THE PERTH MINT AUSTRALIA

# GOLD CORPORATION

ANNUAL REPORT

2011

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# STATEMENT OF COMPLIANCE

15 September 2011

The Honourable Colin Barnett MEc MLA
Premier; Minister for State Development
24th Floor, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

**Statement of Compliance**

In accordance with the *Financial Management Act 2006*, we hereby submit for your information and for presentation to the Parliament, the Annual Report of Gold Corporation for the year ended 30 June 2011.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.

**R G BOWE**
Chairman

**M E HARBUZ**
Executive Director

# THE YEAR IN BRIEF

- Pre-tax profit was $28 million - the second best on record
- Dividend of $9.8 million and tax equivalent of $14.8 million were paid to the Government of Western Australia
- Turnover was $5.470 billion
- The value of client metal on deposit increased to $3.3 billion from $2.5 billion in the previous year
- Most of the gold produced in Australia was refined in Perth, together with gold from surrounding countries and a large amount of scrap gold from Asia
- Most of the gold refined was supplied as value-added small bars into Asia
- 3.8 million coins, medallions and minted bars sold, adding value to 12.85 tonnes of gold, 330 tonnes of silver and 438 kg of platinum
- Australian numismatic coins issued included:
  - Centenary of the Royal Australian Navy
  - Centenary of the Royal Military College Duntroon
  - Australian Sea Life – The Reef II
  - The Wedding of HRH Prince William and Catherine Middleton
- Some precious metal coin blanks were supplied to other mints
- The refurbishment of the retail outlet was completed
- Over 71,000 people visited the exhibition

# GOLD CORPORATION – MORE THAN A CENTURY IN PRECIOUS METALS

Gold Corporation's history started with the founding of the Perth branch of Britain's Royal Mint in 1899. At that time, gold sovereigns and half sovereigns were used throughout the British Empire as everyday circulating coins and it was the Royal Mint's responsibility to supply them. Rather than shipping gold to London, minting sovereigns and then distributing them back to Britain's colonies, the Royal Mint built a number of branch mints throughout the Empire in places where gold was found. The Perth Mint was one of these – built to refine gold mined in Western Australia and turn it into sovereigns.

When sovereigns were withdrawn from circulation in 1931, the Mint turned its skills to the production of base metal coins, although it still continued to refine gold. It remained under British ownership until 1970, when control passed to the Government of Western Australia.

Gold Corporation was created by the *Gold Corporation Act 1987* to take over the operations of the Mint and launch Australia's bullion coin programme. The Australian Nugget bullion coin was launched in 1987, and was followed by many other successful bullion coin programmes and numismatic and commemorative coins.

The Mint's refining activities eventually outgrew the old premises in the city of Perth and a new refinery was built near Perth's international airport. This facility commenced operation in 1990.

Gold Corporation has two wholly owned subsidiaries – the Western Australian Mint and GoldCorp Australia.

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# MISSION STATEMENT

Gold Corporation and its subsidiaries, trading as The Perth Mint, supply precious metal related products and services, including:

- refining of gold and silver and producing London Good Delivery bars;
- value-added cast bars, minted bars and Australian legal tender bullion coins which promote the ownership of precious metals;
- precious metal depository products which enable investors to own precious metals without having to deal with the security, insurance and other issues associated with taking physical possession of precious metals;
- proof, numismatic and commemorative coins which are legal tender of Australia and other countries;
- storage and safekeeping of precious metals, and
- coin blanks and other precious metal products.

It also operates a tourist attraction based on the themes of gold, coins and their history, and offers assaying and other services to the gold industry.

Gold Corporation commits to:

- supplying products, services and experiences which delight customers and users;
- promoting the history and heritage of Australia locally and internationally through its coins;
- preserving its heritage assets and history for the benefit of the community;
- providing fulfilment, development, security and fair reward to its employees;
- generating an acceptable financial return to its shareholder, the Government of Western Australia, and
- paying a fair royalty to Australian Treasury on Australian legal tender coins issued.

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

# CHAIRMAN'S REVIEW

Ross Rowe

I am pleased to report another successful year for Gold Corporation and an improvement in pre-tax profit of 50%. Uncertainties in the world economy persisted despite a return to modest growth and precious metals as a safe haven investment asset retained their appeal. Continuing capacity building and capital investment enabled Gold Corporation to take even better advantage of the favourable trading conditions. Profit before tax was $28.1 million compared to the previous year's result of $18.7 million.

There were periodic shortages of bullion coins in North America, as was reported in the press on numerous occasions. The Perth Mint's sales of these products in this region grew significantly as did the metal held for investors in the region by Perth Mint Depository. Europe continued to be a strong market for bullion coins and the growth of sales of refinery value-added bars in Asia was strong. Much of the Mint worked two or even three shifts during the year, staffing in the depository and treasury areas had to be increased and the bar casting facility at the refinery worked extended shifts. The capital investment programme has paid dividends and will continue as further capacity is built. As with other Western Australian organisations, employee and skills retention presented, and continues to present, a challenge.

This was the first full year of operation in which the refinery was a wholly owned part of the business again, and it is pleasing to see how seamlessly this operation has integrated with the rest of the organisation. Gold Corporation is now a vertically integrated enterprise offering a wide range of precious metals products and services.

A much needed capital investment programme in the refinery has commenced which will enable it to cope with increases in gold production in the region, the processing of high silver doré, and the much increased demand for value-added bullion bars, especially in Asia.

The Perth Mint's renowned numismatic coins were again in demand in Australia and throughout the world. It is a credit to the staff responsible for conceptualising, designing and marketing these products as sales of these products actually increased once more, in times when there are pressures on disposable income in most parts of the world. Besides being works of art, these coins promote Australia's history, culture and heritage. There were many coins issued during the year and a few deserve mention. They were Australian legal tender coins commemorating:

- The Centenary of the Royal Australian Navy
- Centenary of Royal Military College Duntroon
- Dame Nellie Melba, who died 80 years ago
- The Wedding of HRH Prince William and Catherine Middleton

Growth in Perth Mint Depository continued, with the value of metals on deposit increasing from $2.5 billion to $3.3 billion. At the prevailing high precious metals prices, there was much selling or profit taking as well as buying, but there was a net increase in both ounces of metal and value.

The number of tourists visiting Western Australia continued to decline because of general economic conditions and the strong Australian currency. During the year, 71,000 people visited the exhibition at The Perth Mint, which includes the renowned gold pour, compared to 77,000 in the previous year. The refurbished retail facility has proved a great success and the refurbishment of the exhibition should commence soon.

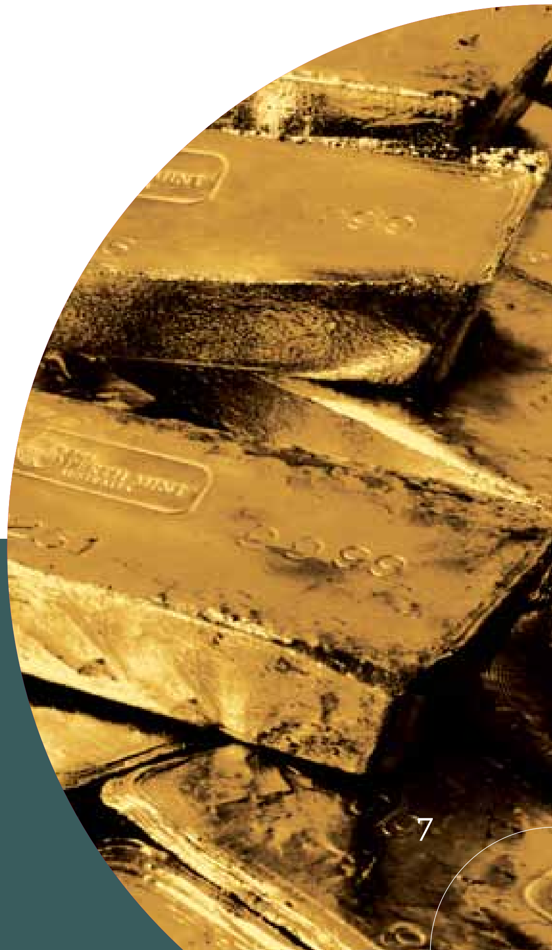
Gold Corporation's extensive operations would not be possible without its Australian and international agents, distributors, dealers, and counterparties. Some of these relationships are long standing and all contribute to the success of the organisation. I would like to thank all of them, and hope that they will continue their association with Gold Corporation into the future.

While I am confident of the ongoing, indeed growing success of Gold Corporation, it operates in an uncertain and uneasy world. The USA, Europe, Japan, China and other parts of the world all face economic challenges, many of which are unprecedented. To the extent that the economic uncertainty is causing a flight to the safety of precious metals this is good for Gold Corporation but it is difficult to predict exactly how events will unfold. Sooner or later, there will be return to confidence and sustained growth. When this happens, there could be a period of disinvestment from precious metals. There should, however, be a residual interest in precious metals as credible investments, insurance or wealth preserving assets and this should provide opportunities for sustained growth of the business in the longer term.

I would like to thank the Minister responsible for Gold Corporation, the Honourable Colin Barnett MEc MLA, Premier; Minister for State Development for his interest and support. I also thank my fellow Board members for their diligent and enthusiastic service, and acknowledge the additional work done by those on Board committees.

Lastly, I would like to thank the management and staff of Gold Corporation, especially our Chief Executive Officer Ed Harbuz and our Chief Financial Officer Richard Hayes, for rising to the many challenges which the business presented and again achieving a pleasing result. The unpredictable nature of the demand for the organisation's various products, the frequent need to work shifts and extended hours, the need to communicate in all the world's time zones and deal with many different cultures, make this an extremely interesting but demanding business. The responsibility of managing and keeping secure large stocks and flows of precious metals and the complexity of dealing in many currencies add to these demands. The team has once more proved itself more than a match for these challenges.

**R G BOWE**
Chairman



# REVIEW OF OPERATIONS

M. EDWARD HARBUZ

CHIEF EXECUTIVE OFFICER

Precious metals retained their appeal during the period, providing ample opportunities for Gold Corporation with its comprehensive range of bullion products. The increase in demand since the global financial crisis, together with ongoing investment in facilities and organisation development, resulted in another busy and successful year. Value-added refinery bullion bars, bullion coins and minted bars were all sold in high volumes and customer metal held on deposit continued to increase. Resources and staff were stretched at times but the year's financial performance is a pleasing result.

The profit before tax was $28.1 million compared to the previous year's $18.7 million. This is the second best on record, bettered only in the 2008 / 2009 financial year – the height of the global financial crisis. Turnover was $5.5 billion compared to $5.8 billion in the previous year. Increases in the prices of precious metals resulted in better margins in some products but increased some costs significantly. The strength of the Australian dollar resulted in a severe margin squeeze on some of The Perth Mint's most popular products but profitability was enhanced by the sheer volumes of sales of these products.

Payments to the Government of Western Australia during the financial year included an income tax equivalent payment of $14.8 million and a dividend of $9.8 million. Royalty payments to Australian Treasury, in terms of the agreement under which Gold Corporation mints and issues Australian legal tender coins, was $3.6 million.

Gold Corporation's capital expenditure programme over the last few years, aimed at increasing volumes, quality and efficiencies, as well as enhancing safety and protection of the environment, has borne fruit. A 1000 tonne coining press, specially built to mint large silver bullion coins in significant numbers has recently been commissioned – the largest single item in a comprehensive capital programme. One kilogram silver bullion coins are a flagship product of the Mint and demand for these coins is booming. The new press has been busy consistently since commissioning. The refinery has now been included in the capital expenditure programme and vastly improved and expanded facilities for casting small value-added gold and silver bars have just been installed. These facilities will also be kept very busy under current market conditions. The total capital expenditure of $9.2 million was fully funded from internal cash resources, without resorting to increased borrowings.

## BUSINESS ACTIVITIES

### Gold Refinery

The Perth Mint operates Australia's only major gold and silver refinery. Australia was the world's second largest producer of gold after China in 2010 and will probably maintain this status in the 2011 calendar year. The Perth facility refined almost all of Australia's gold production during the financial year as well as gold produced in New Zealand, Papua New Guinea, Fiji, Solomon Islands, Thailand and Malaysia. A significant amount of scrap gold from various Asian countries was refined as well. The total quantity of gold refined in 2010 / 2011 would make the refinery one of the largest in the world. The refinery supplies Gold Corporation's own physical gold and silver needs and, during the year, shipped most of its gold in value-added bar form to markets around the world. The growing demand for small gold bars in Asia resulted in occasional shortages of these bars and only a small amount of gold was shipped in the form of 400 ounce bars to the London bullion market.

### Coins

Australia's legal tender gold, silver and platinum bullion coins are distributed internationally and have a significant worldwide market share. These are minted exclusively by The Perth Mint, which also produces a range of Australian legal tender numismatic or commemorative coins. All Australian legal tender coins are minted in terms of an agreement with Australian Treasury, which receives a royalty or seignorage on each coin sold. Numismatic coins which are legal tender of other countries are also minted and distributed by The Perth Mint.

The total number of coins, minted bars and medallions sold increased to 3.8 million from 2.7 million in the previous year. These products represented 12.85 tonnes of gold, 330 tonnes of silver and 437.51 kilograms of platinum. The previous year's comparative figures were 10.13 tonnes of gold, 218.5 tonnes of silver and 9.86 kilograms of platinum. Approximately 86% of the revenue generated by these products was from exports.

Precious metal investment demand worldwide resulted in another successful year for Australian bullion coins. This was despite Perth's distance from the main bullion coin markets in the northern hemisphere, increased freight costs and the strength of the Australian dollar. The full mintages of a number of 2011 bullion coins were sold out; the 1 ounce Kookaburra silver coin (500,000), the 1 ounce Year of the Rabbit silver coin (300,000) and the 1 ounce Year of the Rabbit gold coin (30,000). In February 2011 the new platinum Platypus 1 ounce coin was launched and 13,764 were sold by the end of the financial year.

The numismatic coin market is becoming very crowded as more national mints issue increasing numbers of coins. Australian numismatic coins have become expensive in international markets because of the strength of the local currency.

Under these circumstances, the performance of The Perth Mint's numismatic programme was pleasing, despite a slight decrease in the number of coins sold from 841,688 to 814,552. The Mint's high quality standards, innovative techniques and increasing use of high relief designs contribute to its ongoing success in this market. Some of the successful Australian legal tender commemorative and theme coins issued were:

- *Centenary of Royal Military College Duntroon*
- *Centenary of the Royal Australian Navy*
- *Australia's first saint – Saint Mary MacKillop*
- *Dame Nellie Melba 1861 – 1931*
- *Famous Australian Battles – Gallipoli*
- *The Wiggles 20th Birthday*
- *Australian Sea Life – The Reef II*
- *The Wedding of HRH Prince William and Catherine Middleton*

Special interest themes of interest to many collectors were accommodated by issuing coins of other jurisdictions, for instance the Tuvalu coins on the themes of Tanks of World War II, Ships That Changed the World and the licensed theme of Transformers.

The factory was under pressure for most of the year to meet demand. Further enhancements to the Mint's facilities were made, the highlight of which was the commissioning of the new 1000 tonne automatic coining press for the production of large silver coins. The continuing capital expenditure programme will result in even greater production capacity being available to meet peaks in demand in future, as well as enhancing productivity and safety. The ISO 9001.2001 quality certification and AS/NZS4801.2001 accreditation for health and safety were both maintained.

## Precious Metal Coin Blanks

The Perth Mint manufactures precious metal coin blanks for its own needs and also supplies other mints. The ISO 9001.2001 quality certification plays an important role in the consistent achievement of quality standards.

About nine million blanks were produced during the year, a slight increase on the previous year. Silver blanks were much in demand and the facilities used to produce these consistently had to operate on two or three shifts, while the demand for gold and platinum blanks was steady.

## Visitor Experience

During the financial year, the ground floor of the historic Mint building, the location of The Perth Mint's shop, was redeveloped. The opportunity was taken to restore many aspects of this heritage space and the result is an exciting combination of old and new. As expected, the four months of redevelopment caused some inconvenience to visitors but the end result is a significant improvement, as has been confirmed by many delighted customers. Because of the redevelopment and the downturn in tourism to Western Australia, visitor numbers to the exhibition reduced from 76,984 to 71,080.

Sales of bullion coins and bars were strong, compensating for weaker jewellery and souvenir sales resulting from lower tourist numbers and reduced consumer confidence. Buy backs of precious metal coins and bars were also good, as people took profits on previously made purchases with rising metals prices. The newly launched gold jewellery buy back service got off to a good start.

The next phase of the redevelopment will be refurbishing the exhibition. Design of this was commenced during the year.

## Perth Mint Depository

Continuing uncertainties in the world economy drove up investment demand for gold and silver, pushing up prices to record levels. In the case of gold, the demand included significant purchases by central banks. Many customers of Perth Mint Depository took profits by selling their metal holdings but there were purchases as well, resulting in a net increase in metal held. The number of clients, from 105 countries, increased from 16,700 to 20,000 and the value of metal held increased from $2.5 billion to $3.3 billion. Of this, $45 million was held in the form of allocated metal, with the balance held as either unallocated or pool allocated product.

Allocated metal is stored in vaults while some of the unallocated metal belonging to investors is used to support minting and refining operations. The unallocated silver offering was discontinued during the year as sufficient volumes to support the refining and minting operations had built up, and this was replaced by a pool allocated silver product, on which a small storage charge is levied.

The three programmes; Perth Mint Depository Program, Perth Mint Certificate Program and the ASX listed Perth Mint Gold all performed strongly.

## State Batteries

A number of state batteries (Government owned mineral processing facilities) were vested in the Western Australian Mint in the late 1980s. Some of the reserves have been leased to private operators for various purposes and others are unused. Twenty four of these sites are classified "Possibly Contaminated – Investigation Required" under section 13 of the *Contaminated Sites Act 2003*. The investigations are being carried out on a priority basis.

The Northampton battery reserve was identified as a priority site requiring remediation. A containment cell for lead tailings was completed during 2010 and ongoing monitoring will be done to detect any unacceptable leaching from the cell. The Laverton former state battery was also indentified as a priority. The vandalised buildings on the site have been demolished and debris, some containing asbestos, has been removed by a licensed contractor. At the Wiluna former state battery abandoned mine shafts were exposed due to earth movements and, after consultation with the Department of Mines and Petroleum, the site was fenced with appropriate warning signs. Further work may be required.

Although large expenditures are funded by the Department of Environment and Conservation from the contaminated Sites Management Account, ongoing monitoring of these geographically dispersed sites and dealing with various issues represents a cost to Gold Corporation in terms of management time and money.

## Staff

The total number of permanent staff increased from 316 to 317. These employees were assigned to the business entities as shown below:

| | 30 June 2011 | 30 June 2010 |
|---|---|---|
| Gold Corporation | 57 | 41 |
| Western Australian Mint | 208 | 223 |
| Goldcorp Australia | 52 | 52 |
| **TOTAL** | 317 | 316 |

There were 193 salaried employees and 124 award or collective agreement staff members employed at 30 June 2011. The workforce consisted of 44% women (41% in 2010). Female Tier 2 managers (reporting to the CEO) remained at 33.3% and female Tier 3 managers increased to 37.5% from 30.8%. The average age of employees increased to 45.08 years from 44.7 years. Staff turnover increased to 12% from 9%, reflecting the shortage of people with certain skills in Western Australia. The proportions of youth workers (less than 25 years old) and mature workers (older than 45 years) increased slightly to 7.5% and 49.4% respectively.

## COMPLAINTS POLICY AND CUSTOMER SERVICE CHARTER

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

In the coin business, a total of 42,186 orders were processed and 20 complaints were received, down from 36 in the previous year. Most of these were related to packaging or coins damaged in transit. Depository processed 40,491 orders and there were five complaints. There were five complaints about the shop and three about the exhibition. There were no complaints related to the gold refining service.

- **A documented and whole-of-organisation commitment to the fair resolution of complaints**
- **Fairness to the complainant**
- **Adequate staff resources, with a high level of delegated authority**
- **Speedy and courteous responses**
- **No charges for the handling of complaints**
- **A formal system to determine causes and implement remedies**
- **Systematic recording of complaints and their outcomes**
- **Regular reviews of the quality management and complaints review process**

## Industry and Community Participation

As part of its functions under the *Gold Corporation Act 1987*, the Corporation is mandated to encourage interest in precious metals and to support the Australian gold industry. Its Mission Statement also requires it to promote the history and heritage of Australia through its coins, and preserve its heritage assets and history for the benefit of the community.

The Perth Mint involves itself in the local tourism industry and business community through its memberships of the Perth Convention Bureau, Tourism Council of Western Australia, Tourism Australia, Tourism WA Network, Association of Perth Attractions, Perth Regional Tourism Association (Experience Perth), Committee for Perth and the International Business Council.

During the year, The Perth Mint participated in the Australasian Numismatic Dealers' Association Coin, Banknote and Stamp Shows in Sydney (twice), Melbourne, Canberra, Perth and Brisbane.

It also supported initiatives by local industry associations. These activities included the sponsoring of the WA Tourism Awards hosted by the Tourism Council of Western Australia and the Western Australian Chinese Chamber of Commerce.

Internationally, The Perth Mint attended the London Bullion Market Association Conference, the European World Money Fair, the American World's Fair of Money, the Beijing Coin Expo, and the Tokyo International Coin Convention.

Through sponsorships and donations, The Perth Mint assisted the fundraising efforts of organisations which benefited 73 local charities and 132 schools, clubs and special interest groups. In support of Western Australia's performance arts, The Perth Mint maintained its sponsorship of the West Australian Symphony Orchestra's Private Giving Program for the seventh consecutive year.

The Perth Mint was also the official producer of the commemorative medallions for the XXIII Hyundai Hopman Cup, a major international tennis tournament hosted in Perth.

## Closing Comments

Precious metals continue to be of interest to many investors, and central bank buying has emerged as a contributing factor to the ever increasing price of gold. There seems to be no end to uncertainties about sovereign debt, economic growth and financial stability. These are favourable conditions for precious metals and for Gold Corporation, which offers a comprehensive range of precious metals related products and services. These conditions have provided significant opportunities for Gold Corporation over the last few years which, with well targeted capital spending and organisation development, it has been able to exploit. Resolution of the world's debt, economic and financial problems will eventually depress demand for precious metals but, realistically, this will not happen for a number of years. The medium term looks bright for Gold Corporation. There is volatility in the demand for various precious metal products in various markets, however the Corporation's products and services are so comprehensive and it operates in most regions of the world, so consistent or even improving performance can be expected for the foreseeable future. Competition is intensifying, but the continuous striving for improvement in all its operations should enable Gold Corporation to hold its own.

Gold Corporation has a dedicated team. Many of its managers and staff have been with the organisation for a long time – essential in such a specialised and complex business. There are also newcomers, important for the introduction of new thinking and ideas. I would like to thank all members of the team, both long standing and new, for their commitment and hard work. Most of all, I would like to thank them for their willingness to tackle any challenge, and do so with optimism and cheerfulness. I would also like to thank the Chairman and the Board for their support, guidance and encouragement.

The new financial year has started well and there is every expectation that Gold Corporation's good performance will continue. There is, of course, much uncertainty as to how events affecting the market for precious metals will unfold, but the organisation's proven flexibility should enable it to take advantage of whatever opportunities present themselves.

**M E HARBUZ**
Chief Executive Officer

# ACTIVITIES

## GOLD REFINING

The refinery, located adjacent to Perth Airport, is Australia's only major gold and silver refiner. It refines most of Australia's gold, as well as gold from surrounding countries. It also refines jewellery scrap, mainly from Asian countries.

The refinery is accredited by the London Bullion Market Association (LBMA), the Tokyo Commodity Exchange (TOCOM), the New York Commodity Exchange (COMEX) and the Dubai Multi Commodity Centre (DMCC). It holds ISO accreditation for safety and environmental management.

It produces 400 oz 99.5% gold and 1000 oz 99.9% silver London Good Delivery bars, and has the capacity to convert all its gold and silver feed into value-added good delivery products which include 1 kg, 100 g, 50 oz, 20 oz, 10 oz, 5 oz, 2.5 oz, 1 oz and 1/2 oz 99.99% gold bars; 1 kg 99.5% gold bars, and 1kg, 100 oz, 20 oz, and 10 oz 99.9% silver bars.

### Precious Metal Investment Products

Gold and other precious metals are regarded worldwide as trusted assets and as a means of diversifying an investment portfolio. Gold Corporation offers the following products to investors:

### Bullion Coins and Bars

Gold Corporation, operator of The Perth Mint, is the producer of Australia's bullion coins, coins which are generally purchased for their precious metal value. Each coin is issued as legal tender under the *Australian Currency Act 1965*.

The product range includes:

- ***99.99% pure gold Australian Kangaroo coins***
- ***99.9% pure silver Australian Kookaburra and Koala coins***
- ***99.95% pure platinum Australian Platypus coins***
- ***99.99% pure gold and 99.9% pure silver Australian Lunar coins***

Together with a popular range of minted bars and refinery cast bars, The Perth Mint's bullion coins are distributed worldwide, with the assistance of an international network of agents, dealers and banks. With the launch of www.perthmintbullion.com during the year, bullion products are also sold directly via the internet.

## Perth Mint Depository

For those investors not wishing to deal with the issues (security, insurance etc) of taking physical possession of their precious metal, Perth Mint Depository offers the following storage options for unallocated, pool allocated and allocated precious metals:

- Perth Mint Depository Program (PMDP) offers a range of precious metal purchase, storage and trading facilities on competitive terms. The service is promoted principally via the internet and is tailored to suit larger investors.
- Perth Mint Certificate Program (PMCP) offers precious metals investments via an international network of approved dealers. Investors receive a certificate confirming their ownership of precious metals stored at The Perth Mint.
- Perth Mint Gold (ASX code: PMGOLD) is for investors who prefer the convenience of trading on the Australian Securities Exchange. It is listed on the AQUA platform.

## Numismatic and Commemorative Coins

The Perth Mint designs, mints and markets gold, silver, platinum and base metal numismatic coins. Issued as Australian legal tender, or legal tender of Tuvalu or Cook Islands, the coins are distinguished by:

- Design themes interesting to collectors or commemorating aspects of Australia, its history, places, people or natural heritage
- High quality proof finishes enhanced by innovative features, such as colour
- Limited mintages
- Certificates of Authenticity, numbered in most cases
- Attractive presentation packaging

New coins are issued monthly, making The Perth Mint's programme one of the most extensive in the world.

## Precious Metal Coin Blanks

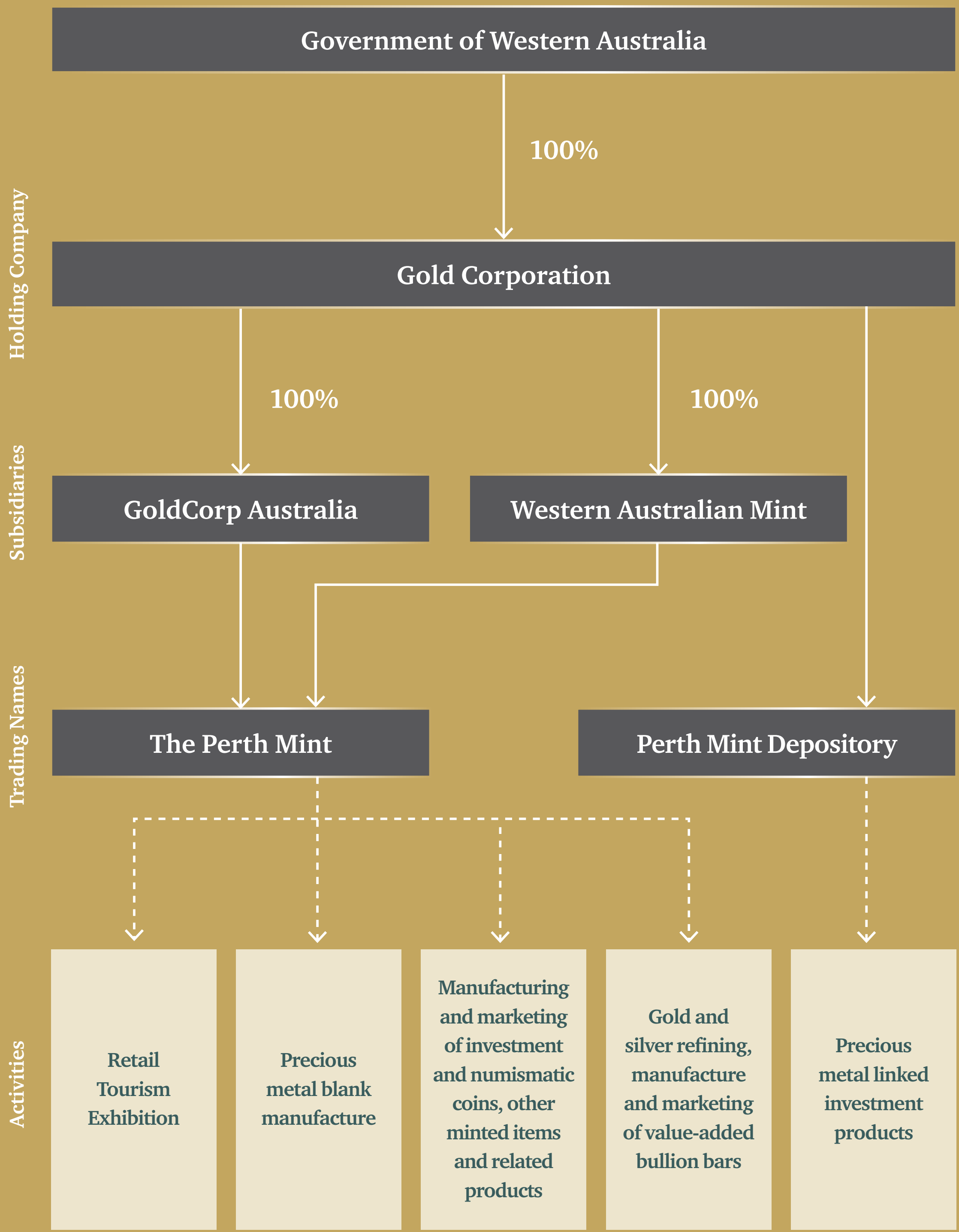
Gold Corporation, in addition to producing precious metal blanks for its own needs, is a supplier of blanks to other mints in the world. With its world class facilities and technology it is able to produce gold, silver and platinum blanks in an almost limitless variety of shapes, weights and sizes.

## Tourism

The Perth Mint is one of Western Australia's most popular tourist destinations. A winner of many tourism awards, it offers a unique and exciting visitor experience. Among the many highlights of the guided tour are the spectacular gold pour, the opportunity to lift a gold ingot, a stunning display of gold in its many forms and displays of historic and contemporary coins. Welcoming more than 71,000 international, interstate and local visitors annually, The Perth Mint provides an important glimpse into the history of gold and the minting of coins in Western Australia.

The newly refurbished shop provides a unique opportunity to buy bullion, coins, unique Australian products such as natural gold nuggets, opals, pink diamonds and South Sea pearls as well as souvenirs and other products.


# GROUP STRUCTURE




# CORPORATE GOVERNANCE

## Board of Directors

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

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. Additionally, 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.

## Membership

Directors are appointed by the Governor of Western Australia on the nomination of the Minister and approval by Cabinet. At year-end the Gold Corporation Board consisted of six non-executive Directors and two executive Directors.

| Director | Status | Expiry of Term |
|---|---|---|
| R G Bowe (Chair) | Non-executive | 30 June 2011* |
| R B Bennett | Non-executive | 30 June 2011* |
| R F Edwards | Non-executive | 30 June 2011* |
| G M McMath | Non-executive | 30 June 2013 |
| J W F Murphy | Non-executive | N/A, ex-officio |
| C S Wharton | Non-executive | 30 June 2013 |
| M E Harbuz | Executive | 30 June 2012 |
| R G Hayes | Executive | 30 June 2013 |

* Schedule 1, Clause 1(3) of the *Gold Corporation Act 1987* states:

"A director shall, unless the director has resigned or is removed from office, continue in office notwithstanding that his term of office has expired, until a successor assumes office."

# DIRECTOR BIOGRAPHIES

### ROSS BOWE *BEc*

Ross Bowe is currently Chairman of Racing and Wagering Western Australia.

From 1988 to 1994 Mr Bowe was Under Treasurer of Western Australia and Chairman of the Western Australian Treasury Corporation.

### RAY BENNETT *MAICD*

Ray Bennett has had an extensive background in finance and banking with over 25 years experience in the banking industry. Mr Bennett was the General Manager Retail Banking for Challenge Bank immediately prior to leaving the banking industry.

Mr Bennett was subsequently appointed Chief Executive Officer of the then Western Australian Totalisator Agency Board in 1995. He remained as Chief Executive until the Totalisator Agency Board was abolished in 2003, and Racing and Wagering Western Australia established to continue the operations of the Totalisator Agency Board and take control of the integrity and management of the racing industry, including allocation of funds across the three racing codes. Mr Bennett was appointed Chief Executive of the new organisation, a position he held until his retirement in 2008.

Mr Bennett is a Commissioner with the Western Australian Lotteries Commission and is a member of a project committee investigating development options for Gloucester Park Raceway.

### RON EDWARDS *BEc (WA), MEd (Hons) (Syd), EdD (WA)*

Ron Edwards is Chairman of Seafood Experience Australia, the promotion arm of the Australian seafood industry. He also is a founding member of the Graham (Polly) Farmer Foundation committed to providing opportunities for Indigenous youth; he is a Council Member of the Anglican Schools Commission. He also works as a consultant in the resources and seafood industries.

In 2006 Dr Edwards was awarded a Doctorate in Education from the University of Western Australia; his topic was social inclusion in the low fee Anglican School system in Western Australia. Formerly Dr Edwards was the Member for Stirling in the Federal Parliament and was Chairman of the Economics Committee for the Federal Government. Recently he has worked on European trade matters for the Australian seafood industry and provides strategic advice on various projects.

### GAYE McMATH *BCom MBA (Melb) FCPA, FAICD*

Gaye McMath is the Executive Director, Finance and Resources at the University of Western Australia. Ms McMath previously held the position of Pro Vice-Chancellor (Resource Management) and Chief Financial Officer at Murdoch University. Ms McMath was employed with BHP Billiton for 23 years in a wide range of senior financial, strategic planning and commercial management positions in the steel, mining and treasury divisions. She was a BHP Billiton nominated director on various domestic and international Boards.

Ms McMath is currently a Director of the Western Australian Treasury Corporation, Verve Energy and a member of the Commonwealth Government's Solar Flagship Council

*Front row (from left) Ray Bennett, Ed Harbuz, Ross Bowe and Gaye McMath.*
*Back row (from left) Chris Wharton, Richard Hayes, Ron Edwards and John Murphy*.

### JOHN MURPHY *BCom, MCom*

John Murphy represents the Western Australian Under Treasurer, Mr Timothy Marney. He is currently the acting Director of the Infrastructure Division in the Western Australian Department of Treasury and Finance. In this role Mr Murphy heads a team that provides advice to the government on the major Government owned infrastructure and commercial agencies.

Mr Murphy has worked within the State Public Service for over twenty years in a variety of financial, economic and policy roles. As well as working in the Department of Treasury and Finance he has worked in agencies dealing with the resources and transport sectors.

### CHRIS WHARTON

Chris Wharton is Chief Executive Officer of Seven West Media WA.

From December 2008, he was Chief Executive Officer of West Australian Newspapers Holdings Limited, until WAN acquired Seven Media Group and became SWM in April 2011.

Prior to that, Mr Wharton was Managing Director of Channel Seven Perth Pty Ltd for nine years. His newspaper career began as a journalist and he worked in every area of newspaper management in Sydney before being appointed Chief Executive Officer of Perth's Community Newspaper Group in 1995.

Mr Wharton is a director of the Chamber of Commerce and Industry of Western Australia and a member of its Audit and Risk Committee and a director of the Gold Corporation.

He is on the Board of Trustees of the Channel 7 Telethon Trust, a member of the Australian Olympic & Commonwealth Games Team – WA Appeal Committee, the Committee for Perth and a member of the Australian Institute of Company Directors.

### M EDWARD HARBUZ *BSc (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 Ltd, 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.

### RICHARD HAYES *BComm, MBA, CPA, ACIS*

Richard Hayes was appointed as Chief Financial Officer of Gold Corporation in March 2003. He was previously the Chief Operating Officer and an executive 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. Prior to that, 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 Gold Corporation's refining and jewellery manufacturing business to become the AGR Joint Venture. Mr Hayes came to Australia from Zimbabwe in 1987 and held a number of financial management positions with Boral Ltd prior to joining Golden West.

## Meeting Attendance

There were four formal meetings of the Directors of Gold Corporation during the year ended 30 June 2011 and a number of informal meetings. The number of formal meetings attended by each Director is indicated in the table below.

**Directors' Meeting Attendance**

| | Attended | Eligible |
|---|---|---|
| R G Bowe (Chair) | 4 | 4 |
| R B Bennett | 4 | 4 |
| R F Edwards | 4 | 4 |
| G M McMath | 4 | 4 |
| J W F Murphy | 4 | 4 |
| C S Wharton | 4 | 4 |
| M E Harbuz | 4 | 4 |
| R G Hayes | 4 | 4 |

# 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 and Risk Management 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 and Risk Management Committee

The Committee advises the Board on the quality, integrity, reliability and adequacy of the Corporation's information, accounting and control systems and the risk management process. The Committee acts as a communications interface between the Board and the Corporation's internal and external auditors.

Membership of the Committee at year-end comprised Ms McMath (Chair), Mr Bennett and Mr Bowe.

Attendees at meetings of the Committee were Mr Hayes (CFO), Mr David Koch (Manager, Corporate Governance and Risk), and Mr Tony de Nobrega (Group Accountant). Mr Harbuz (CEO) is an invitee. Attendees and invitees do not have voting rights. The Audit and Risk Management Committee met five times during the financial year. Attendance at the meetings is indicated in the table below.

## Audit and Risk Management Committee Meeting Attendance

| | Attended | Eligible |
|---|---|---|
| G M McMath (Chair) | 5 | 5 |
| R B Bennett | 5 | 5 |
| R G Bowe | 5 | 5 |

## 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 Mr Bowe (Chair), Mr Bennett and Mr Harbuz. Ms Susan Coutts-Wood, Manager Human Resources, also attends the meetings by invitation. The Committee met twice during the financial year. Attendance at the meetings is indicated in the table below.

## Remuneration and Allowances Committee Meeting Attendance

| | Attended | Eligible |
|---|---|---|
| R G Bowe (Chair) | 2 | 2 |
| M E Harbuz | 2 | 2 |
| R B Bennett | 2 | 2 |

### Management Committee
### Executive Management Committee

The Executive Management Committee consists of the senior managers of Gold Corporation. It meets weekly and is chaired by Mr Harbuz. Committee meetings provide a forum for senior managers to keep the management team abreast of key issues in their area and to discuss strategic issues facing the Corporation.

### Risk Management

The Board actively monitors the Corporation's risk management system to ensure it is robust and fully integrated with the Corporation's business processes. Regular monthly and quarterly reports are submitted to the Board on group financial risk, credit risk, internal control matters, occupational safety and health, and environmental issues.

### Corruption Prevention

Fraud and corruption controls are an integral component of Gold Corporation's Risk Management programme.

The organisation's policies and practices are reviewed regularly and are subject to internal and external audit programmes. Staff awareness sessions, including new staff inductions, are conducted. Gold Corporation is obliged to report any suspected or actual breaches to the Corruption and Crime Commission.

### 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.

All staff are aware of the public interest disclosure process, and information on the process plus the appropriate forms are available on Gold Corporation's intranet.

The Public Interest Disclosure Officers are Mr David Koch and Mr Graham Segall.

No claims were submitted during the 2010 / 2011 period.

### Public Sector Standards and Ethical Codes

Gold Corporation is aware of the requirement to comply with Section 31(1) of the *Public Sector Management Act 1994*.

Gold Corporation is committed to promoting high ethical standards which are incorporated into the organisation's policies and practices.

Staff awareness sessions of the organisation's Code of Conduct and Conflict of Interest policies are conducted.

During the current financial year, no issues relating to non-compliance with the public sector standards, or the WA Code of Ethics were raised.

# CORPORATE DIRECTORY

### Registered Office

Street Address:
Perth Mint Buildings
310 Hay Street
East Perth, WA 6004
Australia

Tel: +61 8 9421 7222
Fax: +61 8 9221 7031
Email: info@perthmint.com.au

Postal Address:
GPO Box M924
Perth, WA 6843
Australia

Website: www.perthmint.com.au

### Minister

The Honourable Colin Barnett MEc MLA
Premier; Minister for State Development

### Statute

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

### Directors

R G Bowe (Non-executive), Chairman

R B Bennett (Non-executive)

R F Edwards (Non-executive)

G M McMath (Non-executive)

J W F Murphy (Non-executive)

C S Wharton (Non-executive)

M E Harbuz (Executive, CEO)

R G Hayes (Executive, CFO)

### Company Secretary

A P Melville

### Bankers

Westpac Banking Corporation

# GROUP DIRECTORY

## Gold Corporation

Street Address: Perth Mint Buildings,
310 Hay Street, East Perth,
WA 6004, Australia

Tel: +61 8 9421 7222
Fax: +61 8 9221 7031

Postal Address:
GPO Box M924, Perth,
WA 6843, Australia

Email: info@perthmint.com.au
Website: www.perthmint.com.au

Contacts: M Edward Harbuz,
Chief Executive Officer

Bee Ng, Executive Assistant to
the Chief Executive Officer

## Refinery

Street Address: 131 Horrie Miller Drive,
Perth Airport, WA 6105, Australia

Tel: +61 8 9479 9999
Fax: +61 8 9479 9909

## Perth Mint Depository

Street Address: Perth Mint Buildings,
310 Hay Street, East Perth,
WA 6004, Australia

Tel: +61 8 9421 7280
Fax: +61 8 9221 7074
Email: pmds@perthmint.com.au

Contacts: Nigel Moffatt, Treasurer
and Manager, Perth Mint Depository
John Durham, Manager,
Depository Services

## Western Australian Mint

Street Address: Perth Mint Buildings,
310 Hay Street, East Perth,
WA 6004, Australia

Tel: +61 8 9421 7222
Fax: +61 8 9421 7499
Email: info@perthmint.com.au

Contact: Justin Kees,
General Manager Operations

## The Perth Mint Shop

Street Address: Perth Mint Buildings,
310 Hay Street, East Perth,
WA 6004, Australia

Tel: +61 8 9421 7428
Fax: +61 8 9221 9804
Email: info@perthmint.com.au

Contact: Cathy Anza,
Manager, Visitor Experience

## GoldCorp Australia The Perth Mint

### Australia

Street Address: Perth Mint Buildings,
310 Hay Street,
East Perth, WA 6004, Australia

Tel: +61 8 9421 7222
Fax: +61 8 9221 3812
Email: info@perthmint.com.au

Contact: Irina Kizitskaya,
Australian Wholesale Manager

### The Americas

Tel: +1 514 519 2963
Email: r.di@sympatico.ca

Contact: Rosie Di Gregorio

### Hong Kong and Taiwan

PMHK Ltd

Street Address: Room 1401,
Jubilee Centre,
46 Gloucester Road
Wanchai, Hong Kong

Tel: +852 2525 1130
Fax: +852 2810 6809
Email: dominicl@PMHK.com.hk

Contact: Dominic Leung

### Japan

K'dom Company Ltd

Street Adress: 2-12-17 Hirakawacho,
Chiyoda-ku
Tokyo 102-0093, Japan

Tel: +81 3 3237 3067
Fax: +81 3 3237 3068
Email: koji-ishikawa@tune.ocn.ne.jp

Contact: Koji Ishikawa

### Europe

Street Address: Hildesheimerstr. 29
D-38159 Vechelde, Germany

Tel: +49 5302 930 426
Mobile: +49 160 991 41935
Email: guenther.wolters@t-online.de

Contact: Günther Wolters

### China

Street Address: Western Australian
Trade Office – China,
Room 2204 CITIC Square
1168 Nanjing Road West
Shanghai 200041 China

Tel: +86 21 5292 5899-28
Fax: +86 21 5292 5889
Email: perthmint@westernaustralia.cn

Contact: Rocky Lu,
Business Development Manager

### CIS Countries

Street Address: Perth Mint Buildings,
310 Hay Street, East Perth,
WA 6004, Australia

Tel: +61 8 9421 7222
Fax: +61 8 9221 3812
Email: info@perthmint.com.au

Contact: Andrey Ignatchenko,
CIS Wholesale Manager

### Middle East & India

Street Address: Perth Mint Buildings,
310 Hay Street, East Perth,
WA 6004, Australia

Tel: +61 8 9421 7222
Fax: +61 8 9221 3812
Email: info@perthmint.com.au

Contact: Andrey Ignatchenko,
CIS Wholesale Manager

# STATUTORY REPORTING REQUIREMENTS

## Financial Estimates

The following financial estimates for 2011 / 2012 are based on Gold Corporation's budget and are included to satisfy the requirements of the *Treasurer's Instruction 953*.

| | $000 |
|---|---|
| Total Revenue | 6,289,654 |
| Total Expenditure | 6,269,231 |
| Operating profit before income tax | 20,423 |
| Income tax expense | 6,127 |
| Operating profit after income tax | 14,296 |
| Dividend | 10,722 |
| Retained earnings | 57,133 |

## Records Management

Under the requirements of the *State Records Act 2000*, Gold Corporation is obliged to report on its compliance with the Act and communicate this in its annual report. In April 2007, the organisation received an approved status from the State Records Office. The efficiency and effectiveness of Gold Corporation's current record keeping plan was revised and approved in April 2011.

Gold Corporation also reports on its record keeping training programme and its effectiveness and efficiency. Introductory sessions are offered to all relevant new staff which includes their individual responsibilities under the Act. Relevant staff then receive one-on-one training in the use of the organisation's electronic document and records management system. Additional training sessions are offered on an ad hoc basis or when an assessment of the current programme determines the need for changes to the programme. All inductions and training programmes are reinforced by manuals, policies and procedures.

## Gold Corporation

Gold Corporation was established by the *Gold Corporation Act 1987* and the Minister responsible for the Corporation is the Honourable Colin Barnett MEc MLA; Premier; Minister for State Development. 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.

## Freedom of Information Statement

The following 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 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].

The following were published by The Perth Mint:

- 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 product bulletins, media statements, annual reports and the Numismatic Post newsletters.

## 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.

Applications 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.

No applications were lodged to Gold Corporation under Freedom of Information (FOI) legislation in 2010 / 2011.

FOI inquiries or applications should be made to the FOI Coordinator, Mr Graham Segall, Compliance and Risk Officer, Gold Corporation, 310 Hay Street, East Perth, WA 6004, telephone (08) 9421 7222, facsimile (08) 9221 7031, email Graham.Segall@perthmint.com.au Inquiries or applications may also be directed to the Manager, Corporate Governance and Risk, Mr David Koch, email David.Koch@perthmint.com.au


# OCCUPATIONAL HEALTH AND SAFETY

## Commitment and Compliance

Gold Corporation has in place occupational health and safety systems to minimise health and safety risks to employees, customers, contractors, the public and the environment. The systems ensure that policies, procedures and work instructions are in place to comply with legislation, standards and codes of practice, and to take account of all information regarding hazards and risks related to the Corporation's operations. Targets and objectives are set and performance in achieving the targets is monitored and reviewed. It adheres to relevant legislation related to health and safety.

Gold Corporation is committed to assisting injured workers to return to work as soon as medically appropriate and adheres to the requirements of the *Workers' Compensation and Injury Management Act 1981* in the event of injury or illness.

## Consultation

At the Mint site there is regular consultation with employees and this is done through regular toolbox meetings and monthly Occupational Health and Safety Committee meetings. Employee representatives contribute significantly at these meetings and are fully engaged in inspections, equipment and process changes.

At the refinery site, staff continued to participate actively in the site safety observation programme, with 736 observations conducted which contributed to site safety. Fifty one potential hazards were reported and all were dealt with satisfactorily. The Occupational Health and Safety Committee met on twelve occasions to review safety performance and propose improvements.

## Assessments

The Mint site is subject to the *Occupational Health and Safety Act 1984*. It also maintains certification to AS4801.2001 for its health and safety management system. After an external audit on 20th and 21st April 2011 to check its compliance to the standard the auditor recommended that the certification should continue and this was confirmed by the certification authority.

The refinery is regarded as a mine site and is regulated by the *Mines Safety and Inspection Act 1994*. Three site visits were conducted by Mines Inspectors during the period and no improvement notices were issued. The refinery underwent certification for international accreditation for Safety and Environment in September 2010. The auditor stated that management systems have been effectively established and implemented, and are well maintained and controlled. The Perth Mint refinery has now achieved the following certifications: ISO 14001; BS OHSAS 18001 and AS/NZS 4801. Follow-up audit will be conducted annually by Bureau Veritas.

### Performance Against Targets

| OSH ITEM | MINT Actual | | REFINERY Actual | | TARGET |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | |
| Number of fatalities | 0 | 0 | 0 | 0 | 0 |
| Lost Time Injury/ Diseases (LTI/D) Incident Rate | -26% Reduction | 60% Reduction | >10% Reduction | 0 | 0 OR 10% reduction |
| Lost Time Injury Severity Rate | 25% (0% Reduction) | 0 | 0 | 0 | 0 OR 10% reduction |
| Percentage of injured workers returned to work within 28 weeks | 75% | 100% | 100% | 100% | 100% |
| Percentage of managers trained in occupational health and safety and injury management responsibilities | 90% | 100% | 100% | 100% | Target >50% |

### Section 175ZE of *The Electoral Act 1907 (WA)*

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 advertising, market research, polling, direct mail and media advertising:

1. Total expenditure for 2010 / 2011 was $371,664
2. Expenditure was incurred in the following areas:

| | | | |
|---|---|---|---|
| Advertising agencies | $38,776 | Marketforce | $38,776 |
| Market research organisations | Nil | Nil | Nil |
| Polling organisations | Nil | Nil | Nil |
| Direct mail organisations | $86,660 | Lasermail | $86,660 |
| Media advertising organisations | $246,228 | Marketforce<br>Optimum Media Decisions Ltd | $200,778<br>$45,450 |

# SENIOR MANAGEMENT (AT 30 JUNE 2011)

## GOLD CORPORATION

| | |
|---|---|
| Chief Executive Officer | M E Harbuz |
| Chief Financial Officer | R G Hayes |
| Treasurer and Manager, Perth Mint Depository | N P Moffatt |
| Manager, Analysis and Strategy | B M Suchecki |
| Manager, Corporate Governance and Risk | D J Koch |
| Manager, Information Systems | B R Shah |
| Manager, Human Resources | S J Coutts-Wood |

## GOLDCORP AUSTRALIA

| | |
|---|---|
| Sales and Marketing Director | R M Currie |
| Manager, Visitor Experience | C B Anza |

## WESTERN AUSTRALIAN MINT

| | |
|---|---|
| General Manager Operations | J K Kees |
| General Manager Refinery | D E Woodford |

*Front row (from left) David Koch, Richard Hayes, Ed Harbuz, Ron Currie and Bron Suchecki.*
*Back row (from left) Cathy Anza, Justin Kees, Nigel Moffatt, David Woodford, Susan Coutts-Wood and Bindesh Shah.*

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

GOLD CORPORATION

**Report on the Financial Statements**

I have audited the accounts and financial statements of the Gold Corporation and the consolidated entity.

The financial statements comprise the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Corporation and the consolidated entity for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

*Board's Responsibility for the Financial Statements*

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Gold Corporation and the consolidated entity at 30 June 2011 and their financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.


4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

**Gold Corporation**

**Report on Controls**
I have audited the controls exercised by the Gold Corporation. The Board is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Board based on my audit conducted in accordance with Australian Auditing Standards.

***Opinion***
In my opinion, the controls exercised by the Gold Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

**Report on the Key Performance Indicators**
I have audited the key performance indicators of the Gold Corporation. The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing Standards.

***Opinion***
In my opinion, the key performance indicators of the Gold Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2011.

**Independence**
In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing Standards, and other relevant ethical requirements.

COLIN MURPHY
AUDITOR GENERAL
16 September 2011

# PERFORMANCE INDICATORS

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.

Under the Treasurer's Instructions 904 and 905, a statutory authority is required to provide appropriate key performance indicators in its annual report, namely:

- relevant agency level government desired outcome(s);
- key effectiveness indicators which provide information on the extent of achievement of an agency level government desired outcome; and
- key efficiency indicators relating an outcome to the level of resource input required to deliver it.

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

### 1 Maximisation of the Value Added to, and Income Derived from, Precious Metal Coins and Other Products and Services

The Australian Kangaroo and Lunar bullion gold coins and Kookaburra, Koala and Lunar silver coins have a noted world market share. The Perth Mint's various proof, numismatic and commemorative coins made of gold, silver and platinum are added value precious metal products which are also distributed worldwide. Coin blanks are supplied in increasing quantities to other mints in the world.

### 2 Preservation and Promotion of The Perth Mint's Heritage Assets and History

The Perth Mint exhibition includes gold pouring demonstrations, the Industry Collection of Gold Bars Worldwide, historical information on the gold industry in Western Australia and a comprehensive range of investor and numismatic coins. It is an integral part of The Perth Mint's heritage and is a premier tourist destination.

## The Relationship Between Government Goals And Gold Corporation's Performance

The Goal most aligned to Gold Corporation's business operations is:

**Financial and Economic Responsibility**

**Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.**

## Effectiveness Indicators

| | 2006 - 2007 | 2007 - 2008 | 2008 - 2009 | 2009 - 2010 | 2010 - 2011 | Target |
|---|---|---|---|---|---|---|
| **The key effectiveness indicators for outcome No. 1 are:** 1. Global market share of Australian Nugget gold bullion coin *(Note 1)* | 13% | 8% | 7% | 5% | 6% | 8% |
| 2. Coin programs - value added to gold, silver, platinum and Palladium: *(Note 2)* | | | | | | |
| (a) Total premium income | $26.1m | $27.6m | $50.4m | $44.2m | $49.0m | $47.5m |
| (b) Total premium income expressed as a percentage of precious metal value *(Note 2)* | 16.1% | 12.7% | 8.3% | 8.2% | 5.3% | 4.9% |
| 3. Estimated proportion of Australian fine gold production refined by The Perth Mint *(Note 3)* | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% |
| 4. Return on equity *(Note 4)* | 14.1% | 5.2% | 39% | 17.5% | 26.6% | 19.5% |
| 5. Dividends/income tax equivalent payable to the Western Australian Government *(Note 5)* | $7.0m | $3.2m | $29.1m | $15.4m | $14.7m | $10.5m |
| **The key effectiveness indicators for outcome No. 2 are:** | | | | | | |
| 6. a) Visitors to Perth Mint Exhibition (*Note 6*) | 82,000 | 82,000 | 77,000 | 77,000 | 71,000 | 82,000 |
| b) Visitors' satisfaction level | 99.9% | 99.9% | 99.9% | 99.9% | 99.5% | |

*Notes:*

1. *The figures are based on Gold Fields Mineral Services data for the previous calendar year. The decline in market share was due to other suppliers having larger stocks of coins for periods of high demand.*
2. *The calculation is the total premium income (amount of income received above metal cost) for all legal tender coins sales, which is expressed as a percentage of the value of the precious metal value of the coins. The effectiveness indicator includes all Australian legal tender coins, as well as coins produced for other countries. The decline in the dollar value reflects the decline in bullion coin sales from the previous, frenetic, year.*
3. *This calculation is based on the refinery's records and an estimate of the total Australian fine gold production.*
4. *The percentages show Gold Corporation's return on equity for each respective financial year, based on ordinary activities before income tax. This performance measure is referred to in the* Gold Corporation Act 1987. *Provided the Corporation produces a profit, the WA Government receives the benefit of receipt of income tax equivalents and annual dividends from the Corporation.*
5. *Income tax equivalent, calculated as if the Corporation were a public company, is payable to the WA Government on profit from ordinary activities. Dividends are payable annually as a percentage of after-tax profit. These payments are forecast annually in Gold Corporation's business plan, and included in the Financial Estimates in the Annual Report.*
6. *a Total number of visitors (to nearest thousand) to the Exhibition annually, based on recorded daily visitor traffic.*

   *b Satisfaction levels are derived from random sampling of comments entered into the visitors' book which is available in the foyer of The Perth Mint.*
7. *Pursuant to the dissolution of the AGR Matthey partnership, the Effectiveness Indicators for 2010-11 include the refinery for the full financial year as appropriate. Relevant comparative figures for prior financial years have not been adjusted.*

# PERFORMANCE INDICATORS

## SERVICES

*1 Precious Metal Products and Services*

Gold Corporation renders refining, assaying and other services to the gold industry and markets the gold in ways which maximise value added and which encourage demand for gold.

Demand for gold is encouraged by making it convenient to acquire and own gold; by means of bullion coins, gold bars and various Depository products. Depository products make it possible for gold to be owned without having to deal with the security and other issues associated with the keeping of the physical metal – the metal is held in safe storage on behalf of its owners.

Proof, numismatic and commemorative coins add significant value to precious metal as does the manufacture of precious metal coin blanks for other mints in the world.

*2 Cultural Heritage Conservation*

Gold Corporation continually upgrades The Perth Mint heritage building situated at 310 Hay Street, and currently has a project underway to renovate and conserve the historically significant shop and exhibition housed in the building on its original grounds in East Perth. It also preserves historical artefacts and documents related to minting and the gold industry in Western Australia.

## EFFICIENCY INDICATORS

| | 2006 - 2007 | 2007 - 2008 | 2008 - 2009 | 2009 - 2010 | 2010 - 2011 | Target |
|---|---|---|---|---|---|---|
| **The key efficiency indicators for service No. 1 are:** | | | | | | |
| 1. Trading profit as a proportion of sales revenue *(Note 1)* | 4.0% | 3.0% | 2.6% | 3.1% | 1.29% | 0.44% |
| 2. Staff costs as a proportion of trading profit *(Note 2)* | 55.0% | 52.4% | 33.9% | 35.3% | 37.4% | 47.9% |
| **The key efficiency indicator for service No. 2 is:** | | | | | | |
| 3. Average cost per Exhibition/visitor expressed as an index *(Note 3)* | 143 | 167 | 176 | 154 | 175 | |

*Notes:*

1. *The percentages show the proportion of Gold Corporation's sales revenue represented by the trading profit (gross margin) for the respective financial year. The percentage fell in 2010/11 due to the inclusion of the refinery for the full 12 months. Margins on the refinery's high volume bullion products are lower than those on the smaller volume but higher margin coin products, lowering the overall percentage.*
2. *Staff costs include employee benefits on-costs and contract staff costs, expressed as a percentage of trading profit (gross margin). Staff costs are Gold Corporation's major expenditure, after the cost of precious metals.*
3. *Average cost per exhibition/visitor is derived by calculation of total costs of exhibition divided by annual number of visitors expressed as an index, with the 2002 / 2003 year indexed as 100.*
4. *Pursuant to the dissolution of the AGR Matthey partnership, the Efficiency Indicators for 2010-11 include the refinery for the full financial year as appropriate. Relevant comparative figures for prior financial years have not been adjusted.*

# CERTIFICATION OF PERFORMANCE INDICATORS

**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 2011.

**R G BOWE**
Chairman

**M E HARBUZ**
Executive Director

15 September 2011

# CERTIFICATION OF FINANCIAL STATEMENTS

**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 Management Act 2006* from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2011, and the financial position as at 30 June 2011.

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.

| | | |
|---|---|---|
| **R G BOWE** | **M E HARBUZ** | **R G HAYES** |
| Chairman | Executive Director | Chief Finance Officer |

15 September 2011

# FINANCIAL STATEMENTS

# GOLD CORPORATION

## FINANCIAL REPORT

## YEAR ENDED 30 JUNE 2011

**GOLD CORPORATION AND SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | | Gold Corporation | |
|---|---|---|---|---|---|
| **INCOME** | Note | 2011 | 2010 | 2011 | 2010 |
| **Revenue** | | $000 | $000 | $000 | $000 |
| Sales | 2,30 | 5,470,229 | 5,740,337 | 4,408,086 | 1,050,172 |
| Charges for technical services | | - | - | 2,523 | 3,703 |
| Fees and rents | | 15,377 | 12,486 | 4,224 | 4,730 |
| Interest revenue | | 2,148 | 6,150 | 2,148 | 4,166 |
| Dividends from subsidiaries | 3b | - | - | 35,000 | 18,000 |
| Inventory provision adjustment | | 332 | - | - | - |
| **Other Income** | | | | | |
| Net profit on sale of assets | 11 | - | 9 | - | - |
| Share of profits of joint venture partnerships | 9 | - | 944 | - | - |
| **Total Income** | | 5,488,087 | 5,759,926 | 4,451,981 | 1,080,771 |
| **EXPENSES** | | | | | |
| Cost of sales | 2,30 | 5,399,542 | 5,687,120 | 4,396,839 | 1,042,261 |
| Employee benefits expense | 4 | 26,411 | 18,830 | 8,779 | 4,964 |
| Materials and services | 30 | 26,901 | 22,594 | 7,579 | 6,715 |
| Depreciation expense | 11 | 4,205 | 3,149 | 536 | 369 |
| Amortisation expense | 12 | 179 | 425 | 179 | 425 |
| Computer rentals | | 309 | 266 | 309 | 267 |
| Finance costs | | 820 | 3,362 | 639 | 1,414 |
| Net loss on sale of assets | 11 | 1 | - | - | - |
| Revaluation decrease in buildings | | 1,642 | 517 | - | - |
| Inventory write-down to net realisable value | | - | 1,070 | - | - |
| Restructuring Costs | | - | 3,893 | - | - |
| **Total Expenses** | | 5,460,010 | 5,741,227 | 4,414,860 | 1,056,415 |
| PROFIT BEFORE INCOME TAX EQUIVALENT EXPENSE | | 28,077 | 18,700 | 37,121 | 24,356 |
| Income tax equivalent expense | 5 | 8,502 | 5,671 | 8,502 | 5,671 |
| **PROFIT FOR THE YEAR** | | **19,575** | **13,029** | **28,619** | **18,685** |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Changes in asset revaluation surplus (deficit) | | (680) | 1,396 | - | - |
| Gains/losses recognised directly in equity | | - | 407 | - | - |
| Income tax on items of other comprehensive income | | 144 | (165) | - | - |
| Total other comprehensive income | | (536) | 1,638 | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 19,039 | 14,667 | 28,619 | 18,685 |

*The Statement of Comprehensive Income is*
*to be read in conjunction with the Notes to the Financial Statement.*

**GOLD CORPORATION AND SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2011**

| | Note | Consolidated 2011 $000 | Consolidated 2010 $000 | Gold Corporation 2011 $000 | Gold Corporation 2010 $000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 6 | 80,207 | 94,269 | 45,051 | 43,144 |
| Receivables | 7 | 8,934 | 6,150 | 145 | 623 |
| Inventories | 8 | 3,082,622 | 2,711,035 | 3,047,622 | 2,672,086 |
| Current tax assets | 5e | 2,106 | - | 2,106 | - |
| Prepayments | | 2,278 | 2,040 | 2,082 | 1,877 |
| **Total current assets** | | 3,176,147 | 2,813,494 | 3,097,006 | 2,717,730 |
| **NON-CURRENT ASSETS** | | | | | |
| Receivables | 7 | - | - | 254,159 | 300,565 |
| Other financial assets | 10 | - | - | 21,608 | 21,603 |
| Deferred tax assets | 5c | 922 | - | 922 | - |
| Property, plant and equipment | 11 | 70,056 | 68,046 | 1,397 | 1,872 |
| Intangible assets | 12 | 647 | 395 | 647 | 395 |
| **Total non-current assets** | | 71,625 | 68,441 | 278,734 | 324,435 |
| **TOTAL ASSETS** | | 3,247,772 | 2,881,935 | 3,375,740 | 3,042,165 |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Payables | 13 | 84,852 | 101,361 | 57,289 | 60,503 |
| Borrowings | 14 | 49,088 | 217,001 | 45,588 | 213,501 |
| Current tax liabilities | 5e | - | 3,253 | - | 3,253 |
| Provisions | 16 | 2,024 | 87 | 2,024 | - |
| Employee benefits | 15 | 3,682 | 3,604 | 2,204 | 1,905 |
| Other current liabilities | 17 | 3,002,353 | 2,458,619 | 3,002,353 | 2,458,619 |
| **Total current liabilities** | | 3,141,999 | 2,783,925 | 3,109,458 | 2,737,781 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Employee benefits | 15 | 328 | 203 | 156 | 101 |
| Payables | 13 | - | 1,500 | 184,579 | 241,454 |
| Deferred tax liabilities | 5c | - | 130 | - | 130 |
| **Total non-current liabilities** | | 328 | 1,833 | 184,735 | 241,685 |
| **TOTAL LIABILITIES** | | 3,142,327 | 2,785,758 | 3,294,193 | 2,979,466 |
| **NET ASSETS** | | **105,445** | **96,177** | **81,547** | **62,699** |
| **EQUITY** | | | | | |
| Contributed equity | 18 | 31,603 | 31,603 | 31,603 | 31,603 |
| Asset revaluation reserve | 18 | 20,283 | 20,819 | - | - |
| Retained earnings | | 53,559 | 43,755 | 49,944 | 31,096 |
| **TOTAL EQUITY** | | **105,445** | **96,177** | **81,547** | **62,699** |

*The Statement of Financial Position is*
*to be read in conjunction with the Notes to the Financial Statements.*

**GOLD CORPORATION AND SUBSIDIARIES**



**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2011**

| Consolidated | Contributed Equity | Asset Revaluation Reserve | Hedge Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| **Balance at 1 July 2009** | **31,603** | **19,588** | **(407)** | **46,717** | **97,501** |
| Total comprehensive income for the year | | 1,231 | 407 | 13,029 | 14,667 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividend to shareholders | | | | (15,991) | (15,991) |
| **Balance at 30 June 2010** | **31,603** | **20,819** | **-** | **43,755** | **96,177** |
| **Balance at 1 July 2010** | **31,603** | **20,819** | **-** | **43,755** | **96,177** |
| Total comprehensive income for the year | | (536) | - | 19,575 | 19,039 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividend to shareholders | | | | (9,771) | (9,771) |
| **Balance at 30 June 2011** | **31,603** | **20,283** | **-** | **53,559** | **105,445** |

| Gold Corporation | Contributed Equity | Asset Revaluation Reserve | Hedge Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| **Balance at 1 July 2009** | **31,603** | **-** | **-** | **28,402** | **60,005** |
| Total comprehensive income for the year | | | | 18,685 | 18,685 |
| Transactions with owners in their capacity as owners: | | | | | |
| Distributions to owners | | | | (15,991) | (15,991) |
| **Balance at 30 June 2010** | **31,603** | **-** | **-** | **31,096** | **62,699** |
| **Balance at 1 July 2010** | **31,603** | **-** | **-** | **31,096** | **62,699** |
| Total comprehensive income for the year | | | | 28,619 | 28,619 |
| Transactions with owners in their capacity as owners: | | | | | |
| Distributions to owners | | | | (9,771) | (9,771) |
| **Balance at 30 June 2011** | **31,603** | **-** | **-** | **49,944** | **81,547** |

*The Statements of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements.*

**GOLD CORPORATION AND SUBSIDIARIES**

**STATEMENT CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | | Gold Corporation | |
|---|---|---|---|---|---|
| | Note | 2011 | 2010 | 2011 | 2010 |
| | | $000 | $000 | $000 | $000 |
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | | 5,482,918 | 5,753,103 | 4,415,310 | 1,081,102 |
| Cash paid to suppliers and employees | | (5,461,083) | (5,726,804) | (4,389,622) | (1,066,237) |
| Interest received | | 2,148 | 6,150 | 2,148 | 4,166 |
| Interest paid | | (820) | (3,360) | (638) | (1,414) |
| Net cash provided by operating activities | 19 | 23,163 | 29,089 | 27,198 | 17,617 |
| **Cash flows from investing activities** | | | | | |
| Profit distribution from joint venture partnership | | - | 12,400 | - | - |
| Payments for plant and equipment | | (8,556) | (13,769) | (104) | (2,393) |
| Payments for intangibles-computer software | | (646) | (216) | (646) | (216) |
| Deferred payments made | | (3,500) | - | - | - |
| Proceeds from sale of plant and equipment | | 18 | 20 | - | - |
| Net cash used in investing activities | | (12,684) | (1,565) | (750) | (2,609) |
| **Cash flows to State Government** | | | | | |
| Income tax equivalent paid | | (14,770) | (7,962) | (14,770) | (7,962) |
| Dividend paid | | (9,771) | (15,991) | (9,771) | (15,991) |
| Net cash flow to State Government | | (24,541) | (23,953) | (24,541) | (23,953) |
| Net Increase/(Decrease)in cash and cash equivalents | | (14,062) | 3,571 | 1,907 | (8,945) |
| Cash and cash equivalents at the beginning of year | | 94,269 | 90,698 | 43,144 | 52,089 |
| Cash and cash equivalents at the end of year | 6 | 80,207 | 94,269 | 45,051 | 43,144 |

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

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 1 SIGNIFICANT ACCOUNTING POLICIES

Gold Corporation is an entity domiciled in Australia.

The consolidated financial report of Gold Corporation for the year ended 30 June 2011 comprises Gold Corporation (the Corporation) and its subsidiaries (together referred to as the Group) and its interest in associates and jointly controlled entities.

The significant accounting policies adopted by Gold Corporation and its subsidiaries are stated to assist in the general understanding of the financial statements. These policies have been applied consistently to all periods presented in the consolidated financial report and have been applied consistently by Group entities.

### (a) Statement of Compliance

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 report constitutes a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations, as applied by the Treasurer's Instructions.

In preparing these financial statements the Corporation has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB.

The Australian Accounting Interpretations are adopted through AASB 104*'Interpretation and Application of Standards'* and are classified into those corresponding to IASB Interpretations an those only applicable in Australia.

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.

The Treasurer's Instructions may modify or clarify their application, disclosure, format and wording to provide certainty and to ensure consistency and appropriate reporting across the public sector. If any such modification has a material or significant financial effect upon the reported results, details of that modification and, where practicable, the resulting financial effect are disclosed in individual notes to the financial report.

### (b) Basis of preparation

The financial report is prepared on the accrual basis of accounting using the historical cost convention except for precious metal holdings & inventories, derivative financial instruments, and land and buildings, which are stated at fair value. The financial report is presented in Australian dollars, which is the Group's functional and presentation currency, rounded to the nearest thousand dollars in accordance with Treasurer's Instruction 948.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Basis of preparation**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the valuation of financial instruments note.

*Initial application of an Australian Accounting Standard*
The Corporation has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2010 that impacted on the Corporation.

(1) *AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements"* . These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and interpretations. The amendments provide clarification in AASB 7 "*Financial Instruments: Disclosure* ", in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 "*Presentation of Financial Instruments",* and provides guidance on the disclosure of significant events and transactions. The anticipated adoption will not have a material impact on the consolidated entity.

*Future impact of Australian Accounting Standards not yet operative.*

(1) *AASB 9 " Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB9"* January 2013 and completes phase 1 of the IASB's project to replace IAS 39 ( being the international equivalent to AASB 139 *" Financial Instruments: Recognition and Measurement").* This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instruments assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any recycling of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of change of fair value relating to entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**
**(b) Basis of preparation (continued)**

(2) *AASB 2010-5 " Amendments to Australian Accounting Standards".* These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standard Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

(3) *AASB 2010-6 "Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets".* These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of financial assets involved and the risk associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

(4) *AASB 2010-8 "Amendments to Australian Accounting Standard - Deferred Tax: Recovery of Underlying Assets".* These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and are practical approach for measurements of deferred tax relating to investment properties measured at fair value, and property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that the economic benefit of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

(5) *AASB 2011-1, AASB 2011-2, AASB1054.* These amending standards remove disclosure requirements from other standards and incorporates them in a single standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. Department of Treasury and Finance has not yet determined the application or the the potential impact of the amendments to these standards for agencies.

(6) *AASB 2009-12.* This standard introduces a number of terminology changes. There is no financial impact on the Corporation resulting from the application of this revised standard.

**(c) Basis of consolidation**
**(i) Subsidiaries**

The consolidated financial statements have been prepared by combining the financial statements of Gold Corporation and all controlled entities in accordance with *AASB127 'Consolidated and Separate Financial Statements'* and modified by the Treasurer's Instruction 1105. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Corporation. A controlled entity is an entity where Gold Corporation has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with the Corporation to achieve its objectives.

Where controlled entities enter or leave the Group during the year, their operating results are included from the date control was obtained or until the date control ceased.

Investments in subsidiaries are brought to account at cost in the Corporation.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ii) Transactions eliminated on consolidation

Intergroup balances and unrealised gains and losses or income and expenses arising from intergroup transactions are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associate or jointly controlled entity or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed of.

### (d) Foreign currency transactions

Transactions denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the start of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency gains and losses are reported on a net basis.

### (e) Financial Instruments

### (i) Derivative financial instruments

The Group may use derivative financial instruments to hedge its exposure to foreign exchange risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

***Cash flow hedges***

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(ii) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of comprehensive income, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and commercial bills.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

**(f) Receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see Note 1i).

**(g) Inventories**

Precious metal inventories are valued at fair value, being market prices ruling at balance date. Other inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is assigned on a first in first out basis except for retail inventories where a weighted average method is used. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Precious metal borrowings and unallocated precious metal owned by the Group's customers is shown as inventory due to the fungible nature of precious metal.

**(h) Property, plant and equipment**

**(i) Capitalisation/expensing of assets**

Items of property, plant & equipment costing $2,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant & equipment costing less than $2,000 are expensed direct to the income statement (other than where they form part of a group of similar items which are significant in total).

**(ii) Initial recognition and measurement**

All items of property, plant & equipment are initially recognised at cost. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the item and restoring the site on which it is located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in statement of comprehensive income as incurred.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(iii) Subsequent measurement**

After recognition as an asset, the Corporation uses the revaluation model for the measurement of land and buildings and the cost model for all other property, plant & equipment. Land and buildings are carried at fair value less accumulated depreciation on buildings and accumulated impairment losses. All other items of property, plant & equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the written-down current replacement cost. Where the fair value of buildings is dependent on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately. Independent valuations of land and buildings are provided annually by Landgate and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market value type assets and existing use assets.

**(iv) Depreciation**

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. Land is not depreciated. Depreciation on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

| | |
|---|---|
| Buildings | 40 years |
| Plant & equipment | 3-8 years |
| Office Equipment | 5 years |
| Software | 3 years |
| Motor Vehicles | 6 years |

Where parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items of property, plant & equipment.

**(i) Impairment**

**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if additional objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Intangible Assets**

**(i) Capitalisation / expensing assets**

Acquisitions of intangible assets costing $2,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred of less than $2,000 are immediately expensed directly to the income statement.

All computer software which is not integral to the operation of computer hardware is classified as an intangible asset with a finite useful life, and is stated at cost less accumulated amortisation and impairment losses. For assets acquired at no cost or for nominal cost, cost is the fair value at the date of acquisition. Software that is an integral part of the related hardware is treated as property, plant & equipment.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are:

| | |
|---|---|
| Computer software | 3 - 5 years |

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**(k) Employee benefits - defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

**(i) Annual Leave and Long Service Leave**

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(l) Precious metal borrowings**

Precious metal borrowings, including unallocated precious metal owned by the Group's customers are brought to account at market prices ruling at balance sheet date.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset of a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Income tax**

Gold Corporation is subject to 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. Under the NTER, the income tax equivalent revenue is remitted to the Treasurer of Western Australia, for credit of the Consolidated Fund. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government. As a consequence of participation in the NTER, Gold Corporation is required to comply with *AASB 112* "*Income Taxes*" . Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year adjusted by changes in deferred tax assets and liabilities, using tax rates enacted at balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or that tax asset and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
The Corporation has formed a tax consolidated group with effect from 1 July 2002, and the Group is taxed as a single entity. All tax assets and liabilities, expenses and benefits, are recognised in Gold Corporation, which according to its legislation is liable to pay income tax on behalf of its subsidiaries.

**(n) Operating Leases**

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 income statement 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.

**(o) Revenue**

***(i) Sales revenue***

Sales revenue represents revenue earned from the sale of precious metals, precious metal products and other products and services. 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 value date. Other sales are recognised on trade date basis.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Revenue (continued)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the purchaser, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

***(ii) Interest revenue***

Interest revenue is recognised as it accrues. The effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset, is used where applicable.

***(iii) Dividends***

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.

***(iv) Gains and losses***

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

### (p) Funds received from Government

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

A grant that compensates the Group for expenses incurred is recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of an asset.

### (q) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Trade and other payables are stated at their amortised cost. The amounts are non-interest bearing and are usually paid within 30 days of recognition.

### (r) Finance costs

Finance costs include interest and amortisation of discounts or premiums relating to borrowings, and are recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

### (s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) 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 ATO. 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 balance sheet.

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.

### (u) Financial risk management

**Overview**

The Corporation has exposure to the following risks:

* credit risk
* liquidity risk
* market risk

This note presents information about the Corporation's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit & Risk Management Committee, which is responsible for reviewing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The primary risk management document is the Prudential Management Policy which describes the risks the Corporation is exposed to, how those risks are to be managed and within what parameters exposure to risks can be taken.

The Corporation's Audit & Risk Management Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures, and reviews the adequacy and effectiveness of the risk management framework in relation to the risks faced by the Corporation. The Corporation's Audit & Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Corporation's Audit & Risk Management Committee.

**Credit risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers, subsidiaries and investment securities. The Corporation's exposure to credit risk can occur through the provision of trade credit (both within Australia and internationally), the provision of consignment stock facilities and the provision of bullion trading and settlement facilities. The Prudential Management Policy determines the levels of credit exposure the Corporation can take to various categories of customers and counterparties.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Trade and other receivables***

The Corporation's exposure to credit risk is influenced mainly by the individual financial characteristics of each customer. The demographics of the Corporation's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No significant percentage of the Corporation's revenue is attributable to sales transactions with a single customer. Geographically there is no concentration of credit risk.

The Audit & Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Corporation's standard payment and delivery terms and conditions are offered. The Corporation's review includes external ratings, when available, and in some cases bank references. Purchase and settlement limits are established for each customer, which represents the maximum open amount without requiring approval from the Audit & Risk Management Committee; these limits are reviewed annually. Customers that fail to meet the Corporation's benchmark creditworthiness may transact with the Corporation only on a prepayment basis or against the provision of acceptable security such as letters of credit, bank guarantees and other forms of payment guarantees.

The majority of the Corporation's trade and other receivables customers have been transacting with the Corporation for over four years, and losses have occurred infrequently. The Corporation's trade and other receivables relate mainly to the Corporation's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Corporation may have a secured claim. The Corporation may require collateral in respect of trade and other receivables.

The Corporation has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for the group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payments statistics for similar financial assets.

***Guarantees***

The Corporation does not provide financial guarantees.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Corporation has structured its business such that it has sufficient cash funds available to meet its expected operational requirements for the forthcoming year, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Corporation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Prudential Management Policy determines what instruments can be used to manage market risk. These include spot deferred and forward transactions, options and currency swaps, all within pre-determined limits.

The Corporation currently does not use hedging or derivatives to manage this risk other than for purchases of capital equipment.

***Currency risk***

The Corporation is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Corporation, the Australian dollar.

The Corporation does not hedge its estimated foreign currency exposure in respect of forecast sales and purchases. The Corporation does not hedge trade receivables, but may hedge trade payables denominated in a foreign currency where appropriate. The Corporation uses forward exchange contracts to hedge this currency risk, most with maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Corporation ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

***Interest rate risk***

The Corporation adopts a policy of not hedging its exposure to change in interest rates on borrowings.

***Metal price risk***

The Corporation does not enter into commodity (precious metals) contracts other than to meet the Corporation's expected sale requirements, and then only on a back to back basis so as to eliminate the risk of movements in precious metal prices. The Corporation has a policy of minimising its long or short precious metal positions by utilising leased precious metal and unallocated precious metal owned by the Group's customers in its working inventories.

**Capital management**

The Board's policy is to maintain an adequate capital base so as to sustain the future development of the business. The Board of Directors monitors the return on capital, which the Corporation defines as net operating income divided by total shareholders' equity. The level of dividends payable is defined in accordance with government policy.

The Corporation's target is to achieve a return on equity of 19.5%; before Income tax equivalent.
During the year ended 30 June 2011 the return was 26.6% (2010: 17.5%).

There were no changes in the Corporation's approach to capital management during the year.

Neither the Corporation nor any of its subsidiaries are subject to externally imposed capital requirements.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 2 GROSS PROFIT

| | Note | Consolidated 2011 $000 | Consolidated 2010 $000 | Gold Corporation 2011 $000 | Gold Corporation 2010 $000 |
|---|---|---|---|---|---|
| Sales | 30 | 5,470,229 | 5,740,337 | 4,408,086 | 1,050,172 |
| Cost of sales | | | | | |
| Opening trading inventories | | 2,711,035 | 8,220 | 2,672,086 | 219 |
| Purchases | | 5,771,129 | 8,389,935 | 4,772,375 | 3,714,128 |
| | | 8,482,164 | 8,398,155 | 7,444,461 | 3,714,347 |
| Less closing trading inventories | | 3,082,622 | 2,711,035 | 3,047,622 | 2,672,086 |
| Cost of sales | | 5,399,542 | 5,687,120 | 4,396,839 | 1,042,261 |
| Gross Profit | | 70,687 | 53,217 | 11,247 | 7,911 |

## 3 DIVIDENDS

### (a) DIVIDEND TO WA GOVERNMENT

In accordance with section 21 (4) of the Gold Corporation Act,1987 the Board recommended to the Treasurer that an amount of $14,680,064 (2010: $9,771,983) be payable as dividend for the financial year ended 30 June 2011. The dividend was declared and approved after the end of the financial year and therefore has not been provided for in the financial statements.

### (b) DIVIDENDS FROM SUBSIDIARIES

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:

| | 2011 $000 | 2010 $000 |
|---|---|---|
| GoldCorp Australia | 30,000 | 18,000 |
| Western Australian Mint | 5,000 | - |
| | 35,000 | 18,000 |

## 4 EMPLOYEE BENEFITS EXPENSE

| | Consolidated 2011 $000 | Consolidated 2010 $000 | Gold Corporation 2011 $000 | Gold Corporation 2010 $000 |
|---|---|---|---|---|
| Wages and salaries (a) | 23,267 | 16,350 | 7,826 | 4,198 |
| Superannuation | 2,061 | 1,530 | 562 | 439 |
| Annual leave (b) | 974 | 810 | 377 | 304 |
| Long service leave (b) | 109 | 140 | 14 | 23 |
| | 26,411 | 18,830 | 8,779 | 4,964 |

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

(b) Includes a superannuation contribution component.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | Consolidated 2011 | Consolidated 2010 | Gold Corporation 2011 | Gold Corporation 2010 |
|---|---|---|---|---|---|
| **5 INCOME TAX** | | $000 | $000 | $000 | $000 |
| **(a) Income Tax Expense** | | | | | |
| Current tax expense | | | | | |
| Current year | | 9,411 | 5,598 | 9,411 | 5,598 |
| (Over) / Under provision of tax in prior year | | - | - | - | - |
| Deferred tax expense | | | | | |
| Origination and reversal of temporary differences | | (1,053) | 238 | (1,053) | 238 |
| Recognised in asset revaluation reserve | | 144 | (165) | 144 | (165) |
| **Total income tax expense in income statement** | | 8,502 | 5,671 | 8,502 | 5,671 |
| **(b) Numerical reconciliation between tax expense and pre-tax net profit** | | | | | |
| Profit before income tax | | 28,077 | 18,700 | 37,121 | 24,356 |
| Prima facie income tax on pre-tax accounting profit calculated at 30% (2009: 30%) | | 8,423 | 5,610 | 11,136 | 7,307 |
| Increase in income tax expense due to: | | | | | |
| Non-deductible depreciation on buildings | | 44 | 17 | - | - |
| Other non-deductible items | | 35 | 44 | - | - |
| **Income tax expense/(benefit) on pre-tax profit** | | 8,502 | 5,671 | 11,136 | 7,307 |
| Obligations of Gold Corporation for income tax on behalf of subsidiaries | ( i ) | - | - | (2,634) | (1,636) |
| | | 8,502 | 5,671 | 8,502 | 5,671 |

Note (i) Difference

Gold Corporation's income tax expense of $ 8,502,000 (2010: $5,671,000) includes the obligation in relation to the income of its subsidiaries, Western Australian Mint and GoldCorp Australia, in accordance with its legislation.

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **5 INCOME TAX (Continued)** | $000 | $000 | $000 | $000 |
| **(c) Deferred tax assets and liabilities** | | | | |
| Deferred tax assets | | | | |
| Doubtful debts | - | 4 | - | 4 |
| Write-down of inventories | 637 | 973 | 637 | 973 |
| Plant and equipment | 1,072 | 890 | 1,072 | 890 |
| Other payables | 202 | 409 | 202 | 409 |
| Employee benefits | 1,791 | 1,130 | 1,791 | 1,130 |
| | 3,702 | 3,406 | 3,702 | 3,406 |
| Deferred tax liabilities | | | | |
| Prepayment | (683) | (605) | (683) | (605) |
| Property, plant and equipment | (2,097) | (2,931) | (2,097) | (2,931) |
| **Deferred tax assets/(liabilities) after set-off** | 922 | (130) | 922 | (130) |
| | | | | |
| **(d) Movement in deferred tax assets/(liabilities)** | | | | |
| Opening balance | (130) | 108 | (130) | (130) |
| Employee benefits | 661 | (804) | 661 | (804) |
| Doubtful debts | (4) | 4 | (4) | 4 |
| Write-down of inventories | (336) | 139 | (336) | 139 |
| Property, plant and equipment | 1,016 | 435 | 1,016 | 435 |
| Other payables | (207) | (20) | (207) | (20) |
| Interest Revenue | - | 8 | - | 8 |
| Prepayment | (78) | - | (78) | - |
| Closing balance | 922 | (130) | 922 | (368) |
| | | | | |
| **(e) Movement in current tax liability/(asset):** | | | | |
| Opening balance | 3,253 | 5,617 | 3,253 | 5,617 |
| Provision for current year | 9,411 | 5,598 | 9,411 | 5,598 |
| Amount paid during the year | (14,770) | (7,962) | (14,770) | (7,962) |
| Closing balance | (2,106) | 3,253 | (2,106) | 3,253 |

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | | Gold Corporation | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| **6 CASH AND CASH EQUIVALENTS** | | $000 | $000 | $000 | $000 |
| Cash and cash equivalents | | 80,207 | 94,269 | 45,051 | 43,144 |

**Reconciliation of Cash**

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank, short term deposits at call and commercial bills. 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 statement of financial position as follows:

| | | | | |
|---|---|---|---|---|
| Cash at bank and on hand | 60,207 | 51,303 | 25,051 | 23,188 |
| Commercial bills | 20,000 | 42,966 | 20,000 | 19,956 |
| | 80,207 | 94,269 | 45,051 | 43,144 |

The Corporation's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

**7 RECEIVABLES**

| | | | | | |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Trade receivables | ( ii ) | 8,926 | 6,043 | 145 | 500 |
| Other receivables | ( ii ) | 8 | 107 | - | 123 |
| | | 8,934 | 6,150 | 145 | 623 |
| **Non Current** | | | | | |
| Amounts owed by subsidiaries | ( i ) | - | - | 219,159 | 282,565 |
| Dividends Receivable | ( i ) | - | - | 35,000 | 18,000 |
| | | | | 254,159 | 300,565 |

(i) Loans to subsidiaries are interest free and have no fixed terms of repaymen

(ii) The Corporation's exposure to credit and currency risks and impairment losses related to trade ar other receivables are disclosed in note 24

**8 INVENTORIES**

| | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Precious metals | 3,069,560 | 2,699,127 | 3,047,102 | 2,671,677 |
| Inventories | | | | |
| Finished goods | 9,860 | 8,761 | 520 | 409 |
| Work in progress | 1,649 | 1,378 | - | - |
| Consumables | 1,553 | 1,769 | - | - |
| | 3,082,622 | 2,711,035 | 3,047,622 | 2,672,086 |

In 2011 inventory provisioning adjustments of $332,839 are written back to the inventory carrying value (2010: $1,070,000 written down against inventory carrying value).

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | |
|---|---|---|---|
| | | 2011 | 2010 |
| **9** | **INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD** | $000 | $000 |
| | Share of profit before tax from AGR Matthey | - | 944 |

| | | Consolidated | |
|---|---|---|---|
| **INVESTMENT IN AGR MATTHEY** | | | |
| Balance at 1 July | | - | 18,221 |
| Plus: Share of partnership profit before tax | (i) | - | 944 |
| Less: Profit distributions received | | - | (12,400) |
| Add: Foreign Currency Translation Reserve | | - | 407 |
| Add: Purchase price | | - | 9,500 |
| Less: Assets taken over | | - | (16,597) |
| Less: Other expenses | | - | (75) |
| Balance at 30 June | | - | - |

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 held a 40%, 40%, 20% interest in the AGR Matthey partnership respectively. The partnership was dissolved on 29 March, 2010 pursuant to the partnership dissolution agreement between WAM, Australian Gold Alliance Pty Ltd, & Johnson Matthey (Aust) Ltd. Western Australian Mint acquired 100% of the refinery assets and business of AGR Matthey on the same date in exchange for its interest in the partnership and a cash payment of $9.5M. The investment in AGR Matthey partnership comprised the fair value of the Group's contributed assets and post formation profits. The balance date of the partnership was 30 June. The Group equity accounted for its interest in the AGR Matthey partnership.

(i)

| | Consolidated | | AGR Matthey 100% | |
|---|---|---|---|---|
| | 2011 | 1 July 2009 - 29 March 2010 | 2011 | 1 July 2009 - 29 March 2010 |
| | $000 | $000 | $000 | $000 |
| Results attributable to Partnership Up to date of dissolution | | | | |
| Revenue | - | 6,386 | - | 15,964 |
| Expenses | - | (5,442) | - | (13,605) |
| Operating profit before income tax | - | 944 | - | 2,359 |

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 10 OTHER FINANCIAL ASSETS

| **Corporation** | Place of Incorporation | Ownership Interest | Book value of investment | | Contribution to Company result | |
|---|---|---|---|---|---|---|
| | | | 2011 | 2010 | 2011 | 2010 |
| | | | $000 | $000 | $000 | $000 |
| Parent entity: | | | | | | |
| Gold Corporation | Western Australia | 100% | - | - | 2,649 | 5,682 |
| Subsidiaries of Gold Corporation: | | | | | | |
| GoldCorp Australia | Western Australia | 100% | 5,000 | 5,000 | 13,529 | 12,215 |
| Western Australian Mint | Western Australia | 100% | 16,603 | 16,603 | 3,397 | (4,868) |
| AGR Management Services Pty Ltd | Western Australia | 100% | 5 | - | - | - |
| | | | 21,608 | 21,603 | 19,575 | 13,029 |

All subsidiaries are wholly owned.

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Freehold land and buildings | | | | |
| at fair value | 47,104 | 48,723 | - | - |
| Plant and equipment | | | | |
| at cost | 41,439 | 38,554 | 5,405 | 5,420 |
| less : accumulated depreciation | (18,487) | (19,231) | (4,008) | (3,548) |
| | 22,952 | 19,323 | 1,397 | 1,872 |
| **Total Property, Plant and Equipment** | 70,056 | 68,046 | 1,397 | 1,872 |

The Board resolved to adopt Landgate's valuation of the Western Australian Mint's properties at 292,300 and 310 Hay Street, Perth and Horrie Miller Drive, Perth Airport. The land and buildings were revalued as at 1 July 2010 in accordance with the Landgate's valuation as at that date. The fair value of all land and buildings was determined by reference to current use value for the land and depreciated replacement value for the buildings. The total revaluation resulted in a decrease of $2,322,080 (land $147,124 and buildings $2,174,956 negative). The revaluation increment in 2010 was $879,313 (land $844,000 and building $35,313). Included in the total revaluation increment in 2011 were building revaluation decrements amounting to $1,641,747 (2010: $516,887) that were debited to the income statement to the extent that there were not amounts available in the corresponding revaluation reserve. The deferred tax of $144,130 (2010:$165,660) was recognised against the increment of $680,333 (2010:$1,396,200). Net transfer to revaluation reserve thus amounted to $536,203 (2010:$1,230,540).
For each revalued property at Hay Street, the carrying amount that would have been recognised had the assets been carried under the cost model is impracticable to determine, due to the fact that the original cost is not available.
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current and previous financial years:

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Investment Property $000 | Leasehold Buildings $000 | Freehold Land $000 | Freehold Buildings $000 | Plant & Equipment $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Group - 2011** | | | | | | |
| Opening balance | 1,532 | 4,850 | 15,044 | 27,298 | 19,322 | 68,046 |
| Additions | 146 | 300 | - | 1,071 | 7,038 | 8,555 |
| Disposals | - | - | - | - | (19) | (19) |
| Revaluation | 53 | (317) | (200) | (1,857) | - | (2,321) |
| Depreciation | (49) | (85) | - | (682) | (3,389) | (4,205) |
| | 1,682 | 4,748 | 14,844 | 25,830 | 22,952 | 70,056 |

| | Investment Property $000 | Leasehold Buildings $000 | Freehold Land $000 | Freehold Buildings $000 | Plant & Equipment $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Group - 2010** | | | | | | |
| Opening balance | - | - | 14,200 | 27,334 | 11,541 | 53,075 |
| Additions | 1,532 | 4,850 | - | 612 | 14,340 | 21,334 |
| Disposals | - | - | - | - | (4,093) | (4,093) |
| Revaluation | - | - | 844 | 35 | - | 879 |
| Depreciation | - | - | - | (683) | (2,466) | (3,149) |
| | 1,532 | 4,850 | 15,044 | 27,298 | 19,322 | 68,046 |

Investment property comprises vacant land at Thomastown, Victoria. The value is $4,205,000 (2009: $3,828,215). This property was formerly used by AGR Matthey Partnership. The former partners own the property as joint tenants in common, with WAM's share being 40%. It is intended that the property be sold at a future date.

| | Freehold Land $000 | Freehold Buildings $000 | Plant & Equipment $000 | Total $000 |
|---|---|---|---|---|
| **Gold Corporation - 2011** | | | | |
| Opening balance | - | - | 1,872 | 1,872 |
| Additions | - | - | 103 | 103 |
| Disposals | - | - | (42) | (42) |
| Depreciation | - | - | (536) | (536) |
| | - | - | 1,397 | 1,397 |
| **Gold Corporation - 2010** | | | | |
| Opening balance | - | - | 1,149 | 1,149 |
| Additions | - | - | 2,393 | 2,393 |
| Disposals | - | - | (1,301) | (1,301) |
| Depreciation | - | - | (369) | (369) |
| | - | - | 1,872 | 1,872 |

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | | Gold Corporation | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | | $000 | $000 | $000 | $000 |

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | | | | | |
|---|---|---|---|---|---|
| **Net profit/(loss) on sale of non-current assets** | | | | | |
| Plant and equipment | | | | | |
| Gross proceeds on sale/disposal of assets | | 18 | 20 | - | - |
| Carrying value of assets sold/disposed | | 19 | 11 | - | - |
| Net profit/(loss) on sale/disposal | | (1) | 9 | - | - |

## 12 INTANGIBLE ASSETS

| | | | | | |
|---|---|---|---|---|---|
| Computer software, at cost | | 3,405 | 2,974 | 3,405 | 2,974 |
| Less: accumulated amortisation | | (2,758) | (2,579) | (2,758) | (2,579) |
| | | 647 | 395 | 647 | 395 |
| Movement in the carrying amount for computer software between the beginning and end of the financial year | | | | | |
| Opening balance | | 395 | 775 | 395 | 775 |
| Additions | | 646 | 216 | 646 | 216 |
| Disposal | | (215) | (171) | (215) | (171) |
| Amortisation expense | | (179) | (425) | (179) | (425) |
| Closing balance | | 647 | 395 | 647 | 395 |

There were no indications of impairment to property, plant and equipment, and intangible assets at 30 June 2011. The Corporation held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

## 13 PAYABLES

| | | | | | |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Trade payables | | 83,812 | 89,361 | 56,254 | 58,154 |
| Other payables and accrued expenses | | 1,040 | 9,952 | 1,035 | 2,349 |
| Deferred payment pursuant to AGRM dissolution | | - | 2,048 | - | - |
| | | 84,852 | 101,361 | 57,289 | 60,503 |
| **Non Current** | | | | | |
| Amounts owed to subsidiaries | | - | - | 184,579 | 241,454 |
| Deferred payment | | - | 1,500 | - | - |
| | | - | 1,500 | 184,579 | 241,454 |

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

## 14 INTEREST-BEARING BORROWINGS

| | | | | | |
|---|---|---|---|---|---|
| **Current - secured** | | | | | |
| Borrowings - cash | (a) | 3,500 | 3,500 | - | - |
| Precious metal borrowings | (b) | 45,588 | 213,501 | 45,588 | 213,501 |
| | | 49,088 | 217,001 | 45,588 | 213,501 |

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 14 INTEREST-BEARING BORROWINGS (Continued)

**Security for Borrowings**

| | Consolidated 2011 $000 | Consolidated 2010 $000 | Gold Corporation 2011 $000 | Gold Corporation 2010 $000 |
|---|---|---|---|---|
| (a) Borrowings from Western Australian Treasury Corporation at commercial rates, repayable on 12 December 2011 | | | | |
| Finance facility - utilised at reporting date | 3,500 | 3,500 | - | - |
| Finance facility - not utilised at reporting date | - | 8,000 | - | - |
| Total finance facility available | 3,500 | 11,500 | - | - |

(b) Precious metal borrowings and customer owned precious metal are guaranteed by the Government of Western Australia under Section 22 (1) of the Gold Corporation Act 1987, with annual limits for gold, silver, platinum and palladium approved by the Treasurer.

## 15 EMPLOYEE BENEFITS

| | Consolidated 2011 $000 | Consolidated 2010 $000 | Gold Corporation 2011 $000 | Gold Corporation 2010 $000 |
|---|---|---|---|---|
| **Current** | | | | |
| Employee benefits - annual leave | 1,582 | 1,584 | 927 | 747 |
| Employee benefits - long service leave | 1,769 | 1,791 | 1,113 | 1,015 |
| | 3,351 | 3,375 | 2,040 | 1,762 |
| **Non-current** | | | | |
| Employee benefits - long service leave | 232 | 121 | 144 | 93 |
| Employee superannuation benefits | 76 | 72 | - | - |
| | 308 | 193 | 144 | 93 |
| **Other Provisions** | | | | |
| **Current** | | | | |
| Employment on-costs | 331 | 229 | 164 | 143 |
| **Non-current** | | | | |
| Employment on-costs | 20 | 10 | 12 | 8 |
| **Employment on-cost provision movements** | | | | |
| Carrying amount at start of year | 239 | 195 | 151 | 136 |
| Additional provisions recognised | 156 | 69 | 355 | (21) |
| Payments/other sacrifices of economic benefits | (44) | (25) | (329) | 36 |
| Carrying amount at end of year | 351 | 239 | 177 | 151 |

## 16 PROVISIONS

| | Refinery $000 | Incentive $000 | Total $000 |
|---|---|---|---|
| **Consolidated - 2011** | | | |
| Balance at 1 July 2010 | 87 | - | 87 |
| Provisions made during the period | - | 2,024 | 2,024 |
| Provisions used during the period | - | - | - |
| Provisions reversed during the period | (87) | - | (87) |
| Balance at 30 June 2011 | - | 2,024 | 2,024 |

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
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## 16 PROVISIONS (Continued)

| | Refinery $000 | Westmill $000 | Incentive $000 | Total $000 |
|---|---|---|---|---|
| **Company - 2011** | | | | |
| Balance at 1 July 2010 | - | - | - | - |
| Provisions made during the period | - | - | 2,024 | 2,024 |
| Provisions used during the period | - | - | - | - |
| Provisions reversed during the period | - | - | - | - |
| Balance at 30 June 2011 | - | - | 2,024 | 2,024 |
| **Consolidated - 2010** | | | | |
| Balance at 1 July 2009 | 50 | 4 | 150 | 204 |
| Provisions made during the period | 87 | - | - | 87 |
| Provisions reversed during the period | (50) | (4) | (150) | (204) |
| Balance at 30 June 2010 | 87 | - | - | 87 |
| **Company - 2010** | | | | |
| Balance at 1 July 2009 | - | - | - | - |
| Provisions made during the period | - | - | - | - |
| Provisions used during the period | - | - | - | - |
| Provisions reversed during the period | - | - | - | - |
| Balance at 30 June 2010 | - | - | - | - |

(i) $2,024,000 for employee incentive plan, note 27.
(ii) $87,000 for environmental remediation work at the Refinery.

## 17 OTHER LIABILITIES

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 $000 | 2010 $000 | 2011 $000 | 2010 $000 |
| **Current - secured** | | | | |
| Precious metal borrowings | 3,002,353 | 2,458,619 | 3,002,353 | 2,458,619 |

**Security for Borrowings**

Precious metal borrowings are guaranteed by the Government of Western Australia under Section 22 (1) of the Gold Corporation Act 1987, with annual limits for gold, silver, platinum and palladium approved by the Treasurer. These do not attract interest and are utilised in the Corporation's operations.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 18 CAPITAL AND RESERVES

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Contributed Equity | | | | |
| Issued and fully paid : 31,602,852 shares | 31,603 | 31,603 | 31,603 | 31,603 |

**Asset Revaluation Reserve**

The revaluation reserve relates to property measured at fair value in accordance with applicable Australian Accounting Standards.

## 19 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Cash flows from operating activities | | | | |
| Profit for the year | 19,575 | 13,029 | 28,619 | 18,685 |
| Non-cash items: | | | | |
| Depreciation and amortisation | 4,384 | 3,574 | 715 | 794 |
| Share of loss/(profit) of joint venture partnerships | | 944 | - | - |
| Revaluation of buildings | 1,642 | (517) | - | - |
| Amounts credited to: | | | | |
| employee benefits | 203 | 1,306 | 355 | 177 |
| income tax | 8,502 | 5,671 | 8,502 | 5,671 |
| (Profit)/loss on sales of plant and equipment | 1 | 9 | - | - |
| Changes in assets and liabilities | | | | |
| Decrease/(increase) in receivables | (2,784) | 280 | (34,522) | (187,800) |
| Decrease/(Increase) in precious metal leases | 543,734 | 634,772 | 543,734 | 634,772 |
| Decrease/(Increase) in inventories | (371,587) | (1,311,298) | (375,536) | (1,284,537) |
| Decrease/(increase) in prepayments | (237) | (957) | (206) | 860 |
| Increase/(Decrease) in payables | (12,357) | 606,792 | 23,450 | 753,512 |
| Increase/(Decrease) in borrowings | (167,913) | 75,484 | (167,913) | (167,913) |
| Net cash provided by operating activities | 23,163 | 29,089 | 27,198 | 17,617 |

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

## 20 LEASE COMMITMENTS

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | **$000** | **$000** | **$000** | **$000** |
| Aggregate non-cancellable operating lease expenditure contracted for at balance date but not provided for in the accounts : | | | | |
| Payable no later than one year | 178 | 272 | 178 | 272 |
| Payable later than one, but no later than five years | 170 | 308 | 170 | 308 |
| | 348 | 580 | 348 | 580 |

The operating lease commitments are for leases of computer equipment.
The terms of these are various, with the maximum term being until June 2016.
During the year ended 30 June 2011, $309,495 was recognised as an expense in the income statement in respect of operating leases (2010: $265,579)

## 21 CAPITAL COMMITMENTS

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Aggregate capital expenditure contracted for, but not provided for in the financial statements : | | | | |
| Payable no later than one year | 3,444 | 2,239 | 1,272 | 13 |

## 22 REMUNERATION OF AUDITORS

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Fees paid or due and payable to the Auditor General for the financial year: | | | | |
| Fees for external audit of financial statements and performance indicators | 279 | 279 | 279 | 279 |

## 23 BUSINESS COMBINATION

**(a) Business acquired**

The Group initially had a 40% interest in the AGRM partnership; on 29 March 2010 the partnership was dissolved and the Group acquired a 100% interest in the Refinery business (including all of the shares in AGR Management Services Pty Ltd). The acquisition was undertaken to facilitate the continued expansion of the Group's activities.

**(b) Re-measurement of pre-existing 40% interest in AGRM partnership**

| | 2011 | 2010 |
|---|---|---|
| | $000 | $000 |
| Carrying value of pre-existing assets | - | 21,380 |
| Acquisition-date fair value of pre-existing interest | - | 21,380 |
| Gain on remeasurement | - | - |

**(c) Acquisition of refinery**

| | 2011 | 2010 |
|---|---|---|
| Fair value at dissolution | - | 21,380 |
| Consideration paid | - | 6,000 |
| Deferred consideration payable | - | 3,500 |
| less completion adjustments received from AGRM | - | (2,917) |
| Fair value of refinery | - | 27,963 |

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
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**23 BUSINESS COMBINATION (continued)**

| | | 2011 | 2010 |
|---|---|---|---|
| **(d)** | **Assets acquired** | $000 | $000 |
| | **Current assets** | | |
| | Cash and cash equivalents | - | 1 |
| | Trade and other receivables | - | 12,267 |
| | Inventories | - | 210 |
| | **Non-current assets** | | |
| | Plant & Equipment | - | 11,042 |
| | Leasehold improvements | - | 4,928 |
| | **Current liabilities** | - | |
| | Trade and other payables | - | (1,291) |
| | Employees Benefits | - | (2,225) |
| | | - | 24,932 |
| | Surplus paid over fair value of net assets acquired | - | 3,031 |

**24 FINANCIAL INSTRUMENTS**

**(a)** *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Held-to-maturity investments and bills | 20,000 | 42,966 | 20,000 | 19,956 |
| Loans and receivables | 8,934 | 6,150 | 145 | 623 |
| Cash and cash equivalents | 60,207 | 51,303 | 25,050 | 23,188 |
| Forward exchange contracts used for hedging Liabilities | (839) | - | (839) | - |
| | 88,302 | 100,419 | 44,356 | 43,767 |

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Australia | 7,251 | 2,995 | 145 | 623 |
| Europe | 290 | 1,752 | - | - |
| Asia | 81 | 672 | - | - |
| Other countries | 976 | 53 | - | - |
| United States | 336 | 678 | - | - |
| | **8,934** | **6,150** | **145** | **623** |

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Retail customers | - | 392 | - | - |
| Wholesale customers | 8,934 | 5,758 | 145 | 623 |
| | 8,934 | 6,150 | 145 | 623 |

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
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**24 FINANCIAL INSTRUMENTS (continued)**

The Corporation trades only with recognised, creditworthy counterparties. The Corporation has policies in place to ensure that credit sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to bad debts is minimal. There are no significant concentrations of credit risk. The Group does not have any significant exposure to any individual customer or counterparty.

*Impaired losses*

| | Gross 2011 $000 | Impairment 2011 $000 | Gross 2010 $000 | Impairment 2010 $000 |
|---|---|---|---|---|
| The ageing of trade receivables was: | | | | |
| Not past due | 8,934 | - | 5,181 | - |
| Past due 0-30 days | - | - | 969 | - |
| Past due 31-120 days | - | - | - | - |
| Past due 121 days to one year | - | - | - | - |
| More than one year | - | (1) | 14 | (14) |
| Total | 8,934 | (1) | 6,164 | (14) |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | 2011 $000 | 2010 $000 |
|---|---|---|
| Balance at 1 July | - | 14 |
| Impairment loss recognised | (1) | (14) |
| Balance at 30 June | (1) | - |

Based on historical default rates, the Corporation believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

No allowance for impairment in respect of held-to-maturity investments was made during the year (2010 Nil)

The allowance in respect of trade receivables and held-to-maturity investments is used to record impairment losses unless the Corporation is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

**Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Carrying amount $000 | Contractual cash flow $000 | 6 mths or less $000 | 6-12 mths $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Consolidated - 2011** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | 3,500 | (3,593) | (3,593) | - | - | - | - |
| Trade and other payables | 83,812 | (83,812) | 83,812 | - | - | - | - |
| **Derivative financial liabilities** | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| Outflow | 839 | (839) | (839) | - | - | - | - |
| Total | 88,151 | (88,244) | 79,380 | - | - | - | - |

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2011**

**24 FINANCIAL INSTRUMENTS (continued)**

| | Carrying amount $000 | Contractual cash flow $000 | 6 mths or less $000 | 6-12 mths $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Consolidated - 2010** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | 3,500 | (3,580) | (3,580) | - | - | - | - |
| Unsecured loan | 3,548 | (3,548) | - | (2,048) | (1,500) | | |
| Trade and other payables | 89,361 | (89,361) | (89,361) | - | - | - | - |
| **Derivative financial liabilities** | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| Outflow | - | - | - | - | - | - | - |
| Total | 96,409 | (96,489) | (92,941) | (2,048) | (1,500) | - | - |

| | Carrying amount $000 | Contractual cash flows $000 | 6 mths or less $000 | 6-12 mths $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Company - 2011** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | 56,254 | (56,254) | (56,254) | - | - | - | - |
| **Derivative financial liabilities** | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| Outflow | 839 | (839) | (839) | - | - | - | - |
| Total | 57,093 | (57,093) | (57,093) | - | - | - | - |

| | Carrying amount $000 | Contractual cash flows $000 | 6 mths or less $000 | 6-12 mths $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Company - 2010** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | 58,154 | (58,154) | (58,154) | - | - | - | - |
| **Derivative financial liabilities** | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| Outflow | - | - | - | - | - | - | - |
| Total | 58,154 | (58,154) | (58,154) | - | - | - | - |

**GOLD CORPORATION AND SUBSIDIARIES**
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## 24 FINANCIAL INSTRUMENTS (continued)

### Currency risk

*Exposure to currency risk*

The Group's exposure to foreign currency risk was as follows based on notional amounts:

**Consolidated**

| | | | **2011** | | | |
|---|---|---|---|---|---|---|
| *In AUD '000* | AUD | USD | EURO | HKD | GPD | NZD |
| Trade receivables | 7,186 | 1,311 | 344 | - | - | 84 |
| Trade payables | (39,847) | (43,942) | (11) | (8) | (3) | (0) |
| **Gross balance sheet exposure** | (32,661) | (42,631) | 333 | (8) | (3) | 84 |
| Forward exchange contracts | - | - | 839 | - | - | - |
| Net exposure | (32,661) | (42,631) | 1,172 | (8) | (3) | 84 |

| | | | **2010** | | |
|---|---|---|---|---|---|
| *In AUD '000* | AUD | USD | HKD | GBP | CAD |
| Trade receivables | 3,803 | 1,593 | 647 | - | - |
| Trade payables | (47,093) | (42,219) | (17) | (19) | (13) |
| **Net balance sheet exposure** | (43,290) | (40,626) | 630 | (19) | (13) |

| **Company** | **2011** | | **2010** | |
|---|---|---|---|---|
| *In AUD '000* | AUD | USD | AUD | USD |
| Trade receivables | 145 | - | 472 | 28 |
| Trade payables | (21,586) | (34,668) | (17,298) | (40,856) |
| **Net balance sheet exposure** | (21,441) | (34,668) | (16,826) | (40,828) |

The group is exposed to foreign currency risk on sales and purchases in currencies other than Australian dollars. The currencies giving rise to this risk are primarily US dollars. Foreign currency risk on sales and purchases are generally not hedged, except for purchases of certain capital items. The group uses forward exchange contracts to hedge such purchases, and contracts have maturity of less than one year after reporting date.

**GOLD CORPORATION AND SUBSIDIARIES**
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**24 FINANCIAL INSTRUMENTS (continued)**

The following significant exchange rates applied during the year

| Aus dollar | **Average rate** | | **Reporting date spot rate** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| USD 1 | 1.0721 | 0.8548 | 1.0600 | 0.8503 |
| EURO 1 | 0.7392 | 0.6981 | 0.7371 | 0.6978 |
| HKD | 8.3223 | 6.6427 | 8.2623 | 6.6204 |
| CAD 1 | 1.0354 | 0.8964 | - | 0.8958 |
| GBP 1 | 0.6656 | - | 0.6545 | - |
| NZD 1 | 1.3661 | - | 1.3646 | - |

Hedging Sensitivity Analysis

A 10 percent strengthening of the Australian dollar against the US dollar at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2010.

| | Consolidated | | | | Gold Corporation | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | | **2010** | | **2011** | | **2010** | |
| | **\$000** | | **\$000** | | **\$000** | | **\$000** | |
| | Equity | Profit or (Loss) | Equity | Profit or (Loss) | Equity | Profit or (Loss) | Equity | Profit or (Loss) |
| USD | - | (4,263) | - | (4,062) | - | (3,467) | - | (4,082) |
| EURO | - | (51) | - | 63 | - | - | - | - |
| HKD | - | - | - | (2) | - | - | - | - |
| NZD | - | (8) | - | - | - | - | - | - |

A 10 percent weakening of the of the Australian dollar against the above currencies at 30 June would have had a similar but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

| | **Consolidated** | | | | **Gold Corporation** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | | **2010** | | **2011** | | **2010** | |
| | **\$000** | | **\$000** | | **\$000** | | **\$000** | |
| | Equity | Profit or (Loss) | Equity | Profit or (Loss) | Equity | Profit or (Loss) | Equity | Profit or (Loss) |
| USD | - | 4,263 | - | 4,062 | - | 3,467 | - | 4,082 |
| EURO | - | 51 | - | (63) | - | - | - | - |
| HKD | - | - | - | 2 | - | - | - | - |
| NZD | - | 8 | - | - | - | - | - | - |

**GOLD CORPORATION AND SUBSIDIARIES**
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## 24 FINANCIAL INSTRUMENTS (continued)

### Interest rate risk

*Profile*

At the reporting date the interest rate profile of the Corporation's interest-bearing financial instruments was:

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | Carrying amount | | Carrying amount | |
| | 2011 $000 | 2010 $000 | 2011 $000 | 2010 $000 |
| **Fixed rate instruments** | | | | |
| Financial liabilities | (195) | (2,304) | (14) | (1,865) |
| | (195) | (2,304) | (14) | (1,865) |
| **Variable rate instruments** | | | | |
| Financial assets | 2,499 | 2,335 | 2,223 | 1,892 |
| | 2,499 | 2,335 | 2,223 | 1,892 |

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out on the following pages. No interest rate hedging has been entered into during the period.

*Fair value sensitivity analysis for fixed rate instruments*

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points in interest rates and 10 basis points for precious metal lease rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.  The analysis is performed on the same basis for 2010.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | Basis points increase $000 | Basis points decrease $000 | Basis points increase $000 | Basis points decrease $000 |
| **Consolidated -2011** | | | | |
| Variable rate instruments | 401 | (401) | - | - |
| Fixed rate instruments | 22 | (22) | - | - |
| Cash flow sensitivity (net) | 423 | (423) | - | - |
| **Consolidated -2010** | | | | |
| Variable rate instruments | 299 | (128) | - | - |
| Fixed rate instruments | 56 | (56) | - | - |
| Cash flow sensitivity (net) | 355 | (184) | - | - |
| **Company -2011** | | | | |
| Variable rate instruments | 225 | (225) | - | - |
| Fixed rate instruments | 5 | (5) | - | - |
| Cash flow sensitivity (net) | 230 | (230) | - | - |
| **Company -2010** | | | | |
| Variable rate instruments | 20 | (20) | - | - |
| Fixed rate instruments | 21 | (21) | - | - |
| Cash flow sensitivity (net) | 41 | (41) | - | - |

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 24 FINANCIAL INSTRUMENTS (continued)

### Fair Values

| | Notes | Floating interest rate | Fixed interest maturing in 1 year or less | Non- interest bearing | Total |
|---|---|---|---|---|---|
| **2011** | | $000 | $000 | $000 | $000 |
| **Financial and Precious Metal Assets** | | | | | |
| Cash and cash equivalents | 6 | 80,207 | - | - | 80,207 |
| Receivables | 7 | - | - | 8,934 | 8,934 |
| Precious metal inventories | 8 | - | - | 3,069,560 | 3,069,560 |
| | | 80,207 | - | 3,078,494 | 3,158,701 |
| *Weighted average interest rate* | | | | | |
| *- cash* | | *3.12%* | | | |
| **Financial and Precious Metal Liabilities** | | | | | |
| Payables | 13 | - | - | (84,852) | (84,852) |
| Borrowings | 14 | - | (3,500) | - | (3,500) |
| Precious metal borrowings | 14,17 | - | (45,588) | (3,002,353) | (3,047,941) |
| | | - | (49,088) | (3,087,205) | (3,136,293) |
| *Weighted average interest rate* | | | | | |
| *- precious metal borrowings* | | | *0.03%* | | |
| **Net financial and precious metal assets/(liabilities)** | | **80,207** | **(49,088)** | **(8,711)** | **22,408** |
| **2010** | | | | | |
| **Financial and Precious Metal Assets** | | | | | |
| Cash and cash equivalents | 6 | 94,269 | - | - | 94,269 |
| Receivables | 7 | - | - | 6,150 | 6,150 |
| Precious metal inventories | 8 | - | - | 2,699,127 | 2,699,127 |
| | | 94,269 | - | 2,705,277 | 2,799,546 |
| *Weighted average interest rate* | | | | | |
| *- cash* | | *2.48%* | | | |
| **Financial and Precious Metal Liabilities** | | | | | |
| Payables | 13 | - | - | (102,861) | (102,861) |
| Borrowings | 14 | - | (3,500) | - | (3,500) |
| Precious metal borrowings | 14,17 | - | (213,501) | (2,458,619) | (2,672,120) |
| | | - | (217,001) | (2,561,480) | (2,778,481) |
| *Weighted average interest rate* | | | | | |
| *- precious metal borrowings* | | | *0.87%* | | |
| **Net financial and precious metal assets/(liabilities)** | | **94,269** | **(217,001)** | **143,797** | **21,065** |

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 24 FINANCIAL INSTRUMENTS (continued)

**Reconciliation of Net Financial and Precious Metal Assets & Holdings to Net Assets as disclosed in the Statement of Financial Position**

| | | Consolidated | |
|---|---|---|---|
| | | 2011 | 2010 |
| | Notes | $000 | $000 |
| Net financial and precious metal assets/(liabilities) as above | | 22,408 | 21,065 |
| Non-financial assets and liabilities: | | | |
| Inventories | 8 | 13,062 | 11,908 |
| Prepayments | | 2,278 | 2,040 |
| Provisions | 16 | (2,024) | (87) |
| Deferred tax assets/(liability) | 5(c ) | 922 | (130) |
| Property, plant & equipment | 11 | 70,056 | 68,046 |
| Intangible assets - computer software | 12 | 647 | 395 |
| Current tax asset (liabilities) | 5(e) | 2,106 | (3,253) |
| Employee benefits | 15 | (4,010) | (3,807) |
| Net assets per Statement of Financial Position | | 105,445 | 96,177 |

### (a) 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 consolidated and company approximates their carrying value.

| | | Consolidated | | Gold Corporation | |
|---|---|---|---|---|---|
| **(b) Precious Metal Assets and Liabilities** | | 2011 | 2010 | 2011 | 2010 |
| **Assets** | | $000 | $000 | $000 | $000 |
| Inventories | 8 | 3,069,560 | 2,699,127 | 3,047,102 | 2,671,677 |
| Total precious metal assets | | 3,069,560 | 2,699,127 | 3,047,102 | 2,671,677 |
| **Liabilities** | | | | | |
| Precious metal borrowings (secured, interest bearing) | 14 | 45,588 | 213,501 | 45,588 | 213,501 |
| Precious metal borrowings (secured) | 17 | 3,002,353 | 2,458,619 | 3,002,353 | 2,458,619 |
| Total precious metal liabilities | | 3,047,941 | 2,672,120 | 3,047,941 | 2,672,120 |
| Net Precious Metal Position | | 21,619 | 27,007 | (839) | (443) |

The $3,002,353 (2010: $2,458,619) of precious metals deposited by Perth Mint Depository clients (note 17) was used in operations by Gold Corporation as working inventory.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 25 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

**Key management personnel**

In addition to their salaries, the Group provides non-cash benefits to key management personnel ar contributes to superannuation funds on their behalf

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | | Restated | | Restated |
| | 2011 | 2010 | 2011 | 2010 |
| | $000 | $000 | $000 | $000 |
| Salaries, fees and non-cash benefits | 2,667 | 1,573 | 1,890 | 1,268 |
| Superannuation | 261 | 291 | 186 | 222 |
| | 2,928 | 1,864 | 2,076 | 1,490 |

The salaries, fees and non-cash benefits for 2009 have been restated to include bonus paymen made in relation to 2009 which where paid on 20 September 2009

Total fees received by non-executive directors was $277,950 (2010: $284,360).

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

| | Consolidated | | Gold Corporation | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| $0 - $10,000 | 1 | 2 | 1 | 2 |
| $40,001 - $50,000 | 4 | 4 | 4 | 4 |
| $90,001 - $100,000 | 1 | 1 | 1 | 1 |
| $360,001 - $370,000 | 1 | 1 | 1 | 1 |
| $430,001 - $440,000 | - | 1 | - | 1 |
| $460,001 - $470,000 | 1 | - | 1 | - |

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 banc

| | | | | |
|---|---|---|---|---|
| $80,001 - $90,000 | 1 | 1 | 1 | 1 |
| $110,001 - $120,000 | 1 | 1 | - | 1 |
| $140,001 - $150,000 | 1 | 1 | 1 | 1 |
| $150,001 - $160,000 | - | 1 | - | 1 |
| $160,001 - $170,000 | 2 | 1 | 2 | 1 |
| $190,001 - $200,000 | 2 | 2 | 2 | 2 |
| $210,001 - $220,000 | - | 1 | - | - |
| $220,001 - $230,000 | - | 1 | - | - |
| $230,000 - $240,000 | 3 | - | - | - |

The superannuation included here represents the superannuation expense incurred by Gold Corporation in respect of senior officers other than senior officers reported as members of the accountable authority.

**GOLD CORPORATION AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

## 26 SUPERANNUATION COMMITMENTS

Gold Corporation contributes to a superannuation fund, the Spectrum Superannuation Fund, which is operated and administrated by Spectrum Super.

All permanent employees of Gold Corporation are entitled to join the fund. Trustee, funds management and administration services are provided by IOOF Investment Management Ltd. The Spectrum 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 Spectrum Superannuation Fund are members of the OnePath Master Fund, to which the Corporation contributes at the current rate required by superannuation guarantee legislation.

All Gold Corporation employees can request that contributions be made to a fund of their own choice, rather than the Spectrum Superannuation Fund or the OnePath Master Fund, in accordance with 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 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 of choice of fund and to make personal contributions.

## 27 INCENTIVE PLAN

Gold Corporation's incentive plan was originally approved by the Board in 2003 and is designed to motivate all staff to strive towards the Corporation achieving an acceptable return on assets. A plan was put into place whereby an ever increasing profit target was over a number of years. If the target for any year is exceeded then a certain proportion of the amount by which the profit exceeds target is available for distribution to employees. All employees are eligible for payments in terms of the scheme.

There are upper limits on payments to employees and an upper limit to the total amount which can be paid out. The total amount to be paid out in any year must be approved by the Board at its discretion and then all individual payments must be approved by the Remuneration and Allowances Committee.

In the 2010/11 financial year Gold Corporation did exceed its profit target, so employees will be eligible for incentive payments of $ 2,024,000 (2010: Nil)

**GOLD CORPORATION AND SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
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## 28 CONTINGENT LIABILITIES

In addition to the liabilities included in the financial statements, there is the following contingent liability. In prior years, ground water contamination occurred at the Newburn site of the AGR Matthey refinery. The AGR Joint Venture partners (Western Australian Mint and Australian Gold Alliance Pty Ltd) were responsible for any remediation and restoration of the site. Persuant to the dissolution of the AGR Matthey Partnership on 29 March 2010, Western Australian Mint has assumed full responsibility for any future liabilities. Expenses incurred to date have been expensed in the financial statements. It is difficult to estimate the future long-term costs, if any, of remediation. Hence it is not possible to quantify these as at 30 June 2011.

## 29 EXPLANATORY STATEMENT

Section 40 of the Financial Management 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 2010/11 projected an operating result before income tax of $20.02 million compared to the actual profit of $28.08 million before tax. The most significant variations were:

- The level of interest in precious metals was strong throughout the year as instability began returning to financial markets. This resulted in the sales of bullion and numismatic products as well as treasury and depository products being greater than originally anticipated.
- With the dissolution of the AGR Matthey partnership at the end of March 2010, 2010/11was the first full year of contribution from the refinery, which has performed better than originally anticipated.

## 30 VARIATIONS FROM PREVIOUS YEAR

Treasurer's Instruction 945 requires an explanatory statement providing reasons for and the detailing 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 were:

**Sales Revenue, Cost of Sales and Gross Profit**

- Sales revenue of $5.47 billion in 2010/11 was 4.7% lower than the $5.74 billion revenue in 2009/10 due the inclusion of trading income from the refinery in the final 3 months of 2009/10. The refinery business model was modified for the 2010/11 year resulting in slightly lower turnover.
- Cost of Sales of $5.40 billion in 2010/11 was 5.1% lower than the $5.69 billion cost of sales in 2009/10 due to changes in the refinery business model.
- Employee benefits increased by 40.3% in the 2010/11 year due to the inclusion of refinery employees for the full year, compared with 3 months in 2009/10, coupled with accruals for the employee incentive scheme of $2.024m (2009/10 Nil).
- Gross profit increased from $53.22m in 2009/10 to $70.69m in 2010/11 due to increased unit margins earned and increased fee income.