

**Gold Corporation —**

Ms M.M. Quirk, Chair.

Mr W.J. Johnston, Minister for Mines and Petroleum.

Mr J. Waters, Chief Executive Officer.

Mr J. Sawyer, Chief Financial Officer.

Mr R. Sao, Chief of Staff, Minister for Mines and Petroleum.

Mr J. Stephens, Senior Policy Adviser.

[Witnesses introduced.]

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If a minister suggests that a matter may be put on notice, members should use the online questions on notice system to submit their questions.

I give the first question to the Leader of the Opposition.

**Mr R.S. LOVE:** I note that Gold Corporation's depository program enables investors based in the United States to invest in precious metals —

**The CHAIR:** Do you have a page number?

**Mr R.S. LOVE:** Yes, but I did not know I actually needed to refer to one.

**The CHAIR:** All right, it is off budget. I apologise.

**Mr R.S. LOVE:** Gold Corporation enables investors based in the US to invest in precious metals that are stored at the Gold Corporation. How many accounts have been impacted in the sense of a potential breach of the US model state commodity code?

**Mr W.J. JOHNSTON:** I emphasise that the question of the model state commodity code and its compliance is a longstanding matter. We understand that this challenge existed every day that the former government was in office. We did not realise that the former government had not managed Gold Corp properly. When we came to government, we assumed that the former government had made sure that Gold Corp complied with all its obligations. We now understand that perhaps that was not true and we should not have —

**Mr R.S. LOVE:** In your seventh year of government—come on!

**Mr W.J. JOHNSTON:** — allowed our faith in the former government. Yes, it is true that this government has looked at every challenge that might exist at Gold Corp to make sure that we have a solution for all of them, including the model state commodity code. As I have reported previously, we have engaged a law firm in the US to assist us to work through the challenges that the model state commodity code may present for us in those states that apply that code.

In terms of the specific number, we do not have that information in the briefing pack. The member might want to ask it as a question on notice. I do not know that he has asked that question, but he has asked many questions and we have answered all of them.

**Mr R.S. LOVE:** I will ask that as a question on notice. The minister spoke about taking some advice on the situation. Has he employed internal staff to assist in the handling of potential breaches?

**Mr W.J. JOHNSTON:** I said that we had engaged legal counsel in the US to assist us, because obviously no Australian law firms are familiar with the challenges of the model state commodity code. We wanted to make sure that we had the best advice possible to unwind the challenges inherited by this government when we came to office because the former Liberal–National government had not done anything to protect the interests of Western Australians. Unlike that government, we are making all efforts to ensure that these historic problems are dealt with.

**Mr R.S. LOVE:** Can the minister tell me the cost of that engagement?

**Mr W.J. JOHNSTON:** Obviously, we keep paying them because they keep doing more work. It is not the most expensive thing that we are doing, but it will be a cost. Again, if the member wants to put the question on notice, I will happily provide the information as at the date that he asks the question.

**Mr R.S. LOVE:** Has the minister taken any advice on the potential cost to the state of the violations?

**Mr W.J. JOHNSTON:** The advice is that no-one has ever been prosecuted under the model state commodity code when there has been no fraud. Given that the gold exists and the customers who bought the gold, own the gold, it is not a question of fraud because the people who paid for gold own exactly what they paid for. We do not know the potential cost, but we know that there has never been a prosecution under the model state commodity code when there was no fraud. What the regulator decides is entirely up to it. At this stage, that is the information that we have available to us. Remember that we self-disclosed to the regulator; it was not the regulator who came to us saying that we had been doing this wrong. We went to the regulator through the counsel we engaged in the US. We have no idea about this; it is up to the regulator, but the comfort that we have is that there has never been a prosecution when there is no fraud, and in this case there is no fraud.

**Mr R.S. LOVE:** I refer to page 247 and the line item “Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF): Remediation Program” with an amount of a little over \$10 million for this year and next year. That program has received \$3 300 000 and it will receive \$3 700 000 in 2025–26. Can the minister explain exactly what that remediation program comprises?

**Mr W.J. JOHNSTON:** I am happy for the chief executive officer, Jason Waters, to outline what is being done under that activity.

**Mr J. Waters:** The project involves three fundamental areas of work. The costs budgeted are borne out of two key areas, one of which is staff and people, supported by consultants and specialist legal advice to assist us in the program. The other area would be the new information technology infrastructure side that will be built as part of it. We are essentially focusing on three areas. One is a corporate-wide process redesign to ensure that at a documented process level, the key elements of a viable AML/CTF ecosystem are built, the systems and processes are in place, and the training and support for staff around their obligations and what they need to do to remain compliant are embedded. Work has been done to enhance that and build some of that out from a capability viewpoint—that being people.

The second part of the work that is going along well but has another 18 months to go is the remediation side. That effectively involves a team undertaking outbound customer communications across the full depository and largely retail customer suite and contacting those customers to receive refreshed “know your customer” information. Whether we needed it or not, we made the decision to do a full remediation or “know your customer” refresh of our customer group. That is an element of the cost, and I do not have the specifics of each in front of me, but that is, effectively, the people employed. We have a remediation team of about 30 undertaking that work. As I touched on earlier, the third part of it is really the key for making the system sustainable and complete in the long term: we need to build some IT systems and processes around the maintenance of all this. We then will have moved to a process by which we have all that customer data securely captured and stored in a single customer relationship management system that will be built. To maintain the Anti-Money Laundering and Counter-Terrorism Financing Act requirements requires support for ongoing customer oversights. We have to maintain a customer refresh and undertake transaction monitoring, and depending on the activities and jurisdictional location of customers, we have to undertake periodic customer due diligence or enhanced due diligence, depending on the risk rating. That requires a customer life-cycle management tool to be built. Those are two IT infrastructure projects that add up to three areas; we get to the \$34 million that we envisage we will be spending on the project over its duration, from start to finish.

[3.40 pm]

**Mr R.S. LOVE:** Just to follow up on that, it is a refining of the existing IT system. Is it, in fact, a replacement or a further development of what was called One-Future in previous budgets?

**Mr W.J. JOHNSTON:** Mr Waters just explained that it is not just about IT; it is also about resourcing; increasing the number of people available; new processes and procedures; and training and workforce development. It is a comprehensive process to take account of all the challenges that we now understand. As the member said, this is an issue that was known to his government but was not dealt with. I also find it interesting that the member has accused the agency of criminal behaviour, but I have never actually heard him explain what he means when he says that. We are trying to take these issues seriously; it is the McGowan government that is taking these matters seriously for the first time. The member is saying that there is criminal behaviour; he has said that in the Parliament on a number of occasions, but I have never actually heard him tell us what the criminal behaviour is.

**Mr R.S. LOVE:** It is not me being interrogated here, minister. In fact, a breach of federal law is a criminal matter.

**The CHAIR:** Not necessarily, member, but I will not get technical.

**Mr W.J. JOHNSTON:** I will not get technical either, but the member has said that there is money laundering at the Mint, and —

**Mr R.S. LOVE:** I did not say that. I have not said that.

**Mr W.J. JOHNSTON:** You have.

**The CHAIR:** Minister, we only have a short amount of time. You have made your point. I think we can move on.

**Mr R.S. LOVE:** This is a different question, if we can we move on to the income statements for the organisation going forward. There is reference in the notes to a reduction of expected gold volumes for 2022–23. Can the minister confirm that and explain why that is the case?

**Mr W.J. JOHNSTON:** These are the expectations of the business. The lowest margin part of the business is the refinery, not just for us, but globally. The refinery margins are very, very narrow. We buy gold from mining companies because that provides them with the cashflow support they need to make it more profitable to mine gold in Western Australia than in any other part of the world. That supports the jobs of Western Australians. We buy more gold than we need; if we only bought the gold we needed, many mines in Western Australia would not get that advantage, but the refinery margins are very, very narrow. The business comes up with expectations of what the future might look like, and that is reflected in the business plan. That is a reflection of an expectation; expectations can be wrong or right, but there has to be a figure, so the agency has done its due diligence and worked out what it thinks will occur and it has put those expectations into the budget papers. If the member is asking whether they are wrong, I am happy to hear that, but I am not in a position to challenge the expectations presented to us.

**Mr R.S. LOVE:** Is there further advice from the minister? No?

**Mr W.J. JOHNSTON:** I am not sure what the question is. The budget papers reflect the expectations.

**Mr R.S. LOVE:** I was asking the minister about the gold volumes and the expectations are for less gold. Why?

**Mr W.J. JOHNSTON:** Because that is the expectation the agency has developed.

**Mr R.S. LOVE:** Further question: is the Mint expecting to lose market share to a competitor?

**Mr W.J. JOHNSTON:** No. It expects to continue to refine 80 per cent of the gold in Australia and the overwhelming majority of gold from Western Australian mines. That is the expectation. Indeed, the member and I were at the Gold Industry Group the other day and there was no commentary from any member of the Gold Industry Group or anything but praise for the Perth Mint. The member was in the room when that happened, so I am not quite sure what he is driving at. If he thinks that the Western Australian gold industry is abandoning the Gold Corporation, he should tell us, because I do not know where he would find that.

**Mr R.S. LOVE:** I have never said that, minister. I am not going to get into an argument with you.

**The CHAIR:** Members, are there any new or further questions?

**Mr R.S. LOVE:** I have a different question about the retained dividend that the Gold Corporation is keeping. What are the infrastructure investments that are referenced there? I think there is a total of \$50.5 million available.

**Mr G. BAKER:** Do we have a reference?

**The CHAIR:** Member, I will stand corrected but it is an off-budget item, so we do not need a reference.

**Mr W.J. JOHNSTON:** The retained dividends on page 247 are \$21 130 000. I do not know where the figure of \$54 million that the member just quoted came from, but the retained dividends are, as I understand it from the budget papers, \$21 million. Of that, \$17 million has been allocated to projects. As the member knows—because it has been announced by the Treasurer on a number of occasions—the retained dividends have to be used for capital projects that are approved by the Expenditure Review Committee. The Gold Corporation board cannot go off and do whatever it wants; it has to develop a business case and submit it to the ERC for approval because it is, effectively, the people's money that is being retained by the Mint.

**Mr R.S. LOVE:** I have a further question. With regard to the consultancy that has been taken on board to provide advice about the future ownership or otherwise of the Mint, can the minister give some indication of Gold Corporation's involvement in those considerations? Will all the information that Gold Corporation has about its activities be made available to the consultant? What is the minister's role in assisting in the process?

**The CHAIR:** Member, that question is a bit obscure because you are effectively asking about board deliberations, I would have thought. That is difficult for the minister to —

**Mr W.J. JOHNSTON:** It is an issue that the member raised with the Treasurer, because it is actually a Treasury issue.

**Mr R.S. LOVE:** It is Treasury, but the minister made the announcement.

**Mr W.J. JOHNSTON:** The member asked that question the other day and the Treasurer —

**Mr R.S. LOVE:** The minister made the announcement. I am asking what the cooperation will be from Gold Corporation to provide information, because information is not easy to get from Gold Corporation.

**Mr W.J. JOHNSTON:** No, every time the member asks a question, it is answered, so I do not understand why he is saying that it is difficult to get information out of Gold Corporation. We publish an annual report that is audited by the Auditor General and tabled in Parliament, and every question the member has ever asked has been answered. I am not quite sure what he means when he says that. It is like when the member said that the Perth Mint was enabling money laundering but now says that he is not aware of any money laundering. He said that in Parliament on 21 March.

**The CHAIR:** Okay. Let us move on.

**Mr W.J. JOHNSTON:** Of course the Mint will provide to Treasury absolutely all the information that it needs to, as it does on every other occasion—as it does for every question asked in Parliament and through its annual report, which is audited by the Auditor General.

**Mr R.S. LOVE:** The Perth Mint and its activities are currently guaranteed by Treasury. How important is that guarantee to the business model that the Perth Mint operates under and what would be the likely effect of its removal?

[3.50 pm]

**Mr W.J. JOHNSTON:** A lot of people do not understand what the Perth Mint guarantee means. I have talked about this in Parliament in answer to a question from the member and during debate on matter of public interest motions about the Perth Mint. What is guaranteed is the quality of the gold. It is 99.99 per cent, not 99.96 per cent. That means when we sell a bar we guarantee that is the quantity of gold. The other guarantee is that if a person buys gold and stores it with us, the gold exists. They are the two things that are guaranteed.

There is effectively no risk to the taxpayer for those two guarantees because they are so transparently obvious. As I said previously, the Auditor General has done a hard count of the gold held by the Mint to make sure that it exists, and it does. Therefore, people can be confident there will be no challenges on the storage of gold because it exists and there will be no challenges on the quality of the gold, which is guaranteed to be 99.99 per cent. We do not guarantee it is 99.96 per cent; we guarantee it is 99.99 per cent. They are the two guarantees that we provide and that is what taxpayers stand behind, and it does not cost us anything because it is 100 per cent transparent.

Many customers around the world get excited by those guarantees, and they preference the Mint over alternative providers because of that. It is not really possible to know what the effect would be of not having that guarantee because there is no counterfactual. We cannot say what the result would be. Yes, it is to the Perth Mint's advantage that it has that guarantee compared with its competitors that are not guaranteed by government. Let us understand: it is not some unlimited guarantee that something else will not happen. It is about two things: if you buy gold from the Mint and ask us to store it, the gold exists; and, if you buy gold from the Mint, it is the purity that we say it is. Of course, people also buy coins from us. The coins do not have the 99.99 per cent guarantee; they have other guarantees. That is what is guaranteed. It is not some magic that is being guaranteed; it is only the quality of the gold and that it is there if you store it with us.

**Mr R.S. LOVE:** I want to talk briefly about the situation with the Australian Transaction Reports and Analysis Centre external audit that was ordered in, I think, the end of August 2022. Is there an understanding of when, under the time lines announced or required, AUSTRAC will complete that inquiry?

**Mr W.J. JOHNSTON:** AUSTRAC is an agency of the commonwealth. I have no control over any of the issues that it deals with. It is not possible for me to answer that question because it is not in my ministerial responsibility.

**Mr R.S. LOVE:** Has there been any indication from AUSTRAC about its time line?

**Mr W.J. JOHNSTON:** I am not advised of anything about when AUSTRAC will complete its processes. It is not within my ministerial responsibility. It is not actually allowed under the standing orders for me to speculate.

**Mr R.S. LOVE:** Can the minister outline the cost to Gold Corporation of its participation in the audit?

**Mr W.J. JOHNSTON:** Again, I am happy to provide the information, but I do not have it in front of me at the moment. If the member puts it on notice, I am very happy to answer it.

**Mr R.S. LOVE:** Has the minister taken any advice on or had any discussions with Gold Corporation about the potential range of outcomes that the state could face?

**Mr W.J. JOHNSTON:** No. It is a matter completely beyond our control. Again, I emphasise that questions about AUSTRAC are not in accordance with the standing orders.

**Mr R.S. LOVE:** It is mentioned in the budget document as a significant issue for the corporation, so it is certainly there for discussion.

**Mr W.J. JOHNSTON:** Yes. The significant issue is making sure that we comply with the Anti-Money Laundering Counter-Terrorism Financing Act. Unlike the previous Liberal–National government, this government is determined

to comply with those rules. It is a challenge because it is currently being audited. I outlined at the estimates hearings last year my desire to make sure that these matters were properly dealt with. Back in 2021, September or October, or whenever it was, I again made it clear that these are important issues. The challenges with the AML/CTF was one of the first things that I spoke to the Auditor General about after I got the role. The member can look in *Hansard*. I tabled correspondence from AUSTRAC to my senior policy adviser Joseph Stephens in which I asked for a briefing. It would not give me one because it is a law enforcement agency and did not believe it was appropriate. Of course it is a big issue, but AUSTRAC is not in my ministerial responsibilities and I cannot answer anything about AUSTRAC's behaviour because it is not a state government agency, and even if it were a state government agency, it would not be one that I would have ministerial responsibility for.

**Mr R.S. LOVE:** Nonetheless, the minister is responsible for Gold Corporation and it is under external audit by a high-ranking independent authority of the commonwealth from which penalties in the billions have flown to other organisations. This is a very serious matter and the minister should be taking it very seriously.

**Mr W.J. JOHNSTON:** That is why I am taking it seriously.

**Mr R.S. LOVE:** Is the minister aware that in Senate estimates today AUSTRAC was quizzed about the situation and it has applied for an extension of the audit. Was the minister aware of that? Has he been told about that? No.

**Mr W.J. JOHNSTON:** I have not been briefed on any issues regarding AUSTRAC.

**Mr R.S. LOVE:** Has the minister been told that during the estimates committee hearing AUSTRAC said that it feels the extension is justified based on what it has seen so far?

**The CHAIR:** Member, the minister just said that he has not received any information on this. You have asked the question and he has answered it.

**Mr W.J. JOHNSTON:** Chair, if I could just also make the point that the member is asking me about the behaviour of AUSTRAC. I am not accountable for AUSTRAC. I am accountable for the Mint. I have made it clear that the member is right; the previous government left a very bad situation —

**Mr R.S. LOVE:** Your government made it worse.

**The CHAIR:** Member!

**Mr W.J. JOHNSTON:** You need to understand —

**Mr R.S. LOVE:** Who launched the e-platforms?

**The CHAIR:** Member!

**Mr W.J. JOHNSTON:** You do not seem to understand.

**Mr R.S. LOVE:** You do not.

**The CHAIR:** Member, are you slow?

**Mr W.J. JOHNSTON:** The AUSTRAC investigation is into the accounts held at the Mint. Whether they are electronic is not a question for AUSTRAC. The question is: are the accounts compliant with the AML/CTF? The idea that electronic accounts are more likely not to comply with the AML/CTF is a misunderstanding and it is probably one of the reasons you keep getting these things wrong.

**Mr R.S. LOVE:** Why did they —

**The CHAIR:** Member!

**Mr W.J. JOHNSTON:** The reason there is an investigation is that there have been historical failures by the Perth Mint. I apologise that we thought your government had complied with the law. We are complying with the law. If we had not taken action, this problem would have continued. It is because we confronted the problems that there is now a pathway to a solution. These problems existed when the member for Central Wheatbelt was a minister.

**Mr R.S. LOVE:** And you intensified it.

**Mr W.J. JOHNSTON:** That is just not true. It is just fiction. It is like the fiction you said about a raid on 24 January. These are the things that you have said. What evidence do you have for any of the allegations you have ever made? You sit there and say there is no criminal behaviour and then imply criminal behaviour! You have to pick a side. What is the criminal behaviour? Which person laundered money through the Mint? If you know those answers, give them to a competent authority and stop wasting your time in the Parliament with this silly constant failure to do your job.

**The CHAIR:** Minister! That concludes the examination of Gold Corp.

*Meeting suspended from 4.00 to 4.10 pm*

