

# Royal Canadian Mint

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## Summary of the 2012-2016 Corporate Plan & 2012 Capital Budget

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*This Corporate Plan Summary is being submitted in accordance with section 125 of the Financial Administration Act (FAA) and summarizes the 2012-2016 Corporate Plan and 2012 Capital Budget as approved by the Board of Directors of the Royal Canadian Mint on September 9, 2011. The 2012 Capital Budget received Treasury Board approval on November 24, 2011. The 2012-2016 Corporate Plan received Governor in council approval on November 24, 2011.*

*In accordance with section 153 of the Financial Administration Act, information that if published could be detrimental to the commercial interests of the Corporation has not been included.*

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## Executive Summary

The Royal Canadian Mint (RCM) is a commercial Crown corporation producing circulation, numismatic and bullion coins for the domestic and international markets in anticipation of profit. It also operates full-service gold and silver refineries.

As a business operating in the global metals markets, the impact of metal cost and exchange rate variation can have a dramatic impact on the RCM's results. Currency and metal hedging programs are initiated to protect short term results. The longer term impact of currency and metal variation can impact results. The RCM anticipates a recovering global economy, with some degree of uncertainty, and a strong Canadian dollar will continue to support its profitability objectives. The RCM continues to invest in capital equipment, optimizing production lines, ensuring health and safety and enhancing information technology infrastructure across the Corporation.

The RCM's core mandate is to produce and manage the distribution of Canada's circulation coinage and provide advice to the Government of Canada on matters related to coinage.

It also develops and produces special multi-year commemorative circulation coins which carry designs that celebrate Canada's history, culture and values. It is anticipated there will be no significant change to domestic coinage demand during the planning period. As announced in the 2010 federal budget, the RCM plans to convert the \$1 and \$2 coins from nickel to its patented multi-ply steel technology. Demand for both Canadian and foreign patented multi-ply plated steel coins will be met with additional and refurbished plating lines at its Winnipeg facility. The RCM's alloy recovery program (ARP) is, as expected, declining as the total source of nickel-based domestic coins decreases over the planning period.

The RCM develops and produces circulation and numismatic coins, medals, medallions and tokens for international markets. It also licenses its patented plating technology and opens new markets for the RCM's products and consulting services. A major emphasis is on highlighting the RCM's cost effective multi-ply plated coins to foreign governments with a view to converting their coins to this format.

The foreign coinage market is competitive. It is expected that the RCM's planned mix of coin management services and support, multi-ply coin technology, and the continued emergence from the recession in developing nations (where economic activity can increase coin demand) present the ideal conditions to achieve planned targets.

The RCM produces and markets a family of gold, silver, palladium and platinum bullion coins, wafers and bars for the investment market, as well as high purity precious metals products such as grains for industrial applications. It operates refineries that provide customers with a range of services from gold and silver refining to assaying and secure storage. The RCM expects a

continuation of perceived geopolitical and equity market instability which leads to high demand for precious metals products.

The RCM produces numismatic coins of extraordinary beauty and high craftsmanship. Made primarily of precious metals, several of the RCM's numismatic coins are also enhanced with special effects such as holograms, painting, and embedded crystals. Faced with the prospect of higher precious metal costs the RCM will take steps to minimize volume and profitability impacts where possible. This can include hedging, price increases as well as creating manufacturing cost efficiencies.

The RCM will continue to concentrate its efforts on its four business lines. The strategies that follow are the basis for the direction that management will pursue. These strategies are evaluated on a continuous basis, and in particular at the annual planning meeting between the Board of Directors and Senior Management which initiates the development of the Corporate Plan. The RCM has taken note of the Government's Deficit Reduction Action Plan and has conducted a self-review, that maximizes its contribution to the reduction of the deficit with a focus on increasing operating efficiency, affordability, effectiveness and reducing controllable costs in areas that enhance its ability to generate profitability for the shareholder as well as targeting specific initiatives to lower the cost of Canadian coinage.

The RCM is committed to ensuring the profitability, durability and continued relevance of its role as a dynamic, responsive and innovative Canadian Crown corporation.

## 1. Introduction

The 2012-2016 Corporate Plan of the Royal Canadian Mint has been developed to guide the Corporation in fulfilling its mandate over the next five-year planning period. This document reiterates the vision, mission and values of the RCM.

Through this plan, the RCM is committed to the key strategic objectives that are most crucial to achieving its vision and links these strategic objectives to operational objectives.

### *Significant Changes from the 2011-2015 Corporate Plan*

The fundamental business strategies of the RCM have not changed from the 2011-2015 Corporate Plan to the 2012-2016 Corporate Plan. There are, however notable external changes that the RCM acknowledges. These include a global economic environment marked by the uncertainty and the downside risk of the significant fiscal challenges faced by the United States, Europe and Japan. It also includes a higher priced metals market for both precious and base metals and a stronger Canadian dollar. The prospect of heightened risk in financial markets and the above noted factors can lead to fluctuation in the RCM's results.

An additional change includes higher profits from the alloy recovery program brought on by better yield rates and continued strong nickel prices.

In recent years the Mint has made it a priority to develop relationships, invest in capital and pursue its objectives vigorously. It is well positioned to continue to achieve its objectives in light of the economic and commodity environment anticipated in the 2012-2016 Corporate Plan.

## *Roles & Responsibilities*

The RCM produces circulation and non-circulation coins for Canada, manages the domestic coinage system, and provides advice to the Minister of Finance on all matters related to coinage. It also produces and markets bullion and related refinery products and services for profit and produces coinage for other countries. Legislation which establishes the RCM is clear, that the corporation is to 'mint coins in anticipation of profit and carry out other related activities'. This fundamental objective has shaped the history of the RCM and is reflected in the 2012-2016 Corporate Plan.

## *Vision*

To be the Best Mint in the World.

## *Mission*

The Royal Canadian Mint is a world-class provider of branded investment, collectible and circulation coin products and services that connect people and inspire celebration.

## *Values*

The Royal Canadian Mint is committed to and will attain its vision through the development of the following cultural values:

- Customer Focus, Excellence, Innovation, Being Canadian, Integrity, and People

## *Corporate Profile and Governance*

### Legislative Powers

The legislative framework governing the Royal Canadian Mint consists primarily of the *Royal Canadian Mint Act* and the *Financial Administration Act*. The *Royal Canadian Mint Act* prescribes the general objective for the RCM, which is to mint coins in anticipation of profit and to carry out other related activities.

To fulfill its mandate, the RCM possesses the rights, powers, privileges and capacity of a natural person and may, in particular:

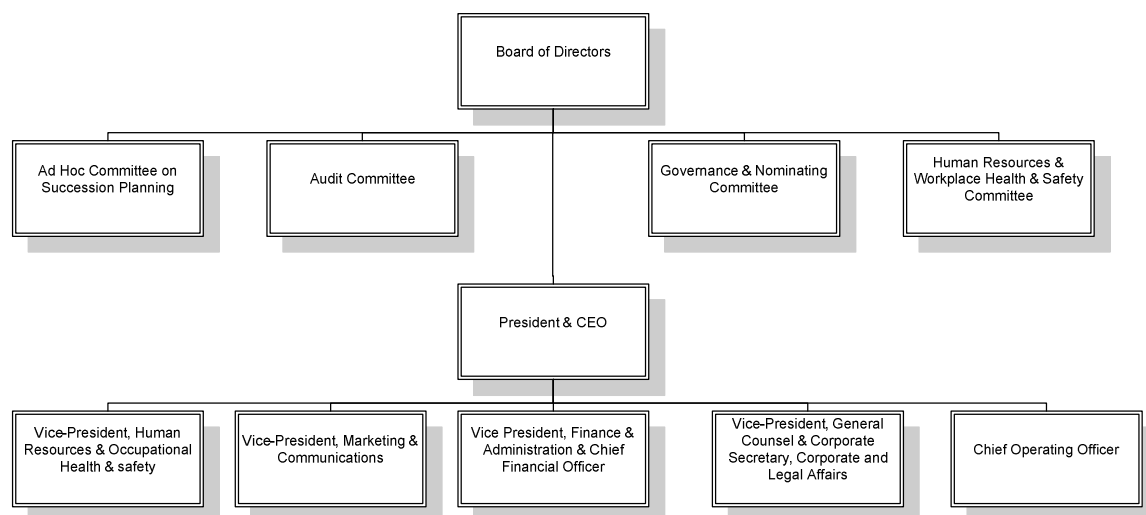
- procure the incorporation, dissolution or amalgamation of subsidiaries, and acquire and dispose of any shares in them;
- acquire and dispose of any interest in any entity by any means; and
- generally do all things that are incidental or conducive to the exercise of its powers with respect to:
  - coins of the currency of Canada;
  - coins of the currency of countries other than Canada;
  - gold, silver and other metals; and
  - medals, plaques, tokens and other objects made or partially made of metal.

In addition, the *Act* specifies the RCM's governance structure and the approval process for determining the characteristics (including designs) of circulation and non-circulation coins, and the issuance of these coins.

The RCM is designated a Schedule III – Part II Crown Corporation under the *Financial Administration Act*. The RCM operates under the general direction of its Board of Directors. The Governor in Council appoints the RCM's Chairperson and President and CEO. Other Board members are appointed by the Minister responsible for the RCM with the approval of the Governor in Council. The RCM reports to Parliament through the Minister of Finance.

## *Governance*

### Organizational Structure of the RCM – Board of Directors & Senior Executive Officers



### **The Board of Directors**

The Board of Directors is responsible for overseeing the management of the business, activities and other affairs of the RCM with a view to both the best interests of the RCM and the long-term interests of its sole Shareholder, the Government of Canada. The Board holds management accountable for the RCM's business performance and achievement of its objectives. It establishes the RCM's strategic direction through a five-year business plan, and also reviews and approves major strategies and initiatives. It exercises its due diligence duty by assessing risks and opportunities, monitoring financial management and corporate performance, ensuring the integrity of financial results and providing timely reports to the Shareholder.

The Board of Directors consists of the Chairman of the Board of Directors, the President and CEO and nine other Directors. Directors are appointed for terms of up to four years and may be reappointed. One vacancy remains currently on the Board.



## Board of Directors Meetings

The RCM's Vice-Presidents are invited to attend Board meetings which contributes to a more effective relationship between management and the Board as their participation fosters a shared understanding and enhanced decision making. The Executive Directors of the four business lines attend all strategic and corporate planning sessions, as do other managers on an as needed basis.

Board meetings are held following the committee meetings to reduce costs and travel time. In addition to its regular meetings, the Board holds a two-day annual planning meeting with senior management to delve more deeply into strategic issues and as part of the corporate planning exercise. Meetings are held in Ottawa and outside of the National Capital Region, occasionally associated with a coin launch or other event to provide an opportunity for the Board to meet with the local coin collectors, consumers and other stakeholders. Once a year, the Board meets in Winnipeg and events or meetings with employees are occasionally organized at both the Ottawa and Winnipeg facilities.

An *in camera session* is generally held at each regular Board meeting. The President and CEO, who is also a Director, participates in these sessions unless the matter concerns his performance, evaluation or compensation.

## Standing Board Committees

The Board currently has the following standing committees to assist it in fulfilling its oversight responsibilities more effectively and each committee makes recommendations to the Board with respect to matters under its purview:

The **Audit Committee** provides oversight of all material aspects of the RCM's financial affairs. Its role includes oversight of the RCM's financial affairs, including the annual Corporate Plan, an assessment of financial performance against the Corporate Plan and annual operational plan, and the monitoring and oversight of business risks in accordance with its risk management framework and the recommendations of specific courses of action to the Board as required. The Committee analyzes internal and external audit results and the periodic Special Examinations. The Committee manages the relationship with the external auditor of the RCM, the Auditor General of Canada, who is invited to attend all Committee meetings. The Director of Internal Audit reports directly to the Committee and carries out engagements in accordance with the priorities established in the Internal Auditor's risk-based audit plan.

The **Governance & Nominating Committee** provides guidance on matters of corporate governance, including the review of the profiles of desirable skills and experience required of

directors, the selection criteria for new appointments and re-appointments for directors, the Chair and the President and CEO, and consideration of Board candidates. The Committee reviews the orientation and education programs for directors, oversees the performance evaluation process of the Board and other Committees and reviews corporate policies and other policy documents.

The **Human Resources and Workplace Health and Safety Committee** advises the Board on human resources policies and practices, including recruitment, development and retention, compensation policies, labour relations issues and succession plans. It sets the President and CEO's annual performance objectives and goals and evaluates his performance against these. The committee monitors and reviews health and safety policies, objectives, performance, activities and other related matters as deemed necessary.

### **Ad Hoc Board Committees**

From time to time, the Board of Directors establishes special committees to examine particular issues of interest. These are dissolved once they have fulfilled their mandate.

The **Ad Hoc Committee on Succession Planning** is mandated to monitor and review the succession plan for officers, including the emergency succession plan, provide advice on potential successors to the Vice-Presidents' positions and review the developmental plans for suitable potential successors.

### **Board Education and Evaluations**

New directors are oriented to the RCM and its businesses through briefings by senior management, comprehensive briefing materials, and a tour of the Ottawa and Winnipeg facilities with in-depth presentations on their operations and regular updates on the business lines at Board meetings. As part of the orientation program, all new Directors attend one meeting of each committee before being appointed as a member of any committee. Given the RCM's unique business, it is important that its Directors understand the global environment in which it operates. To aid the Directors to deepen their understanding of the RCM's role, Directors attend select industry-related trade shows and conferences in Canada and abroad. The Board is committed to maintaining best governance practices through continuing education and encourages its directors and officers to identify training and educational opportunities.

The Chair provides feedback on the Board's evaluation to management and a brief summary of the discussions is shared with the Minister responsible for the RCM.

## **Communications with Stakeholders and Outreach Activities**

The RCM engages in a variety of methods to promote the values of transparency, accountability and accessibility, to communicate its mandate, vision and activities, to solicit feedback from citizens and stakeholders, and to engage stakeholders in decision-making.

Some of the ways it does this is by:

- Meeting annually with its numismatic and bullion dealers and distributors, and Foreign representatives, to inform them of the RCM's products and activities and gain their feedback and insights to help shape the RCM's marketing, selling and product strategies;
- Chairing quarterly meetings of the National Coin Committee, comprised of representatives from Canadian financial institutions, armoured car carriers, and the Canadian Bankers Association. The RCM works with these stakeholders to ensure that the economic demand for circulation coins is being met and that stakeholder concerns are taken into consideration when developing new technologies;
- Participating in the Royal Canadian and American Numismatic Association trade shows, the World Money Fair numismatic event, the Mint Directors Conference where many of the RCM's competitors, customers, dealers and distributors are also in attendance;
- Inviting the public to attend the RCM's circulation coin launches;
- Regularly seeking customer and public feedback through annual customer satisfaction surveys, focus group testing, and public opinion research, including evaluation of coin themes as part of the RCM's regular market research; and
- Offering feedback mechanisms through the RCM's website and 1-800 Call Centre for general inquiries from the public.

In addition, the RCM holds an Annual Public Meeting.

As part of the Board's outreach activities, Directors are encouraged to play an active role in their communities to raise awareness of the RCM and its products. To this end, the RCM maintains a collection of communications and promotional materials to support Board members during speaking engagements in their communities. Community event organizers may contact the President and CEO's Office at the RCM if they wish to invite a Board member as a speaker to their event.

**Corporate Committees**

Chaired by the President and CEO, the RCM's Executive Committee reviews corporate strategies, business cases, and corporate policies and assesses other operational matters. The Committee is composed of the Vice-Presidents, the four business line leaders and other directors of the Corporation. Other management personnel also attend the meetings which are held regularly to consider and approve proposals going forward to the Board or its Committees.

The President and CEO and the Vice-Presidents also meet regularly to discuss significant and sensitive operational matters.

## 2. Planning Environment

Over the planning period and particularly in the short term, the RCM anticipates the external environment will be characterized by a modest expansion in major advanced economies and ongoing strength in major emerging economies. Global growth is expected to average 4% in 2012. The fiscal challenges faced by Europe, the United States and Japan pose notable downside risks to the economic outlook. The RCM anticipates high precious and base metal prices and a continued strong Canadian dollar. The organization undertakes numerous initiatives. Those listed in the 2012-2016 Corporate Plan to support the strategic objectives are considered the most critical. Progress towards these initiatives is continually evaluated throughout the planning period. The RCM's resource requirements match the anticipated business levels identified in this plan and support the long term sustainability of the RCM. These include assets, personnel, materials, and support structure requirements.

### *External Business Environment <sup>1</sup>*

#### The Canadian Economy – 2011/2012 Forecast

It is anticipated that the Canadian economy will expand 2.8% in 2011, with 2012 economic growth expected at 2.6%. Inflation is expected to be 2.9% in 2011 decreasing to 2.0 % in 2012.

The Canadian dollar has been averaging \$0.97 to the US dollar in 2011. In 2012 the RCM is using a planning average of \$0.97 CAD to \$1.00 USD.

#### The US Economy – 2011/2012 Forecast

It is anticipated that the American economy will grow at 2.4% in 2011, with an increase to 3.2% in 2012. Inflation is expected to be 2.2% in 2011 and 1.6% in 2012.

#### The International Economic Outlook – 2011/2012 Forecast

The world's economy will expand by 3.9% in 2011 and 4.0% in 2012. Emerging markets and developing countries will enjoy positive growth with a projected growth rate of 6.6% in 2011 and 6.4% in 2012.

Once again, China is expected to lead growth in 2011 and 2012 at 9.3% and 8.6% respectively. India will achieve growth rates of 8.2% and 7.8% in 2011 and 2012.

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<sup>1</sup> The RCM references a variety of sources including the International Monetary Fund, the Bank of Canada and the large Canadian financial institutions.

Japan's economy is expected to contract in 2011 at -0.6%, and grow 2.9% in 2012 and Europe is forecast in 2011 to experience modest growth at 2.0% and 1.6% in 2012.

### Gold and Silver Trends

Forecasts for 2012 have gold and silver to be higher than 2011 planned levels in both US and Canadian funds.

	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>USD</i>	<i>CDN</i>	<i>USD</i>	<i>CDN</i>
Gold (per oz)	\$1,800.00	\$1,746.00	\$1,340.00	\$1,353.40
Silver (per oz)	\$40.00	\$38.80	\$22.00	\$22.22

### Base Metal Price Trends

In 2012 it is anticipated the prices of base metals will increase in both US and Canadian funds.

	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>USD</i>	<i>CDN</i>	<i>USD</i>	<i>CDN</i>
Nickel (per KG)	\$25.00	\$24.25	\$23.00	\$23.23
Copper (per KG)	\$10.00	\$9.70	8.20	\$8.28
Zinc (per KG)	\$2.50	\$2.43	\$2.30	\$2.32
Steel (per KG)	\$1.42	\$1.38	\$1.15	\$1.16

## *Planning factors for the RCM*

As a coin manufacturer and precious metals refiner, the RCM operates in the volatile commodity and currency markets and is aware that changes in external factors can affect the gross profit prospects for each business line. Consideration of these factors allows the RCM to assess their impact. In developing its 2012-2016 Corporate Plan, the RCM consults various industry and public sector sources to gather market insight, and then selects a rational point within this range which is considered more of a planning hypotheses than forecast.

Evidence of these markets' volatility includes:

### Gold Prices

- Between 2001 and 2010, the price of gold fluctuated from a low of \$255 US in 2001 to a high of \$1,421 US in 2010, while averaging \$618 US over the 10 year period.
- To date in 2011, gold averaged \$1,500 US after starting the year at \$1,388 US, dropping to \$1,319 in January and reaching an all time high of \$1,878 US in August.

### Foreign Exchange rates:

- From 2001 to 2010, the Canadian dollar averaged \$1.25/\$1.00 US, with a high of \$1.61/\$1.00 US in 2002 and a low of \$0.92/\$1.00 US in 2007.
- For the first eight months of 2011, the Canadian dollar has averaged \$0.97/\$1.00 US against an RCM planning estimate of \$1.01/1.00 US.

### **Gold Prices – 35% higher / silver prices – 80% higher than 2011-2015 Corporate Plan**

In the 2012-2016 Corporate Plan, the RCM is anticipating both gold and silver prices to increase compared to the 2011-2015 Corporate Plan.

Gold Maple Leaf coins are sold in US funds. An increase in the price of gold from the 2011-2015 Corporate Plan will result in increased premium revenues that will be mitigated by the stronger Canadian dollar from \$1.01 to \$0.97. Silver Maple Leaf coins are sold in US funds at a flat rate and not as a percentage of the metal price. Consequently profits for Silver Maple Leaf coins are not impacted by US denominated metal prices but will be lower due to the strong Canadian dollar.

For the refinery, higher priced gold and silver is a favourable development. Metals retained from the customer after the refining process form part of the RCM revenue base, which

correspondingly increases as precious metal prices rise. Again, a stronger Canadian dollar will mitigate this effect. High precious metals prices will keep mines operating, and encourage the refining demand for scrap material, keeping this sector robust.

Annually, the RCM hedges its numismatics' gold and silver requirements, a key component of the cost of goods sold, for this business line. While the hedged positions can secure material prices in the short term, the prospect of longer term high precious metal input costs, such as those that have been experienced since 2006 can lead to decreased gross profit for the RCM. To mitigate this impact, the RCM will, to the extent possible, pass these costs along to the customer base which may impact sales levels. The negative effect of higher gold and silver costs is also mitigated by the strong Canadian dollar for the Canadian market but it does make the RCM less competitive in relation to our European competitors.

#### **Base metal prices – non ferrous metals 9 - 22% higher / steel strip 23% higher than 2011-2015 Corporate Plan**

In the 2012-2016 Corporate Plan, the RCM is anticipating:

- **Non-Ferrous**
  - Nickel prices to be approximately 9% higher
  - Copper prices to be approximately 22% higher
  - Zinc prices to be approximately 9% higher
- **Ferrous**
  - Steel Strip prices to be 23% higher

Higher nickel and copper prices increase revenue from the Alloy Recovery Program (ARP). This effect is partially mitigated by a stronger Canadian dollar. With the transition of the \$1 and \$2 dollar coins to steel in 2012, a planned reduction in coinage cost will be achieved and will be timely considering the increasing price of nickel and also resulting in additional revenue through the ARP.

While nickel has trended down from its record high prices in 2007, the ongoing cost differential between nickel/copper alloys and steel continues to provide significant financial justification for customers to consider the use of the RCM's cost-effective multi-ply plated steel process versus traditional alloy coins.

To ensure stable revenue and cost flows, the RCM annually hedges or secures planned base metal transactions for its ARP, Canadian Circulation and Foreign Coin programs.



### **Canadian Dollar Strength – Stronger than 2011-2015 Corporate Plan**

In the 2012-2016 Corporate Plan, the RCM is anticipating the Canadian dollar will be \$0.97 compared to \$1.01 in the 2011-2015 Corporate Plan.

Canadian dollar movement has a mixed effect on the RCM.

#### **Negative Impact**

Like all Canadian exporters, a stronger Canadian dollar impacts negatively on the competitive outlook for the Bullion and Refinery, and Foreign Coin business lines since Canadian labour costs will rise on a comparative basis.

The Canadian dollar's strength lowers the effective return from US-based revenues such as Gold and Silver Maple Leaf products, Foreign Coin and Numismatic products sold outside of Canada.

#### **Positive impact**

As metals are denominated in US funds, purchases of inputs for coinage become less expensive in Canadian funds with a stronger Canadian dollar.

While the RCM does hedge its known exposures in foreign currencies, the longer term trend and direction of the Canadian dollar does impact its financial results.

### **Canadian and International Economic Outlook – Recovery with uncertainty**

In the 2012-2016 Corporate Plan, the RCM is anticipating:

- Canadian growth to be 2.6% compared to 3.1% in the 2011-2015 Corporate Plan
- US growth to be 3.2% compared to 3.5% in the 2011-2015 Corporate Plan
- Europe to be 1.6% compared to 1.5% in the 2011-2015 Corporate Plan
- Emerging markets to be 6.4% compared to 6.5% in the 2011-2015 Corporate Plan

As Canada continues to expand in 2012, it provides favourable market conditions for Numismatics that are perceived to be discretionary purchases. The recovery in the United States will impact favourably on the Numismatics, Collectibles and Medals business line with a modest outlook for its smaller European market.

As global expansion progresses, it is possible there may be less momentum for investors to purchase bullion and cause holders to reallocate their holdings from bullion to paper-based products. Throughout its recent history, the RCM has seen bullion sales levels increase in relation to economic uncertainty. Currently this would be related to widespread uncertainty over

sovereign debt levels. Long term economic stability can lead to less demand for metal holdings. Should investors sell their Gold Maple Leaf and Silver Maple Leaf products, this would directly lower the demand for newly minted bullion coins.

The continued emergence from a recession in emerging markets provides ideal conditions for foreign coinage demand associated with increased economic activity.

## *RCM Major Strategic Objectives*

In 2010, the RCM recorded the highest revenue year in its history and realized its seventh consecutive year of profitability. The vision of the RCM is **to be the best mint in the world**. This vision is a corporate philosophy that underlies all of the operations and activities of the RCM and is supported by four major strategic objectives.

The first strategic objective is for the RCM *to generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM*. This strategic objective takes into account that the RCM mandate calls for it to “mint coins in anticipation of profit” and that the RCM is committed to optimizing its profitability.

The second strategic objective is for the RCM *to meet or exceed customers’ expectation for quality, service and value*. This strategic objective clearly identifies the importance that the RCM places on customers and their satisfaction with the RCM’s products and services.

The third strategic objective is for the RCM *to enhance employee satisfaction, engagement and well-being*. This strategic objective underlines the RCM’s belief that its employees are its most valuable asset and that the pride and satisfaction they take from being employees of the RCM will enable its long-term success.

The fourth and final strategic objective is for the RCM *to apply best practices in applying corporate social responsibility*. This underscores the emphasis that the RCM places on its responsibility to its shareholder, and to society, as a commercial Crown Corporation of the Government of Canada.

Collectively, these four major strategic objectives will focus the RCM’s efforts on delivering value to its customers, employees, the Government of Canada and Canadian society whilst generating a commercial return.

## *Major Risks for the Planning Period*

The RCM's four business lines operate in environments influenced by competitive pressures, economic conditions, and volatility in financial and commodity markets, to name but a few. In order to establish a more comprehensive approach to managing risk, the RCM's management team and Board of Directors have incrementally taken steps to implement Enterprise Risk Management (ERM). An ERM policy and processes are maintained to support risk assessment and management of risk, with management action as required to respond to risk.

### **Capacity Management & Product Planning**

Balancing capacity and unpredictable demand, while preserving financial performance, is a challenge that is inherent in the RCM's business environment. It is anticipated that greater plating capacity will be required to support new multi-ply plated Canadian \$1 and \$2 coins, and growth in foreign volumes. Management routinely monitors market conditions, for all business lines, to assess the risk that forecasted business volume may not occur as expected. Options are evaluated with consideration of risk implications, including ongoing flexibility in manufacturing operations and management of quality.

### **Trademarks & Patents**

Management of intellectual property involves addressing risks related to expiring patents and ensuring that new patents are created with a view to maintaining commercial market position as well as actively monitoring and intervening where appropriate to protect its trademarks and copyrights. While the RCM will continue to pursue patents, risk will be addressed through active consultation with internal stakeholders and prioritization of investments based on commercial potential. In addition, sales and marketing approaches will be considered as a means to communicate our value propositions to customers and to bolster efforts related to patents.

## **Economic**

There is a risk that global economic conditions may limit the execution of the RCM's strategy, or present temporary opportunities that could be exploited. This risk is to be monitored and assessed relative to the level of risk inherent in plans and forecasts. In particular, global economic conditions may affect opportunities in foreign coinage and bullion markets. Economic trends will be evaluated as required, with assessment of potential impact and identification of necessary corrective actions.

## **Competitors & Product / Market Assessment**

There is a risk that competitor actions may impact the RCM's strategy or results, or have implications for products and markets pursued by the RCM. The RCM's investment in R&D, international reputation, and business relationships all contribute to management of this risk. To further address this risk, efforts will be continued to focus on the quality of customer relationships. This entails alignment between the product / market, customer, and RCM operations.

## **Bullion Demand Volatility**

Volatility in bullion demand presents challenges in management of operational processes, infrastructure, and impacts to financial performance. With frequent monitoring of forecasts and operational considerations, there is considerable effort to manage this risk. In order to address the inherent volatility of demand and potential financial impact, management pursues revenue diversification through new or enhanced products and services (such as storage), and access to markets that may contribute to stability of business volumes and financial performance.

## **Commodity Price Risk**

The RCM purchases precious metals, including gold, silver, platinum and palladium for use in bullion and numismatic products. The RCM also utilizes base metals in production of domestic and foreign coins. Exposure to volatility in metal prices is mitigated through matching timing of purchases and sales, contractually transferring price risk to customers and/or suppliers, and use of hedging instruments and/or natural hedges inherent in business activities. Notwithstanding the hedging policy, long term trends in metal prices may impact sales opportunities, margins, and overall profitability.

**Foreign Exchange Risk**

The RCM is exposed to foreign exchange risk as a significant portion of revenues and costs are denominated in foreign currencies. The RCM mitigates this risk through natural currency hedges and financial instrument hedges.

***Return to Shareholder and Profitability***

The RCM is a fully commercial Crown Corporation that operates for profit. Since its incorporation in 1969 to 2010, the RCM has earned \$378 million in profits and returned 48% of these funds to the Government of Canada.

Given the primary objective of the RCM, the Corporation strives to pay an annual dividend to its shareholder. In determining the amount of the dividend, the Board of Directors has a specific dividend proposal framework that recognizes that the Mint operates in a commercial and international environment and that its accountability is to a public sector shareholder.

### Objectives of the Corporation

The primary objective of the RCM is to earn a profit on the minting of coins and provide a reasonable return to its shareholder. This objective must be balanced with other objectives as follows:

- to maintain its long-term viability and competitive edge;
- to ensure a consistent quality and supply of Canadian circulating coinage;
- to comply with government policies including employment equity, privacy and access to information;
- to present an image that befits the history, characteristics and nature of the institution.

### Criteria for Issuance of Dividend

Given the primary objective of the RCM, the Corporation will strive to pay an annual dividend to its shareholder.

In determining the amount of a dividend to be paid to the shareholder, the Board of Directors will base their consideration on criteria that includes, but is not limited to, the following factors that require funding:

- requirement to maintain corporate liquidity sufficient to meet general operating requirements;
- requirement to provide for the organization's long-term viability;
- requirement for the addition and replacement of capital assets;
- requirement for funds to launch and provide initial support to new products and product lines;
- requirement to invest in new or significantly enhanced manufacturing and support systems to achieve productivity and management efficiency; and
- requirement to invest in human and other resources in order to respond effectively and efficiently to challenges created by a changing business environment.

Dividends paid (\$000)

2006	2007	2008	2009	2010	2011
\$1,000	\$1,000	\$1,000	\$5,000	\$7,000	\$10,000

As noted, the RCM operates in a volatile environment and is subject to a multitude of economic factors, such as exchange rates, precious and base metal prices and intense foreign competition in the minting industry. These factors—manageable to some extent—can impact planning assumptions and anticipated profit. The RCM anticipates a profit for 2011. The RCM is planning on sustaining profitability in 2012, and throughout the planning period.

The Department of Finance and the RCM have a Memorandum of Understanding (MOU) that governs the production, promotion, distribution and management of Canadian circulation coinage.



### *Deficit Reduction Action Plan*

Non-appropriated Crown corporations such as the RCM are not subject to the formal Deficit Reduction Action Plan but are being encouraged to adhere to the spirit and intent of the exercise by undertaking self-reviews, and under their own authorities to seek operational efficiencies and other opportunities to increase profits.

The RCM has taken measures in the 2012-2016 Corporate Plan to honor the spirit and intent of these measures announced by the federal government. By conducting a self-review aimed at achieving greater efficiency and profitability, the RCM will contribute to the government's goal of eliminating the federal deficit by 2014-15.

In observing the spirit and intent of the Deficit Reduction Action Plan, it is important to note that the RCM is a commercial corporation, motivated by its legislated mandate to conduct its business in anticipation of profit. Over the coming years, it is essential for the RCM to remain flexible in its operations and respond to changing market circumstances in a way which produces for the shareholder the highest possible returns, both in the short term and in the context of longer term opportunities the corporation is pursuing.

### 3. Performance Management

#### *Assessment of 2010 Consolidated Actual Results and 2010 Forecast*

This section compares actual results of the year ended December 31, 2010 with the forecasted financial results in the 2011-2015 Corporate Plan.

	2010 Forecast *	2010 Actual
	\$(000's)	\$(000's)
Revenues	2,106,579	2,209,577
Operating Costs	2,062,049	2,162,820
<b>Profit before income taxes</b>	<b>44,530</b>	<b>46,757</b>
Income tax	12,468	12,769
<b>Profit</b>	<b>32,062</b>	<b>33,988</b>
Other Comprehensive Income, net of tax	1,701	2,253
<b>Total Comprehensive Income</b>	<b>33,763</b>	<b>36,241</b>
<b>Capital Expenditures</b>	<b>19,380</b>	<b>16,406</b>

\* Restated to reflect revised RCM financial reporting.

The RCM achieved another record year with revenues of \$2.2 billion. Global financial uncertainty continued to fuel extraordinary demand for bullion products.

Canadian Circulation coinage volumes were lower than forecasted as the RCM continued to proactively re-circulate coins from regions of lower demand to regions of higher demand, resulting in record low coin inventories throughout the supply chain. As well, demand for coins continues to be partially met through coin recycling programs. Coin recycling enhances the efficiency of Canada's coinage, extending the life of existing coins and reducing the consumption of materials required to produce new coins.

In 2010, the RCM issued three Olympic-themed circulation coins: a 25-cent Canadian Olympic Winter Moments coin celebrating Cindy Klassen's five medals in long-track speed skating in 2006, the 2010 Lucky Loonie and a 25-cent coin featuring the sport of ice sledge hockey. The RCM also produced one-dollar circulation coins celebrating the centennials of the Canadian Navy and the Saskatchewan Roughriders and a 25-cent coin emblazoned with two red poppies to commemorate the 65<sup>th</sup> anniversary of the end of the Second World War.

The financial performance of the Canadian Circulation business line continued to be supported by the ARP, however at a declining rate as the volume of pre-2000 alloy coins disappears.

The year 2010 concluded the most extensive coin program in relation to the Olympic and Paralympic Games ever conceived by any mint worldwide. It also stimulated demand for the RCM's non-Olympic numismatic products from coins with special effects such as ultra-high relief or embedded crystals as well as uncirculated coin sets. During 2010, 25 of 63 new coins released were sold out. Among the sell-outs were the First Canadian Olympic Gold Commemorative gold coin, a special edition uncirculated set of the top three Canadian Olympic Winter Moments, and a gold coin celebrating the 125<sup>th</sup> anniversary of Banff National Park.

The Foreign coinage business line produced and shipped 1.14 billion coins and blanks for 16 countries compared to 1.3 billion for 18 countries in 2009. Global demand for coinage remained soft due to the global recession and many of the calls for tender that had been anticipated were delayed as countries around the world focused on more pressing economic issues. Widespread global recognition of the advantages of plated coins, particularly the RCM's proprietary technology continues as 95% of the coins produced in 2010 employed the more cost effective multi-ply plating manufacturing process rather than the traditional alloy coinage.

Demand for bullion continued to be driven by global economic and financial instability. The completion of the Olympic program released substantial capacity in early 2010, coupled with improvements in processes and the commissioning of more efficient equipment that expanded production capacity. This increased access to capacity along with the RCM's vertical integration allowed it to meet demand for both GML and SML coins.

The RCM's refinery supports the production of the RCM's bullion and numismatic coins with high quality feedstock. In 2010, the volume of precious metals refined increased to meet demand that included the flood of jewellery into scrap metal dealers.

With the RCM achieving its record revenue of \$2.2 billion, the organization's capacity to implement the entire capital forecast was somewhat impacted. However, notable projects included:

- Completion of the new continuous casting and rolling mill, purchase of a new blanking press and the commissioning of the automatic check-weight equipment in Ottawa. These investments increased the capacity of the Ottawa facility and were instrumental in meeting the extraordinary demand for bullion products.

- Renovations to the second and third floor offices in Ottawa with completion anticipated in 2011.
- In Winnipeg, two more vision inspection machines were acquired to inspect coins at high speed, particularly important for quality control when producing coloured, bi-metal and multi-shape coins.
- Enhancements to the capabilities of the Research and Development Centre of Excellence continued with the purchase of a laser, a press and anti-tarnishing equipment. This equipment was delivered in 2010 for installation in 2011.
- IT undertook dozens of small projects such as the implementation of video conferencing, an upgrade to Windows 7 and preparations for the upgrade of the ERP core platform. As well, a comprehensive Enterprise Risk Management (ERM) system was developed and incorporated into the business intelligence system and performance management scorecards. The RCM also updated and formally tested its disaster recovery plans.

### *Comparison of 2011 Consolidated Corporate Plan to Current Forecast*

This section provides a revised forecast of 2011 results against the forecast included in the 2011-2015 Corporate Plan.

	<b>2011 Corporate Plan *</b>	<b>2011 Forecast</b>
	<b>\$(000's)</b>	<b>\$(000's)</b>
Revenues	2,154,846	3,048,940
Operating Costs	2,124,123	3,007,712
<b>Profit before income taxes</b>	<b>30,723</b>	<b>41,228</b>
Income tax	8,141	10,925
<b>Profit</b>	<b>22,582</b>	<b>30,303</b>
Other Comprehensive Income, net of tax	0	(3)
<b>Total Comprehensive Income</b>	<b>22,582</b>	<b>30,300</b>
<b>Capital Expenditures</b>	<b>73,500</b>	<b>34,000</b>

\* Amended to reflect revised RCM financial reporting format.

The RCM will achieve another record year with over \$3 billion in revenues.

All of the RCM's business lines are contributing to the RCM's impressive 2011 financial performance.

The Canadian economy has remained relatively stable as evidenced in the demand for circulation coins in 2011. Coinage production and recycling volumes have exceeded planned levels. Also contributing to the financial performance are the yields achieved through the ARP program which are slightly higher than originally anticipated.

The RCM continues to plan for the launch of the 2011 special commemorative circulation coins program which is designed to celebrate Canada's great outdoors and the significance of our natural environment.

The Bullion and Refinery business line continues to take advantage of an uncertain global economy and increasing gold prices. The RCM expects demand for precious metals and precious metal prices to remain strong. However, the impact of intense competition in the global bullion market as the Mint competes aggressively to sustain market and higher leasing costs is adding pressure to profit margins.

The Mint's refinery was added to the London Bullion Market's Association (LBMA) Silver Good Delivery List effective April 14, 2011. While the Mint has been listed on the LBMA's Gold Good Delivery List since 1919, the addition of a Silver Good Delivery List for its 1,000 oz. 99% pure silver bars is a highly prestigious endorsement.

Demand for the Mint's numismatic products remains strong. The domestic customer acquisition program launched in 2010 is proving to be successful at growing the Mint's customer base and targeting existing customers with the most desirable product offerings. At the same time, demand from collectors in Europe and China also continues to build.

Despite having very little time to conceive, engineer and produce two collector coins between the November 2010 engagement date of His Royal Highness Prince William and Miss Catherine Middleton and the April 29, 2011 wedding, the Mint made it possible for Canada to have its own keepsakes to mark this historic event.

Although contributing to the profitability of the RCM, the Foreign business line continues to be faced with the impact of the global financial crisis on the foreign coinage market. The RCM is in close contact with its sales network and some delays appear to be related to deferring the timing of foreign coinage tenders to provide government's greater financial flexibility to cope with the global financial crisis.

The Mint also launched SM&RT (secure, modern and resistant technology), a full-service international coin marketing platform, covering all facets of circulation and numismatic coin design, production innovation and management. The Mint's sales force in the foreign circulation business line has been expanded to promote the Mint's superior technology and innovation around the world.

In its capital forecast, the Mint is preparing for the plating plant expansion at its facility in Winnipeg.

## **Performance Indicators for 2012**

The RCM's corporate vision is to be the best mint in the world. This will continue to be achieved through the attainment of the RCM's four major strategic objectives. The following are the key performance indicators in support of the RCM's four major strategic objectives.

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- To achieve the 2012-2016 Corporate Plan net income before income taxes; and
- To achieve planned R&D spend.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectation for quality, service and value**

- To ensure no shortages of Canadian Circulation coins, and reach expected seigniorage targets;
- To ensure on time delivery of Canadian Numismatic, Foreign Circulation and Bullion and Refinery customer commitments;
- To ensure targets are met on numismatic customer acquisitions and returns related to quality; and
- To avoid any major product deviations for Canadian and Foreign Circulation and Bullion and Refinery.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- To decrease the annual plant injury frequency and severity and sick leave rates; and
- To achieve planned training spend.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in applying corporate social responsibility by balancing economic, environmental and social factors while at the same time addressing shareholder and stakeholder expectations**

- To achieve the 2012-2016 Corporate Plan recycling coins target; and
- To apply best practices in corporate social responsibility (CSR) utilizing the new framework, to be launched in 2012.



## 4. Marketing and Communications

### *Overview*

Marketing and Communications plays a lead role in nurturing the corporate vision of being the best mint in the world. In 2010, a new Marketing Strategy and Framework was developed to elevate and align marketing activities and outputs. In line with the RCM's vision, the marketing strategy seeks to further distinguish the organization as a producer of culture and currency, rather than just a manufacturer. The RCM's leadership stems from its innovation and artistry, which in turn takes expression in the celebration of culture through people, places and passions, be they for Canadian or foreign markets.

By redefining and integrating our marketing strategy and activities, the Marketing and Communications Division continues to foster a strong brand position for the RCM and ensure its growth. This includes the development of an articulated brand strategy to serve all the markets the RCM chooses to compete in, and the different customer segments the RCM will target, as well as an enhanced set of brand guidelines. This also requires that product and service development are aligned, and that the brand experience for both internal and external stakeholders is consistent with RCM brand values and reputation.

To foster a culture that is market driven, the Marketing and Communications Division will also enhance its customer and market intelligence to optimize the effectiveness of its activities and better identify opportunities for growth across all business lines. As such, the Division will ensure it provides adequate resources to offer “best-in-class” services in the areas of product development, market research and planning, database marketing, advertising, branding, direct marketing and communications services.

The Division is currently undertaking several reviews to enhance market and customer focus including a customer segmentation exercise to deepen our understanding of various emerging markets, segments and opportunities.

### *Current status*

The alignment of the marketing strategy to the corporate RCM vision is critical. It must ensure it fosters the attributes of being cost-effective, high in quality and customer satisfaction, favouring human development, innovative, and fostering our domestic values of being Canadian.

The RCM's success at the 2010 Winter Olympic Games allowed the RCM to gain important knowledge about the perceptions of Canadians and visitors alike about its various areas of focus.

The public had a greatly improved perception of the RCM. It helped the RCM improve its ability to acquire new customers, convert them to subsequent purchases and nurture existing ones throughout the purchase lifecycle. The RCM's customer database significantly increased through integrated acquisition and communication initiatives in our Olympic and other commemorative coin circulation programs.

This successful face-to-face interaction with customers initiated two pilot retail projects in Montreal and Vancouver. Both were highly successful in engaging customers as well as in elevating the brand. The Vancouver location's mandate was extended and further regional retail opportunities will be explored in 2011 and beyond.

The RCM continues to foster innovation through different areas of its operations. From handcrafting unique medals and medallions for many applications including the Canadian Forces Sacrifice Medal and the Rick Hansen Relay Medal, to novel numismatic coins with Niobium, crystals, high relief and holograms, innovation continues to fuel the RCM brand. It is also fundamental for the RCM brand to continue to preserve the reputation for quality and innovation it has built through the years, which is one of the strongest attributes associated to the brand.

A diversified target market approach will be instilled within the Marketing and Communications Division to better service all business lines and foster a greater integration of activities. While the core market segments are already defined within each business line, new opportunities, insights and more active market intelligence will provide greater insight into the development of untapped market segments to grow the RCM's penetration of its products and services.

The Communications department continues to build upon the results of an internal communications audit which was undertaken in 2009. Since that time, Communications has developed a strategy to improve existing tools and implement new ones, as part of an overall plan to improve internal communications at the RCM. This plan's main objective is to foster engagement and pride through more open, frequent and trustworthy dialogue at all employee levels of the RCM. As a strong brand promise starts internally through its employees, an improved internal communications function will be a critical success factor moving forward in enhancing the RCM's brand positioning to its customers and its stakeholders.

Given the increased pride in Canadian identity and the re-shaping of its values, the RCM continues to be well positioned to leverage its involvement in promoting Canada (its history, culture and values) and reinforcing its presence with Canadians. The RCM can also broaden its appeal by sharing and promoting its involvement on the international stage that is still unknown to most Canadians across the country.

## *Major RCM Strategic Objectives*

**Strategic Objective #1: Profitability.** To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM

- Increase the RCM's brand awareness and relevancy by creating a greater customer interaction and emotional connection through its products and services, and through initiatives such as retail opportunities in new markets;
- Shift from a product-driven strategy to a target market driven strategy;
- Capture more thoroughly relevant data on new and potential customers, at all contact points through development of a robust Customer Relationship Management strategy.

**Strategic Objective #2: Customer satisfaction.** To meet or exceed customers' expectation for quality, service and value

- Develop satisfaction measures in all customer contact touch points, through our call centre, web and retail experience;
- Enhance planning cycles to further meet targeted gate deliverables in product development;
- Consider the voice of the customer in the development of future programs, namely through market research; increased level and effort of market research pre-program, increasing understanding of coin acquisition and consumption behavior to better inform future programs;
- Engage customers in the development of specific programs such as the commemorative circulation coin program;
- Support RCM's employees, internal corporate groups and business lines by providing best-in-class services in brand management, product development, market research, advertising and promotions, direct marketing, media relations and internal communications; and
- Develop and update performance indicators to measure the efficiency and effectiveness of marketing and communications services.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Improve the effectiveness of internal communications, with more effective planning, new and updated tools and timely delivery by applying project management principles;
- Effectively communicate the brand strategy and engage employees in its implementation through the creation of brand ambassadors;
- Enhance the collaboration and communication throughout the Marketing and Communications Division such as a formalized Go-To-Market process;
- Engage employee participation in corporate social responsibility in the workplace and in the communities in which the RCM is located; and
- Communicate health and safety initiatives to employees.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in applying corporate social responsibility by balancing economic, environmental and social factors while at the same time addressing shareholder and stakeholder expectations**

- Implement a corporate social responsibility framework that supports the RCM vision and values;
- Establish employee programs and guidelines to allow greater engagement in corporate social responsibility practices including community involvement; and
- Determine external and commercial strategies to communicate and leverage RCM's corporate social responsibility programs.

## 5. Research and Development

### *Overview*

The R&D Centre of Excellence has continued to expand and strengthen its capability in order to deliver on its commitment to enhance innovation through research and development activities. The R&D team's mission and driving force is to enable the RCM to be the Best Mint in the World through research, innovation and collaboration.

The R&D Centre's vision is to set industry standards by becoming an award winning, technically advanced, and environmentally friendly hi-tech Centre of Excellence teamed with diverse, motivated and energetic individuals.

To achieve this vision, the R&D Centre is dedicated to becoming a creative and collaborative group that is motivated by challenges and the unknown, incorporating long term strategies to exceed customer expectations and stay ahead of the curve competitively.

### *Current Status*

The funds targeted for the R&D Centre were established as a percentage of revenues. A Steering Committee prioritizes projects and recommends to the Executive Committee project priorities, capital funding and operating requirements. In 2010, the R&D center established a top 10 format to manage priority projects, as reviewed quarterly and set forth by the Steering Committee. New projects enter the top 10, as priority projects are completed. As well, project management is through a formal process.

## *Major RCM Strategic Objectives*

**Strategic Objective #1: Profitability.** To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM

- Set clear objectives, priorities and milestones to exceed customer requirements, exceed future needs and become socially responsible through:
  - Close collaboration with the business lines to identify key projects and level of priority;
  - The use of sophisticated systems to plan and coordinate projects, to ensure milestones are reached in consistent timelines; and
  - Ensuring new technologies are environmentally friendly wherever possible.
- Create an innovative and collaborative culture to tap into and encourage new ideas and the development of new technologies that will be performance driven with respect to driving projects to commercial realization;
- Expand and strengthen capabilities (people, space, equipment, materials);
- Make use of creativity and talents and maintain a competitive edge through close observation of competitive, market and customer trends; and
- Establish and build partnerships and external connections to stretch resources, accelerate projects and foster new revenues from royalties and patents.

## 6. Canadian Circulation Business Line

### *Overview*

Canadian Circulation is the RCM's core business line, responsible for the RCM's primary mandate of producing high quality, cost-effective coinage that fulfils the trade and commerce needs of Canadians. Its responsibilities extend to the management of a comprehensive distribution system that ensures coins are readily available across the country to meet demand.

After years of refining the Canadian distribution system, the efficiency and effectiveness of Canada's coin management solution has garnered international attention. Foreign countries are increasingly seeking knowledge from the RCM which further solidifies the RCM's reputation as a global leader in coinage solutions.

Historically, Canadian circulation coins had been manufactured using alloys such as copper and nickel. Since 2000, the Canadian circulation 5, 10, and 25-cent denominations are produced with multi-ply plated steel materials and the 1-cent being successfully converted to a plated zinc or steel format, significantly reducing the impact of volatile metals pricing and reducing the cost of Canadian coinage over \$20 million per year.

In 2005, the RCM initiated a coin recycling program to further enhance the efficiency of the distribution system, and increase the use of all coins produced. Today, coin recycling has more than doubled since the RCM's core start-up program, driven by various coin recycling companies. Some Canadian financial institutions are experimenting with recycling pilot projects. The future impact of these projects is yet to be determined, but if successful, this could further diminish the total demand for new coinage in the system and thus reduce demand for future production volumes.

In addition, Canadian Circulation is responsible for ARP activities. ARP was established in 2004 to replace old alloy white metal coins with new multi-ply plated steel coins which are more durable and secure. The program started with the 25 cent coin and was expanded in 2007 to incorporate the 5-cent and 10-cent coins.

## Major RCM Strategic Objectives

### **Strategic Objective #1: To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Introduction of multi-ply plated steel \$1 and \$2 coins in 2012, with an ARP program to follow;
- Improve counterfeit detection and coin security;
- Maximize ARP profitability;
- Assist the Government of Canada's Task Force for the Payments System Review by:
  - Advising as to the state, role and trends of circulation coinage and the Canadian circulation coin distribution system in relation to the Canadian payments system.
  - Sharing research and insights gained on modern payment systems and consumer and merchant behavior trends related to payments.
  - Supporting the Task Force in any way that it requests so as to help it reach its objectives.
- Provide advice to the Government on coin-related issues and optimal denomination structure, and introduce new high security technologies;
- Capitalize on *lean* and continuous improvement initiatives to drive efficiencies, reduce product costs in an effort to increase profitability and improve the customer experience; and
- Establish an R&D Centre of Excellence

### **Strategic Objective #2: To meet or exceed customers' expectation for quality, service and value**

- Continue with significant investments in R&D and innovation;
- Support the Foreign business line through the servicing of foreign circulation contracts; and
- Lead the National Coin Committee to enhance the distribution system and ensure coins continue to be accessible and available to Canadians across the country.



**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the Best Mint in the World;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;
- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations; and

Invest in training focussing on health and safety, 5S (5S is a process by which an area can be de-cluttered, cleaned up and organized to make working there more efficient, productive and safe) and *lean*.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in applying corporate social responsibility by balancing economic, environmental and social factors while at the same time addressing shareholder and stakeholder expectations**

- Pursue a new multi-year commemorative circulation coin program that continues to inspire Canadians to celebrate Canada's history, culture and values;
- Process coins from large scale coin recyclers across Canada and ensure these coins are efficiently re-distributed in the Coin Pool system, limiting the effects on the environment by not having to produce new coins; and
- Modernize the Winnipeg facility to ensure its systems and equipment are energy efficient and reduce its overall carbon footprint. Also ensure that production processes and equipment are environmentally friendly.

## 7. Foreign Business Line

### *Overview*

The Foreign Business Line liaises with foreign central banks, monetary authorities and finance ministries in the pursuit of contracts for the production and supply of foreign circulation and numismatic coins and blanks, medals, medallions and tokens for customers around the world.

The Foreign Business Line also manages the licensing of the RCM's patented plating technology. In addition, it opens new markets to the RCM's products and consulting services and assists in leveraging the newest advances in products and processes developed by other departments within the RCM.

### Major RCM Strategic Objectives

**Strategic Objective #1: To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Offer RCM marketing services;
- Develop reactive consulting options to ensure we can respond to customer requests for additional services as required;

**Strategic Objective #2: To meet or exceed customers' expectation for quality, service and value**

- Ensure high level of sales force training.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the Best Mint in the World;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;

- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations; and
- Invest in training focussing on health and safety, 5S and *lean*.

## 8. Numismatics, Collectibles and Medals Business Line

### *Overview*

With product quality that stands out in the industry, this business line produces and sells renowned collectable coins, medals and coin related products to customers in Canada and around the world. Incorporating precious metals, numismatic products are distinguished by their craftsmanship and innovative technology enhancements that include holograms, selective plating, painting, and embedded crystals.

### Major RCM Strategic Objectives

**Strategic Objective #1: To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Market and promote fresh new offerings that include unique coin-related products;
- Continue to explore and develop custom product opportunities; and
- Capitalize on *lean* and continuous improvement initiatives to maximize productivity and minimize operating costs in an effort to increase profitability.

**Strategic Objective #2: To meet or exceed customers' expectation for quality, service and value**

- Continuously monitor and respond to the voice of the customer and ensure RCM product, brand and service promises are met;
- Continue to refine and maximize value from the recently launched Masters Club high-value customer loyalty program; and
- Expand Customer Solutions Centre outbound capabilities.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the Best Mint in the World;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;
- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations; and
- Invest in training focussing on health and safety, 5S and *lean*.

## 9. Bullion and Refinery Business Line

### Overview

The Bullion and Refinery Business Line provides its customers with integrated solutions for their gold and silver precious metals refining and outturn bullion products. This allows the RCM to offer high demand products including a family of high purity gold, silver, palladium and platinum Maple Leaf coins, wafers and bars, as well as granules for use in jewellery and industrial applications.

Bullion investment products are sold to precious metal traders, banks, coin dealers, and foreign governments. These customers' key requirements are: reputation, brand, government backing, inventory availability, timely delivery, marketing incentives, rapid order processing, product assortment and flexible customer service.

The RCM's integrated refinery services include assaying, secure storage and a variety of outturn products. Refinery services are sold to mines, scrap dealers, financial institutions and industrial firms. These customers' key requirements are timely assay results and settlement, liquidity, secure storage, a variety of outturn, as well as reputable and reliable service. The refinery has been providing refinery and storage services since 1911. To commemorate the 100<sup>th</sup> anniversary of the refinery, the RCM offered an exclusive set of 1911-2011 double-dated Gold Maple Leaf coins of 1 oz., ¼ oz., 1/10 oz. and 1/20 oz., accompanied by a gold-plated pure silver commemorative medallion. The medallion featured the majestic exterior of the Mint's Ottawa facility.

### Major RCM Strategic Objectives

**Strategic Objective #1: To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Capitalize on *lean* and continuous improvement initiatives and capital investment to drive efficiencies, reduce product costs in an effort to increase profitability, improve the customer experience and enhance health and safety; and
- Implement an ERP system to enhance the refinery's reporting, controls and overall profitability.

**Strategic Objective #2: To meet or exceed customers' expectation for quality, service and value.**

- Develop and promote unique products and services that highlight RCM's quality, innovation and global reputation;
- Investigate refinery layout and equipment to make RCM refinery a "world class" facility; and
- Add sales support to enhance and improve customer service.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the Best Mint in the World;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;
- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations; and
- Invest in training focussing on health and safety, 5S and *lean*.

## 10. Other Corporate

### Overview

The Human Resources (HR) Division is composed of three departments: Human Resources, Health & Safety and Quality Systems. This Division provides the following services:

- Facilitates the strategic management of the RCM's human resources to achieve its business goals, while at the same time helping employees realize their personal and professional aspirations;
- Responsible for providing guidance and direction in the areas of health and safety ensuring compliance with applicable legislation and best practices to promote a vibrant Health & Safety culture; and
- Provides the RCM's various operational sections with support in establishing quality standards to ensure RCM meets the expectation of its customers. These initiatives are documented in the RCM's Quality Management System (WISE). In addition, these and all other quality procedures are monitored and reported on using the modern manufacturing methods and standards of ISO 9001:2008 to ensure that customer expectations are met in a consistent, timely and sustainable manner.

The Finance and Administration Division is composed of four departments: Finance, Corporate Procurement, Treasury and Risk Management, and Information Technology. This division provides the following services:

- Responsible for ensuring the integrity and transparency of all financial information and records;
- Provides reports and performance indicators to senior management in a timely manner, which provides essential financial information in support of the corporate vision;
- Establishes and maintains the organization's accounting policies, principles, practices and procedures to ensure the safeguarding of assets and proper management of cash flow;
- Provides an effective purchasing process for goods and services to the business lines and other divisions with the objective of supporting the for-profit commercial mandate of the Corporation;



- Ensures the administration of a fair and equitable competitive bid and tendering process, void of biased business practices and protecting the image of the organization for probity;
- Create and preserve corporate wealth by safeguarding the Corporation's financial and physical assets, managing financial and business risks and earning investment income; and
- Provides information systems services to the corporation, both the on-going technical support of computing facilities and communication systems, and the implementation of new technologies and applications.

The Corporate and Legal Affairs Division of the RCM is composed of four departments: Legal Services, Security, Corporate Affairs, and Official Languages and Linguistic Services. This division provides the following services:

- Responsible for providing legal counsel and advice with respect to legal matters; interpreting legislation and regulations applicable to the RCM; reporting on new legal developments; implementation of the corporate Wrongdoing policy; ensuring all corporate regulatory and legal requirements are met; coordinating the submission and tabling of statutory reports and documents to Parliament; drafting and participating in the negotiation of domestic and foreign contracts, registering patents, trade-marks and industrial designs and overseeing litigation matters;
- Responsible for the organization's entire security posture both physical and non-physical;
- Provides secretariat and technical support to the RCM's Board of Directors; administrative support to the President and CEO's office and to the Executive Committee;
- Safeguards, manages requests and generates funds for the use of the RCM's intellectual property; manages the Advertising Communication Compliance policy; manages the administration of the Access to Information Act and Privacy Act; and manages government relations by interfacing with the Minister's Office and other central agencies; and
- It is responsible for providing high quality linguistic services (translation, adaptation, editing, proofreading, and consecutive, sign and simultaneous interpretation and training) thereby supporting the entire marketing, sales, commercial and internal operations of the RCM, also enabling the Corporation to fulfill its social mandate to the Canadian population within the greater scope of the CSR framework and to comply with the requirements of the *Official Languages Act*.

Corporate Engineering and Environment within the Operations Division of the RCM is responsible for providing guidance and direction of environmental management, ensuring compliance with applicable legislation and best business practices, in addition to ensuring operations do not adversely impact employees, the public or the natural environment. It is also responsible for providing engineering support for building, equipment and manufacturing processes in Ottawa as well as product trial services.

Also within the Operations Division, the Continuous Improvement and Corporate Operational Planning department plans and implements improvements across the RCM's manufacturing and business processes providing training, support, and facilitation of process improvement initiatives that deliver increased capacity for sustainable growth, improved productivity and operating margins and a culture of measurement, improvement and collaboration.

The department works in concert with the RCM's own people to develop capabilities using the principles of *lean* enterprise and the leadership agility framework. It integrates the operational planning activities leading to increased alignment across all functions and business lines. An enhanced framework for working with all business lines and support functions assists in coordinating planning, execution, and monitoring of select key initiatives and performance measures designed to deliver on the business strategies.

### *Current Status*

The HR Division's strategic priorities for 2012 include a focus on increasing the RCM's ability to attract the best talent, continuing the development of the succession plan for key positions and introducing a comprehensive training and talent management strategy for the organization which will be aligned with the needs of the organization's four business lines and its overall corporate needs.

The HR Division will continue to lead the RCM's efforts in providing its employees with a healthy and safe workplace through effective leadership, education and training.

In addition, the HR Division will work with a cross-functional team to introduce processes and activities to further employee engagement across the organization.

As well, the HR Division plans to implement an efficient integrated solution (Human Resources/Payroll/Time and attendance) at the operations level to provide the RCM with strategic management information.

Finally, the Quality Systems section of the HR Division will assist the various RCM internal collaborators to ensure the ISO certification 9001:2008 status is maintained in both Ottawa and

Winnipeg facilities. The Quality Systems teams will also review its activities to ensure that the proper strategic focus is maintained.

The Finance and Administration Division is continuing with the implementation of a fully robust ERM program.

Additionally, the Finance and Administration Division will continue to harvest efficiency gains from the new consolidated ERP system as well as proactively implement hedging strategies aimed at protecting the RCM's profitability with respect to its positions in the foreign exchange, ARP base metals and precious metals markets.

The Corporate and Legal Affairs Division's key strategic priorities continue to focus on improving its customer service levels from a legal, security, corporate affairs and linguistic services standpoint.

A new environmental policy recognizes that protection of the environment and sustainable use of resources and energy are essential for the well being of future generations and are entrenched in the organizational values and principles of the RCM. Within this policy, the RCM is committed to minimizing and eliminating, where possible, the impacts of its operations on the environment.

On-going actions to support the environment include recycling, green promotion, environmental testing and reporting, conservation and facilities improvements.

### *Major RCM Strategic Objectives*

#### **Strategic Objective #1: To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Align people, programs and organizational culture with the RCM's operational goals and its vision of becoming the best mint in the world in terms of profitability;
- Continue to implement the RCM's succession planning program to ensure that potential successors are identified and developed for key RCM positions using a variety of tools including experience plans, formal training, mentoring and other programs;
- Provide support and tools to help transform the RCM into a marketing-driven organization and align human resources and people programs with the RCM's brand, once defined;
- Initiate the development of a comprehensive training and talent management strategy to ensure the RCM is proactive in nurturing the talent of its people and be responsive to individual professional aspirations;

- Continue to implement workforce flexibility solutions to ensure that the workforce adapts to fulfill changing customer demand in a timely and effective manner;
- Introduce strategies to increase accountability in the RCM's organizational culture and promote a culture of performance at the RCM;
- Continue to improve the RCM's workforce planning processes to ensure that the growth and development of the workforce is aligned with business needs, profitability, demographic and other changes;
- Broaden the training and delivery of *lean* principles and tools that enable employees to make continual small-step improvements as well as significant breakthrough improvements that have quantifiable and lasting impact on the company's profitability;
- Manage cash flows and financing programs to address working capital and capital investment requirements;
- Continue to improve the ERM program at the RCM to address the changing needs and risk profile of the organization;
- Continue to provide strategic analysis on potential new joint ventures and significant asset investments;
- Proactively implement prudent hedging programs to protect the profitability of the RCM;
- Ensure high level security; and
- Safeguard, protect and generate revenues from the RCM's intellectual property.

**Strategic Objective #2: To meet or exceed customers' expectation for quality, service and value**

- Working collaboratively with other stakeholders, define and implement the vision, plan, skills, incentives and resources to create transformational *lean* improvements and a continuous improvement culture across the RCM; and
- Maintain ISO 9001 certifications in both the Ottawa and Winnipeg facilities and implement fully the RCM's improved quality management system resulting in faster and more sustainable resolution of quality issues and increased customer satisfaction.

**Strategic Objective #3: To enhance employee satisfaction, engagement and well-being**

- Using the results of the employee survey implement targeted improvements to people practices to increase employee satisfaction and engagement, thus improving the RCM's current standing as one of Canada's Best Employers;
- Ensure health and safety policies and programs are developed, implemented and maintained across the organization, as required by legislation, industry standards, and best management practices to continue on the path of building a strong and dynamic Health & Safety culture at the RCM;
- Invest in the training and development of RCM employees, particularly in the critical areas of: research and development, leadership, marketing, teamwork and continuous improvement;
- Maintain sound employee relations through open communication with union representatives and non-unionized employees;
- Take steps to integrate the principles of the *Employment Equity Act* and the *Multi-culturalism Act* into its current programs and procedures; and
- Support the delivery and continual application of 5S across the organization to create a safer and more productive environment that engages employees and enhances their satisfaction.

**Strategic Objective #4: To apply best practices in applying corporate social responsibility by balancing economic, environmental and social factors while at the same time addressing shareholder and stakeholder expectations**

- Ensure RCM business operations do not adversely impact the natural environment or the health and safety of employees and the public in general; and
- Ensure RCM compliance with applicable health and safety and environmental legislation.

## 11. RCMH – MRCF Inc

### Overview

In 2001, the Board of Directors considered and approved a strategy on business development aimed at the pursuit of new business opportunities and diversification for the RCM's revenue base. The business development strategy provided the objectives, criteria and focus areas for business development and the process and planning elements for realizing the project. Four areas were identified in the strategy: potential joint ventures for the distribution of collectibles; strategic vertical integration; direct marketing and e-commerce; and products and services that require a high-security environment.

In 2002, the RCM entered into a joint venture with Travelway Group International Inc. (TGI), through its wholly owned subsidiary, RCMH-MRCF Inc. to pursue new business opportunities as well as to provide for further vertical integration. Under the agreement, the RCM's subsidiary owns 50% in TGM Specialty Services Inc. (TGM).

### Current Status

In 2008, the RCM and TGI jointly agreed that the TGM structure and business model was not effectively serving either party's interests. Accordingly, both parties took the decision to wind down the TGM partnership and for the RCM and TGI to enter into a strategic supplier relationship. The TGM joint venture was wound down in 2009 as planned, and a dividend was paid to RCMH-MRCF Inc. as a result of the winding down of the joint venture.

There is no activity being undertaken by RCMH-MRCF Inc. at this point in time nor are there any planned activities for the planning period.

## 12. Financial Management

### Financial Risk Management

The RCM has established various policies to address financial risk management. All these policies are consistent with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations, and all have been reviewed by our Executive Group and approved by our Board of Directors. These policies are reviewed periodically and updated as required for presentation and approval by our Board. Furthermore, the Mint's Internal Auditor and the Office of the Auditor General have reviewed and audited our various policies in light of our financial risk management activities. In addition to the policies, various procedures, processes and/or systems are in place to help identify and assess risks to be managed, as well as for monitoring and reporting to various stakeholders.

Hedging activities undertaken by the Mint include management of foreign exchange, interest rate, base metal and precious metal risks. The Mint does not speculate by knowingly taking on an exposure or position for which there is no underlying requirement; it is against our policy to do so. Our hedging activities exist purely to protect the financial results to the organization. The hedging activities are reported on a mark-to-market basis as required.

The Mint may hold investments in the form of short-term money market products that comply with our Board approved investment policy. This policy is consistent with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations.

### Key Assumptions

This section provides an overview of the RCM's five-year pro forma financial statements. The five-year financial plan is based on the economic assumptions and planning premises listed below:

- wage increases assumed at prevailing rates and inflation rate assumed on fixed, business line and corporate expenses;
- productivity gains achieved in 2011 carried through the planning period by *lean* and other initiatives;
- Exchange rate of \$0.97 CAD / \$1.00 USD;
- precious metal prices per ounce in Canadian dollars are estimated at \$1,746 for gold, \$1,843 for platinum and \$38.80 for silver;
- base metal prices per kg in Canadian dollars are estimated at \$24.25 for nickel, \$9.70 for copper, \$2.43 for zinc and \$1.38 for steel;
- the RCM plans to secure a portion of its capital requirements with long term debt financing;
- loan interest calculated on the basis of outstanding loans at the end of each year;
- prevailing interest rates used for the entire planning period;
- capital spending for 2012 of \$71 million; and
- payment of income taxes and dividends in the planning period.



## Generally Accepted Accounting Principles (“GAAP”)

### **A) Adoption of new accounting standards - Current**

#### **TRANSITION TO IFRS**

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010. Prior to the adoption of IFRS the Corporation prepared its consolidated financial statements in accordance with previous Canadian generally accepted accounting policies (“Canadian GAAP”). The first annual consolidated financial statements issued by the Corporation that will comply with IFRS will be those issued for the year ending December 31, 2011.

IFRS 1 requires that the same accounting policies be applied for all periods presented and that those policies be based on IFRS effective at the end of the transition year, or December 31, 2011, for the Corporation. The Corporation will ultimately prepare its opening consolidated statement of financial position by applying existing IFRS with an effective date of December 31, 2011 or earlier.

#### **Initial elections upon adoption**

##### **Elected exemptions from full retrospective application**

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

##### *(i) Fair value or revaluation as deemed cost*

IFRS 1 provides entities with the optional exemption to revalue any item of property, plant and equipment, investment property or intangible asset at its fair value at the date of transition to IFRS and subsequently use of that fair value as deemed cost.

The Corporation has elected to use fair value as deemed cost for all buildings. The Corporation will retrospectively apply IAS 16, IAS 38 and IAS 40 for land, equipment, intangible assets and investment property at the date of transition.

*(ii) Employee benefits*

IFRS 1 provides entities with the option to recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the transition date. The Corporation has elected to recognize all cumulative actuarial gains and losses at the transition date in opening retained earnings for the Corporation's employee benefit plans.

*(iii) Leases*

If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying IAS 17 Leases and IFRIC 4. The Corporation has elected to apply the transitional provisions in IFRIC 4.

*(iv) Borrowing costs*

The Corporation has elected to apply the transitional provisions set out in IAS 23, Borrowing Costs, to designate the transition date as the date to commence capitalization of borrowing costs for qualifying assets as defined in the standard.

*(v) Investments in subsidiaries, jointly controlled entities and associates*

The Corporation has elected to present its investment in RCMH-MRCF at the carrying amount under previous GAAP.

**Mandatory exceptions to retrospective application**

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

*(i) Hedge accounting*

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively.

If, before the date of transition to IFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in IAS 39, hedge accounting must be discontinued. Transactions entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges.

As a result, only hedging relationships that satisfied the hedge accounting criteria as of transition date are reflected as hedges in the Corporation's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were recorded as non-hedging derivative financial instruments. All derivatives, whether or not they meet the IAS 39 criteria for hedge accounting, were fair valued and recorded in the consolidated statement of financial position.

*(ii) Derecognition of financial assets and financial liabilities*

A first-time adopter shall apply the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively for transactions occurring on or after the date of transition. In other words, if a first-time adopter derecognized non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before January 1, 2004, it shall not recognize those assets and liabilities in accordance with IFRSs (unless they qualify for recognition as a result of a later transaction or event).

The Corporation has not recognized any financial assets or liabilities at the date of transition that had been derecognized under previous GAAP.

*(iii) Estimates*

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Corporation under previous GAAP are consistent with their application under IFRS.

## Reconciliations of Canadian GAAP to IFRS

### Reconciliation of Shareholder's equity

The following is a reconciliation of the Corporation's equity reported in accordance with previous GAAP to its equity in accordance with IFRS at the transition date:

		As at	
<i>(unaudited)</i>		December 31,	January 1,
<i>(CAD\$ thousands)</i>	Notes	2010	2010
<b>Shareholder's equity under previous GAAP</b>		<b>\$ 238,653</b>	<b>\$ 209,911</b>
Differences increasing (decreasing) retained earnings:			
Property, plant and equipment	(i)	9,793	9,878
Employee Benefits	(ii)	(1,574)	(1,896)
Income taxes	(iii)	34	34
Accrued liabilities	(iv)	(8,210)	(8,210)
Investment property	(v)	236	236
<b>Total adjustment to equity</b>		<b>\$ 279</b>	<b>\$ (42)</b>
<b>Total equity under IFRS</b>		<b>\$ 238,932</b>	<b>\$ 209,953</b>

### Reconciliation of Profit

The following is a reconciliation of the Corporation's profit reported in accordance with previous GAAP to its profit in accordance with IFRS for the year ended December 31, 2010

<i>(unaudited)</i>		For the year ended
<i>(CAD\$ thousands)</i>	Notes	December 31, 2010
<b>Net income under previous GAAP</b>		<b>\$ 33,751</b>
Differences increasing (decreasing) profit:		
Depreciation	(i)	(84)
Employee future benefits	(ii)	321
Income taxes	(iii)	-
<b>Profit under IFRS</b>		<b>\$ 33,988</b>
<b>Total equity under IFRS</b>		<b>\$ 238,932</b>

### Reconciliation of other comprehensive income

The following is a reconciliation of the Corporation's comprehensive income reported in accordance with previous GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010.

<i>(unaudited)</i>		For the year ended
<i>(CAD\$ thousands)</i>	Notes	December 31, 2010
<b>Comprehensive income under previous GAAP</b>		<b>\$ 1,991</b>
Differences increasing (decreasing) comprehensive income:		
Actuarial gains on benefit plans	(ii)	262
Income taxes	(iii)	-
<b>Total comprehensive income(loss) under IFRS</b>		<b>\$ 2,253</b>

# Reconciliation of Consolidated Statement of Financial Position as at January 1, 2010

<i>(unaudited)</i>		Previous		
<i>(CAD\$ thousands)</i>	Notes	GAAP balance	IFRS adjustments	IFRS balance
<b>Assets</b>				
Current assets				
Cash		\$ 76,956	\$ -	\$ 76,956
Accounts receivable		29,939	-	29,939
Prepaid expenses		1,663	-	1,663
Inventories		55,172	-	55,172
Derivative assets		1,054	-	1,054
Total current assets		164,784	-	164,784
Derivative assets		352	-	352
Property, plant and equipment	(i)	134,004	9,878	143,882
Investment property	(v)	-	236	236
Intangible assets		10,744	-	10,744
<b>Total assets</b>		<b>\$ 309,884</b>	<b>\$ 10,114</b>	<b>\$ 319,998</b>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	(ii,iv)	\$ 46,161	\$ 8,210	\$ 54,371
Loans payable		5,169	-	5,169
Deferred revenue		5,411	-	5,411
Employee future benefits		1,005	-	1,005
Income taxes payable		8,778	-	8,778
Derivative liabilities		3,803	-	3,803
Total current liabilities		70,327	8,210	78,537
Loans payable		11,972	-	11,972
Deferred tax liabilities	(iii)	7,254	(34)	7,220
Employee future benefits	(ii)	10,420	1,896	12,316
<b>Total liabilities</b>		<b>99,973</b>	<b>10,072</b>	<b>110,045</b>
<b>Shareholder's equity</b>				
Share capital (authorised and issued, 4,000 non-transferable shares)		40,000	-	40,000
Retained earnings		171,612	42	171,654
Accumulated other comprehensive income		(1,701)	-	(1,701)
<b>Total shareholder's equity</b>		<b>209,911</b>	<b>42</b>	<b>209,953</b>
<b>Total liabilities and shareholder's equity</b>		<b>\$ 309,884</b>	<b>\$ 10,114</b>	<b>\$ 319,998</b>

The accompanying notes are an integral part of the consolidated financial statements

**Reconciliation of Consolidated Statement of Financial Position as at December 31, 2010**

<i>(unaudited)</i>				
<i>(CAD\$ thousands)</i>				
	Notes	Previous GAAP balance	IFRS adjustments	IFRS balance
<b>Assets</b>				
Current assets				
Cash		\$ 86,045	\$ -	\$ 86,045
Accounts receivable		19,719	-	19,719
Prepaid expenses		909	-	909
Income taxes receivable		2,548	-	2,548
Inventories		84,672	-	84,672
Derivative assets		1,785	-	1,785
Total current assets		195,678	-	195,678
Derivative assets		306	-	306
Property, plant and equipment	(i)	136,393	9,793	146,186
Investment property	(v)	-	236	236
Intangible assets		6,986	-	6,986
<b>Total assets</b>		<b>\$ 339,363</b>	<b>\$ 10,029</b>	<b>\$ 349,392</b>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	(ii,iv)	\$ 48,949	\$ 8,210	\$57,159
Loans payable		1,506	-	1,506
Deferred revenue		14,465	-	14,465
Employee future benefits		664	-	664
Derivative liabilities		1,907	-	1,907
Total current liabilities		67,491	8,210	75,701
Loans payable		10,468	-	10,468
Deferred tax liabilities	(iii)	11,544	(34)	11,510
Employee future benefits	(ii)	11,207	1,574	12,781
<b>Total liabilities</b>		<b>100,710</b>	<b>9,750</b>	<b>110,460</b>
<b>Shareholder's equity</b>				
Share capital (authorised and issued, 4,000 non-transferable shares)		40,000	-	40,000
Retained earnings		198,363	279	198,642
Accumulated other comprehensive income		290	-	290
<b>Total shareholder's equity</b>		<b>238,653</b>	<b>279</b>	<b>238,932</b>
<b>Total liabilities and shareholder's equity</b>		<b>\$ 339,363</b>	<b>\$ 10,029</b>	<b>\$ 349,392</b>

# Reconciliation of Consolidated Statement of Comprehensive Income

Twelve Months Ended December 31, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Previous GAAP	IFRS adjustments	IFRS
Revenues	\$ 2,209,577	\$ -	\$ 2,209,577
Cost of goods sold	2,050,425	12,132	2,062,557
Gross profit	159,152	(12,132)	147,020
<b>Other operating expenses</b>			
Marketing and Sales	50,939	-	50,939
Administration	45,048	3,467	48,515
Amortization	15,836	(15,836)	-
Other operating expenses	111,823	(12,369)	99,454
<b>Operating profit</b>	47,329	237	47,566
Net foreign exchange gains (losses)	(1,251)	-	(1,251)
<b>Finance costs, net</b>			
Finance income	811	-	811
Finance costs	(369)	-	(369)
Finance costs, net	442		442
Profit before income tax	46,520	237	46,757
Income tax expense	(12,769)	-	(12,769)
<b>Profit for the period</b>	33,751	237	33,988
<b>Other comprehensive income</b>			
Net gains (losses) on cash flow hedges	243	-	243
Net gains (losses) on cash flow hedges transferred to net income	1,748	-	1,748
Net actuarial gains (losses) on defined benefit plans	-	262	262
Other comprehensive income, net of tax	1,991	262	2,253
<b>Total comprehensive income</b>	\$ 35,742	\$ 499	\$ 36,241



## **i. Property, plant and equipment**

### **Buildings**

Under previous GAAP, the buildings were recognized at cost. As stated in the section entitled “Elected exemptions from full retrospective application,” the Corporation elected to use fair value \$62.9 million as deemed cost for the buildings at the date of transition to IFRSs. The fair value of the buildings was determined by reference to a revaluation performed by third party appraisers. The aggregate adjustment is \$6.5 million increase to the carrying amounts of the buildings reported under previous GAAP. The Corporation elected to use the cost method for accounting for buildings on an ongoing basis after the date of transition.

IAS 16 requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. Component accounting employed by IAS16 has never been performed by the Corporation under previous GAAP.

The retrospective application of component accounting does not have any impact on the building as the Corporation elected to use fair value as deemed cost for the buildings at the date of transition to IFRSs. However, componentization will be applied prospectively in relation to buildings after the date of transition. An independent and qualified appraiser was hired to aid in the componentization and fair value of the buildings.

### **Equipment**

The Corporation did not elect to take the fair value as deemed cost election for plant and equipment and as a result, has retrospectively applied IAS 16 to all remaining items of property, plant and equipment. Under previous GAAP, the equipment was amortized at asset class level. The retrospective application of IAS 16 has resulted in additional componentization of items of equipment.

As part of this process, the Corporation’s engineers reviewed equipment to identify the different significant components. Subsequent to this, a useful life estimate was made for each newly identified component. Retrospective componentization has resulted in an adjustment to net book value of \$3.6 million at the date of transition.

The Corporation elected to use the cost method of accounting for equipment on ongoing basis after the date of transition.

No material replacement assets have been identified on transition date that would result in the derecognition of additional assets either at the date of transition nor in 2010.

## **ii. Employee Benefits**

### **Actuarial gain and losses**

Under previous GAAP, actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a “corridor” approach. The “corridor” was 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year. This excess of 10% is amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10% corridor are deferred.

As stated in the section entitled “Elected exemptions from full retrospective application”, the Corporation elected to recognize all cumulative actuarial gains and losses that existed at the transition date in opening retained earnings for all of its employee benefit plans. As a result, actuarial gains and losses are not amortized to the profit or loss but rather are recorded directly to comprehensive income at the end of each period. As a result, the Corporation adjusted its pension expense to remove the amortization of actuarial gains and losses. A total of \$1.1 million of actuarial losses was booked at the date of transition.

### **Sick leave and special leave**

Under previous GAAP, the Corporation is not required to accrue a liability for sick leave and special leave benefits that accumulate but do not vest.

Under IFRS, sick leave and special leave that accumulate but not vest is classified as other long-term benefit. IFRS 19 requires that all past service cost and actuarial gains and losses are recognized immediately in the profit or loss relating to other long-term benefits. No “corridor” approach is applied. \$0.8 million liability of sick leave and special leave was recognized at the date of transition. The liability was determined by a qualified actuarial using the LIFO method.

## **iii. Income Taxes**

The change in shareholder’s equity related to deferred taxes reflects the change in temporary differences resulting from the effect of the IFRS adjustments described.

## **iv. Liability to Department of Finance**

Due to the retrospective application of IAS 16, depreciation expenses have been charged to the Department of Finance at a rate in excess of actual depreciation expenses incurred under IAS 16

to the amount of \$8.2 million. The Corporation will adjust the future billings to Department of Finance for the amount.

**v. Investment Property**

Under previous GAAP, Winnipeg land was recognized at cost under property, plant and equipment. When the criteria in IAS\_40 investment property are met, as the first time adopter, partial of the Winnipeg land is recognized at cost at the date of transition to IFRS under investment property per the choices available under IFRS 1 elective exemptions. About \$0.2 million is reclassified from property, plant and equipment to investment property.

**Quarterly Financial Reporting**

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report within 60 days after the end of the fiscal quarter to which the report relates. This standard is issued by the Treasury Board Secretariat.

## **B) Adoption of new accounting standards - Future**

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

### *IAS 1 Presentation of Financial Statements (“IAS 1”)*

IAS 1 was amended in June 2011 to revise the way other comprehensive income is presented. The amendment to IAS 1 is effective for reporting periods beginning on or after July 1, 2012. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact on the Corporation's Financial Statements.

### *IAS 12 Income Taxes (“IAS 12”)*

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Corporation is currently evaluating the impact of this amendment to IAS 12 on its financial statements.

### *IAS 19 Employee Benefits (“IAS 19”)*

IAS 19 was amended in June 2011 for the accounting and presentation of post-employment benefits. The amendment to IAS 19 is effective for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The Corporation is currently evaluating the impact of this amendment to IAS 19 on its financial statements.

### *IAS 27 Separate Financial Statements (“IAS 27”)*

IAS 27 replaced the existing IAS 27 “Consolidated and Separate Financial Statements”. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

*IAS 28 Investments in Associates and Joint Ventures (“IAS 28”)*

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

*IFRS 9 Financial Instruments (“IFRS 9”)*

As of January 1, 2013, the Corporation will be required to adopt IFRS 9, which is the result of the first phase of the IASB's project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

*IFRS 10 Consolidated Financial Statements (“IFRS 10”)*

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation—Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

*IFRS 11 Joint Arrangements (“IFRS 11”)*

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement.

IFRS 11 supersedes current IAS 31 “Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

*IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”)*

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

*IFRS 13 Fair Value Measurement (“IFRS 13”)*

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

## *Financial Statements*

The Mint's ability to generate a gross profit is a key measure of its overall effectiveness as an enterprise. The outlook for the Mint during the planning period, as represented in the following financial statements, indicates a reasonable level of profitability.

### **Consolidated Statement of Comprehensive Income** **Actual 2010 and six year forecast through 2016** **\$(000's)**

	<b>Actual 2010</b>	<b>Forecast 2011</b>	<b>Forecast 2012</b>	<b>Forecast 2013</b>	<b>Forecast 2014</b>	<b>Forecast 2015</b>	<b>Forecast 2016</b>
Revenues	2,209,577	3,048,940	3,358,308	3,368,745	3,372,538	3,382,074	3,393,242
Operating Costs	2,162,820	3,007,712	3,310,792	3,315,724	3,316,403	3,325,101	3,336,002
<b>Profit before income tax</b>	<b>46,757</b>	<b>41,228</b>	<b>47,516</b>	<b>53,021</b>	<b>56,135</b>	<b>56,973</b>	<b>57,240</b>
Income tax	12,769	10,925	11,879	13,255	14,034	14,243	14,310
<b>Profit</b>	<b>33,988</b>	<b>30,303</b>	<b>35,637</b>	<b>39,766</b>	<b>42,101</b>	<b>42,730</b>	<b>42,930</b>
<b>Other comprehensive income, net of tax</b>	<b>2,253</b>	<b>(3)</b>	<b>(287)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>36,241</b>	<b>30,300</b>	<b>35,350</b>	<b>39,766</b>	<b>42,101</b>	<b>42,730</b>	<b>42,930</b>
<b>Retained earnings, beginning of year</b>	171,654	198,642	218,945	244,582	269,348	296,449	324,179
Dividend *	7,000	10,000	10,000	15,000	15,000	15,000	15,000
<b>Retained earnings, end of year</b>	198,642	218,945	244,582	269,348	296,449	324,179	352,109
<b>Capital expenditures</b>	16,406	34,000	71,000	32,000	22,000	18,000	18,000

\* Dividends are considered and approved by the Board of Directors on a yearly basis after the review of the audited financial statements, and are based upon the Framework for Dividend Payment.

**Consolidated Statement of Financial Position**  
**Actual 2010 and six year forecast through 2016**  
**\$(000's)**

	<b>Actual 2010</b>	<b>Forecast 2011</b>	<b>Forecast 2012</b>	<b>Forecast 2013</b>	<b>Forecast 2014</b>	<b>Forecast 2015</b>	<b>Forecast 2016</b>
<b>Assets</b>							
Current assets							
Cash and cash equivalents	86,045	42,452	40,457	44,872	53,658	57,343	63,270
Accounts receivable	19,719	23,000	25,000	35,000	45,000	65,000	75,000
Prepaid expenses and other	5,242	3,000	3,000	3,000	3,000	3,000	3,000
Inventories	84,672	100,000	100,000	105,000	110,000	115,000	125,000
	195,678	168,452	168,457	187,872	211,658	240,343	266,270
Investment property	236	236	236	236	236	236	236
Property, plant and equipment	261,552	292,150	359,780	390,530	411,280	428,030	444,280
Accumulated depreciation	(115,366)	(128,200)	(140,248)	(155,881)	(173,419)	(191,170)	(209,396)
Intangible assets	6,986	7,167	7,429	6,162	5,098	3,976	3,787
Deferred charges and other	306	300	300	300	300	300	300
	153,714	171,653	227,497	241,347	243,495	241,372	239,207
<b>Total assets</b>	<b>349,392</b>	<b>340,105</b>	<b>395,954</b>	<b>429,219</b>	<b>455,153</b>	<b>481,715</b>	<b>505,477</b>
<b>Liabilities and Equity</b>							
<b>Liabilities</b>							
Current liabilities							
Accounts payable, accrued liabilities, other	59,730	40,000	40,000	40,000	40,000	40,000	40,000
Loans	1,506	1,505	3,504	4,170	4,169	4,168	4,167
Deferred revenues	14,465	7,000	7,000	7,000	7,000	7,000	7,000
	75,701	48,505	50,504	51,170	51,169	51,168	51,167
Loans and other payables	10,468	8,968	35,468	41,301	37,135	32,968	28,801
Deferred tax liabilities	11,510	11,000	13,000	15,000	18,000	21,000	21,000
Employee future benefits	12,781	12,400	12,400	12,400	12,400	12,400	12,400
	34,759	32,368	60,868	68,701	67,535	66,368	62,201
<b>Shareholder's equity</b>							
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings	198,642	218,945	244,582	269,348	296,449	324,179	352,109
Accumulated other comprehensive income	290	287	0	0	0	0	0
	238,932	259,232	284,582	309,348	336,449	364,179	392,109
<b>Total liabilities and shareholder's equity</b>	<b>349,392</b>	<b>340,105</b>	<b>395,954</b>	<b>429,219</b>	<b>455,153</b>	<b>481,715</b>	<b>505,477</b>



## Consolidated Statement of Cash Flows

### Actual 2010 and six year forecast through 2016 \$(000's)

	Actual 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016
<b><i>Cash flows from operating activities</i></b>							
Receipts from customers	2,243,518	3,037,058	3,356,309	3,358,745	3,362,538	3,362,074	3,383,242
Interest received	811	239	200	200	200	200	200
Payments to suppliers and employees	(2,189,390)	(3,023,482)	(3,295,842)	(3,301,107)	(3,299,905)	(3,308,493)	(3,324,512)
Interest paid	(374)	(473)	(283)	(1,668)	(1,846)	(1,686)	(1,526)
Income tax paid	(19,805)	(11,435)	(9,879)	(11,255)	(11,034)	(11,243)	(14,310)
	34,760	1,907	50,505	44,915	49,953	40,852	43,094
<b><i>Cash flows from investing activities</i></b>							
Capital assets	(16,406)	(34,000)	(71,000)	(32,000)	(22,000)	(18,000)	(18,000)
	(16,406)	(34,000)	(71,000)	(32,000)	(22,000)	(18,000)	(18,000)
<b><i>Cash flows from financing activities</i></b>							
New loans	0	0	30,000	10,000	0	0	0
Dividend paid *	(7,000)	(10,000)	(10,000)	(15,000)	(15,000)	(15,000)	(15,000)
Repayment of loans and other payables	(2,265)	(1,500)	(1,500)	(3,500)	(4,167)	(4,167)	(4,167)
	(9,265)	(11,500)	18,500	(8,500)	(19,167)	(19,167)	(19,167)
Net increase (decrease) in cash and equivalents	9,089	(43,593)	(1,995)	4,415	8,786	3,685	5,927
Cash at the beginning of the year	76,956	86,045	42,452	40,457	44,872	53,658	57,343
<b>Cash at the end of the year</b>	<b>86,045</b>	<b>42,452</b>	<b>40,457</b>	<b>44,872</b>	<b>53,658</b>	<b>57,343</b>	<b>63,270</b>

\*Dividends are considered and approved by the Board of Directors on a yearly basis after the review of the audited financial statements, and are based upon the Framework for Dividend Payment.

## *Borrowing Plan*

In accordance with the Royal Canadian Mint Act, the RCM may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the RCM and outstanding at any time may not exceed \$75 million. The Minister of Finance approves terms and conditions of all borrowings.

Currently there is one long term borrowing.

In 2008 the RCM secured an additional 10-year long term borrowing in the amount of \$15 million, with principal repayments that began in 2009.

During the planning period, the RCM plans to secure a portion of its capital requirements with long term debt financing, including a \$30 million loan in 2012 and a \$10 million loan in 2013, both with principle repayments over 15 years, subject to the approval, of the terms and conditions, by the Minister of Finance.

Principal repayments, on all long term financing, totaling \$1.5 million per annum are projected for 2011 and 2012, with \$3.5 million in 2013 and \$4.2 million in 2014 to 2016.

The amount and uses of short term borrowings, to a maximum of \$25 million, are determined on an on-going and as-required basis to support the business activities of the RCM.

### **13. 2012 Capital Budget and 2013-2016 Capital Plan**

#### *Capital Budget 2012 and Capital Expenditure Plan 2013-2016*

The Capital Budget for 2012 and the Capital Expenditure Plan for 2013-2016 represent the investments required to maintain our reliability, flexibility and capability of equipment as well as protect employee health and safety/environment. The investments also support growth initiatives identified by the business lines underpinning the RCM being the best Mint in the world. Major investments are planned in equipment, facilities and technology which will protect the RCM's productivity and customer service, and enhance growth opportunities. Given the nature of the RCM's operational environment and potentially long lead times for the delivery of specialized equipment, all capital projects proposed for 2012-2016 are considered multi-year projects as spending can carry forward to subsequent years.

The capital budget and capital expenditure plan are developed and projects prioritized taking into consideration such factors as expected business line growth rates, business investment requirements, competitive benchmarking, new product and technology research and development, information technology maintenance and enhancement, and return on investment. In addition, less growth oriented but essential projects include aging equipment replacement, health and safety requirements, reliability, production throughput, building maintenance and renovation.

The RCM continues to invest in its information technology capabilities. Initiatives for 2012 include a new human resources system, refinery system, ERP upgrade and projects to ensure enterprise infrastructure and integrity and performance.

In Winnipeg, 2012 projects include a plating plant renewal and the completion of a facility energy savings project, as well as investments in presses and research and development.

In Ottawa, continued improvement of the plant layout is planned for 2012 along with investments in bullion and refinery, and security capital requirements.

Prior to proceeding, significant capital projects will be carefully evaluated and analyzed by having solid business cases prepared in support of the projects and submitted for final approval of the Board of Directors, thereby ensuring major projects meet planned return on investment and payback objectives. Projects relating to health and safety receive priority consideration.

**Capital Budget 2012 and  
Capital Expenditure Plan 2013-2016**  
\$(000's)

	2012	2013	2014	2015	2016
<i>Total</i>	\$71,000	\$32,000	\$22,000	\$18,000	\$18,000
<i>RCMH –MRCF Inc.</i>	-	-	-	-	-