

GOLD CORPORATION  
STATEMENT OF CORPORATE INTENT  
2012 / 2013





## TABLE OF CONTENTS

<b>1. INTRODUCTION.....</b>	<b>1</b>
<b>2. ACTIVITIES.....</b>	<b>1</b>
<b>3. OBJECTIVES.....</b>	<b>4</b>
<b>4. PRIORITIES FOR 2011/2012 .....</b>	<b>4</b>
<b>5. CAPITAL INVESTMENT .....</b>	<b>5</b>
<b>6. BUSINESS MANAGEMENT.....</b>	<b>5</b>
<b>APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS / TARGETS.....</b>	<b>8</b>

## 1. INTRODUCTION

The ongoing uncertainties in the world economy and resulting demand for precious metals presents Gold Corporation with unprecedented opportunities for profitability and growth. The organisation has been able to take advantage of these opportunities because of an ongoing capital expenditure programme and continuous development of the organisation's capabilities.

It is anticipated that demand for precious metals will continue at a high level during the plan period and that Gold Corporation will continue to deliver satisfactory profits, make significant tax equivalent and dividend payments to the Western Australian Government and meet its funding needs from its own resources.

## 2. ACTIVITIES

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

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

Aspects of the business are:

### **Gold Refining**

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

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

### **Coin Blanks, Bullion Coins, Numismatic Coins and Minted Bars**

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

#### *Bullion Coins*

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

#### *Numismatic Coins*

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

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

#### *Minted Bars*

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

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

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

- They do not have to deal with the problems associated with taking physical possession of the metal, like transport, physical security or insurance.

- The metal can be liquidated (sold for cash) readily and the cash remitted to the customer's bank account. The customer does not have to transport it anywhere and can give the instruction to sell from anywhere in the world.

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

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

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

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

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

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

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

*Perth Mint Gold;* This is for gold only and is a security listed on the Australian Securities Exchange, making it convenient for people who are already investing in ASX securities.

### **The Visitor Experience**

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

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

The exhibition is an interesting tourist attraction displaying historical and modern coins and gold bars, and visitors get a glimpse of the actual coin minting process through security glass. Highlights of any visit are the hourly gold pour in the historic

melt house, in which 200 ounces of pure molten gold is poured into a bar, and the world's largest coin – the one tonne pure gold Australian Kangaroo coin.

### 3. OBJECTIVES

Gold Corporation's financial objectives are:

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

It will meet these objectives in the plan year. In the longer term, uncertainty in the precious metal markets may affect the organisation's performance.

Operational Objectives are:

- Maintain gold refining volumes and levels of service.
- Maximise bullion coin production and plan for future increases in capacity.
- Continue developing the market for numismatic coins.
- Increase precious metal in depository to meet the operation's funding needs and increase profitability.
- Continue to develop the Visitor Experience.

### 4. PRIORITIES FOR 2012/13

- Maintaining refining volumes will continue to be a challenge in the face of stiff international competition. Obtain additional refining contracts if possible.
- If the project is approved, commence the building of a new factory for silver blanks, and upgrade the existing factory to increase coin production capacity in total. In the meantime, maximise sales from existing facilities.
- Continue increasing metal held by Depository. Complete new vault, the building of which is to commence in the previous period.

- Complete exhibition upgrade, if approved.

### 5. CAPITAL INVESTMENT

The cost of Gold Corporation's 2011/2012 Capital Investment Programme is \$13.7 million. It covers the following:

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

- The Capital expenditure in the mint and refinery is managed in terms of a rolling 10-year plan. This contains replacement of equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, safety enhancements and security enhancements. During the year the most important single project will be the upgrade of the bar casting facility at the refinery and the completion of the new vault.
- The Perth Mint Visitor Experience has successfully operated for nearly two decades and is in need of refurbishment. The shop refurbishment has been completed and the refurbishment of the exhibition will be commenced during the year.

#### **Intangibles**

- The upgrade of the enterprise wide computer system is essential for the organisation's future success and will be commenced during the plan period.
- Growth in e-commerce has been significant and further exciting growth is forecast. The technology develops rapidly so continuous development of the web site is required.

### 6. BUSINESS MANAGEMENT

#### **Dividend Policy**

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

#### **Borrowings**

Gold Corporation will not seek to increase its borrowing facility of \$3.5 million from WATC and will fund its capital expenditure from operational cash flows.



### **Accounting Policies**

The Corporation's financial statements for the year ended 30 June 2011 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

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

Details of Gold Corporation's significant accounting policies can be found in the Notes to the Financial Statements in the 2011 Annual Report.

### **Performance Reporting**

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

The Board receives monthly reports on the performance of Gold Corporation and more detailed quarterly reports are tabled at quarterly board meetings. Additional board meetings are held each year – one to discuss and approve the following year's budget, another to approve the annual accounts and a third to update the organisation's strategic plan. Further meetings are held as required.

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

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

### **Annual Report**

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

## STATEMENT OF CORPORATE INTENT – 2012 / 2013

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### **Note on Financial Parameters**

The financial parameters within this document contain unapproved capital expenditure, net debt and net flows to/from government. State Government approval will be obtained prior to any commitments and/or actions being undertaken which will affect approved parameters. State Government approval will also be sought prior to commencing new projects not included within the State Government's approved financial parameters.

**M E HARBUZ**

Chief Executive Officer

10 January 2012

# STATEMENT OF CORPORATE INTENT – 2012 / 2013

## APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS

### TARGETS

<b>APPENDIX A - FINANCIAL OUTCOMES AND BUSINESS</b>				
<b>TARGETS</b>				
			<b>Forecast</b>	<b>Projected</b>
			<b>2011-12</b>	<b>2012-13</b>
			\$000	\$000
<b>Assumptions</b>				
Gold price - USD			1400	1733
Exchange rate USD/AUD			1.0	1.019
Dividend provision rate				
- percentage after-tax profit			75%	75%
<b>Financial outcome</b>				
Operating profit before income tax			20,423	28,875
Operating profit after income tax			14,296	20,212
Dividend (for previous fin year)			14,680	10,722
Total debt			3,500	3,500
Net debt			35,824	39,844
Net asset/Equity			106,697	116,677
Capital expenditure			13,737	9,405
<b>Performance Indicators</b>				
Return on fixed assets(projected)			27%	38%
Debt to equity ratio			3%	3%
Return on equity (before tax)			19%	25%
<b>Accruals to Government</b>				
Income tax			6,127	8,662
Local Government Rates expense			1,266	1,317
Dividend			14,680	10,722
Total accrual to government			<b>22,073</b>	<b>20,701</b>