



THE PERTH MINT AUSTRALIA

Gold Corporation

Statement of Corporate Intent

2021-22





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# STATEMENT OF CORPORATE INTENT – 2021 / 2022

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## 1. INTRODUCTION

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

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

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

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

## 2. ACTIVITIES

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

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

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

Aspects of the business are outlined below.

### **Precious Metal Refining**

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

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

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

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

#### *Bullion Coins*

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

#### *Numismatic Coins*

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

#### *Minted Bars*

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

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### Depository – The Safe Storage of Precious Metals

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

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

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

#### *Unallocated Metal*

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

#### *Allocated Metal*

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

#### *Pool Allocated Metal*

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

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

#### *Perth Mint Certificate Program*

Generally for investors with smaller holdings.

#### *Perth Mint Depository Services*

Generally for investors wishing to invest larger amounts.

#### *Perth Mint Depository Online*

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

#### *Perth Mint Gold*

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

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### *GoldPass*

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

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

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

### **The Shop & Exhibition**

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

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

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

## **3. OBJECTIVES**

The financial objectives of the Corporation are to:

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

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

Operational objectives are to:

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

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

### 4. PRIORITIES FOR 2021/22

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

### 5. CAPITAL INVESTMENT

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

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

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

## 6. BUSINESS MANAGEMENT

### Dividend Policy

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

### Borrowings

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

### Accounting Policies

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

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

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

### Performance Reporting

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

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

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

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

### **Annual Report**

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

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

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

**RICHARD G HAYES**

**Chief Executive Officer**

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### APPENDIX A – FINANCIAL OUTCOMES AND BUSINESS TARGETS

#### TARGETS

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

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