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18 October 2004

The Hon N D Griffiths, LL.B, MLC
Minister for Housing and Works;
Racing and Gaming;
Government Enterprises; Land Information
10th Floor, 216 St George's Terrace
PERTH WA 6000

STATEMENT OF COMPLIANCE

In accordance with the *Financial Administration and Audit Act 1985*, we hereby submit for your information and for presentation to Parliament, the Annual Report of Gold Corporation for the year ended 30 June 2004.

The Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.

P J UNSWORTH
Chairman

M E HARBUZ
Executive Director

THE YEAR IN BRIEF

- Gold Corporation recorded an operating profit before tax of \$6 million for the year ended 30 June 2004.
- The Corporation issued several successful Australian commemorative coins, including those commemorating the 150th anniversary of the Eureka Stockade, the 50th anniversary of Mawson Station and the 50th anniversary of the first visit to Australia by Her Majesty Queen Elizabeth II.
- Sales of the Australian Nugget and other Australian bullion coins increased.
- The coin blank production and minting activities were awarded ISO 9001-2000 quality certification.
- The Industry Collection of Gold Bars Worldwide, the world's most comprehensive collection of gold bars, found a permanent home at The Perth Mint.
- The Poongsan Perth Mint JV, a joint venture business producing and marketing precious metal coin blanks to the mints of the world, was formed and started trading successfully.
- Over 120,000 visitors came to The Perth Mint's enhanced gold exhibition and shop. Of these visitors, 44% were from overseas.
- AGR Matthey, in which Gold Corporation has a 40% stake, refined 99.9% of Australia's fine gold production (264 tonnes) and 393 tonnes of fine gold in total.

CHAIRMAN'S REVIEW

Gold Corporation made an operating profit, before tax, of \$6 million for the year ended 30 June 2004. All the Corporation's business activities contributed to this pleasing result.

Despite the fact that numismatic and investment coins are in a competitive and mature phase, The Perth Mint maintained or even improved its position in world markets. The penetration of some new non-traditional markets was a noteworthy achievement and has given the business potential for more growth in future.

Promotion of Australia's heritage and history is one of the objectives of the numismatic coin programmes. Highlights of the Australian legal tender coin issues in the financial year were: coins to commemorate the 50th anniversary of Mawson Station; the 50th anniversary of the first visit to Australia by Her Majesty Queen Elizabeth II; and the 150th anniversary of the Eureka Stockade. Numerous coin issues were particularly successful in Asia, including the coloured and selectively gilded lunar series coins.

Coins issued on behalf of other issuing authorities are an important part of the Mint's activities and, during the financial year, numerous coins were issued on behalf of the Cook Islands and Tuvalu. These included the extremely successful set of five Cook Islands' coins depicting the world's most famous rail journeys.

E-mail and mail order customers continued their loyal support of The Perth Mint with the revenue from e-mail sales showing strong growth. Australian coin dealers, who for many years have promoted coins and coin collecting, were a valuable marketing channel as was Australia Post, which now has numerous Post Offices stocking coins. The first joint issue of a stamp and coin by Australia Post and The Perth Mint, commemorating the Eureka Stockade, was launched recently, to much acclaim. The Perth Mint also has distributors in many countries in the world and the volume of international sales attests to their success. The industry is becoming more innovative and creative, which augurs well for coins maintaining their share of the collectables market.

A joint venture was formed with PMX Australia Pty Ltd, the wholly owned Australian subsidiary of PMX Industries Inc, itself a wholly owned US subsidiary of Poongsan Corporation, a major Korean industrial company, to manufacture and supply precious metal coin blanks to other mints. Called the Poongsan Perth Mint JV, the business has commenced the supply of gold, silver and platinum coin blanks to many mints internationally. Poongsan is a major supplier of base metal coin blanks around the world and Gold Corporation has considerable expertise in precious metals so the venture is well placed to become a major supplier in the industry. All the precious metal blanks are manufactured in Perth.

The Perth Mint's exhibition, a well known tourist attraction in Perth, was enhanced during the year by the opening of the first permanent exhibition of the famous Industry Collection of Gold Bars Worldwide, the most comprehensive collection in the world. In addition, a theatrical commemoration of the lives of early prospectors was presented in the exhibition as part of the Australian Gold Council's Gold Week in April 2004. Thankfully, the events which have detrimentally affected tourism in previous years were not repeated, and there were over 120,000 visitors to the exhibition.

Through its Perth Mint Depository operation, Gold Corporation also markets a number of products which enable investors to invest in precious metals without the difficulties associated with actually taking delivery of physical metal. Partly due to both the increase in precious metal prices and to a concerted marketing effort, the funds under management increased significantly during the year and totalled over \$400 million at year end.

The Corporation has a 40% share of AGR Matthey, the refiner and distributor of most of Australia's gold, and one of the largest gold refineries in the world. This operation had a successful year, the highlights of which were the supply of large numbers of bullion bars to the Asian market and the refining of a large quantity of secondary gold as the increased gold price encouraged the recycling of the metal.

Gold Corporation is looking forward to continuing good performance. There is interest worldwide in investing in precious metals which will maintain the sales of investment coins and Perth Mint Depository products. Many interesting numismatic coin issues are being planned for Australian legal tender coins and those of some other countries. The precious metal blank business is expanding rapidly and new attractions are being planned for the exhibition.

I would like to thank my fellow directors for their efforts in this eventful year. Special thanks go to the retiring directors – Mr Peter Lalor after 16 years' service and Ms Valerie Davies after three years' service. Mr John Langoulant (10 years' service) has also left the board as he is leaving his post as the Western Australian Government Under Treasurer. I would like to pay particular tribute to Mr Lalor who represented the gold mining industry with distinction on the board for such a long time. We wish all three success in their future endeavours. I would like to welcome the three new non-executive directors, Ms Sue Boyd, Mr Ron Edwards and Mr David Smith, and Mr Richard Hayes as the second executive director.

The Minister for Government Enterprises, the Hon Nick Griffiths, LLB MLC, has always been supportive of Gold Corporation, and for this I thank him.

The management and staff of Gold Corporation rose to many challenges during the year and deserve special thanks. Our joint venture partners have all been a pleasure to work with, I thank them and look forward to continuing success with them. Our agents, dealers and representatives throughout the world have again proven themselves invaluable. I thank them as well.

Finally, I also thank our many customers in Australia and throughout the world. I hope that we will continue to serve and delight you.

P J UNSWORTH
Chairman
30 September, 2004

GROUP PROFILE

THE CORPORATION'S PURPOSE

Gold Corporation is a body corporate incorporated in terms of the Gold Corporation Act 1987 of Western Australia.

The purpose of Gold Corporation is to:

- *develop, manufacture and market Australian legal tender investment coins and other products that promote the ownership of physical precious metal for investment purposes;*
- *design, manufacture and market proof, commemorative and numismatic coins and related products;*
- *make available investment products that enable investors to have exposure to the value of precious metals without having to deal with the security and other issues associated with the keeping of the physical metal;*
- *provide storage and safekeeping facilities for precious metals;*
- *be a major supplier of precious metal blanks to the mints of the world;*
- *operate a tourist attraction, based on the themes of gold and minting, that is important to Perth and Western Australia;*
- *supply refining and other services to the gold industry of Australia; and*
- *preserve the historical mint building and artefacts that are part of the heritage of Perth and Australia.*

The Corporation is required to operate in accordance with prudent commercial principles, to generate revenue sufficient to meet its expenditure and to derive a profit that represents a commercial rate of return on its capital.

MISSION STATEMENT

Gold Corporation develops and supplies precious metal related products and services. It commits to:

- *supplying products, services and experiences which delight the customers and users;*
- *preserving its, and the resources industry's, heritage assets and history, and using these for the benefit of the community;*
- *providing fulfilment, development, security and reward to its employees; and*
- *generating an acceptable financial return to its shareholder, the Western Australian Government.*

It is also committed to promoting high ethical standards, respect for all people and the environment, and enlightened business practices.

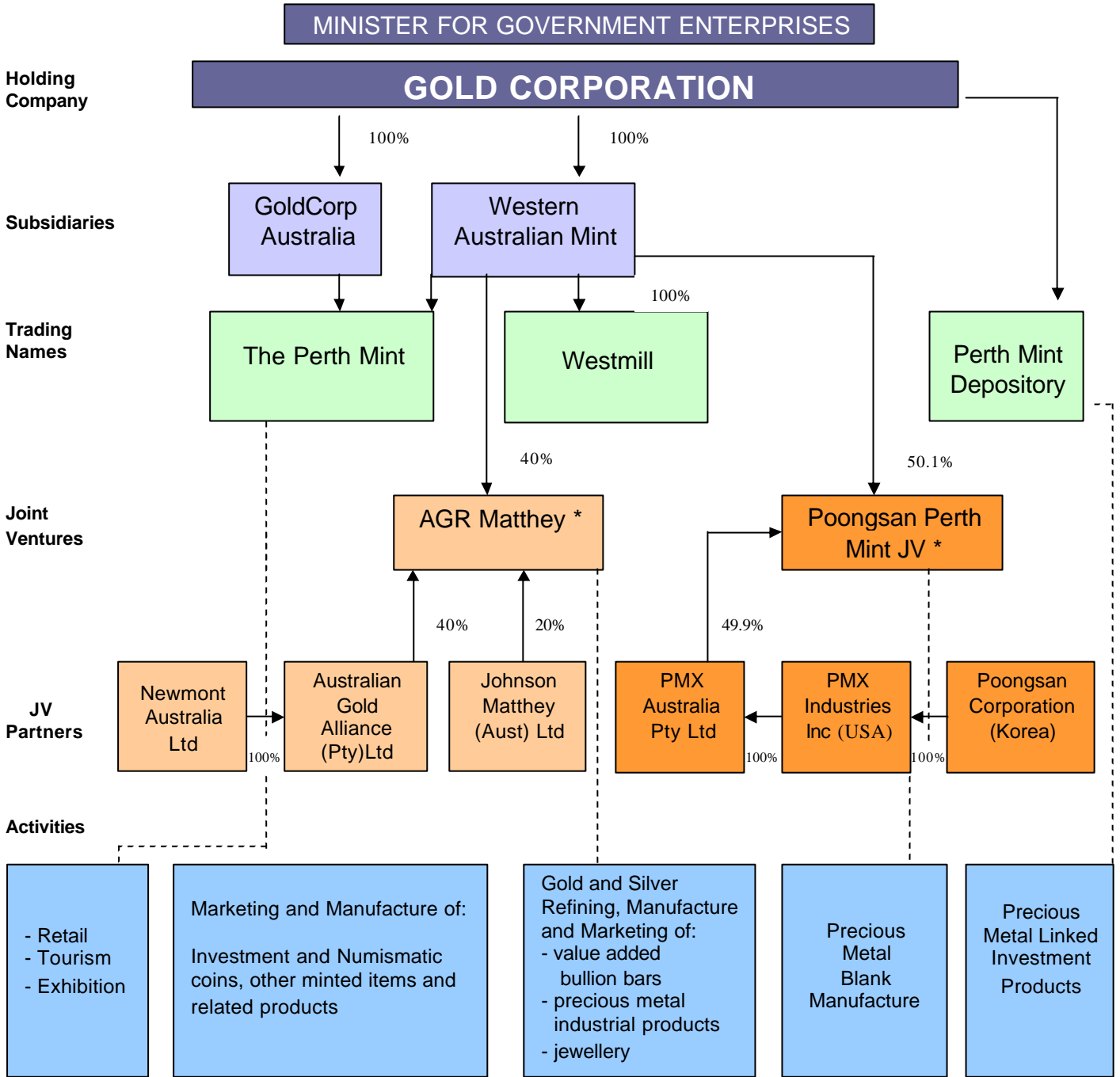
Gold Corporation's history began more than a century ago with the opening of The Perth Branch of the Royal Mint on 20 June 1899. The Mint was established to refine the increasing quantities of gold being discovered in Western Australia and to use the gold to mint sovereigns and half-sovereigns for the Crown.

The Mint ceased production of sovereigns in 1931, but by this time it was minting other circulation coin denominations for Australia. In 1970, responsibility for the Mint was taken over by the Government of Western Australia. Minting operations were discontinued in 1984.

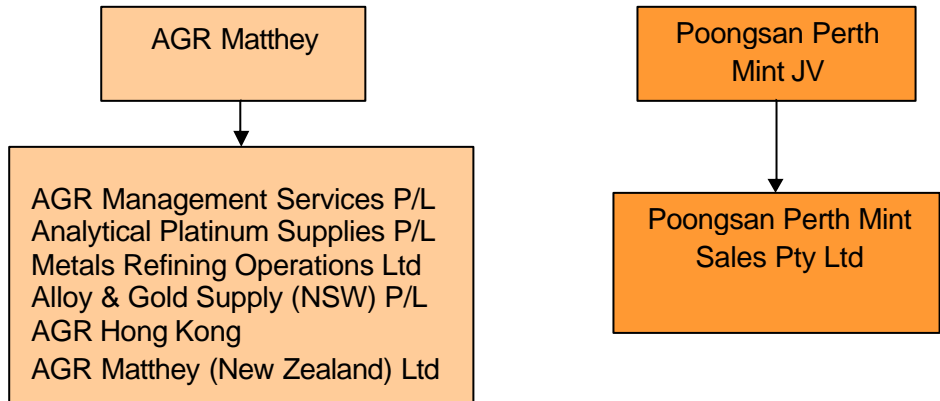
Gold Corporation was created by the *Gold Corporation Act 1987* and is wholly owned by the Government of Western Australia. The Corporation and its subsidiaries were formed to restart minting activities at the Mint premises and to launch Australia's bullion coin programme. The legal tender bullion coins were produced at the Mint and marketed internationally under an agreement with the Commonwealth of Australia. The minting activities were eventually expanded to include a wide range of legal tender collector or numismatic coins and other minted products.

Today, Gold Corporation is Australia's leading precious metal refiner and precious metal mint. It manufactures a variety of precious metal products and markets a number of precious metal investments.

The Corporation has two wholly owned subsidiaries; the Western Australian Mint and GoldCorp Australia. It also has a 40% interest in AGR Matthey (a partnership) and a 50.1% share in Poongsan Perth Mint JV (an unincorporated joint venture). AGR Matthey refines virtually all of Australia's gold, as well as some gold from other countries, and is one of the world's largest gold refineries. It delivers the gold in the form of bars as well as in the form of various value-added products. It is also a major silver refiner. Poongsan Perth Mint JV is a major manufacturer of precious metal coin blanks supplied to mints throughout the world.



*** Subsidiaries**



SENIOR MANAGEMENT (at 30 June 2004)

GOLD CORPORATION

| | |
|---|-------------------|
| Chief Executive Officer: | M Edward Harbuz |
| Chief Financial Officer: | Richard Hayes |
| Manager, Human Resources: | Susan Coutts-Wood |
| Corporate Analyst and Joint Company Secretary: | Bron Suchecki |
| Group Accountant and Joint Company Secretary: | Anne Melville |
| Treasurer & Manager, Perth Mint Depository: | Nigel Moffatt |
| Manager, Corporate Governance & Risk Management | Christopher Mumme |

GOLDCORP AUSTRALIA

| | |
|----------------------------------|-------------------|
| General Manager Minted Products: | Veronica Maguire |
| Manager, Perth Mint Shop: | Leonie Mirmikidis |

WESTERN AUSTRALIAN MINT

| | |
|-----------------------------|-------------|
| General Manager Operations: | Justin Kees |
|-----------------------------|-------------|

AGR MANAGEMENT SERVICES PTY LTD*

| | |
|---|-------------------|
| Chief Executive Officer: | Brian Bath |
| Chief Financial Officer & Executive Director: | John Shephard |
| Executive Director, Jewellery & Industrial Products | Graeme Williamson |

*Australian Gold Refineries Management Services (AGRMS) is owned 40% by the Western Australian Mint, 40% by Australian Gold Alliance Pty Ltd (a wholly owned subsidiary of Newmont Australia Ltd) and 20% by Johnson Matthey (Aust) Ltd. AGRMS manages AGR Matthey, pursuant to the provisions of the Partnership Agreement.

REPORT ON OPERATIONS

FINANCIAL SUMMARY

Gold Corporation recorded an operating profit before tax of \$6 million in 2003/2004. An after tax profit of \$3.5 million was achieved, compared with a loss of \$2.3 million in the previous year.

No income tax equivalent will be paid to the Western Australian Government in respect of the 2003/2004 financial year due to tax losses brought forward from previous years. However, in accordance with government requirements, a dividend of 60% of after tax profits, this being \$2.1 million, has been provided.

Since the establishment of Gold Corporation on 30 June 1988, income tax and dividend payments to the State Government total \$29.1 million (including the \$2.1m provided this year), assuming the Treasurer accepts the Board's recommendation for a dividend in respect of 2003/2004.

The Corporation also pays royalties to the Commonwealth annually on all its Australian legal tender coin sales. An amount of \$1.2 million will be paid in this fiscal year, bringing to \$14.4 million the total royalty payments to the Commonwealth since fiscal 1991/1992.

Payments to the State and Federal Governments since the Corporation's inception now total \$43.5 million, or an average annual payment of \$2.7 million.

The Corporation's capital expenditure for the year was \$1.3 million, the majority of which was spent on the purchase of new equipment for the coining division and the new information system.

BUSINESS ACTIVITIES

Coins

The Corporation is renowned for its precious metal coins and medallions. The main coin programmes have legal tender status under the Australian *Currency Act 1965* and are manufactured and marketed by formal agreement with the Commonwealth Government. The Commonwealth receives a royalty on each coin sold.

The current range of coins includes the Australian Nugget gold, Australian Koala platinum, Australian Kookaburra silver and Australian Lunar gold and silver coin series. In addition to this standard range of coins, permission was granted for the release of a number of special commemorative issues during 2003-2004, including an innovative silver locket coin and a cupro-nickel coin commemorating the 150th anniversary of the Eureka Stockade coin highlighted in 24 carat gilding commemorating the 50th anniversary of the first visit to Australia by Her Majesty Queen Elizabeth II. A range of innovative variations on the Australian Lunar silver coins, such as those with added colour and gilding, were issued and generated great interest.

The Corporation also mints coins under the authority of the Governments of the Cook Islands and Tuvalu. These coins allow the mint to introduce innovations which are popular with coin collectors, such as coins with interesting shapes and the undated Zodiac locket coins which contain birthstones and are often used in jewellery. They also allow the customisation of designs for individual clients such as those undertaken during the year for sale in Taiwan, Hong Kong, China, Japan and Australia. Significant royalties are paid to countries with whom such arrangements exist.

Coins and medallions are manufactured to proof, bullion or uncirculated quality. The introduction of colour and gilding to many new coins has enhanced their appeal, bringing to life the designs and attracting a new audience of theme buyers. The Perth Mint is recognised throughout the world for its innovative products.

Coin and medallion sales in 2003-2004 added value to 4.43 tonnes of gold (3.45 tonnes in 2002/2003), 36.63 tonnes of silver (29.21 tonnes) and 0.02 tonnes of platinum (0.03 tonnes).

During the year an opportunity arose to open a temporary 'Gallery' shop on St George's Terrace in Perth. This provided an excellent opportunity to showcase products, particularly framed collectables, to a new audience and created greater awareness of The Perth Mint and its products. The Gallery on the Terrace ran from October 2003 to the end of June 2004.

Australia's bullion coin sales increased by 2.6% and the Australian Nugget and Lunar's share of the world gold bullion coin market remained at 9% in the 2003 calendar year.

Total sales of silver bullion coins, including the coloured versions of the Lunar coins, increased from 718,881 ounces to 925,958 ounces.

Commemorative proof coins sold well in Australia and in overseas markets with the chosen themes and innovative designs creating great interest.

E-commerce sales and number of orders increased by 27% and 40% respectively during 2003/04. Promotional activities included e-newsletters which have proved to be very effective. The release of lower priced coins during the year, in particular the base metal Eureka Stockade coin and stamp cover, demonstrated the importance of price to the e-commerce purchaser.

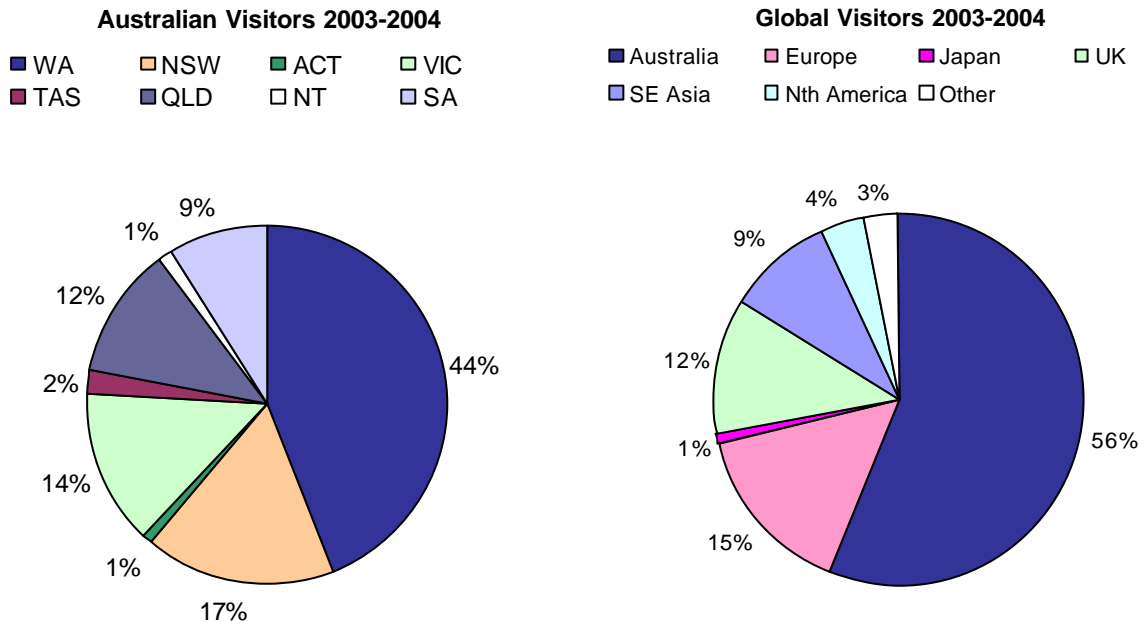
During the year, the Corporation achieved ISO 9001-2000 quality certification, thus obtaining official recognition for the high quality for which it is known.

Many improvements and refinements were and continue to be introduced into the various processes in the Mint which contribute to the production of coins. Improvements to quality, productivity, safety and the work environment were introduced despite a high and variable loading of the production equipment. Overtime and double shift operation was called for from time to time and employees always willingly rose to the occasion.

The Perth Mint Shop and Gold Exhibition

During the past year The Perth Mint Shop and Gold Exhibition attracted local customers with specially targeted promotions. Commencing with “Koalas in the Garden” to celebrate the launch of the Koala platinum coin for 2003, there was an effort to produce something interesting during each quarter. Some of this activity was associated with coin launches or with special retail opportunities such as Valentine’s Day. Western Australian history was promoted with the inaugural performance of the play, “Hoover”, and historical plays were performed by three actors in the Miners’ camp during Gold Week. Music was offered during the Christmas period with both a concert and individual performances. The total number of visitors to the Exhibition increased by 8%.

International tourism increased slightly, reflecting the absence of the negative events which affected the previous few years. The pie charts below show where visitors to the attraction came from. The total number of visitors was in excess of 120,000.



This year saw some important improvements in the Gold Exhibition. The installation of comfortable tiered seating and the creation of dramatic lighting effects have contributed significantly to the gold pour spectacle. Locating the famous Industry Collection of Gold Bars Worldwide, the largest such collection in existence, in the vault at the Exhibition, gave the collection its first permanent display and added to the visitors’ experience.

The Shop is known for its range of Australian legal tender bullion and numismatic coins, but it also promotes other Australian products such as natural nuggets, diamonds, pearls and unique jewellery. Australian, specifically Western Australian, books and other souvenirs also sold well as did the unique Perth Mint “Engrave Your Own” medallions.

Involvement in various tourist trade fairs, both in Australia and overseas, promoted The Perth Mint's exciting venue and illustrated its commitment to the tourist industry.

Perth Mint Depository

The Corporation's Perth Mint Depository provides investors with one of the world's safest locations for precious metal storage. The division offers three products: Perth Mint Depository Services; the Perth Mint Certificate Program; and an ASX listed securitised product, Perth Mint Gold.

Perth Mint Depository Services

Perth Mint Depository Services (PMDS) offers confidential precious metal storage to both national and international investors seeking storage and portfolio diversification. The service is promoted via the internet (www.perthmint.com.au/depository) and an international representative network. The minimum investment is USD50,000 for international clients and AUD50,000 for Australian residents.

Perth Mint Certificate Program

The Perth Mint Certificate Program (PMCP) offers international precious metal investment via a reputable international Approved Dealer network. The minimum investment is USD10,000 for USA domiciled investors, with varying minimum amounts for other regions. The Certificate is a non-negotiable but transferable warehouse receipt and not a bearer instrument.

Perth Mint Gold Quoted Product

Gold Corporation continued to offer the Perth Mint Gold Quoted Product through the ASX. Structured as a Warrant, this product enables both large and small investors to have an exposure to gold in their portfolios.

The division continued to perform well, experiencing high demand for precious metals from international investors. Concerns about the world economy, fluctuations in currency values and geopolitical issues kept gold in the spotlight during 2004, and precious metal holdings exceeded expectations. Funds under management exceeded \$400 million for the first time.

Poongsan Perth Mint JV

On 1 February 2004, the Western Australian Mint and PMX Australia Pty Ltd formed the Poongsan Perth Mint JV (PPM JV). PMX Australia Pty Ltd is wholly owned by PMX Industries Inc of the USA which is, in turn, owned by Poongsan Corporation of Korea. Poongsan and PMX are major producers of copper and copper alloy products, among which are the base metal coin blanks used in the minting of circulation coins.

PPM JV (50.1% of which is owned by Western Australian Mint) was formed to manufacture and market the precious metal blanks used to mint precious metal coins. Poongsan has a world wide marketing network and supply relationships with many mints in the world, while Gold Corporation has expertise in precious metals and the technology, not only to produce blanks, but to assist mints to produce the highest quality proof coins. The combined strength of the two joint venture participants is significant and the PPM JV has already started supplying precious metal blanks to mints in many countries. The objective of the joint venture is to become a major international supplier of precious metal blanks within a few years and it has made a promising start. Its product range comprises blanks made of fine gold, silver and platinum, as well as alloys of these metals.

In its first five months of operation nearly 700,000 precious metal blanks were supplied, and the volumes are growing rapidly.

AGR Matthey

AGR Matthey is a partnership between the Gold Corporation subsidiary, the Western Australian Mint (40%), Australian Gold Alliance Pty Ltd (40%) and Johnson Matthey (Aust) Ltd (20%). It is managed by AGR Management Services Pty Ltd.

All gold refining and bullion bar production is conducted at the Newburn refinery, Western Australia, and all precious metal fabrication (jewellery and industrial products) is conducted at Thomastown, Victoria. Silver refining is conducted at both locations.

For the period 1 July 2003 to 30 June 2004, AGR Matthey reported a profit before tax of \$7.5m.

The Newburn refinery processed 393 tonnes of fine gold (including secondary gold and overseas doré) for the 12 months ended 30 June 2004. Total Australian fine gold refined was 264 tonnes for the year, or an estimated 99.9% of total domestic gold output. Refined fine silver output was 156 tonnes.

International demand for value added refinery products such as kilo bars was strong with an annual production of 214 tonnes of 995 and 9999 kilo bars. In addition, 16 tonnes of 99.999% purity gold was produced for the electronics industry.

AGR Matthey also continued the production and marketing of its other precious metal products, which consist of finished jewellery, semi-fabricated gold and silver items for the jewellery, electrical and building industries, and a range of precious metal chemicals for the photographic and plating industries.

Metals Refining Operations (MRO) is a Port Moresby based precious metals refinery, in which AGR Matthey has a 45% interest. The business is focused on the direct buying and trading of alluvial gold as well as the servicing of the small-scale mining sector through regionally located Gold Pan offices. MRO also markets hand-made jewellery and precious metal products through the PNG Gold Shops.

Westmill***Kaltails***

Gold Corporation's Westmill division holds a 10% interest in the Kaltails gold tailings re-treatment project in Kalgoorlie. The project is 90% owned by Newmont Australia Ltd. Activity in the past financial year was limited to ongoing rehabilitation, the cost of which has been minimal.

Under the Kaltails Closure Plan, capping of the storage facility may be required within the next 10 years. This could result in considerable expense to the Joint Venture. However, other options are being explored and it is envisaged that within the next 12 to 18 months these options will be firmed up.

State Batteries

Westmill also controls some former State Battery sites. Most of these are no longer operational but a number have been leased out to independent operators, who are also treating some of the tailings on these sites. Revenue related to this processing has been minimal. The treatment of these dumps is likely to be finalised within the next 12 months.

The Northampton site, which is contaminated with lead, has been and still is a priority. The Management Plan for this site is due for completion and further expenditure will be necessary to rehabilitate the site. Funding from the State Government will be necessary.

STAFF

Total permanent and contract staff in Gold Corporation and Western Australian Mint remained at 167 (157 full time and 10 part time). Five employees based at AGR Matthey refinery and employed by Western Australian Mint are included in the numbers.

At 30 June 2004, permanent and temporary contract staff were assigned as follows (2003 figures in brackets);

| | | |
|-------------------------|----|------|
| Gold Corporation | 33 | (35) |
| Western Australian Mint | 98 | (90) |
| GoldCorp Australia | 36 | (37) |
| Perth Mint Hong Kong | 0 | (5) |

Staff employed fell into the following categories;

| | | |
|----------|----|------|
| Salaried | 85 | (84) |
| Wages | 82 | (77) |

All staff were based in Western Australia.

The proportion of women on the staff in Australia was 45.7% (48.39%). The percentage of women in Tier 2 Management (reporting to CEO) is 60% and Tier 3 (reporting to Tier 2) is 31.25%.

Employees from non-English speaking backgrounds comprised 18% (15.05%) of staff.

Gross staff turnover was 13% (15%) for the year. The avoidable turnover rate (ie the rate excluding expired contract, retirements and redundancies) decreased to 3% (7%).

Annual leave hours per person increased by a net 15.3% in the last 12 months. Long Service leave increased in Gold Corporation by a net 8% and Western Australian Mint by a net 10% in the last 12 months.

There are currently 65 (57) staff employed under engineering, clerical and security awards.

During the year negotiations commenced with both the AMWU and CSA Unions. AMWU and Western Australian Mint have negotiated a WA Mint Production Agreement to replace the Engineering Trades (Govt) Award. This has been signed "in principle" with the award expected to be finalised and registered in the first quarter of the new financial year. Negotiations have commenced with CSA and the agreement is also expected to be registered in the first quarter.

The lost time injury rate decreased to 9.88 (11.92) lost time injuries per million hours worked.

COMPLAINTS POLICY AND CUSTOMER SERVICE CHARTER

Gold Corporation recognises the paramount importance of good service to its customers. As a public statement of commitment to service and complaint handling, the Corporation's Complaints Policy and Customer Service Charter embody the following elements:

- A documented and whole-of-organisation commitment to the efficient and fair resolution of complaints.
- Fairness to the complainant.
- Adequate staff resources, with a high level of delegated authority.
- A speedy and courteous response.
- No charge to the complainant for complaint handling.
- A capacity to determine and implement remedies.
- Systematic recording of complaints and their outcomes.
- Analysis of complaints so that recurring problems can be addressed.
- Annual reviews of the complaint handling system.

The essential elements of the Customer Service Charter are outlined in a personal letter from the Chief Executive Officer, which conveys to customers Gold Corporation's strong commitment to service and quality throughout the organisation.

Out of the total of 48,684 wholesale and retail orders processed (many of which included multiple products), only 95 complaints were received.

INDUSTRY AND COMMUNITY PARTICIPATION

As part of its functions under the *Gold Corporation Act 1987*, the Corporation is obliged to encourage industry and community interest in precious metals and the Australian gold industry.

In 2003/2004, AGR Matthey was a sponsor at Diggers and Dealers, held in Kalgoorlie in August 2003.

AGR Matthey is an associate member of the Chamber of Minerals and Energy of Western Australia Inc, the Association of Mining and Exploration Companies and the Australian Gold Council.

The Perth Mint is a platinum member of the Perth Convention Bureau. It is a bronze member of the Tourism Council of Western Australia, and a member of ATEC (Australian Tourism Export Council), Tourism WA Network, Association of Perth Attractions, Museums Australia, and the Perth Regional Tourism Association.

Gold Corporation is an Associate Member of the Australian Gold Council, and a member of the Chamber of Commerce and Industry of Western Australia, the Western Australian Chapter of the Australia Arab Chamber of Commerce & Industry Inc, the Australian Institute of Management, Standards Australia and an associate of the Western Australian Chapter of the Australia Business Arts Foundation.

As part of its continuing effort to promote The Perth Mint as a tourist attraction, the Mint participated in a number of trade shows during the year. These included the Japan Australian Mission held in February in Atami, Tokyo, the Australian Tourism Exchange held in May in Melbourne and the Western Australia Tourism Exchange held in August in Perth. In addition to promoting the Mint, participation in such initiatives was a tangible and practical demonstration of the Mint's support for the Western Australian tourism industry.

The Mint participated in a range of Australian and overseas exhibitions aimed at showcasing its coins, medallions and collectables to distributors and the general public. These included the Australian Numismatic & Dealers Association Coin Fairs in Melbourne in October 2003 Sydney in April 2004 and Brisbane in May 2004, the American Numismatic Association Coin Show in Baltimore in July 2003, the World Money Fair in Switzerland in January 2004, the Singapore Coin Fair in March 2004 and the Tokyo Coin Fair in April 2004. The Mint was represented at Licensed Post Office conferences in Sydney and Melbourne in August 2003 and in Perth in September 2003.

A total of 51 donations/sponsorships were made in various forms, including complimentary family passes to the Gold Exhibition and selected coins and medallions to schools, sporting clubs, industry bodies and non-profit organisations. Beneficiaries included: The Cook Islands Rugby Union, Ronald McDonald House, Australian Medical Association Foundation, WA Chinese Chamber of Commerce, Juvenile Diabetes Research Foundation, Life Line WA, Australian Red Cross, Muscular Dystrophy Association, Perth Bone & Tissue Bank and Dialysis & Renal Transplant Association (DART).

Production of The Perth Mint's newsletter, *Australian Numismatic Post*, continued in 2003/2004. This was mailed, together with Perth Mint product catalogues, to the Mint's extensive national and international direct mail database four times during the year.

AWARDS

In 2003, The Perth Mint was inducted into the Hall of Fame in two categories: Heritage and Cultural Tourism and Tourism Retailing in the Western Australian Tourism Awards. It was the winner of the Sir David Brand Award for Tourism.

The Perth Mint won the Marketing and Design Excellence category in the 2003 Western Australian Industry and Export Awards.

M EDWARD HARBUZ
Chief Executive Officer
30 September, 2004

SECTION 175ZE OF THE *ELECTORAL ACT 1907 (WA)*

1 Section 175ZE of the *Electoral Act 1907 (WA)* requires a public agency to include a statement in its annual report detailing all expenditure incurred by or on behalf of the agency during the financial year in relation to:

- a** advertising agencies;
- b** market research organisations;
- c** polling organisations;
- d** direct mail organisations; and
- e** media advertising organisations.

2 Details of this expenditure are as follows:

a total expenditure: \$403,636
b in relation to each class of expenditure -

i amount of expenditure:

| | |
|---------------------------------|-----------|
| advertising agencies | \$239,431 |
| market research organisations | Nil |
| polling organisations | Nil |
| direct mail organisations | \$119,431 |
| media advertising organisations | \$ 44,774 |

ii details of persons, agencies or organisations to whom the expenditure was paid:

| | |
|--------------------------|-----------|
| advertising agencies | |
| - Mindfield Group | \$ 15,325 |
| - Bowtell Clarke & Yole | \$179,250 |
| - Linx Advertising Inc | \$ 6,695 |
| - Unique Advertising Ltd | \$ 38,161 |

| | |
|-------------------------------|-----|
| market research organisations | Nil |
|-------------------------------|-----|

| | |
|-----------------------|-----|
| polling organisations | Nil |
|-----------------------|-----|

| | |
|---------------------------|-----------|
| direct mail organisations | |
| - Lasermail | \$119,431 |

| | |
|---------------------------------|-----------|
| media advertising organisations | |
| - Media Decisions | \$ 44,774 |

BOARD OF DIRECTORS

CHAIRMAN

PETER UNSWORTH CA, B.Com

Peter Unsworth was appointed Chairman of Gold Corporation, effective from 1 July 2001. A Chartered Accountant and corporate finance specialist, Mr Unsworth has extensive experience as a public and private company director, and is a director of AGR Matthey. Formerly an Executive Director of Western Australian stockbroking company Paterson Ord Minnett Ltd, his career has included six years with international accounting firm Coopers & Lybrand (now PricewaterhouseCoopers) in Perth and Sydney and six years with the Perth Stock Exchange Ltd. Mr Unsworth has been on the Board of Gold Corporation for eight years.

DIRECTORS

VALERIE DAVIES MAICD (Retired 30 June 2004)

Communications specialist Valerie Davies is the Principal of One.2.One Communications Pty Ltd and a Director of Iluka Resources Ltd and Integrated Group Ltd. Ms Davies has broad experience at Board level through several previous positions, as well as expertise in marketing, management and communications. A past winner of the Western Australian Telstra Business Woman of the Year award, she now specialises in strategic communication and issues management, coaching and mentoring on business, communication and life skills. Mrs Davies has been on the Board of Gold Corporation for three years, and retired as a Director on 30 June, 2004.

M EDWARD HARBUZ B Sc (Eng), MBL

Ed Harbuz was appointed Chief Executive Officer of Gold Corporation on 1 July 2003. Mr Harbuz was Managing Director of the South African Mint Company (Pty) Ltd for almost seven years until 2001 and Group Managing Director of Cullinan Holdings Limited, one of South Africa's oldest industrial companies prior to that. Preceding this, he was Chief Executive of Cullinan Refractories and Managing Director of Steetley Refractories in the United Kingdom. Mr Harbuz holds a Master of Business Leadership from the University of South Africa and a BSc (Engineering Electrical) from the University of Natal. Mr Harbuz is a member of the Pearling Industry Advisory Committee. He has been on the Board of Gold Corporation for one year.

PETER LALOR LL.B (Retired 30 June 2004)

Peter Lalor was previously the Executive Chairman and Chief Executive Officer of Sons of Gwalia Ltd. Mr Lalor is a law graduate from the University of Western Australia. He has significant legal and commercial experience and has been actively involved in Perth's business and industry sectors for many years. Mr Lalor is a past President of the Chamber of Minerals and Energy of Western Australia Inc. and a past Vice-President of the Minerals Council of Australia. He was a director of the Australian Gold Council, a member of the Board of the Scitech Discovery Centre and the Western Australian Government's Premier's Science Council

and State Development Forum. Mr Lalor served on the Board of Gold Corporation for 15 years, and retired on 30 June, 2004.

JOHN LANGOULANT B.Ec (Hons) (Retired July 2004)

John Langoulant was the Western Australian Under Treasurer, a position he held from June 1995 until July 2004. Prior to this appointment, he worked for 20 years in State and Federal Treasury Departments, developing and implementing economic and financial policies. More than a decade of this experience was with the Federal Treasury in Canberra. Mr Langoulant was previously also Chairman of the Western Australian Treasury Corporation and a member of the Commonwealth's Financial Reporting Council. Mr Langoulant has been on the Board of Gold Corporation for nine years, and retired in July 2004 following his departure from State Treasury.

DON MACKAY-COGHILL

Don Mackay-Coghill retired as Chief Executive Officer of Gold Corporation on 30 June 2003 after leading the Corporation for 17 years. Mr Mackay-Coghill emigrated from South Africa in 1986 to take up the dual positions of Chief Executive Officer of GoldCorp Australia and Managing Director of the Western Australian Mint. Before that, he had a 15-year career with International Gold Corporation (Intergold), being appointed Chief Executive, Worldwide, in 1979. During his time at Intergold, Mr Mackay-Coghill was responsible for the introduction of the Krugerrand to world markets, which created the first global market for bullion coins. Mr Mackay-Coghill has been on the Board of Gold Corporation for 18 years and is Chairman of AGR Matthey.

MARTINE POP PhD EEC Commercial Law

Martine Pop had more than 12 years of credit, risk management and control management experience with Macquarie Bank and Challenge Bank, in senior and executive positions. Ms Pop worked for more than six years as an Executive Consultant with Ernst & Young, providing risk management and corporate management/governance advisory services to the private and public sectors. She is on the board of the Australian Rail Track Corporation and is the Chairperson of the Western Australian Meat Industry Authority. Ms Pop is a past director of SBS and The Grain Pool of WA. Ms Pop is also on the Audit, Risk and Credit Committee of AGR Matthey. She has been on the Board of Gold Corporation for eight years.

The following Directors were appointed to the Board of Gold Corporation on or after 1 July 2004.

SUE BOYD BA, Dip Ed, D.Litt (hc), GAICD (Appointed 1 July 2004)

Dr Sue Boyd has had a distinguished career in the Australian Foreign Service, including appointments as High Commissioner in Fiji, Tuvalu and Nauru, Consul-General in Hong Kong, Ambassador in Vietnam and High Commissioner in Bangladesh. She retired from the Australian Foreign Service in August 2003 after a 33-year career. Dr Boyd is a member of the External Advisory Board of RRRT, a UNDP Human Rights Education project working in the Pacific, an International Adviser to UNIFEM Australia and a member of the Gravity Discovery Centre Foundation at the University of WA.

RONALD EDWARDS B.Ed, M.Ed (Hons), Dip Tch TAFE (appointed 1 July 2004)

Mr Ron Edwards was the Federal Member for the seat of Stirling from 1983 to 1993. He has a strong background in economics through his formal education, his career in lecturing in economics and administrative studies, and as Chairman of the Federal Parliamentary Labor Party Committee on Economics and Industrial Relations.

Mr Edwards is Chairman of the Anglican Church Board of Youth Ministries, the Australian Prawn Industry Association and the Rock Lobster Industry Advisory Committee. He is a board member of the Polly Farmer Foundation and acts as a consultant to the European Union Trade Negotiations for the Prawn and Lobster Industries, the Yellow Fin Tuna Aquaculture Projects in Geraldton and Esperance, the Australian Plaintiff Lawyers Association and Jackson Wells Morris.

RICHARD HAYES B.Comm, MBA, CPA, ACIS (Appointed 1 July 2004)

Mr Hayes was appointed as Chief Financial Officer of Gold Corporation in March 2003. He was previously the Chief Operating Officer and a Director of AGR Matthey from October 2002 to March 2003 and prior to that he was Director, Finance and Deputy Managing Director of AGR Joint Venture from December 1998 to October 2002. He was Chief Financial Officer and Company Secretary of Golden West Refining Corporation Ltd, an ASX listed company controlled by N M Rothschild & Sons Ltd which, in December 1998, merged with AGR to become AGR Joint Venture.

Mr Hayes came to Australia from Zimbabwe in 1987 and has held a number of financial positions with Boral Ltd.

DAVID SMITH B.Econ (Hons) (Appointed August 12, 2004)

David Smith represents the Western Australian Acting Under Treasurer, Mr Timothy Marney. He was appointed to the Board of Gold Corporation in August 2004. He is currently the Executive Director of the Economic Division in the Western Australian Department of Treasury and Finance. In this role David heads a team that provides advice to the government of the day on the state and structure of the WA economy. This encompasses State revenue now and into the future as well as financial arrangements with the Commonwealth.

David has been with the Department of Treasury and Finance for eight years in a number of roles. These have included a period as chief of staff in the Treasurer's office.

Prior to moving to Perth, David had a long career with the Commonwealth public service, working most recently in the Department of the Prime Minister and Cabinet and the Department of Foreign Affairs and Trade on international trade issues. David has worked overseas with government including three years in Geneva under the original World Trade Organisation negotiations and in the private sector with a London-based economic research unit.

CORPORATE GOVERNANCE

FUNCTIONS OF THE BOARD

The Board of Directors is the governing body of Gold Corporation. The *Gold Corporation Act 1987* empowers the Board to determine policies for the Corporation and its subsidiaries, and requires the Board to:

- promote and develop markets for gold and gold products in Australia and elsewhere;
- develop and expand the Corporation's business for the benefit and to the greatest advantage of the people of Australia;
- operate in accordance with prudent commercial principles; and
- strive to earn a commercial rate of return on its capital.

The Board's authority is limited by the provisions in the *Act* and by Ministerial direction.

The Board is committed to sound corporate governance principles, high standards of legislative compliance, and appropriate financial and ethical behaviour. The Board regards directorial and managerial conduct seriously and as an integral part of sound governance practices. In accordance with that, the Board has committed itself to comply, wherever applicable, with the spirit and letter of the Australian Institute of Company Directors Code of Conduct and Guidelines.

The Board acknowledges its accountability to the Corporation's only shareholder, the Government of Western Australia.

Board Membership

The Gold Corporation Board comprises executive and non-executive Directors. It has a majority of independent non-executive Directors, including the Chair.

During the 2003/04 financial year, the Board consisted of six non-executive Directors: Mr Peter Unsworth, Mr Peter Lalor, Mr Don Mackay-Coghill, Ms Martine Pop, Ms Valerie Davies and the Under Treasurer of the State of Western Australia, Mr John Langoulant, who was an *ex officio* non-executive Director. Mr Ed Harbuz (Chief Executive Officer of Gold Corporation) was the only executive Director of the Board.

Apart from the Under Treasurer, each of the non-executive Directors was appointed by the Governor of Western Australia, on the nomination of the Minister, for three-year terms. The terms for all non executive Directors commenced on 1 July 2001, with the exception of Mr Mackay-Coghill, whose term commenced on 1 July 2003.

Mr Peter Unsworth and Mr Don Mackay-Coghill are also members of the AGR Matthey Board (a partnership between the Western Australian Mint (40%), Newmont Australia Ltd (40%) and Johnson Matthey (Aust) Ltd (20%). Mr Mackay-Coghill serves as the Chairman of AGR Matthey. The other Directors of AGR Matthey are Mr Andrew Strelein (up to August 2004 when he was replaced by Mr Paul Kiley), and Mr Darren Morcombe (appointed by Newmont Australia Ltd) and Mr Robert Frost and Mr Barry Doherty (appointed by Johnson Matthey (Aust) Ltd). Ms Martine Pop and Mr Richard Hayes (Gold Corporation's CFO) serve on the AGR Matthey Audit, Risk and Credit Committee.

On 30 June 2004 Mr Peter Lalor, Mr John Langoulant and Ms Valerie Davies retired from the Gold Corporation Board. Mr Ron Edwards, Ms Sue Boyd and Mr Richard Hayes were appointed to the Board on 1 July 2004 for a term of three years. Mr David Smith was appointed to the Board on 12 August, 2004.

Independent Advice

The Corporation's Directors can seek independent professional advice on Board matters at the Corporation's expense, with the approval of the Chairman. No such advice was sought during the year.

Directors' Meetings

There were six meetings of the Directors of Gold Corporation and five meetings of the Directors of AGR Matthey during the year ended 30 June 2004. The number of meetings attended by each Gold Corporation Director is indicated below:

| DIRECTOR ATTENDANCE | | |
|----------------------------|-------------------------|--------------------|
| | Gold Corporation | AGR Matthey |
| P J Unsworth | 6 | 5 |
| D Mackay-Coghill | 5 | 4 |
| P K Lalor | 6 | N/A |
| J L Langoulant | 5 | N/A |
| M D F Pop | 6 | N/A |
| V Davies | 5 | N/A |
| M E Harbuz | 6 | N/A |

N/A Not Applicable

Board Committees

The Board has established two committees, chaired by independent non-executive Directors, to assist in the execution of its duties. These are the Audit, Risk and Credit Committee and the Remuneration and Allowances Committee.

Each committee member has only one vote and each resolution must be passed by unanimous agreement. In the event that agreement cannot be reached, the matter is referred to the Board for resolution.

Audit, Risk and Credit Committee

The Committee advises the Board on the quality, integrity, reliability and adequacy of the Corporation's information, accounting, risk management and control systems. It actively monitors the Corporation's risk management function to ensure it is comprehensive and integrated with key processes such as divisional decision making, project management and planning. The Committee acts as a communications interface between the Board and the Corporation's auditors. It also assists the Board in developing and implementing credit policy, procedures and controls required to ensure the Corporation operates in accordance with prudent commercial principles, and monitors the application of the Corporation's Prudential

Management Policy. The policy deals with all operational and financial risk management issues and insurance compliance matters including Treasury dealing authorities, counter-party risk evaluation, credit application procedures and credit approval authorities, and ensures that adequate risk control measures are in place in the Corporation's divisions.

Membership of the Committee comprised Ms Martine Pop (Chairperson), Mr Peter Unsworth and Mr Don Mackay-Coghill (appointed August 2003, subsequent to his retirement as CEO). Attendees at meetings of the Committee are Mr Richard Hayes (CFO) Mr Chris Mumme (Manager, Risk and Corporate Governance) and Ms Anne Melville (Group Accountant). Attendees do not have voting rights. Mr M Edward Harbuz (CEO) is a permanent invitee.

The Audit Risk and Credit Committee met seven times. The number of meetings attended by each member, attendee and invitee is indicated below.

| | ATTENDANCE |
|------------------|-------------------|
| M D F Pop | 7 (Chair) |
| P J Unsworth | 7 |
| D Mackay-Coghill | 5 |
| R G Hayes | 5 |
| C Mumme | 6 |
| A P Melville | 7 |
| M E Harbuz | 7 |

Remuneration and Allowances Committee

The Board of Directors delegates authority for determining conditions of employment to the Remuneration and Allowances Committee. The Committee's responsibilities include determining senior staff salary levels, alterations to core conditions of employment and incentive bonus schemes.

The Remuneration and Allowances Committee consists of two non-executive Directors and the Chief Executive Officer.

Membership of the Committee remained unchanged during 2003/2004. It comprised:

| | | |
|-------------------|---|---|
| P K Lalor (Chair) | - | Non-executive Director (retired 30 June 2004) |
| P J Unsworth | - | Non-executive Director |
| M E Harbuz | - | Chief Executive Officer |

Mr Don Mackay-Coghill (appointed 12 August 2004) replaced Mr Peter Lalor subsequent to Mr Lalor's retirement from the Board.

MANAGEMENT COMMITTEES & RESPONSIBILITIES

Risk Management

Risk Management is essential for good corporate governance, sound management principles and effective internal controls. Mr Chris Mumme, Manager Corporate Governance and Risk Management, facilitates the risk management process. Line management is responsible for risk management.

The definition of 'Business Risk' used by Gold Corporation is 'the likelihood that an event or action will adversely affect Gold Corporation's ability to achieve its objectives'.

On a quarterly basis, the Board reviews reports on group financial risk, credit and audit matters, occupational safety and health, environmental issues and security. Division managers report on the identified major risk issues relating to their areas of responsibility. A detailed analysis of these risks is also incorporated into the annual Group Business Plan.

Occupational Safety and Health

Mr Phillip Kruger, Production Manager, Fabrication, coordinates Occupational Safety and Health issues within the Corporation. Line management is responsible for Occupational Safety and Health at site level. The coordinator's role is to ensure that agreed policies, procedures and standards are implemented throughout the organisation. The Occupational Safety and Health Committee meets on a regular basis, with eight formal meetings held during the year.

The 2003/2004 financial year saw three Lost Time Injuries compared with two and one in the previous two years. These incidents represented 211 hours lost for the year compared with 83 and 62 hours lost in the preceding two years. There is an ongoing focus on safety throughout the organisation, with the aim to improve the position further.

OUTPUT MEASURES

Under the *Treasurer's Instructions* 904 and 905, a statutory authority is required to provide appropriate output measures and performance indicators in its Annual Report, namely:

- Government-desired outcome(s) for each output;
- key efficiency indicators for each output, relating outputs to consumed inputs;
- key effectiveness indicators for each outcome, relating outputs to achieved outcomes; and
- comparative results for the output measures of quantity, quality, timeliness and cost.

Given the above Instructions and taking into consideration the Corporation's functions under the *Gold Corporation Act 1987*, the Corporation's outcomes are:

- **high quality precious metal refining;**
- **value-added precious metal product manufacture and marketing; and**
- **a commercial rate of return on its equity.**

The key effectiveness indicators for the above outcomes are:

- the estimated proportion of Australian fine gold output per year refined by the Corporation's 40% owned precious metals refinery, AGR;
- the Australian Nugget's annual share of the world gold bullion coin market;
- the annual value added to precious metals in (i) coin production and (ii) other precious metal products (eg blanks);
- the Corporation's annual return on equity.

The Corporation's outputs are:

- **precious metals refining services; and**
- **precious metal product sales.**

The key efficiency indicators for the above outputs are:

- the Corporation's trading results as a proportion of sales revenue;
- the Corporation's expenditure as a proportion of total revenue; and
- the cost per ounce of refining gold expressed as an index.

The Corporation's key effectiveness and efficiency indicators since 1999-2000 are tabulated on pages 30 and 31 of this Report.

Under the *Treasurer's Instructions*, output measures describing quantity, quality, timeliness and cost are also to be included in a statutory authority's Annual Report for each output identified above. An output measure analysis is presented below:

OUTPUT MEASURE ANALYSIS

| OUTPUT MEASURE | REFINING SERVICES | | PRODUCT SALES | | GROUP TOTAL | |
|------------------------------------|---|---------------|--|---------------|---|---------------|
| | Actual \$M | Budget \$M | Actual \$M | Budget \$M | Actual \$M | Budget \$M |
| QUANTITY <i>(Note 1)</i> | 3 | 2 | 32 | 28 | 35 | 30 |
| COST <i>(Note 2)</i> | N/A | N/A | 29 | 27 | 29 | 27 |
| QUALITY | Gold and silver bars produced by The Perth Mint and AGR Matthey (AGR Joint Venture) are accredited for their accurate weight and purity by the London Bullion Market Association (LBMA), Tokyo Commodities Exchange (TOCOM) and the Comex Division of the New York Mercantile Exchange (Comex). | | The weight and purity of all Australian legal tender precious metal coins manufactured by The Perth Mint are described in the <i>Currency Act 1965 (CTH)</i> . The Corporation has installed processing and management systems to ensure it meets these statutory specifications. | | The Corporation sells some 90% of its precious metal coins and products in international markets. The Corporation is committed to maintaining the product quality standards described opposite to protect its international market status. | |
| TIMELINESS | AGR Matthey (AGR Joint Venture) melts, samples and assays primary precious metal doré within two business days of receipt at the Perth refinery. This turnaround time is equivalent to the most efficient international industry standards. | | The Corporation's minting and marketing divisions operate in an international commercial environment and must be timely with regard to product releases and manufacture to remain competitive. | | The Corporation complies with standard international two-day settlement terms on its precious metal and precious metal product purchases and sales. | |

Note 1: The Group quantity measure is the actual trading profit and other revenue for the fiscal year, compared with the financial estimate in the Corporation's 2003 Annual Report. Refining Services' income is derived from the Group's investment in the AGR Joint Venture and AGR Matthey partnerships. Income from the partnerships is included as a single line item in the Group Statements of Financial Performance. Further information is presented in the Group Statements of Financial Performance and Note 2 of the Financial Statements.

Note 2: The cost measure of each output is the actual total expenditure, excluding cost of sales, for the fiscal year, compared with the financial estimate in the Corporation's 2003 Annual Report.

PERFORMANCE INDICATORS

The purpose of Gold Corporation is to provide high quality processing, refining and other services to the gold industry and to develop and market worldwide, innovative, value-added precious metal products at a commercial rate of return acceptable to the Western Australian Government.

Under the *Treasurer's Instructions* 904 and 905, a statutory authority is required to provide appropriate output measures and performance indicators in its Annual Report, namely:

- Government-desired outcome(s) for each output;
- key efficiency indicators for each output, relating outputs to consumed inputs; and
- key effectiveness indicators for each outcome, relating outputs to achieved outcomes.

Given the above Instructions and taking into account the Corporation's functions under the *Act*, its Government-desired outcomes are:

- **High Quality Precious Metal Refining**

Gold refining is a mature industry and world-wide consolidation is inevitable. The fact that the Australian industry has consolidated puts the country ahead of the rest of the world and should stand the local gold producing industry in good stead.

- **Value-Added Precious Metal Product Manufacture and Marketing**

There has recently been a resurgence in interest in bullion coins as a store of value. Bullion coins represent an important market for gold and it is essential that The Perth Mint plays its part in increasing demand by promoting its well-known gold Nugget product and the Corporation's other bullion coins.

The range of coin programmes adds significant value to precious metals and most of the products are exported. These products also promote Australia world-wide.

- **A Commercial Rate of Return on its Equity**

This is the performance measure referred to in the Gold Corporation Act.

EFFECTIVENESS INDICATORS

The key effectiveness indicators for the above outcomes are presented below.

| | | 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-00 |
|---|--|---------|---------|---------|---------|---------|
| 1 | Estimated proportion of Australian fine gold production refined by AGR <i>(Note 1)</i> | 99.9% | 83% | 68% | 65% | 62% |
| 2 | Global market share of Australian Nugget gold bullion coin: <i>(Note 2)</i> | 9% | 9% | 10% | 10% | 6% |
| 3 | Coin programs - value added to gold, silver, platinum & palladium: <i>(Note 3)</i> | | | | | |
| | (a) Total premium income: | \$15.8m | \$14.0m | \$13.0m | \$15.1m | \$17.9m |
| | (b) Total premium income expressed as a percentage of precious metal value: | 18.4% | 19.9% | 19.8% | 28.2% | 21.7% |
| 4 | Return on equity <i>(Note 4)</i> | 10.9% | (5.9%) | (1.9%) | (11.1%) | 12.4% |

Notes:

- This figure represents 100% of AGR Matthey's share of total Australian refined fine gold production in the fiscal year. AGR Matthey processed 99.9% of Australia's total fine gold production in 2003/2004. This is based on AGR Matthey's records and an estimate of total Australian fine gold production (264 tonnes) provided by the Australian Bureau of Agricultural and Resource Economics.*
- For 2003/2004 the figures are based on Gold Fields Mineral Services data for calendar 2003. (Up to 2002/2003, the figures are based on World Gold Council data for calendar years.)*
- The calculation is the total premium income (amount of income received above metal cost) for all fiscal year legal tender coin sales, which is also expressed as a percentage of the value of the precious metal content of the coins. The effectiveness indicator includes all Australian legal tender coins, as well as coins produced for other countries. A significant volume of non-coin precious metal product (eg medallions and coin blanks) was produced also during the fiscal year. The total premium income (amount of income received above metal cost) earned on these non-coin product sales was \$3.8 million (2003- \$3.2m).*
- The percentages show Group return on equity at the end of the respective fiscal year, based on the operating result before tax.*

EFFICIENCY INDICATORS

Given the *Treasurer's Instructions* and taking into account the Corporation's functions under the *Act*, its outputs are:

- **Precious Metal Product Sales**

Sales revenue, as an indicator of precious metal product sales, may vary significantly due to the volatility of precious metal prices and the mix of products sold.

- **Precious Metal Refining Services**

The downward trend in the refining cost per ounce is due to economies of scale relating to higher volumes achieved following the rationalization of refining in Australia.

The key efficiency indicators for the above outputs are presented below.

| | | 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-00 | |
|--|--|----------|---------|---------|---------|---------|-------|
| All figures are percentages (except item 3) | | | | | | | |
| 1 | Trading results (gross margin) as a proportion of sales revenue: | (Note 1) | 5.3% | 7.2% | 9.6% | 19.3% | 15.9% |
| 2 | Expenditure as a proportion of total revenue: | (Note 2) | 6.8% | 10.2% | 13.7% | 27.4% | 19.2% |
| 3 | Gold refining cost per ounce expressed as an index: | (Note 3) | 45 | 43 | 62 | 58 | 66 |

Notes:

- 1 *The percentages show the proportion of Group sales revenue represented by the trading result for the respective financial year.*
- 2 *The percentages show the proportion of Group total revenue – trading and other – represented by total expenditure, excluding cost of sales, as shown in the Statements of Financial Performance for the respective financial year.*
- 3 *The cost per ounce is the annual total cost divided by the number of fine ounces of gold refined by the Group, expressed as an index, with the 1994-1995 year indexed as 100.*

CERTIFICATION OF PERFORMANCE INDICATORS

In our opinion, the Performance Indicators for Gold Corporation and its subsidiaries contained in this report are based on proper records, are relevant and appropriate for assisting users to assess the performance of Gold Corporation and its subsidiaries, and fairly represent the performance of the Group for the year ended 30 June 2004.

P J UNSWORTH
Chairman

M E HARBUZ
Executive Director

30 September 2004

FINANCIAL ESTIMATES

The following financial estimates for 2004/2005 are based on Gold Corporation's budget and are included to satisfy the requirements of Treasurer's Instruction 953.

| | \$000 |
|------------------------------------|--------------|
| Total revenue | 349,053 |
| Total expenditure | 344,913 |
| Operating profit before income tax | 4,140 |
| Income tax expense | 1,349 |
| Operating profit after income tax | 2,791 |
| Dividend | 1,675 |
| Retained earnings | 16,025 |

FREEDOM OF INFORMATION

No applications were lodged at Gold Corporation under Freedom of Information (FOI) legislation in 2003/2004.

FREEDOM OF INFORMATION STATEMENT

This information statement has been prepared by Gold Corporation pursuant to Part 5 of the *Freedom of Information Act 1992 (WA)* and guidelines issued by the Office of the Information Commissioner on 13 May 1994.

THE CORPORATION

Gold Corporation was established by the *Gold Corporation Act 1987* and the Minister responsible for the Corporation is the Hon. Nick Griffiths LLB MLC, Minister for Housing and Works; Racing and Gaming; Government Enterprises; Land Information. Details of the Corporation's mission statement, functions, structure and management are available elsewhere in this report.

The Corporation has no policy role in government, makes no laws or regulations except in relation to the conduct of its own affairs, and administers no schemes that confer benefits upon or place imposts on the public.

Section 6 of the *Act* empowers the Corporation's Board of Directors "... to determine the policy of Gold Corporation, the Mint and GoldCorp in relation to any matter and to control the affairs of Gold Corporation and each of its subsidiaries..."

The Corporation's Board is committed to sound corporate governance principles, high standards of legislative compliance and ethical business practice.

The Corporation keeps documents and files relating to its administration and business activities. A number of these documents can be inspected only under the *Freedom of Information Act 1992 (WA)* (FOI).

Documents which are available for purchase are: *90 Golden Years (published in 1989)*; *The Perth Mint Numismatic Issues 1986 – 1996 (published in 1996)*; *Striking Gold: 100 Years of The Perth Mint (published in 1999)*; and *A Century of Minting Excellence – The History of Australian Coin Production at The Perth Mint (published in 1999)*.

Documents which can be obtained free of charge include Perth Mint brochures and catalogues, media statements, annual reports and *The Australian Numismatic Post* newsletter. Back issues of *The Australian Nugget Journal*, which ceased publication in February 2001, are also available. These can be obtained on request by mail to GPO Box M924, Perth, Western Australia, 6843, or The Perth Mint website, www.perthmint.com.au

FOI EXEMPTION

A document is exempt if its disclosure would reveal information about:

- gold or other precious metal received by Gold Corporation from a person, or held by Gold Corporation on behalf of a person, on current account, certificate of deposit or fixed deposit; or
- a transaction relating to gold or other precious metal received or held by Gold Corporation.

FOI PROCEDURES AND ACCESS

It is the aim of the Corporation to make information available promptly and at the least possible cost, and whenever possible, documents will be provided outside the FOI process.

If information is not routinely available, the *Freedom of Information Act 1992 (WA)* provides the rights enabling the public to apply for documents held by the Corporation.

Access applications have to (i) be in writing; (ii) provide sufficient information to enable identification of the requested documents; (iii) provide an Australian address to which notices can be sent; and (iv) be lodged at the Corporation, together with any application fee payable.

Applications will be acknowledged in writing and the applicant will be notified of the decision within 45 days.

Applicants who are dissatisfied with a decision of the Corporation may request an internal review. Application should be made in writing within 30 days of receiving the notice of decision. Applicants will be notified of the outcome of the review within 15 days.

FOI inquiries or applications should be made to the FOI Coordinator, Ms Diana Hartigan, Executive Assistant to the Chief Executive Officer, Gold Corporation, 310 Hay Street, East Perth, WA 6004, telephone (08) 9421 7222, facsimile (08) 9221 7031, email: dianah@goldcorp.com.au. Inquiries or applications may also be directed to the Manager, Human Resources, Ms Susan Coutts-Wood.

DOCUMENTS

In accordance with the requirements of the *State Records Act 2000* GC will, within the next 12 months:

- evaluate the efficiency and effectiveness of the organisation's record keeping systems. This needs to occur not less than once every five years;
- conduct a recordkeeping training program;
- review the efficiency and effectiveness of the record keeping training program, which must be undertaken from time to time; and
- ensure the staff induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's record keeping plan.

PUBLIC INTEREST DISCLOSURE

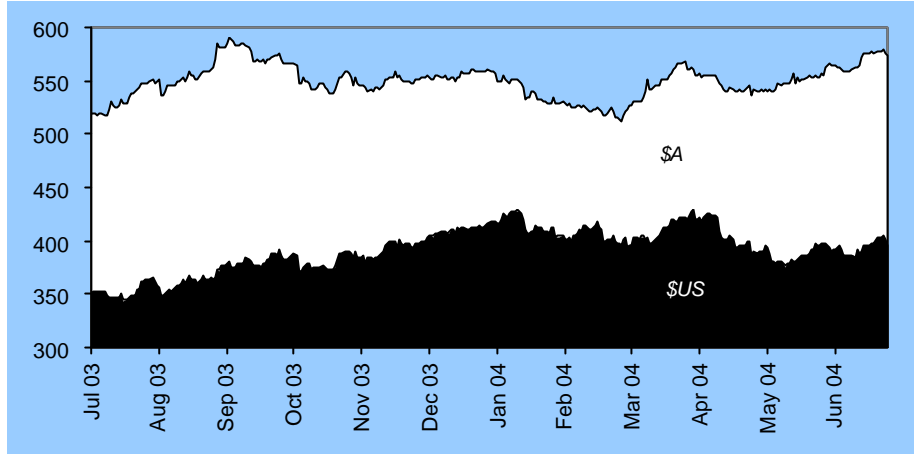
Gold Corporation is committed to the aims and objectives of the Public Interest Disclosure Act 2003 (Whistleblower Protection).

It recognises the value and importance of contributions of staff to enhance administrative and management practices and strongly supports disclosures being made by staff as to corrupt or other improper conduct.

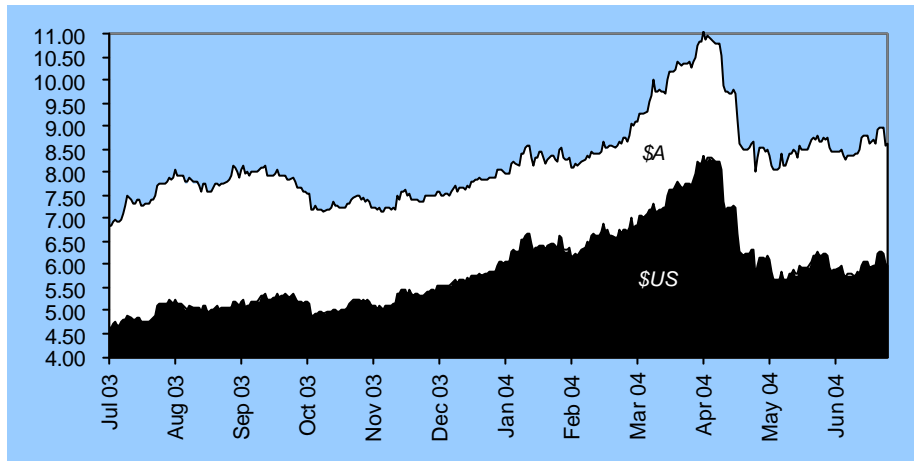
The Public Interest Disclosure Officer is Mr Chris Mumme (Manager, Corporate Governance & Risk Management). No claims were submitted during the 2003/2004 period.

PRECIOUS METAL PRICES PER OUNCE

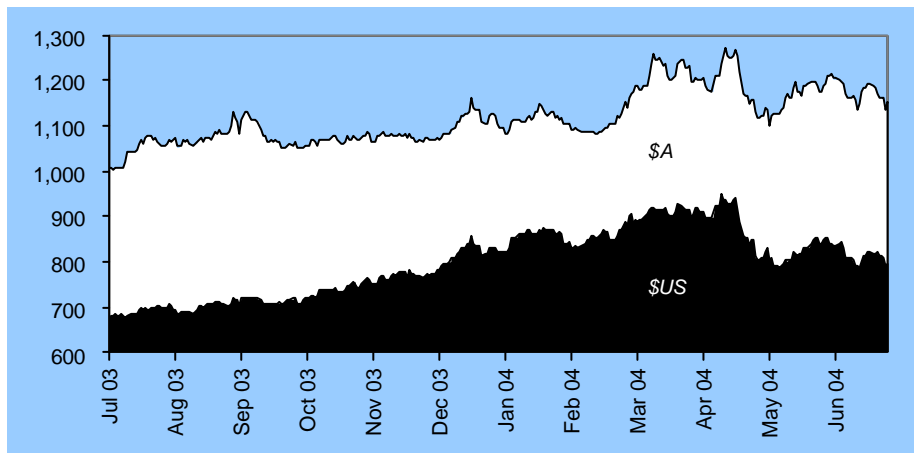
GOLD



SILVER



PLATINUM



CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of Gold Corporation and the accompanying consolidated financial statements have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985 (WA)* from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2004, and the financial position as at 30 June 2004.

At the date of signing, we are not aware of any circumstances which would render the particulars included in these financial statements misleading or inaccurate.

P J UNSWORTH
Chairman

M E HARBUZ
Executive Director

A P MELVILLE
Principal Accounting Officer

30 September, 2004



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

GOLD CORPORATION PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Gold Corporation are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended June 30, 2004.

Scope

The Board's Role

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
October 11, 2004



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

GOLD CORPORATION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion,

- (i) the controls exercised by the Gold Corporation provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Corporation and the consolidated entity at June 30, 2004 and their financial performance and cash flows for the year ended on that date.

Scope

The Board's Role

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows of the Corporation and the consolidated entity, and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL
October 11, 2004

GOLD CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

GOLD CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

| | | Group | | Gold Corporation | |
|--|------|---------------------|-----------------------|---------------------|-----------------------|
| | Note | 2004 | 2003 | 2004 | 2003 |
| | | \$000 | \$000 | \$000 | \$000 |
| REVENUE | | | | | |
| Revenue from ordinary activities | | | | | |
| Sales revenue | 2 | 409,613 | 275,624 | 375,994 | 236,150 |
| Charges for technical services | | 1,822 | 100 | 866 | 889 |
| Interest | | 2,487 | 2,637 | 2,484 | 2,629 |
| Proceeds from sale of plant & equipment | 8 | 5,137 | 157 | 103 | 157 |
| Foreign currency hedging | | 220 | 596 | 220 | 596 |
| Fees and rents | | 893 | 338 | 888 | 332 |
| Share of profits of joint venture partnerships | 11 | 2,777 | 289 | - | - |
| Profit from transfer of investment | 11 | - | 2,010 | - | - |
| Dividends from subsidiaries | 3 | - | - | 8,000 | 3,000 |
| | | <u>422,949</u> | <u>281,751</u> | <u>388,555</u> | <u>243,753</u> |
| EXPENDITURE | | | | | |
| Expenses from ordinary activities | | | | | |
| Cost of goods sold | 2 | 388,040 | 255,846 | 375,007 | 236,209 |
| Employee benefits | | 9,367 | 10,376 | 2,850 | 3,780 |
| Materials and services | | 13,357 | 11,980 | 3,370 | 3,180 |
| Depreciation | 8 | 1,764 | 1,814 | 147 | 222 |
| Amortisation | 12 | 264 | 264 | - | - |
| Write-down of goodwill | 12 | 776 | - | - | - |
| Borrowing costs | | 1,192 | 1,748 | 1,006 | 1,614 |
| Carrying value of plant & equipment sold | 8 | 1,640 | 177 | 92 | 172 |
| Currency translation movements | | 372 | 721 | 370 | 974 |
| Doubtful loan | | - | 97 | - | - |
| Inventory write-down to net realisable value | | 225 | 1,608 | - | - |
| | | <u>416,997</u> | <u>284,631</u> | <u>382,842</u> | <u>246,151</u> |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES | | | | | |
| BEFORE INCOME TAX | | | | | |
| | | 5,952 | (2,880) | 5,713 | (2,398) |
| Income tax expense/(benefit) | 4 | <u>2,437</u> | <u>(558)</u> | <u>2,246</u> | <u>(558)</u> |
| NET PROFIT/(LOSS) | | <u>3,515</u> | <u>(2,322)</u> | <u>3,467</u> | <u>(1,840)</u> |

The Statements of Financial Performance are to be read in conjunction with the Notes to and forming part of the Financial Statements

GOLD CORPORATION AND SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION****AS AT 30 JUNE 2004**

| | | Group | | Gold Corporation | |
|--|------|----------------|----------------|------------------|----------------|
| | Note | 2004 | 2003 | 2004 | 2003 |
| | | \$000 | \$000 | \$000 | \$000 |
| CURRENT ASSETS | | | | | |
| Cash assets | 5 | 17,207 | 10,297 | 14,112 | 6,080 |
| Receivables | 6 | 1,967 | 2,762 | 8,592 | 13,096 |
| Precious metal leases | 7a | 388,013 | 334,095 | 388,013 | 334,095 |
| Inventories | 7b | 164,718 | 79,882 | 136,809 | 59,811 |
| Prepayments | | 240 | 323 | 137 | 139 |
| Total current assets | | 572,145 | 427,359 | 547,663 | 413,221 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 8 | 32,947 | 31,717 | 849 | 447 |
| Other financial assets | 9 | - | - | 21,603 | 21,603 |
| Investments accounted for using the equity method | 11 | 15,952 | 14,402 | - | - |
| Intangibles | 12 | - | 1,040 | - | - |
| Deferred tax assets | 4 | 1,358 | 3,603 | 1,358 | 3,603 |
| Total non-current assets | | 50,257 | 50,762 | 23,810 | 25,653 |
| TOTAL ASSETS | | 622,402 | 478,121 | 571,473 | 438,874 |
| CURRENT LIABILITIES | | | | | |
| Payables | 13 | 15,520 | 16,567 | 9,278 | 11,237 |
| Interest-bearing liabilities | 14 | 123,515 | 221,209 | 120,015 | 217,700 |
| Provisions | 15 | 3,267 | 1,199 | 2,829 | 801 |
| Other liabilities | 16 | 425,136 | 190,416 | 405,111 | 176,252 |
| Total current liabilities | | 567,438 | 429,391 | 537,233 | 405,990 |
| NON-CURRENT LIABILITIES | | | | | |
| Provisions | 15 | 174 | 225 | 64 | 66 |
| Total non-current liabilities | | 174 | 225 | 64 | 66 |
| TOTAL LIABILITIES | | 567,612 | 429,616 | 537,297 | 406,056 |
| NET ASSETS | | 54,790 | 48,505 | 34,176 | 32,818 |
| EQUITY | | | | | |
| Contributed equity | 17 | 31,603 | 31,603 | 31,603 | 31,603 |
| Asset revaluation reserve | 18 | 8,278 | - | - | - |
| Retained profits | 19 | 14,909 | 16,902 | 2,573 | 1,215 |
| TOTAL EQUITY | | 54,790 | 48,505 | 34,176 | 32,818 |

The Statements of Financial Position are to be read in conjunction with the Notes to and forming part of the Financial Statements.

GOLD CORPORATION AND SUBSIDIARIES**STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2004**

| | | Group | | Gold Corporation | |
|--|------|----------------------|----------------------|----------------------|---------------------|
| | Note | 2004 | 2003 | 2004 | 2003 |
| | | \$000 | \$000 | \$000 | \$000 |
| Cash flows from operating activities | | | | | |
| Receipts from operations | | 414,337 | 277,253 | 284,895 | 162,375 |
| Payments to suppliers and employees | | (411,431) | (271,523) | (277,578) | (158,777) |
| Interest received | | 2,749 | 2,509 | 2,746 | 2,501 |
| Interest paid | | (1,306) | (1,716) | (1,124) | (1,628) |
| Net cash provided by operating activities | 20 | <u>4,349</u> | <u>6,523</u> | <u>8,939</u> | <u>4,471</u> |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (1,288) | (2,867) | (640) | (76) |
| Proceeds from sale of property, plant and equipment | | 5,137 | 157 | 103 | 157 |
| Payment for investment in partnership | | (925) | (3,925) | - | - |
| Proceeds from sale of investment | | 18 | - | - | - |
| Net cash provided by/(used in) investing activities | | <u>2,942</u> | <u>(6,635)</u> | <u>(537)</u> | <u>81</u> |
| Cash flows from financing activities | | | | | |
| Borrowings | | - | 3,500 | - | - |
| Principal repayments under finance lease | | (9) | (23) | - | - |
| Net cash provided by/(used in) financing activities | | <u>(9)</u> | <u>3,477</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN CASH | | 7,282 | 3,365 | 8,402 | 4,552 |
| Cash at 1 July | | 10,297 | 7,653 | 6,080 | 2,502 |
| Effect of exchange rate changes on cash held in foreign currencies | | (372) | (721) | (370) | (974) |
| CASH AT 30 JUNE | 5 | <u><u>17,207</u></u> | <u><u>10,297</u></u> | <u><u>14,112</u></u> | <u><u>6,080</u></u> |

The Statements of Cash Flows are to be read in conjunction with the Notes to and forming part of the Financial Statements.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation and hedges

Transactions denominated in a foreign currency are translated at rates in existence at the transaction dates. Foreign currency receivables and payables are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the result for the year.

Exchange gains and losses arising on contracts entered into as hedges of specific revenue or expense transactions are deferred until the dates of settlement, at which time they are included in the determination of such revenue or expense.

Financial statements of integrated foreign subsidiaries are translated using the temporal method. Exchange differences arising on such translation are taken to the statement of financial performance.

(e) Investments

(i) Partnerships and Joint Ventures

The group's interests in partnerships have been accounted for under the equity accounting method as set out in AAS 19 "Interests in Joint Ventures". The group's share of post-acquisition profits or losses of partnerships is recognised in the statement of financial performance.

(ii) Subsidiaries

Investments in subsidiaries are brought to account at cost in Gold Corporation. The carrying amount of investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(f) Inventories

Precious metal inventories are valued at market prices ruling at balance date.

Other inventories are stated at the lower of cost or net realisable value. Cost is assigned on a first in/first out basis except for retail inventories where a weighted average method is used.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. (Note 8)

Freehold land and buildings are carried at fair value.

The group changed its accounting policy in relation to the carrying value of land and buildings in the financial year ended 30 June 2004. Freehold land and buildings are now carried at fair value, whereas previously they were carried at cost and at directors' valuation.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

The reason for the change is the requirement for land and buildings to be carried at fair value under Treasurer's Instruction 945. The financial effect of this change in accounting policy has been to credit \$8,278,000, being revaluation of land, to the asset revaluation reserve, and charge \$3,399,000 to retained earnings as at 30 June 2004.

This resulted in a net incremental increase of \$4,879,000 to the carrying value of land and buildings as at 30 June 2004. (Note 8)

Plant and equipment are carried at cost

Leased plant and equipment were carried at cost

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The assets are written down to recoverable amounts where the carrying value of any plant and equipment exceeds recoverable amount. In determining the recoverable amount of plant and equipment, the expected net cash flows have not been discounted to their present value.

Depreciation

Buildings, plant and equipment are depreciated over their estimated useful lives using the straight line method. Freehold land is not depreciated. Profits or losses on disposal of property, plant and equipment are taken into account in determining the profit from ordinary activities for the year.

The expected useful life for each class of asset is as follows, and is reviewed on an annual basis:

| | |
|---------------------|-------------|
| Buildings | 40 years |
| Plant and equipment | 3 - 8 years |

(h) Leases

Assets acquired under finance leases are included as plant and equipment under finance lease in the statement of financial position. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased property. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis to the statement of financial performance over the period during which the group is expected to benefit from the use of the leased assets. A corresponding liability is also established and minimum lease payments are allocated between the liability and interest expense. Finance lease liabilities are classified as current and non-current, depending on when the principal component of the lease payments is due.

Other leases under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred over the term of the lease, as this represents the pattern of benefits derived from the leased assets.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Receivables

Trade debtors are recognised at the amounts receivable at the time of sale of products to customers. Settlement is generally within 30 days. Collectibility of trade debtors is reviewed on an ongoing basis. The group has insurance cover on trade debtors in Australia to limit the credit risk exposure. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off in the period in which they are identified.

(j) Goodwill

Goodwill, representing the excess of the cost of acquiring the former Goldcorp Australia division of the Western Australian Development Corporation over the fair value of the net tangible assets acquired, is shown as an intangible asset. Goodwill is amortised on a straight line basis over twenty years, being the period during which the benefits were expected to arise. The carrying value of the asset is reviewed by the directors on an annual basis.

(k) Employee entitlements

Employee entitlements for annual leave and long service leave are provided for in accordance with Accounting Standard AASB 1028, Employee Benefits.

(l) Precious metal borrowings

Precious metal borrowings are brought to account at market prices ruling at balance dates.

(m) Income tax

From 1 July 2002, Gold Corporation entered into the National Tax Equivalent Regime (NTER), under the State Enterprises (Commonwealth Tax Equivalents) Act 1996. The NTER is administered by the Australian Taxation Office (ATO) on behalf of the States. Prior to that date, Gold Corporation was required, under Section 20 of the Gold Corporation Act, to pay to the Treasurer of Western Australia for credit of the Consolidated Fund an amount equivalent to the income tax which would have been payable under the law of the Commonwealth had the Corporation been a public company liable for payment of tax.

Under the NTER, the income tax equivalent revenue continues to be remitted to the Treasurer of Western Australia.

Tax effect accounting procedures are followed in accordance with Accounting Standard AAS 3, Accounting for Income Tax (Tax-effect Accounting).

(n) Revenue

Sales revenue represents revenue earned from the sale of precious metals and precious metal products. It also includes margins on transactions known as metal location swaps, where a quantity of metal is sold in one location, and simultaneously an equivalent quantity is purchased in another location. Bullion sales are recognised on receipt of cash. Proof coin sales are recognised on despatch of the coins.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade and other creditors

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Comparative figures

Comparative figures have been adjusted where necessary to conform with changes in presentation of the financial statements for the current financial year.

(q) Goods and services tax

Revenue, expenditure and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as an expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

| | Group | | Gold Corporation | |
|----------------------------------|---------|---------|------------------|---------|
| | 2004 | 2003 | 2004 | 2003 |
| 2 TRADING PROFIT | \$000 | \$000 | \$000 | \$000 |
| Sales revenue | 409,613 | 275,624 | 375,994 | 236,150 |
| Cost of sales : | | | | |
| Opening trading inventories | 6,963 | 9,106 | (46) | (2,237) |
| Purchases | 387,203 | 253,703 | 374,703 | 238,400 |
| | 394,166 | 262,809 | 374,657 | 236,163 |
| Less closing trading inventories | 6,126 | 6,963 | (304) | (46) |
| Cost of sales | 388,040 | 255,846 | 375,007 | 236,209 |
| Trading Profit | 21,573 | 19,778 | 987 | (59) |

3 DIVIDENDS FROM SUBSIDIARIES

| | 2004 | 2003 |
|--|-------|-------|
| | \$000 | \$000 |

In accordance with sections 44(b) and 53(b) of the Gold Corporation Act, the Board has determined that dividends be paid to the Corporation by its subsidiaries as follows:

| | | |
|-------------------------|--------------|--------------|
| Western Australian Mint | 2,000 | - |
| GoldCorp Australia | 6,000 | 3,000 |
| | <u>8,000</u> | <u>3,000</u> |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

| | Group | | Gold Corporation | |
|--|---------------|---------------|------------------|---------------|
| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| 4 INCOME TAX | | | | |
| Prima facie income tax on pre-tax accounting profit/(loss) calculated at 30% (2003: 30%) | 1,785 | (864) | 1,714 | (719) |
| Add/(Less) Tax effect of permanent differences | | | | |
| Non-deductible depreciation on buildings | 28 | 28 | - | - |
| Amortisation of goodwill | 312 | 79 | - | - |
| Difference in accounting profit and taxable income of partnerships | 185 | 88 | - | - |
| Profit of overseas subsidiary offset against tax losses in prior years | (485) | 27 | - | - |
| Other non-deductible items | 11 | 84 | 9 | 81 |
| Under-provision income tax in prior year | 178 | - | 178 | - |
| Write-off tax benefit of capital loss from prior year | 423 | | 423 | |
| Dividends from subsidiaries | - | - | (2,400) | (900) |
| | <u>652</u> | <u>306</u> | <u>(1,790)</u> | <u>(819)</u> |
| Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities | 2,437 | (558) | (76) | (1,538) |
| Obligations of Gold Corporation for income tax on behalf of subsidiaries (i) | - | - | 2,322 | 980 |
| | <u>2,437</u> | <u>(558)</u> | <u>2,246</u> | <u>(558)</u> |
| Comprising : | | | | |
| Provision for deferred income tax | (11) | (22) | (11) | (22) |
| Provision for overseas tax of associates | 191 | - | - | - |
| Future income tax benefit | 2,257 | (536) | 2,257 | (536) |
| | <u>2,437</u> | <u>(558)</u> | <u>2,246</u> | <u>(558)</u> |

Note (i)

Gold Corporation's income tax expense/(benefit) of \$2,437,000 (2003: \$(558,000)) includes the obligation in relation to the income of its subsidiaries, Western Australian Mint and GoldCorp Australia.

Movement in the carrying amount of future income tax benefit between the beginning and end of the current and previous financial year:

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Carrying amount at beginning of financial year | 3,603 | 3,045 | 3,603 | 3,045 |
| Amount arising during the year | (2,245) | 558 | (2,245) | 558 |
| Carrying amount at end of financial year | <u>1,358</u> | <u>3,603</u> | <u>1,358</u> | <u>3,603</u> |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

| | Group | | Gold Corporation | |
|--------------------------|---------------|---------------|------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| 5 CASH ASSETS | \$000 | \$000 | \$000 | \$000 |
| Cash at bank and on hand | <u>17,207</u> | <u>10,297</u> | <u>14,112</u> | <u>6,080</u> |

Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:

| | | | | |
|--------------------------|---------------|---------------|---------------|--------------|
| Cash at bank and on hand | <u>17,207</u> | <u>10,297</u> | <u>14,112</u> | <u>6,080</u> |
| | <u>17,207</u> | <u>10,297</u> | <u>14,112</u> | <u>6,080</u> |

6 RECEIVABLES

| | | | | |
|-----------------------------------|--------------|--------------|--------------|---------------|
| Current | | | | |
| Trade debtors | 1,279 | 1,587 | - | 154 |
| Other debtors | 708 | 1,460 | 708 | 1,460 |
| less provision for doubtful debts | (20) | (302) | - | (212) |
| Loan - secured | (i) - | 114 | - | - |
| less provision for doubtful loan | - | (97) | - | - |
| Due from subsidiaries | - | - | 7,884 | 11,694 |
| | <u>1,967</u> | <u>2,762</u> | <u>8,592</u> | <u>13,096</u> |

(i) **Secured loan**

The loan was secured by a registered second mortgage over a property. Receivers and Managers were appointed to the mortgagor's business on 18 September 2002. Provision was made for non-recovery of 85% of the loan at 30 June 2003. The loan was settled on 5 December 2003.

7a PRECIOUS METAL LEASES

| | | | | |
|--|--------------------|----------------|----------------|----------------|
| Precious metal leases - related entity | (i) <u>388,013</u> | <u>334,095</u> | <u>388,013</u> | <u>334,095</u> |
|--|--------------------|----------------|----------------|----------------|

(i) **Precious metal leases - related entity**

The ounce based leases of precious metals to AGR Matthey are provided under the terms of a Metal Facility Agreement, and are held as inventory by AGR Matthey.

7b INVENTORIES

| | | | | |
|--|----------------|---------------|----------------|---------------|
| Precious metals | 160,099 | 75,003 | 136,809 | 59,811 |
| Inventories | | | | |
| Finished goods - at net realisable value | 3,305 | 3,614 | - | - |
| Consumables - at cost | - | 794 | - | - |
| Consumables - at net realisable value | 1,314 | 471 | - | - |
| | <u>164,718</u> | <u>79,882</u> | <u>136,809</u> | <u>59,811</u> |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

| | Group | | Gold Corporation | |
|--|---------------|---------------|------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| 8 PROPERTY, PLANT AND EQUIPMENT | \$000 | \$000 | \$000 | \$000 |
| Freehold land and buildings | | | | |
| at fair value | 29,555 | - | - | - |
| at directors' valuation | - | 8,067 | - | - |
| at cost | - | 20,752 | - | - |
| | <u>29,555</u> | <u>28,819</u> | <u>-</u> | <u>-</u> |
| less accumulated depreciation | - | (3,694) | - | - |
| | <u>29,555</u> | <u>25,125</u> | <u>-</u> | <u>-</u> |
| Plant and equipment | | | | |
| at cost | 13,383 | 17,547 | 3,565 | 3,133 |
| less accumulated depreciation | (9,991) | (10,978) | (2,716) | (2,686) |
| | <u>3,392</u> | <u>6,569</u> | <u>849</u> | <u>447</u> |
| Plant and equipment | | | | |
| under finance lease | - | 108 | - | - |
| less accumulated depreciation | - | (85) | - | - |
| | <u>-</u> | <u>23</u> | <u>-</u> | <u>-</u> |
| Total Property, Plant and Equipment | <u>32,947</u> | <u>31,717</u> | <u>849</u> | <u>447</u> |

The Board resolved to adopt the Valuer General's valuation of the Western Australian Mint's property at 310 Hay Street, Perth. The land and buildings were revalued as at 30 June 2004 in accordance with this valuation of \$29,555,000, being \$9,890,000 for the land and \$19,665,000 for the buildings. This resulted in a net incremental increase of \$4,879,000 above the net book value as at that date. (Note 1g)

The revaluation increment for the land of \$8,278,000 was credited to the Asset Revaluation Reserve (Note 18). The revaluation decrement of \$3,399,000 on the buildings was charged to Retained Earnings, in accordance with the transitional provisions granted to agencies under Treasurer's Instruction 945. (Note 19)

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

| Group | Freehold | Freehold | Plant & | Leased | Total |
|-------------------------|--------------|---------------|--------------|----------------------|---------------|
| | Land | Buildings | equipment | plant & equipment | |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Opening balance | 1,612 | 23,513 | 6,569 | 23 | 31,717 |
| Additions | - | 236 | 1,052 | - | 1,288 |
| Disposals | - | - | (3,151) | (22) | (3,173) |
| Revaluation | 8,278 | (3,399) | - | - | 4,879 |
| Depreciation | - | (685) | (1,078) | (1) | (1,764) |
| | <u>9,890</u> | <u>19,665</u> | <u>3,392</u> | <u>-</u> | <u>32,947</u> |
| Gold Corporation | | | | | |
| Opening balance | - | - | 447 | - | 447 |
| Additions | - | - | 641 | - | 641 |
| Disposals | - | - | (92) | - | (92) |
| Depreciation | - | - | (147) | - | (147) |
| | <u>-</u> | <u>-</u> | <u>849</u> | <u>-</u> | <u>849</u> |

| Net profit/(loss) on sale of non-current assets | Group | | Gold Corporation | | |
|--|--------------|-------|-------------------------|-------|------|
| | 2004 | 2003 | 2004 | 2003 | |
| | \$000 | \$000 | \$000 | \$000 | |
| Plant and equipment | | | | | |
| Gross proceeds on disposal of assets | | 5,137 | 157 | 103 | 157 |
| Carrying value of assets sold/disposed | | 1,640 | 177 | 92 | 172 |
| Net profit/(loss) on sale/disposal | | 3,497 | (20) | 11 | (15) |

Sale of assets included the sale of coin blanking equipment to PMX Australia Pty Ltd, a wholly owned subsidiary of PMX Industries, Inc.

On 1 February 2004, Gold Corporation and its subsidiary, Western Australian Mint, entered into an agreement with PMX Australia Pty Ltd, wherein Western Australian Mint sold 50.1% of its coin blanking business to PMX Australia Pty Ltd for \$5 million, pursuant to the formation of the Poongsan Perth Mint JV, an unincorporated Joint Venture. (Note 11c)

GOLD CORPORATION AND SUBSIDIARIES
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9 OTHER FINANCIAL ASSETS

| Corporation | Place of Incorporation | Book value of investment | | Contribution to Group result | |
|-----------------------------------|---------------------------|-----------------------------|---------------|---------------------------------|----------------|
| | | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| Gold Corporation | Western Australia | | | (2,212) | (3,860) |
| Subsidiaries of Gold Corporation: | | | | | |
| GoldCorp Australia | Western Australia | 5,000 | 5,000 | 4,531 | 3,348 |
| Western Australian Mint | Western Australia | 16,603 | 16,603 | 1,226 | (1,735) |
| W.A. Mint Pty Ltd | Western Australia | - | - | - | - |
| Perth Mint (Hong Kong) Limited | Hong Kong | - | - | (30) | (75) |
| | | <u>21,603</u> | <u>21,603</u> | <u>3,515</u> | <u>(2,322)</u> |

All subsidiaries are wholly owned.

W.A. Mint Pty Ltd has never operated. The investment is recorded at no cost.

Perth Mint (Hong Kong) Limited carried on business as the Group's representative in Hong Kong and was wholly owned by GoldCorp Australia. The investment was recorded in the books of GoldCorp Australia at an amount of \$1,780. The company was sold to third party Hong Kong ownership effective 1 August 2003.

GOLD CORPORATION AND SUBSIDIARIES
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10 INVESTMENTS IN ASSOCIATED ENTITIES

| Entity | Principal Activities | Group Ownership Interest | | Group Carrying Amount of Investment | |
|---|---|--------------------------|-----------|-------------------------------------|---------------|
| | | 2004 % | 2003 % | 2004 \$000 | 2003 \$000 |
| Associated Companies | | | | | |
| AGR Management Services Pty Ltd | Management services | 40.0 | 40.0 | - | - |
| Poongsan Perth Mint Sales Pty Ltd | Marketing | 50.0 | - | - | - |
| Partnerships | | | | | |
| AGR Matthey | Metal refining and precious metal products business | 40.0 | 40.0 | 14,132 | 14,402 |
| AGR Joint Venture | Metal refining and precious metal products business | 50.0 | 50.0 | - | - |
| Unincorporated Joint Ventures | | | | | |
| Poongsan Perth Mint JV | Manufacturing and marketing precious metal blanks | 50.1 | - | 1,820 | - |
| Group's Share in Partnership's Direct Interest in Associates | | | | | |
| Metals Refining Operations Pty Ltd | Metal refining | 18.0 | 18.0 | - | - |
| Alloy and Gold Supply (NSW) Pty Ltd | Precious metals | 20.0 | 20.0 | - | - |
| Analytical Platinum Supplies Pty Ltd | Platinum lab ware | 20.0 | 20.0 | - | - |
| AGR Matthey (NZ) Limited | Sales precious metal products | 40.0 | - | - | - |

All the above investments are held by Western Australian Mint.

The Group's interests in the above investments, except for AGR Matthey (NZ) Limited, Poongsan Perth Mint Sales Pty Ltd and Poongsan Perth Mint JV, took effect from 1 December 1998 with the commencement of the AGR Joint Venture, and were subsequently transferred into the AGR Matthey partnership on 3 October 2002. (Notes 11b and 11c)

The investment in AGR Management Services Pty Ltd comprises a 40% interest in the ordinary share capital of the associate and is held by Western Australian Mint.

The investment in AGR Matthey (NZ) Limited commenced upon its incorporation in New Zealand on 16 January 2004. The investment comprises a 40% interest in the ordinary share capital of the associate and is held via the group's interest in AGR Matthey.

The investment in Poongsan Perth Mint Sales Pty Ltd comprises a 50% interest in the ordinary share capital of the associate and is held by Western Australian Mint.

The investment in Metals Refining Operations Pty Ltd comprises an 18% interest in the ordinary share capital of the associate and is held via the Group's interest in AGR Matthey.

The investment in Alloy and Gold Supply (NSW) Pty Limited comprises an 20% interest in trust capital in the PBM Unit Trust and is held via the Group's interest in AGR Matthey.

The investment in Analytical Platinum Supplies Pty Ltd comprises a 20% interest in the ordinary share capital of the associate and is held via the Group's interest in AGR Matthey.

The balance date of the associated entities is 30 June.

GOLD CORPORATION AND SUBSIDIARIES
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| 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD | | Group | |
|---|-----|---------------|---------------|
| | | 2004 \$000 | 2003 \$000 |
| Share of profit from AGR JV | 11a | 57 | 1,887 |
| Share of profit/(loss) from AGR Matthey | 11b | 2,999 | (1,598) |
| Share of (loss) from Poongsan Perth Mint JV | 11c | <u>(279)</u> | <u>-</u> |
| | | <u>2,777</u> | <u>289</u> |
| Investment in AGR Matthey | 11b | 14,132 | 14,402 |
| Investment in Poongsan Perth Mint JV | 11c | <u>1,820</u> | <u>-</u> |
| | | <u>15,952</u> | <u>14,402</u> |

11a INVESTMENT IN AGR JOINT VENTURE

| | | |
|--|----------|----------------|
| Balance at 1 July | - | 10,582 |
| Plus: Share of partnership profits before tax | 57 | 1,887 |
| Less: Profit distributions received | (57) | (2,676) |
| Less: Establishment costs written back | - | (153) |
| Transfer investment to AGR Matthey partnership | <u>-</u> | <u>(9,640)</u> |
| | <u>-</u> | <u>-</u> |

- (i) The AGR Joint Venture partnership was formed on 1 December 1998 between Western Australian Mint and Golden West (Australasia) Pty Ltd. In 2001, Golden West (Australasia) Pty Ltd sold its interest to Australian Gold Alliance Pty Ltd, a wholly owned subsidiary of Newmont Australia Ltd. Each partner held a 50% interest in the AGR Joint Venture partnership.

The investment in AGR Joint Venture partnership comprised the fair value of the Group's contributed assets and post formation profits. The balance date of the partnership was 30 June.

In 2002, the partners in AGR Joint Venture and Johnson Matthey (Aust) Ltd agreed to combine their existing Australian and New Zealand businesses. A new partnership, AGR Matthey, was formed on 3 October 2002 between Western Australian Mint, Australian Gold Alliance Pty Ltd and Johnson Matthey (Aust) Ltd. The interests of the parties are 40%, 40% and 20% respectively.

The Group equity accounts its interest in the AGR Joint Venture partnership. The Group's share of the assets, excluding cash and debtors, and liabilities of the AGR Joint Venture were transferred to the AGR Matthey partnership as at 3 October 2002. The AGR Joint Venture partnership ceased trading on 2 October 2002, but remains in existence for winding-up purposes.

- (ii) Results attributable to Partnership

| | | |
|------------------------------------|------------|----------------|
| Revenue | 190 | 262,737 |
| Expenses | <u>133</u> | <u>260,850</u> |
| Operating profit before income tax | <u>57</u> | <u>1,887</u> |

GOLD CORPORATION AND SUBSIDIARIES
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| | Group | |
|---|---------------|---------------|
| | 2004 | 2003 |
| | \$000 | \$000 |
| 11b INVESTMENT IN AGR MATTHEY | | |
| Balance at 1 July | (ii) 14,402 | 16,000 |
| Plus: Share of partnership profit/(loss) before tax | (iii) 2,999 | (1,598) |
| Less: Profit distributions received | (2,679) | - |
| Less: Accrual for overseas tax | (344) | - |
| Adjustment for transfer investment from AGR Joint Venture | (246) | - |
| | <u>14,132</u> | <u>14,402</u> |

- (i) The AGR Matthey partnership was formed on 3 October 2002 between Western Australian Mint, Australian Gold Alliance Pty Ltd and Johnson Matthey (Aust) Ltd. The partners hold a 40%, 40%, 20% interest in the AGR Matthey partnership respectively.

The investment in AGR Matthey partnership comprises the fair value of the Group's contributed assets and post formation profits. The balance date of the partnership is 30 June.

The Group equity accounts its interest in the AGR Matthey partnership. The Group's share of the assets and liabilities of the AGR Matthey partnership at 30 June 2004 comprised:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2004 | 2003 |
| | \$000 | \$000 |
| Current assets | | |
| Cash assets | 5,472 | 4 |
| Receivables | 22,972 | 17,512 |
| Inventories | 257,940 | 191,460 |
| Other | 507 | 4,684 |
| | <u>286,891</u> | <u>213,660</u> |
| Non-current assets | | |
| Receivables | - | 933 |
| Investments | 1,300 | 1,199 |
| Property, plant and equipment | 8,610 | 8,708 |
| Intangibles | 3,514 | 3,656 |
| | <u>13,424</u> | <u>14,496</u> |
| TOTAL ASSETS | <u>300,315</u> | <u>228,156</u> |
| Current liabilities | | |
| Payables | 11,895 | 9,718 |
| Precious metal leases | 264,296 | 189,954 |
| Interest-bearing liabilities | 6,988 | 12,024 |
| Other | 2,020 | 1,327 |
| | <u>285,199</u> | <u>213,023</u> |
| Non-current liabilities | | |
| Payables | - | 380 |
| Interest-bearing liabilities | 5 | 9 |
| | <u>5</u> | <u>389</u> |
| TOTAL LIABILITIES | <u>285,204</u> | <u>213,412</u> |
| NET ASSETS | <u>15,111</u> | <u>14,744</u> |

- (ii) The group's initial contribution to the AGR Matthey partnership was accounted for as follows:

| | |
|---|---------------|
| Transfer investment from AGR Joint Venture | 9,640 |
| Asset acquisition | 3,500 |
| Establishment costs | 850 |
| Profit arising on transfer of investment | 2,010 |
| Investment in AGR Matthey at 3 October 2002 | <u>16,000</u> |

GOLD CORPORATION AND SUBSIDIARIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

| | Group | |
|--|----------------------------|------------------------|
| | 2004 | 2003 |
| | \$000 | \$000 |
| 11b INVESTMENT IN AGR MATTHEY (continued) | | |
| (iii) Results attributable to Partnership | | |
| Revenue | 2,343,139 | 709,803 |
| Expenses | <u>2,340,140</u> | <u>711,401</u> |
| Operating profits before income tax | <u><u>2,999</u></u> | <u><u>(1,598)</u></u> |
| <p>The Partnership had no commitments to purchase plant and equipment at balance date.</p> <p>Lease Commitments</p> <p>The Group's share of Partnership's aggregate operating lease expenditure contracted for at balance date, but not provided for, in the financial statements</p> | | |
| Payable no later than one year | 518 | 613 |
| Payable later than one, but no later than five years | 975 | 781 |
| Payable later than five years | <u>1,475</u> | <u>1,478</u> |
| | <u><u>2,968</u></u> | <u><u>2,872</u></u> |
| 11c INVESTMENT IN POONGSAN PERTH MINT JV | | |
| Assets contributed | (ii) 2,099 | - |
| Less: Share of partnership loss before tax | (iii) <u>(279)</u> | <u>-</u> |
| | <u><u>1,820</u></u> | <u><u>-</u></u> |
| (i) The Poongsan Perth Mint Joint Venture was formed on 1 February 2004 between Western Australian Mint and PMX (Australia) Pty Ltd, a wholly owned subsidiary of PMX Industries, Inc. The partners hold a 50.1% and 49.9% interest in the Joint Venture respectively. The investment in Poongsan Perth Mint JV comprises the fair value of the Group's contributed assets and post formation profits. The balance date of the partnership is 30 June. The Group equity accounts its interest in the Poongsan Perth Mint Joint Venture. The Group's share of the assets and liabilities of the Poongsan Perth Mint JV at 30 June 2004 comprised: | | |
| | 2004 | 2003 |
| | \$000 | \$000 |
| Current assets | | |
| Cash assets | 246 | - |
| Receivables | 190 | - |
| Inventories | 101 | - |
| Other | <u>1</u> | <u>-</u> |
| | <u><u>539</u></u> | <u><u>-</u></u> |
| Non-current assets | | |
| Property, plant and equipment | 3,185 | - |
| Intangibles | <u>1,525</u> | <u>-</u> |
| | <u><u>4,709</u></u> | <u><u>-</u></u> |
| TOTAL ASSETS | 5,248 | - |
| Current liabilities | | |
| Payables | <u>207</u> | <u>-</u> |
| TOTAL LIABILITIES | <u><u>207</u></u> | <u><u>-</u></u> |
| NET ASSETS | <u><u><u>5,041</u></u></u> | <u><u><u>-</u></u></u> |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

| | Group | | Gold Corporation | |
|---|--------------|----------|------------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$000 | \$000 | \$000 | \$000 |
| 11c INVESTMENT IN POONGSAN PERTH MINT JV (continued) | | | | |
| (ii) The group's initial contribution to the Poongsan Perth Mint JV was accounted for as follows: | | | | |
| Assets contributed | 1,530 | - | - | - |
| Establishment costs | 69 | - | - | - |
| Working capital | 500 | - | - | - |
| | <u>2,099</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (iii) Results attributable to Partnership | | | | |
| Revenue | 588 | - | - | - |
| Expenses | 867 | - | - | - |
| Operating loss before income tax | <u>(279)</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The Partnership had no commitments to purchase plant and equipment at balance date.

12 INTANGIBLES

| | | | | |
|--------------------------------|----------------|----------------|----------|----------|
| Goodwill, at cost | 5,000 | 5,000 | - | - |
| Less: accumulated amortisation | <u>(5,000)</u> | <u>(3,960)</u> | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>1,040</u> | <u>-</u> | <u>-</u> |

Movement in the carrying amount of goodwill between the beginning and end of the current and previous financial years:

| | | | | |
|--------------------------------------|--------------|--------------|----------|----------|
| Goodwill - opening balance | 1,040 | 1,304 | - | - |
| Amortisation expense | (264) | (264) | - | - |
| Write-down of goodwill | <u>(776)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Goodwill - closing balance (Note 1j) | <u>-</u> | <u>1,040</u> | <u>-</u> | <u>-</u> |

The carrying value of the asset is reviewed by the directors on an annual basis and, as at 30 June 2004, they determined that the original acquisition of goodwill was no longer contributing to the ongoing and future success of the group's business activities. The directors therefore resolved that the remaining balance of goodwill should be fully amortised as at balance date.

13 PAYABLES

| | | | | |
|--------------------------------------|---------------|---------------|--------------|---------------|
| Current - unsecured | | | | |
| Trade creditors | 1,465 | 2,422 | 277 | 244 |
| Other creditors and accrued expenses | <u>14,055</u> | <u>14,145</u> | <u>9,001</u> | <u>10,993</u> |
| | <u>15,520</u> | <u>16,567</u> | <u>9,278</u> | <u>11,237</u> |

14 INTEREST-BEARING LIABILITIES

| | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|
| Current - secured | | | | |
| Lease liabilities (a) | - | 9 | - | - |
| Borrowings (b) | 3,500 | 3,500 | - | - |
| Precious metal borrowings (c) | <u>120,015</u> | <u>217,700</u> | <u>120,015</u> | <u>217,700</u> |
| | <u>123,515</u> | <u>221,209</u> | <u>120,015</u> | <u>217,700</u> |

Security for Borrowings

- (a) Effectively secured over the leased asset, being a motor vehicle in Hong Kong (Note 21)
The asset was sold as at 31 July 2003.
- (b) Borrowings from Western Australian Treasury Corporation
- (c) Precious metal borrowings are guaranteed by the Government of Western Australia under Section 22 (1) of the Gold Corporation Act, with annual limits for gold, silver and platinum approved by the Treasurer.

GOLD CORPORATION AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2004**

| | Group | | Gold Corporation | |
|-----------------------------------|---------------|---------------|------------------|---------------|
| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| 15 PROVISIONS | | | | |
| Current | | | | |
| Employee entitlements | 1,158 | 1,199 | 720 | 801 |
| Proposed dividend | 2,109 | - | 2,109 | - |
| | <u>3,267</u> | <u>1,199</u> | <u>2,829</u> | <u>801</u> |
| Non-current | | | | |
| Employee entitlements | 117 | 110 | 64 | 66 |
| Employee superannuation liability | 57 | 115 | - | - |
| | <u>174</u> | <u>225</u> | <u>64</u> | <u>66</u> |

16 OTHER LIABILITIES

Current - secured

| | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|
| Precious metal borrowings (a) | <u>425,136</u> | <u>190,416</u> | <u>405,111</u> | <u>176,252</u> |
|-------------------------------|----------------|----------------|----------------|----------------|

Security for Borrowings

- (a) Precious metal borrowings are guaranteed by the Government of Western Australia under Section 22 (1) of the Gold Corporation Act, with annual limits for gold, silver and platinum approved by the Treasurer. These borrowings do not attract interest, and are utilised in the Corporation's operations.

17 CONTRIBUTED EQUITY

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Issued and fully paid : 31,602,852 shares | <u>31,603</u> | <u>31,603</u> | <u>31,603</u> | <u>31,603</u> |
|---|---------------|---------------|---------------|---------------|

18 RESERVES

Asset revaluation reserve at the beginning of the financial year

| | | | | | |
|--|---|--------------|----------|----------|----------|
| Revaluation of non-current assets - land | 8 | <u>8,278</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>8,278</u> | <u>-</u> | <u>-</u> | <u>-</u> |

GOLD CORPORATION AND SUBSIDIARIES
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FOR THE YEAR ENDED 30 JUNE 2004

| | Group | | Gold Corporation | |
|---|----------------|----------------|------------------|----------------|
| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| 19 RETAINED PROFITS | | | | |
| Retained profits at the beginning of the financial year | 16,902 | 19,224 | 1,215 | 3,055 |
| Revaluation of non-current assets - buildings | (3,399) | - | - | - |
| Provision for proposed dividend | (2,109) | - | (2,109) | - |
| Net profit/(loss) | <u>3,515</u> | <u>(2,322)</u> | <u>3,467</u> | <u>(1,840)</u> |
| | <u>14,909</u> | <u>16,902</u> | <u>2,573</u> | <u>1,215</u> |
| 20 NOTES TO THE STATEMENT OF CASH FLOWS | | | | |
| Reconciliation of cash flow from operations with profit/(loss) from ordinary activities after income tax | | | | |
| Profit/(loss) from ordinary activities after income tax | 3,515 | (2,322) | 3,467 | (1,840) |
| Non-cash items: | | | | |
| Depreciation and amortisation | 2,804 | 2,078 | 147 | 222 |
| Amounts credited (net) to provisions for : | | | | |
| employee entitlements | - | 113 | - | 15 |
| superannuation | - | 5 | - | - |
| doubtful debts | - | 89 | - | - |
| inventory write-down to net realisable value | - | 1,608 | - | - |
| Amounts written back (net)/paid from provisions: | | | | |
| employee entitlements | (34) | - | (83) | - |
| superannuation | (57) | - | - | - |
| doubtful debts | (379) | - | (212) | - |
| inventory write-down to net realisable value | (1,769) | - | - | - |
| unrealised loss currency trading | - | (158) | - | (158) |
| Profit/(loss) on sale of assets and business | (3,476) | - | - | - |
| (Profit)/loss on sales of property, plant and equipment | (21) | 20 | (11) | 15 |
| Exchange losses/(gains) | 372 | 721 | 370 | 974 |
| Changes in assets and liabilities | | | | |
| Decrease/(increase) in receivables | 912 | (1,024) | 4,454 | 3,718 |
| Decrease/(increase) in precious metal leases | (53,918) | (200,827) | (53,918) | (200,827) |
| Decrease/(increase) in inventories | (83,067) | 14,754 | (76,998) | 27,138 |
| Decrease/(increase) in prepayments | 83 | (38) | 2 | (46) |
| Decrease/(increase) in investments | 480 | 105 | - | - |
| Decrease/(increase) deferred tax assets | 2,245 | (558) | 2,245 | (558) |
| Increase/(decrease) in payables | (367) | 6,296 | (1,698) | 4,321 |
| Increase/(decrease) in borrowings | <u>137,026</u> | <u>185,661</u> | <u>131,174</u> | <u>171,497</u> |
| Cash flows from operations | <u>4,349</u> | <u>6,523</u> | <u>8,939</u> | <u>4,471</u> |

GOLD CORPORATION AND SUBSIDIARIES
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21 SEGMENT REPORTING

| (a) Primary reporting-Business segments | Product | Refining | Blanking | TOTAL |
|--|---------|----------|----------|----------------|
| Group - 2004 | Sales | \$000 | \$000 | \$000 |
| Revenue | | | | |
| External sales and other revenue | 420,172 | - | - | 420,172 |
| Share of net profits of investments accounted for using the equity method | - | 3,056 | (279) | 2,777 |
| Total revenue from ordinary activities | 420,172 | 3,056 | (279) | 422,949 |
| Profit/(loss) from ordinary activities before income tax expense | 3,175 | 3,056 | (279) | 5,952 |
| Income tax (expense)/benefit | | | | (2,437) |
| Net Profit | | | | 3,515 |
| Segment assets | 605,092 | 14,132 | 1,820 | 621,044 |
| Unallocated assets | | | | 1,358 |
| Total assets | | | | 622,402 |
| Segment liabilities | 567,612 | - | - | 567,612 |
| Other | | | | |
| Investments accounted for using the equity method | - | 14,132 | 1,820 | 15,952 |
| Acquisition of non-current segment assets | 1,288 | - | - | 1,288 |
| Depreciation and amortisation of segment assets | 2,804 | - | - | 2,804 |
| Other non-cash segment expenses | 916 | - | - | 916 |
| Group - 2003 | | | | |
| Revenue | | | | |
| External sales and other revenue | 281,462 | - | - | 281,462 |
| Share of net profits of investments accounted for using the equity method | - | 289 | - | 289 |
| Total revenue from ordinary activities | 281,462 | 289 | - | 281,751 |
| Profit/(loss) from ordinary activities before income tax expense | (3,169) | 289 | - | (2,880) |
| Income tax (expense)/benefit | | | | 558 |
| Net Loss | | | | (2,322) |
| Segment assets | 460,116 | 14,402 | - | 474,518 |
| Unallocated assets | | | | 3,603 |
| Total assets | | | | 478,121 |
| Segment liabilities | 429,616 | - | - | 429,616 |
| Other | | | | |
| Investments accounted for using the equity method | - | 14,402 | - | 14,402 |
| Acquisition of non-current segment assets | 2,867 | 3,925 | - | 6,792 |
| Depreciation and amortisation of segment assets | 2,078 | - | - | 2,078 |
| Other non-cash segment expenses | 2,450 | - | - | 2,450 |

Segment information has been disclosed by output

GOLD CORPORATION AND SUBSIDIARIES
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21 SEGMENT REPORTING (Continued)

Business Segments

Gold Corporation operates predominantly in the precious metal industry. Its revenue is derived from manufacture and marketing of precious metals and precious metal value added products, the provision of services related to precious metals, such as trading, metal leasing and consultancy, and from the refining of gold and silver (through its investment in AGR Matthey).

The group has three business segments as follows:

- **Minting and Retailing - Product Sales**

This segment includes the manufacture and marketing, including wholesale and retail sales, of precious metal coins, medallions, value added precious metal products and collectables, and metal trading, leasing and depository services.

- **Refining**

This segment comprises the investments in the AGR Matthey partnership and AGR Joint Venture, which are engaged in refining of precious metals and manufacture of industrial products.

- **Blanking**

This segment comprises the investment in the Poongsan Perth Mint JV, which is engaged in manufacturing and marketing of precious metal coin blanks.

Accounting Policies

Segment revenues are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment net of accumulated depreciation and amortisation. Segment liabilities consist principally of accounts payable, interest-bearing liabilities, and provisions.

Intersegment Transfers

Segment revenue, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar products to parties outside the group at arm's length. These transfers are eliminated on consolidation.

(b) Secondary reporting - Geographical segments

| Geographical location: | Segment Revenues from External customers | | Carrying Amount of Segment Assets | | Acquisitions of Non- current Segment Assets | |
|------------------------|---|----------------|--------------------------------------|----------------|--|---------------|
| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| Europe | 109,271 | 46,938 | - | - | - | - |
| Asia | 106,615 | 61,001 | - | 393 | - | 1 |
| U S A | 119,264 | 76,230 | - | - | - | - |
| Other countries | 12,435 | 34,309 | - | - | - | - |
| Australia | 75,364 | 63,273 | 622,402 | 477,728 | 1,788 | 6,791 |
| | <u>422,949</u> | <u>281,751</u> | <u>622,402</u> | <u>478,121</u> | <u>1,788</u> | <u>6,792</u> |

Geographical segments

The group's business segments are located in Australia. There are agents in Europe, Hong Kong and Japan. Sales revenue is derived from precious metal products exported from Australia.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

| | Group | | Gold Corporation | |
|--|--------------|------------|------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$000 | \$000 | \$000 | \$000 |
| 22 LEASE COMMITMENTS | | | | |
| Analysis of finance lease commitments : | | | | |
| Payable no later than one year | - | 12 | - | - |
| less: future finance charges | - | 3 | - | - |
| Finance lease liabilities | <u>-</u> | <u>9</u> | <u>-</u> | <u>-</u> |
| Included in financial statements as: | | | | |
| Current (Note 14) | <u>-</u> | <u>9</u> | <u>-</u> | <u>-</u> |
| The finance lease commitment was for the lease of a motor vehicle by Perth Mint (Hong Kong) Ltd | | | | |
| Aggregate non-cancellable operating lease expenditure contracted for at balance date but not provided for in the accounts : | | | | |
| Payable no later than one year | 186 | 286 | 186 | 239 |
| Payable later than one, but no later than five years | <u>90</u> | <u>252</u> | <u>90</u> | <u>210</u> |
| | <u>276</u> | <u>538</u> | <u>276</u> | <u>449</u> |
| The operating lease commitments are for leases of computer equipment, (2004 and 2003), and for lease of office accommodation in Hong Kong (2003) The terms of the computer equipment leases are various, with the maximum term being until December 2006. | | | | |
| 23 CAPITAL COMMITMENTS | | | | |
| Aggregate capital expenditure contracted for, but not provided for, in the financial statements | | | | |
| Payable no later than one year | <u>1,029</u> | <u>113</u> | <u>898</u> | <u>-</u> |
| 24 REMUNERATION OF AUDITORS | | | | |
| Fees paid or due and payable to the Auditor General for the financial year: | | | | |
| fees for external audit of financial statements and performance indicators | 90 | 88 | 90 | 88 |
| Fees paid or due and payable to auditors other than the Auditor General for the financial year: | | | | |
| fees for external audits of overseas subsidiaries | <u>12</u> | <u>13</u> | <u>-</u> | <u>-</u> |
| | <u>102</u> | <u>101</u> | <u>90</u> | <u>88</u> |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

**25 RECEIVABLES AND PAYABLES DENOMINATED
 IN FOREIGN CURRENCIES**

| Amounts not effectively hedged | Group | | Gold Corporation | |
|---------------------------------------|--------------|--------------|-------------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Receivables | \$000 | \$000 | \$000 | \$000 |
| Due within twelve months | | | | |
| US dollars | 448 | 753 | 342 | 745 |
| HK dollars | - | 43 | - | - |
| Payables | | | | |
| Due within twelve months | | | | |
| US dollars | 636 | 585 | 526 | 581 |
| HK dollars | 13 | 125 | - | - |
| Euro | 3 | 130 | - | - |
| Pounds sterling | 3 | - | - | - |
| NZ dollars | 25 | - | - | - |

26 FINANCIAL INSTRUMENTS

(a) Derivative Financial Instruments

Gold Corporation enters into forward foreign exchange contracts to sell specified amounts of foreign currencies in the future at a pre-determined exchange rate. The contracts are normally entered into to hedge a maximum of 60% of the anticipated US dollar receipts within a rolling twelve month period.

At balance date, there were no outstanding contracts.

(b) Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out on the following pages.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

26 FINANCIAL INSTRUMENTS (continued)

| | Notes | Fixed interest maturing in: | | | | Non-interest bearing | Total |
|--|-------|-----------------------------|----------------|-------------------|-------------------|----------------------|----------------|
| | | Floating interest rate | 1 year or less | over 1 to 5 years | more than 5 years | | |
| | | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2004 | | | | | | | |
| Financial and Precious Metal Assets | | | | | | | |
| Cash and deposits | 5 | 6,629 | 10,556 | - | - | 22 | 17,207 |
| Receivables | 6 | - | - | - | - | 1,967 | 1,967 |
| Precious metal leases | 7a | - | 388,013 | - | - | - | 388,013 |
| Precious metal inventories | 7b | - | - | - | - | 160,099 | 160,099 |
| | | <u>6,629</u> | <u>398,569</u> | <u>-</u> | <u>-</u> | <u>162,088</u> | <u>567,286</u> |
| <i>Weighted average interest rate</i> | | | | | | | |
| - cash | | 1.62% | 5.46% | | | | |
| - precious metal leases | | | 0.78% | | | | |
| Financial and Precious Metal Liabilities | | | | | | | |
| Trade and other creditors | 13 | - | - | - | - | 15,520 | 15,520 |
| Borrowings | 14 | - | 3,500 | - | - | - | 3,500 |
| Precious metal borrowings | 14,16 | - | 120,015 | - | - | 425,136 | 545,151 |
| Employee entitlements | 15 | - | - | - | - | 1,275 | 1,275 |
| | | <u>-</u> | <u>123,515</u> | <u>-</u> | <u>-</u> | <u>441,931</u> | <u>565,446</u> |
| <i>Weighted average interest rate</i> | | | | | | | |
| - borrowings | | | 5.74% | | | | |
| - precious metal borrowings | | | 0.52% | | | | |
| Net financial and precious metal assets/(liabilities) | | 6,629 | 275,054 | - | - | (279,843) | 1,840 |
| 2003 | | | | | | | |
| Financial and Precious Metal Assets | | | | | | | |
| Cash and deposits | 5 | 8,038 | 2,233 | - | - | 26 | 10,297 |
| Receivables | 6 | - | - | - | - | 2,762 | 2,762 |
| Precious metal leases | 7a | - | 334,095 | - | - | - | 334,095 |
| Precious metal inventories | 7b | - | - | - | - | 75,003 | 75,003 |
| | | <u>8,038</u> | <u>336,328</u> | <u>-</u> | <u>-</u> | <u>77,791</u> | <u>422,157</u> |
| <i>Weighted average interest rate</i> | | | | | | | |
| - cash | | 1.00% | 4.74% | | | | |
| - precious metal leases | | | 0.79% | | | | |
| Financial and Precious Metal Liabilities | | | | | | | |
| Trade and other creditors | 13 | - | - | - | - | 16,567 | 16,567 |
| Borrowings | 14 | - | 3,500 | - | - | - | 3,500 |
| Lease liabilities | 14 | - | 9 | - | - | - | 9 |
| Precious metal borrowings | 14,16 | - | 217,700 | - | - | 190,416 | 408,116 |
| Employee entitlements | 15 | - | - | - | - | 1,309 | 1,309 |
| | | <u>-</u> | <u>221,209</u> | <u>-</u> | <u>-</u> | <u>208,292</u> | <u>429,501</u> |
| <i>Weighted average interest rate</i> | | | | | | | |
| - borrowings | | | 4.94% | | | | |
| - lease liabilities | | | 5.25% | | | | |
| - precious metal borrowings | | | 0.58% | | | | |
| Net financial and precious metal assets/(liabilities) | | 8,038 | 115,119 | - | - | (130,501) | (7,344) |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

26 FINANCIAL INSTRUMENTS (continued)

**Reconciliation of Net Financial and Precious Metal Assets to
Net Assets as disclosed in the Statements of Financial Position**

| | | Group | |
|--|-------|---------------|---------------|
| | | 2004 | 2003 |
| | Notes | \$000 | \$000 |
| Net financial and precious metal assets/(liabilities) as above | | 1,840 | (7,344) |
| Non-financial assets and liabilities: | | | |
| Inventories | 7b | 4,619 | 4,879 |
| Investments accounted for using the equity method | 11 | 15,952 | 14,402 |
| Property, plant & equipment | 8 | 32,947 | 31,717 |
| Intangibles | 12 | - | 1,040 |
| Prepayments | | 240 | 323 |
| Deferred tax assets | 4 | 1,358 | 3,603 |
| Provisions | 15 | (2,166) | (115) |
| Net assets per Statements of Financial Position | | <u>54,790</u> | <u>48,505</u> |

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the group approximates their carrying value.

| (d) Precious Metal Assets and Liabilities | | Group | | Gold Corporation | |
|---|-----|----------------|----------------|------------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| Assets | | \$000 | \$000 | \$000 | \$000 |
| Precious metal leases | 7a | 388,013 | 334,095 | 388,013 | 334,095 |
| Inventories | 7b | <u>160,099</u> | <u>75,003</u> | <u>136,809</u> | <u>59,811</u> |
| Total precious metal assets | | <u>548,112</u> | <u>409,098</u> | <u>524,822</u> | <u>393,906</u> |
| Liabilities | | | | | |
| Precious metal borrowings (secured, interest bearing) | 14c | 120,015 | 217,700 | 120,015 | 217,700 |
| Precious metal borrowings (secured) | 16 | <u>425,136</u> | <u>190,416</u> | <u>405,111</u> | <u>176,252</u> |
| Total precious metal liabilities | | <u>545,151</u> | <u>408,116</u> | <u>525,126</u> | <u>393,952</u> |
| Net Precious Metal Position | | <u>2,961</u> | <u>982</u> | <u>(304)</u> | <u>(46)</u> |

(e) Credit Risk Exposure

The credit risk on financial assets of Gold Corporation which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts. This is considered to approximate fair value.

The group does not have any significant exposure to any individual customer or counterparty, with the exception of precious metal leases to a related entity, AGR Matthey, under the terms of the Metal Facility Agreement. (Note 7a)

GOLD CORPORATION AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2004**

| | Group | | Gold Corporation | |
|--|--------------|--------------|------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| 27 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS | \$000 | \$000 | \$000 | \$000 |
| Total fees, salaries, superannuation and other benefits received or due and receivable by directors from the Corporation or any related body for the financial year | 568 | 1,216 | 568 | 1,216 |
| Total fees, salaries, superannuation and other benefits received or due and receivable by senior officers other than directors from the Corporation or any related body for the financial year | <u>1,196</u> | <u>1,185</u> | <u>885</u> | <u>802</u> |
| | <u>1,764</u> | <u>2,401</u> | <u>1,453</u> | <u>2,018</u> |

Number of directors whose total of fees, salaries, superannuation and other benefits, received or due and receivable for the financial year, falls within the following bands:

| | Group | | Gold Corporation | |
|-----------------------------|-------|------|------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| \$0 - \$10,000 | 1 | 1 | 1 | 1 |
| \$30,001 - \$40,000 | 2 | 2 | 2 | 2 |
| \$40,001 - \$50,000 | 1 | 1 | 1 | 1 |
| \$60,001 - \$70,000 | 1 | - | 1 | - |
| \$80,001 - \$90,000 | - | 1 | - | 1 |
| \$150,001 - \$160,000 | 1 | - | 1 | - |
| \$230,001 - \$240,000 | 1 | - | 1 | - |
| \$1,010,000 - \$1,020,000 * | - | 1 | - | 1 |

* Includes entitlements on retirement

Number of senior officers other than directors whose total of fees, salaries, superannuation and other benefits, received or due and receivable for the financial year, falls within the following bands:

| | | | | |
|-----------------------|---|---|---|---|
| \$30,001 - \$40,000 | 1 | - | 1 | - |
| \$40,001 - \$50,000 | - | 1 | - | 1 |
| \$50,001 - \$60,000 | - | 1 | - | 1 |
| \$60,001 - \$70,000 | 1 | 1 | 1 | 1 |
| \$70,001 - \$80,000 | 2 | 2 | 1 | 2 |
| \$80,001 - \$90,000 | 1 | 2 | 1 | 2 |
| \$90,001 - \$100,000 | 2 | 2 | 2 | 2 |
| \$100,001 - \$110,000 | - | 1 | - | - |
| \$110,001 - \$120,000 | 1 | 1 | - | - |
| \$120,001 - \$130,000 | 1 | 1 | - | 1 |
| \$160,001 - \$170,000 | - | 1 | - | - |
| \$180,001 - \$190,000 | 1 | - | 1 | - |
| \$250,001 - \$260,000 | 1 | - | 1 | - |

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

28 SUPERANNUATION COMMITMENTS

Gold Corporation contributes to a superannuation fund, GC-AGR Superannuation Fund, a Sub-Plan of Mellon Master Trust, which is operated by Mellon Human Resources & Investor Solutions Pty Ltd (Mellon). All permanent employees of Gold Corporation are entitled to join the fund. Trustee, funds management and administration services are provided by Mellon and associated companies. GC-AGR Superannuation Fund provides benefits on retirement, total and permanent disability or death. Gold Corporation contributes to the fund at rates based on the salary of each member employee.

Gold Corporation employees not wishing or ineligible to join the GC-AGR Superannuation Fund are members of the ING Master Fund, to which the Corporation contributes at the current rate required by superannuation guarantee legislation.

Award-based employees of the Western Australian Mint who made the election prior to December 1996 were entitled to contributory membership of the Western Australian Government Employees Superannuation Fund (Gold State Super). Such employees contribute to that Fund at specified percentages of their wages and salaries. The Western Australian Mint contributes to the Fund at rates set by the Government Employees Superannuation Board.

Western Australian Mint award employees who did not wish or who are ineligible to join Gold State Super are entitled to non-contributory membership of West State Super, to which the Western Australian Mint contributes at the current rate required by superannuation legislation. Members also have the option to make personal contributions.

Employees of the Western Australian Mint employed on individual contracts are able to join GC-AGR Superannuation Fund or West State Super.

29 INCENTIVE SCHEME

Gold Corporation's incentive scheme, approved by the Board in 2003/04, was designed to motivate all staff to strive towards the Corporation's achievement of an acceptable return on assets. A plan was put into place whereby an ever increasing profit target should be achieved over a number of years. If the target for any year is exceeded then a certain proportion of the amount by which the target is exceeded is available for distribution to employees in terms of the scheme. There are sub-schemes for each division and one for corporate staff. All employees are eligible for payments in terms of the scheme.

There is an upper limit to the proportion of profit above target which may be paid out in terms of the scheme and there is also an upper limit to the payment any individual may receive. Payments will be made once a year, based on a full financial year's performance. All payments must be approved by the Remuneration and Allowances Committee on behalf of the Board.

In the 2003/04 financial year the Corporation and all its divisions, except one, exceeded their targets. Many of the organisation's employees will thus be eligible for a payment under the scheme. An amount of \$108,000 for incentives has been accrued in the financial statements for the year ended 30 June 2004.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

30 CONTINGENT LIABILITIES

The Australian Taxation Office (ATO) commenced a GST audit of the AGR Joint Venture (AGR JV) in June 2001. The audit included a review of the AGR JV's procedures for the charging of GST on coin blanks toll manufactured from customers' precious metal, whereby GST is charged only on the fabrication fee. This treatment is consistent with advice received from the ATO in August 2000.

In June 2002, pursuant to the audit, the ATO advised AGR JV that GST should have been charged on the full value of the coin blank, including the value of the customer supplied metal.

The ATO have advised that they do not believe such an agreement was reached, and are seeking to issue a series of assessments pursuant to their view.

AGR JV management estimates that the amount of the unpaid GST is approximately \$2.9 million.

The ATO have advised that they will seek to impose penalties and interest of approximately \$3 million.

Based on favourable professional advice and opinion, AGR JV management will defend any assessments issued.

If AGR JV's defence is unsuccessful, Gold Corporation's liability will be in the order of \$300,000, being the non-recoverable input tax credits relating to Gold Corporation's share. In the event that the ATO issues an assessment for penalties and interest, Gold Corporation would be liable for 50% of the impost.

31 INTERNATIONAL FINANCIAL REPORTING STANDARDS

Gold Corporation is adopting international accounting standards in compliance with AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (IFRS).

AASB 1 requires an opening balance sheet as at 1 July 2004 and the restatement of the financial statements for the reporting period to 30 June 2005 on the IFRS basis. These financial statements will be presented as comparatives in the first annual financial report prepared on an IFRS basis for the period ending 30 June 2006.

AASB 1047: *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires financial reports for periods ending on or after 30 June 2004 to disclose:

1 How the transition to Australian equivalents to IFRS is being managed

Gold Corporation has engaged the services of independent consultants, who have the necessary knowledge of Gold Corporation's operations and business processes, to assist and work in conjunction with senior financial management in the transition to IFRS.

Key differences in accounting policies, disclosures and presentation and the consequential impacts and risks to Gold Corporation are being assessed.

The implementation of a new financial management system is currently being undertaken, and IFRS requirements will be included in the specifications.

The necessary staff skills and training requirements have been identified, and accounting staff have attended external seminars on the introduction of IFRS conducted by professional organisations.

Preparation of an opening balance sheet in accordance with AASB 1 as at 1 July 2004 is progressing as the key differences are identified.

GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

31 INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

2 Key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRS

The key potential differences in the accounting policies of Gold Corporation and its subsidiaries which will arise from the adoption of IFRS are as follows:

Revaluation of Assets

Revaluation increments and decrements relating to revalued property, plant and equipment and intangible assets will be recognised on an individual asset basis, not a class of assets basis.

Impairment of Assets

The recoverable amount of an asset is currently determined on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. Under AASB 136: *Impairment of Assets* the recoverable amount of an asset will be determined as the higher of fair value less net selling costs and value in use. It may be that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Financial Instruments

Derivative financial instruments are currently not recognised in the financial statements. AASB 139: *Financial Instruments: Recognition and Measurement* will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

Income Tax

Gold Corporation currently adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for permanent differences. Timing differences are brought to account as either a future income tax benefit or provision for deferred income tax. AASB 12: *Income Taxes* will require the adoption of a balance sheet approach, under which temporary differences are recognised for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The above changes should not be taken as an exhaustive list of all the differences. At the time of preparation of these financial statements and report, Gold Corporation had not quantified the effects of these changes, nor estimated potential costs associated with implementation that may be incurred. The impact on future years will depend on the particular circumstances prevailing in those years.

**GOLD CORPORATION AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

32 COMPARISONS OF ESTIMATES AND ACTUAL RESULTS

Section 42 of the Financial Administration and Audit Act requires statutory authorities to prepare annual budget estimates. Treasurer's Instruction 945 requires an explanation of significant variations between these estimates and actual results.

The Group's business plans for 2003/04 projected an operating profit before income tax of \$2,728,000 compared to the actual profit of \$5,952,000. The most significant variations were:

- Profit of \$3.5 million on sale of blanking equipment assets and business to joint venture partner, which was not included in the 2003/04 business plan;
- Profit distribution from AGR Matthey \$700,000 above budget; offset by :
- write-down of \$776,000 balance of goodwill

33 VARIATIONS FROM PREVIOUS YEAR

Treasurer's Instruction 945 requires an explanatory statement providing reasons for and details of any significant variations between actual revenue and expenditure for the financial year and the corresponding item in the financial statements of the immediately preceding year. The most significant variations are:

Sales Revenue

Sales revenue of \$409 million in 2004, against \$276 million in the preceding year, was higher by 48%. Treasury division sales revenue, at average higher gold prices, was 43% higher than in 2003 and accounted for the majority of the increase.

Profit from Joint Venture Partnerships

Total income from the group's investments in joint ventures was \$2.5 million higher than in 2003. Income from the investment in AGR Matthey was \$3 million for 2004, compared to a loss of \$1.6 million for the nine months from commencement of the partnership on 3 October 2002 to 30 June 2003. Income from the AGR Joint Venture winding up activities was \$57,000 compared to \$1.9 million income in the preceding year. The group's share of the loss from the Poongsan Perth Mint JV was \$279,000 for the five months from its commencement on 1 February 2004.

Profit from sale of assets to joint venture partner

The group sold 50.1% of its blanking equipment assets to PMX Australia Pty. Ltd in 2003/04, resulting in a profit of \$3.5 million. (Note 8)

Expenditure

Cost of goods sold was 52% higher than in 2003, reflecting the higher sales revenue as above. Cost of sales is comprised mainly of precious metals, the price of which is directly correlated to the sales price. Materials and services costs were \$1.4 million higher than in 2003. However employee benefits were \$1 million lower than in the preceding year. Carrying value of assets sold was \$1.5 million higher, relating to the blanking equipment assets sold in this financial year.

GROUP DIRECTORY

GOLD CORPORATION

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Contacts: M Edward Harbuz, Chief Executive Officer
Diana Hartigan, Executive Assistant to the Chief Executive Officer

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Contacts: Nigel Moffatt, Treasurer and Manager, Perth Mint Depository
Tina Bullock, Client Relations Executive

GOLDCORP AUSTRALIA

THE PERTH MINT

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Contact: Leonie Mirmikidis, Manager Perth Mint Shop

WESTERN AUSTRALIAN MINT

AGR MATTHEY

Australia

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Tel: (618) 9479 9999
Fax: (618) 9479 9909
E-mail: admin@agrmatthey.com.au
Website: www.agrmatthey.com.au
Contacts: Brian Bath, Chief Executive Officer
Chris Michnik, Personal Assistant to the Chief Executive Officer

CORPORATE DIRECTORY

DIRECTORS

| | |
|------------------|-----------------|
| P J Unsworth | (Chairman) |
| S J D Boyd | (Non-executive) |
| R Edwards | (Non-executive) |
| M E Harbuz | (Executive) |
| R G Hayes | (Executive) |
| D Mackay-Coghill | (Non-executive) |
| M D F Pop | (Non-executive) |
| D R M Smith | (Non-executive) |

COMPANY SECRETARIES

B M Suchecki
A P Melville

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Perth WA 6843
Australia

Website: www.perthmint.com.au

BANKERS

Westpac Banking Corporation

MINISTER

The Hon. N. D. Griffiths, LL.B, MLC
Minister for Housing and Works; Racing and Gaming; Government Enterprises; Land Information.

STATUTE

Gold Corporation was established under the *Gold Corporation Act 1987*.