of COVID-19**

The Corporation has implemented a COVID-19 management plan to ensure the safety of its employees first and foremost, as well as to ensure business continuity amid the various difficulties presented by the virus.

## STATEMENT OF CORPORATE INTENT – 2022 / 2023

### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u>	<u>Projected</u>
	2021-22	2022-23
<b>Assumptions</b>		
Gold price - USD/oz.	1,848	1,955
Exchange rate AUD/USD	0.735	0.751
Dividend policy rate: % of after-tax profit	75%	75%
<b>Financial outcome</b>		
Operating profit before income tax (\$000)	26,980	22,744
Operating profit after income tax (\$000)	18,886	15,920
Net assets/equity (\$000)	187,541	189,297
Capital expenditure (\$000)	43,849	17,973
<b>Cash balances</b>		
Non-restricted cash	147,701	151,413
Restricted cash (retained dividend)	16,357	12,422
<b>Total cash</b>	<b>164,058</b>	<b>163,835</b>
<b>Accruals to Government</b>		
Income tax (\$000)	8,094	6,824
State tax on payroll (\$000)	2,521	2,631
Dividend (for previous financial year) (\$000)	-	14,164
<b>Total accrual to Government (\$000)</b>	<b>10,615</b>	<b>23,619</b>
<b>Non-financial KPIs</b>		
Number of fatalities	-	-
Lost time injury / disease incident rate	-	-
Lost time injury severity rate	-	-
% of workers returned to work within 26 weeks	>80%	>80%
% of managers trained in OSH & injury management	>80%	>80%
Global market share of Australian gold bullion coins	12%	12%
Coins and bars - total premium income	\$78.2m	\$63.9m
Coins and bars - premiums as a % of metal value	3.40%	3.30%
% of Australian gold doré production refined	80%	80%
Return on equity	14.4%	12.0%
Visitors to Perth Mint Exhibition	60,000	75,000
Visitors' satisfaction level	99.90%	99.90%



Gold Corporation

Statement of Corporate Intent

2023-24





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## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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### 1. INTRODUCTION

The state of the global economy impacts on Gold Corporation ('the Corporation'), through the international supply and demand for precious metals. As precious metals are safe-haven assets, demand for many of the Corporation's products and services tends to be inversely correlated with worldwide economic sentiment.

The global impact of COVID, which started in early 2020, gave rise to unusually volatile trading conditions, which in turn heightened demand for precious metal products. Despite the direct global economic impacts of COVID having largely abated, high levels of inflation in many of the world's biggest economies and heightened geopolitical tensions have resulted in demand for the Corporation's products remaining elevated through to the time of writing.

While it is impossible to know when conditions will begin to normalise, historically precious metal markets have weakened when economic sentiment rebounds after periods of significant instability. Such conditions, in the past, have resulted in poorer financial outcomes for the Corporation. The budget for 2023-24 has therefore been prepared on the assumption that overall market conditions will have commenced normalisation prior to the beginning of the period.

The Corporation is a 100% WA State Government (Government) owned, for-profit entity operating in a competitive environment. This document has been prepared to ensure any commercially sensitive information is not made publicly available.

### 2. ACTIVITIES

The Corporation, trading as The Perth Mint, is a unique vertically integrated precious metals business employing more than 500 Western Australians. It refines newly mined as well as secondary gold and silver. From that it produces a wide range of value-added bullion and numismatic products. Additionally, safe storage facilities for bullion are marketed to investors from around the world. The Corporation is the only official producer of Australian legal tender bullion coin series. It is licensed to produce Australian legal tender numismatic coins, also referred to as collector and commemorative coins. It also produces such coins on behalf of other issuing authorities. Approximately 90% of the Corporation's revenue is generated from exports and it is currently Western Australia's fourth largest exporter.

The Corporation has consistently played a vital role in Western Australia's precious metal industry since opening as The Perth Mint in 1899. By forging relationships spanning the entire spectrum of the precious metal value chain, from miners to the delivery of physical products and investment solutions, the Corporation is uniquely positioned to promote, and facilitate continued excellence in Western Australia's precious metal industry.

The Corporation has three wholly owned subsidiaries: Western Australian Mint, GoldCorp Australia and W.A. Mint Pty Ltd. Its integrated business model operates across all three in

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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such a way that it is impossible to give meaningful financial figures for each of the subsidiaries, with the operations reporting on a consolidated basis.

Aspects of the business are outlined below.

### **Precious Metal Refining**

The Refinery, located near Perth Airport, processes the majority of Australia's gold doré production, as well as some gold produced in surrounding countries. It also refines significant amounts of silver.

Gold mines produce most of their gold in the form of doré – gold alloyed with silver and base metals. After the doré arrives at the Refinery it is weighed, melted and assayed. After these processes have been completed, the producer's bullion account is credited with the precious metal ounces or payment is made in cash. It takes the Refinery about 10 days to process the gold and silver. After that it is ready to be used elsewhere in the organisation or be sold to customers around the world as bullion (in bars and other forms). Failing either of these options, the gold is shipped to the bullion market in London as London Good Delivery bars.

### **Coins and Other Minted Products**

Some of the gold and silver is turned into coin blanks, either for sale to other mints around the world or for use in the Corporation's own products. The latter include:

#### *Bullion Coins*

The Corporation operates one of a handful of mints worldwide which produces bullion coins and is the sole official issuer of Australia's bullion coin program. The program consists of the gold and silver Kangaroo, the silver Kookaburra and Koala, and the Lunar gold and silver coins. The purpose of bullion coins is to make available to the public and institutions a convenient way of acquiring precious metals in a form that can be trusted, is difficult to forge, is easily recognisable and is readily tradable.

#### *Numismatic Coins*

These are also sometimes referred to as modern numismatic coins, commemorative coins or collector coins. The Corporation operates one of two mints issuing Australian legal tender numismatic coins and it also issues coins which are legal tender of other countries. The core range of Australian numismatic coins celebrate Australian culture, places, history, nature, and events, and they promote Australia around the world.

#### *Minted Bars*

These are popular in some markets around the world and are minted in the same way as coins. Bearing the mark of a known mint or refiner and packed in tamper proof packaging, they are another way in which precious metals can be acquired conveniently.

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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### **Depository – The Safe Storage of Precious Metals**

The Depository allows customers to own precious metals with the following advantages:

- They do not have to deal with the issues associated with taking physical possession of the metal, such as transport, physical security, or insurance.
- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's nominated bank account. The customer does not have to transport the metal anywhere and can give the instruction (in an approved safe manner) to sell from the comfort of their homes.

Customers wishing to invest in precious metals in the Depository have access to the following types of products:

#### *Unallocated Metal*

The Corporation has a liability denominated in fine ounces to the customer. It provides assurance to these customers and always ensures that it holds sufficient metal inventory to back all such liabilities. The Corporation's precious metal holdings are held in various locations: the Mint, the Refinery, other approved vaults or with bullion banks in London. The unallocated customer metal holdings are used to fund the precious metal inventory needs of the Corporation. The Corporation's London metal holdings are maintained for liquidity and transactional purposes. The main advantage for customers of unallocated metal over allocated products is that they pay no storage fees.

#### *Allocated Metal*

Specific precious metal items (coins or bars) are kept for customers in the vaults. The metal is not used by the Corporation and there is a storage charge for the service.

#### *Pool Allocated Metal*

Customers own a share in a stock of bullion bars kept in vaults. The Corporation does not use the metal and a storage charge (lower than for allocated metal) is payable.

The ways in which customers have access to these products are:

#### *Perth Mint Certificate Program*

Generally, for investors with smaller holdings.

#### *Perth Mint Depository Services*

Generally, for investors wishing to invest larger amounts.

#### *Perth Mint Depository Online*

The Depository Online platform allows registered users to buy and sell precious metals through an easy to use and secure online trading platform.

#### *Perth Mint Gold*

This is a security listed on the Australian Securities Exchange (ASX: PMGOLD).

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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### *GoldPass*

The GoldPass app allows registered users to electronically buy and sell gold holdings, and to transfer those holdings to other approved users. Following a regular review of the Corporation's customer offerings and products as part of an update to the Corporation's business strategy, it was determined that the Corporation would exit GoldPass. In March 2023 the Corporation commenced an orderly winddown of GoldPass accounts in line with its commercial and legal obligations.

### *Perth Mint Gold Token (PMGT):*

The Corporation has worked with leading precious metals digitisation company Trovio (formerly InfiniGold) to launch gold tokens on a public blockchain. The Corporation's role is to store the gold backing the digital tokens which are marketed to individual and institutional investors. As with Gold Pass, PMGT is also in the process of an orderly winddown.

### **The Shop & Exhibition**

The East Perth site is home to heritage buildings, erected when the Perth Branch of the (British) Royal Mint was founded in 1899. Located in Hay Street, East Perth, the site contains all the Corporation's operations, other than the Refinery. Office space has been increased over the years with the addition of new buildings. Part of the ground floor of the original building is taken up by the Shop and Exhibition.

The Shop sells not only the Corporation's own products (such as coins and bullion bars), but other Australian goods such as natural gold nuggets, south sea pearls, opals, and pink diamonds.

The Exhibition is an award-winning tourist attraction with an array of displays telling the story of Western Australian gold. The highlights of any visit include viewing the world's largest coin, the 2012 Australian Kangaroo One Tonne Gold Coin, and the hourly gold pour. This takes place in the historic melting house, in which 200 ounces of gold is melted and poured into a bar. Visitors can also view the coin minting process through security glass.

## **3. OBJECTIVES**

Financial objectives of the Corporation are to include:

- Earning a commercial return on capital.
- Meet its capital expenditure and other cashflow requirements from its own resources.
- Pay tax equivalent amount and a 75% dividend to Government, subject to Government Policy.

According to the financial projections, the Corporation will achieve its financial objectives during the plan period.

Operational objectives are to:

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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- Continue the enhancement of safety, environmental and quality systems, and operate in a sustainable manner that acknowledges the Corporation's social and legal obligations in accordance with established Environmental, Social and Governance protocols.
- Ensure the Corporation operates in accordance with the Government's expectations and risk appetite.
- Maintain gold and silver refining volumes, and levels of service to the precious metals industry.
- Increase bullion coin world market share.
- Continue developing the market for numismatic coins.
- Maintain and improve the Corporation's reputation in the industry, both in Australia and overseas.
- Promote Western Australia's heritage and maintain The Perth Mint's position as a premier tourist destination.

### 4. PRIORITIES FOR 2023/24

- Continual improvements in the management of safety and the environment at the Corporation.
- In cooperation with AUSTRAC, continue to ensure its AML/CTF program is compliant.
- Further develop internal governance systems and processes.
- Ongoing enhancement of the Corporation's risk management capabilities.
- Ensure the Corporation's commitment to sound sustainability principles is embedded in all its undertakings and decision-making processes.
- Maintain high levels of service to refining customers to retain their business in the face of competitive pressures.
- Increase distribution of precious metal bars and coins into target markets.
- Pursue appropriate institutional and Depository Online business.
- Actively market all components of the Corporation's business to existing and target customers.

### 5. CAPITAL INVESTMENT

The cost of the Corporation's Capital Investment Program for 2023/24 is \$20.84 million. It covers the following:

- Installation of a solar array (non-exporting) at the Refinery for environmental and commercial purposes.
- The erection of a new stores building at the Refinery to increase capacity and facilitate better systemisation of spare part and consumable storage.

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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- The addition of new refining and casting plant and equipment (such as casting lines) will replace aging equipment and increase the capacity of the refining and casting operations.
- The addition of new minted product manufacturing plant and equipment (such as coin presses) will replace aging equipment and increase the capacity of the manufacturing operations.
- Continuing investment in business technology to further improve security, reduce risks, facilitate automation, centralise information management and improve the customer experience.
- Routine capital expenditure in the Mint and Refinery is managed in terms of a rolling 10-year plan.

## 6. BUSINESS MANAGEMENT

### Dividend Policy

The Corporation will comply with the Government's Dividend Policy, as determined from time to time by our owner, the Government.

### Borrowings

Although always an option, the Corporation will not seek to borrow funds from Western Australian Treasury Corporation and will seek to fund its capital expenditure from operational cash flows.

### Accounting Policies

The Corporation's financial statements for the year ended 30 June 2022 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

*The Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts, and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of the Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2021-22 Annual Report. These policies are not expected to change in the 2022-23 or 2023-24 financial years.

### Performance Reporting

The Chair and Board of Directors are appointed according to terms of Section 5 of the *Gold Corporation Act 1987*. One director is the Assistant Under Treasurer Agency Budgeting and Governance in the Department of Treasury as an *ex officio* board member.

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

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The Board receives monthly reports on the performance of the Corporation and more detailed reports are tabled at quarterly board meetings. A special meeting is held to approve the annual accounts and additional board meetings are held when necessary.

The Board has established four committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Treasury Committee (currently suspended) and the Health, Safety and Environment Committee. These meet regularly as appropriate.

Regular meetings are also held with the responsible Minister, or members of his or her staff, during which performance and other issues are discussed.

### **Annual Report**

The Corporation's website at [www.perthmint.com](http://www.perthmint.com) promotes the organisation and its business. It also contains the annual report and other important documents. It is anticipated that the annual report for the plan year will have contents like the one currently on the website. Printed annual reports are submitted to the Minister and Department of Treasury, with the required number of copies being prepared for tabling in Parliament.

### **Australian Transaction Reports and Analysis Centre (AUSTRAC)**

On 30 August 2022, AUSTRAC ordered the appointment of an external auditor by the Corporation under section 162(2) of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Act). The external auditor has been appointed by the Corporation and authorised by AUSTRAC to assess the Corporation's compliance with the AML/CTF Act and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1). It is not possible to quantify the potential financial effects, if any, until after the completion of the audit.

### **Strategy**

In March 2023, the Corporation launched a new five-year corporate strategy for the period 2023-28, which was developed in consultation with a wide range of stakeholders. Following the launch of the Strategy, the Corporation engaged external management consultants to undertake a strategic review with regards to the long-term direction of the Corporation, which is yet to be finalised. Execution of the five-year corporate strategy remains the Corporation's primary focus.

## STATEMENT OF CORPORATE INTENT – 2023 / 2024

### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

	<u>Forecast</u>	<u>Projected</u>
	2022-23	2023-24
<b>Assumptions</b>		
Gold price - USD/oz.	1,837	2,061
Exchange rate AUD/USD	0.674	0.677
Dividend policy rate: % of after-tax profit	nil	75.0%
<b>Financial outcome</b>		
Operating profit before income tax (\$000)	22,516	8,421
Operating profit after income tax (\$000)	15,762	5,894
Net assets/equity (\$000)	190,973	185,047
Capital expenditure (\$000)	25,334	20,837
<b>Cash balances</b>		
Non-restricted cash	152,915	144,671
Restricted cash (retained dividend)	39,251	35,877
<b>Total cash</b>	<b>192,166</b>	<b>180,548</b>
<b>Accruals to Government</b>		
Income tax (\$000)	6,754	2,527
State tax on payroll (\$000)	2,911	2,652
Dividend (for previous financial year) (\$000)	nil	11,820
<b>Total accrual to Government (\$000)</b>	<b>9,665</b>	<b>16,999</b>
<b>Non-financial KPIs</b>		
Number of fatalities	nil	nil
Lost time injury frequency rate	nil	nil
% of workers returned to work within 26 weeks	>80%	>80%
% of managers trained in OSH & injury management	>80%	>80%
Global market share of Australian gold bullion coins	12%	12%
Coins and bars - total premium income	\$74.0m	\$64.5m
Coins and bars - premiums as a % of metal value	4.20%	4.20%
% of Australian gold doré production refined	80%	80%
Return on equity	11.8%	4.6%
Visitors to Perth Mint Exhibition	75,000	75,000
Visitors' satisfaction level	99.90%	99.90%