



# SUMMARY OF THE CORPORATE PLAN

2010 – 2014



ROYAL CANADIAN MINT  
MONNAIE ROYALE CANADIENNE



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## EXECUTIVE SUMMARY

*Submitted in accordance with section 125 of the Financial Administration Act, Summary of the Corporate Plan 2010–2014 sums up the 2010–2014 Corporate Plan and 2010 Capital Budget, as approved by the Board of Directors of the Royal Canadian Mint on October 27, 2009. As the Governor in Council approved the 2010–2014 Corporate Plan and 2010 Capital Budget on October 21, 2010, an Annex has been added to this summary document to present actual results for 2008 and 2009.*

The Royal Canadian Mint (RCM) is a national institution that produces circulation coins and manages the coin distribution system for the Government of Canada. The RCM also refines and produces precious metal products, and bullion and numismatic coins, and designs and produces circulation coins for customers around the world. As such, the RCM is—and must remain—a highly integrated, multi-product corporation that strives to be relevant, progressive and innovative, and stay ever-mindful of the importance of its growth, brand, corporate social responsibility and profitability.

### **RCM will exceed 2008 performance**

The RCM projects that its 2009 performance will exceed its 2008 record performance. Of note, the RCM has entered a transition phase primarily driven by the sun-setting of its highly profitable Alloy Recovery Program. The end of this program, coupled with the likelihood of a slow recovery from the global economic recession, means that the RCM anticipates, in the 2010–2014 Corporate Plan, lower profitability levels than those outlined in the 2009–2013 Corporate Plan.

In light of this expectation, the RCM will monitor developments that could impact its long-term profitability, and will continue to explore opportunities in the e-cash market and in global bullion storage. In fact, by conducting research in these two areas (e-cash and global bullion storage), the RCM will strengthen its reputation as a leader and innovator in international minting.

### **Canadian Circulation production levels down**

Canadian Circulation is the RCM's core business line. Production levels for Canadian circulation coins are expected to progressively trend down as a result of the economic slowdown, increase in coinage recycling and alternative payment methods.

### **Foreign Coinage to drive growth**

The Foreign Coinage business line will remain a significant driver of growth for the RCM throughout the period covered by the Corporate Plan. Despite an increasing level of competition, the RCM's patented low-cost, high-quality, multi-ply plating product continues to offer substantial value for the RCM's foreign customers. As such, the RCM will be aggressive in using its strategic partnerships to secure even more international contracts.

### **Numismatics to generate strong revenues**

The Numismatics business line is being impacted by the global economic crisis, as products of this business line are discretionary purchases that can be easily foregone during periods in which households tighten their budgets. Collector products, however, are a healthy and stable segment of this business line and a source of sustainable revenue growth. Indeed, the RCM anticipates that Numismatics revenues and profitability will grow as a result of the Vancouver 2010 Winter Olympic Games. The RCM will leverage excitement generated by this event to increase awareness of the RCM's products, expand its customer database and maintain a strategic presence in the most profitable and appropriate markets.



## EXECUTIVE SUMMARY

**Bullion and Refinery to enjoy robust performance**

The Bullion and Refinery business line will continue its robust financial performance, with the RCM taking full advantage of favourable market conditions for its bullion products to deliver record profitability. While conditions stay positive, the prospects for this business line remain strong. When the global economy starts to recover, however, demand for newly minted bullion products will naturally decline.

**Promoting history, remaining competitive, staying accountable and transparent**

As a national institution, the RCM, through its programs, will continue to promote the culture and history of all Canadians, will remain competitive in the global marketplace, and will always take steps to be fully accountable and transparent to its shareholder—the Government of Canada.



## CORPORATE PROFILE

### Legislative powers

The RCM operates pursuant to the *Royal Canadian Mint Act*, which prescribes the general objective of the RCM: “to mint coins in anticipation of profit and to carry out other related activities.” To fulfil this mandate, the RCM possesses the rights, powers, privileges and capacity of a natural person and may:

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

In addition, the *Royal Canadian Mint Act* specifies the RCM’s governance structure and the approval process to determine the characteristics and issue of circulation and non-circulation coins.

The RCM is 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. Other board members are appointed by the minister responsible for the RCM—the Minister of Transport, Infrastructure and Communities—and are subject to the approval of the Governor in Council. The RCM reports to Parliament through the Minister of Transport, Infrastructure and Communities.

### Mandate

The RCM’s mandate is to produce circulation and non-circulation coins (for Canada and other countries), manage the domestic coinage system and provide advice to the Minister of Finance on all matters related to coinage. This mandate also extends to the production and marketing of bullion and related refinery products and services for profit. At the same time, legislation that establishes the RCM is clear: the corporation is to conduct its businesses “in anticipation of profit.” That fundamental objective has shaped the history of the RCM.

### VISION

The RCM has a clear vision: to be the best mint in the world.

### MISSION

The RCM is committed to remain a world-class provider of branded investment, collectible and secure-payment products and services that connect people and inspire celebration.

### VALUES

The RCM will realize its vision and fulfil its mission by developing and demonstrating the following organizational values:

- Customer Focus;
- Excellence;
- Innovation;
- Being Canadian;
- Integrity; and
- People.



## CORPORATE PROFILE

### Major strategic objectives

The major strategic objectives of the RCM are to:

- generate a commercial return on capital employed today, and invest in people, equipment, and research and development necessary to ensure the long-term profitability of the RCM;
- meet or exceed customers' expectations for quality, service and value;
- achieve or enhance employee satisfaction, engagement and wellbeing; and
- apply best practices in corporate social responsibility to maintain a balance between shareholder and stakeholder expectations on the one hand and economic, environmental and social needs on the other.

### Return to shareholder and profitability

The RCM is a fully commercial Crown Corporation that operates for profit. Since its incorporation in 1969 through to 2008, the RCM has earned \$295 million in profits and returned 57 percent of these funds to the Government of Canada.

In keeping with its primary objective, the RCM strives to pay an annual dividend to its shareholder—the Government of Canada. In determining the amount of the dividend, the RCM Board of Directors considers criteria such as, but not limited to:

- liquidity;
- long-term viability;
- capital asset requirements;
- research and development related to new products and product lines;
- investments to achieve productivity and management efficiency; and
- investments in human and other resources to respond to a changing business environment.

In this changing and often volatile business environment, the RCM is subject to a multitude of economic factors, such as fluctuating rates of exchange, variations in the prices of precious and base metals, and intense foreign competition in the minting field. These factors—manageable to some extent—can impact planning assumptions and anticipated profit.

Despite this uncertainty, the RCM plans on sustaining profitability throughout the planning period; however, given the diminished requirement for new coins due to the popularity of recycling, the RCM anticipates reduced seigniorage in the latter years of the planning period.



PLANNING ENVIRONMENT

The RCM anticipates facing a variety of challenges and taking advantage of a number of opportunities during the period covered by the 2010–2014 Corporate Plan.

Assessment of 2008 Consolidated Actual Results when compared to 2008 forecast

This section compares actual results of the year ended December 31, 2008 with forecasted financial results for 2008 included in the 2009–2013 Corporate Plan.

Greater Revenues and Net Income in 2008 Than Forecast

	2008 Forecast	2008 Actual <sup>1</sup>
	\$(000's)	\$(000's)
Revenues	828,317	1,391,983
Cost of goods sold	691,744	1,237,419
Gross profit	136,573	154,564
Business line costs	60,305	59,416
Business line operating profit	76,268	95,148
Corporate expenses	37,858	36,340
Income before interest, foreign exchange and taxes	38,410	58,808
Interest expense (income)/foreign exchange	2,263	9,858
Income before income taxes	36,147	48,950
Income tax	11,789	15,104
Net Income	24,358	33,846
Capital Expenditures	30,026	25,441

The RCM achieved another record year of profitability in 2008, due in large part to extraordinary demand for bullion products and strong growth in the Alloy Recovery Program. At the same time, the performance of each of the RCM’s four business lines was strong:

- Despite economic conditions that caused demand from financial institutions for newly minted coins to soften, and continued growth in recycling volumes, the RCM produced two billion **Canadian Circulation** coins.
- As the magnitude of the credit crisis and resulting economic conditions reverberated around the world, many investors shifted their investments into tangible assets, driving up dramatically the price of both gold and silver, and bolstering the bottom line of **Bullion and Refinery**.
- Despite the continued softening of the collector market, **Numismatics** increased revenues by expanding its international dealer network, by providing the giftable marketplace with new products, and by accessing that market through a series of new sales strategies.
- In 2008, **Foreign Coinage** produced 1.7 billion coins and blanks for 16 countries compared to 2.2 billion coins for 12 countries in 2007. The RCM also secured contracts to produce an additional 500 million coins in 2009 and 2010.

Comparison of 2009 Consolidated Corporate Plan to forecast outlined in the 2009–2013 Corporate Plan

This section provides a revised forecast of 2009 results against the forecast included in the 2009–2013 Corporate Plan.

<sup>1</sup> Prior to tabling the RCM 2008 Annual Report. Actual financial results for 2008 are provided in the Annex of this document.



Greater Revenues and Net Income Forecast in 2009 Than Estimated Earlier

	2009 Corporate Plan <sup>2</sup>	2009 Forecast <sup>3</sup>
	\$(000's)	\$(000's)
Revenues	921,940	1,871,418
Cost of goods sold	768,825	1,700,784
Gross profit	153,115	170,634
Business line costs	71,255	65,031
Business line operating profit	81,860	105,603
Corporate expenses	44,914	45,721
Income before interest, foreign exchange and taxes	36,946	59,882
Interest expense (income)/foreign exchange	2,432	2,301
<b>Income before income taxes</b>	<b>34,514</b>	<b>57,581</b>
Income tax	11,206	16,986
<b>Net Income</b>	<b>23,308</b>	<b>40,595</b>
<b>Capital Expenditures</b>	<b>35,000</b>	<b>25,000</b>

Several points of interest emerge from this comparison:

- The RCM will exceed its 2009 net income targets primarily due to the continued strength of the bullion market—in particular, the RCM’s ability to take full advantage of the increased demand for its GML and SML products.
- The Bullion and Refinery business line has been able to exploit a perfect storm of economic events: the housing market crisis in the United States; severe losses in the equity markets; a global financial crisis; a relatively strong United States dollar compared to the Canadian dollar; stable gold prices within a high range; evaporation of the secondary market; and the United States mint and all other bullion producing mints running out of products.
- The economic crisis continues to influence demand for circulation coins in 2009. While this crisis has resulted in a decline in coinage production, the increased volume of coins returned to the RCM through the recycling program has also caused a decrease in production.
- The focus of the RCM’s commemorative circulation coin program in 2009 continues to be the Vancouver 2010 Olympic and Paralympic Winter Games.
- The RCM expects demand for precious metals and precious-metal prices to remain strong. For the refinery, higher-priced precious metals encourage producers to open new mines or reopen suspended mines, and increase the volume of scrap material brought to the RCM for refining.
- As for the Foreign Coinage business line, the many advantages of the RCM’s multi-ply plated steel product continue to attract the interest of governments that seek superior coinage and reduced exposure to volatile metal prices. At the same time, the RCM continues to be aggressive in highlighting the technological superiority of its product, courting new partnerships, using existing partners to secure international contracts and building relationships with existing customers.
- Capital expenditures are forecast below those outlined in the 2009 Consolidated Corporate Plan.

<sup>2</sup> Restated from the 2009–2013 Corporate Plan to reflect postponement of a Bullion and Refinery initiative and to ensure comparability to forecast.  
<sup>3</sup> Actual financial results for 2009 are provided in the Annex of this document.





## BUSINESS LINES

The RCM's operations consist of four business lines:

- Canadian Circulation;
- Foreign Coinage;
- Numismatics; and
- Bullion and Refinery.

This section describes the performance of each business line and the major challenges each business line faces.

### CANADIAN CIRCULATION

#### Overview

Canadian Circulation is the RCM's core business line, responsible for fulfilling the RCM's primary mandate: producing high-quality, cost-effective coins that meet the trade and commerce needs of Canadians. Part of this mandate is managing a comprehensive distribution system that ensures coins are readily available across the country to meet demand.

#### Status

While demand for Canadian coinage reached record highs in the previous three years, the global financial crisis, a deeper-than-expected economic recession and lower levels of retail activity and tourism, and increased volumes of recycled coins have negatively impacted the demand for new coins. As such, total production of new coins is forecast to decline.

While the Alloy Recovery Program—based on the recovery of highly valued nickel—plays a role in reducing production, it continues to be an important revenue stream. However, as noted in the RCM's 2009–2013 Corporate Plan, this revenue stream is not sustainable, as the number of nickel-based coins in circulation will naturally decrease as a result of ongoing Alloy Recovery Program operations. At the same time, the dramatic decline in the market price of nickel during the global financial crisis has significantly reduced the projected profitability of the Alloy Recovery Program. To mitigate the risk posed by further fluctuations in the price of nickel, the business line will continue to use a price-hedging strategy.

The RCM will also carry out its current multi-year commemorative program, which ends in 2010. The business line is working closely with the RCM's Corporate Marketing branch to develop a multi-year commemorative program for the next five years. The program will inspire Canadians to celebrate their country's culture, people and history, and offers an excellent platform to showcase RCM's minting know-how and innovation, and by extension, heighten awareness of the RCM brand.

In addition, the RCM continues to be responsible for maintaining an efficient coin-forecasting and distribution system. The duties of forecasting demand, optimal inventory allocation and coin distribution are performed for each of the 12 strategically chosen coin-pool sites. Meetings are held each fiscal quarter to ensure the system is constantly evolving and benefiting from the expertise of the National Coin Committee (composed of representatives of the RCM, financial institutions and armoured-car companies).



## BUSINESS LINES

The RCM also plays a key role as an advisor to the Government of Canada on coin matters by providing federal officials with insight and feedback on issues involving the nation’s coinage. In fact, the RCM is actively reviewing the composition and structure of Canadian circulation coins to assess how to reduce costs for the Government of Canada.

### FOREIGN COINAGE

#### Overview

Officials of the Foreign Coinage business line liaise with their counterparts at foreign central banks, monetary authorities and finance ministries in an effort to conclude contracts to produce and supply foreign circulation and numismatic coins, as well as blanks, medals, medallions and tokens, for customers around the world.

#### Status

In 2008, the business line continued its impressive turnaround, generating a 90 percent increase in operating profits from 2007 to 2008. This remarkable growth is due primarily to the RCM’s innovative and patented multi-ply plated steel technology, which produces secure coinage at a low cost. Despite this performance, the global financial crisis and the drop in the price of nickel decreased the cost savings associated with the RCM’s multi-ply plated steel product, making traditional mono-ply products more cost competitive.

This development, however, demonstrates the price stability associated with the RCM’s multi-ply plated steel product, as this product is much less sensitive to market fluctuations compared to mono-ply products. This price stability should appeal to potential customers of the business line. The other critical selling point working in favour of the RCM is the stable and flawless performance of the RCM’s multi-ply plated steel product in Canadian circulation coinage.

Not surprisingly, the global financial crisis is having an impact on the market for the products of the business line. Any decrease in purchases appears to be the result of foreign governments delaying and deferring the tendering of contracts for coinage. This move provides these governments with greater financial flexibility to cope with the economic crisis.

### NUMISMATICS

#### Overview

The Numismatics business line is renowned for its ability to merge the art and science of minting to create collector coins of the highest quality and craftsmanship. Made primarily of precious metals, these coins are enhanced with special effects such as holograms, enamelling, lasering and embedded crystal.

#### Status

Revenues of the business line grew by 20 percent in 2008 as a result of sales of the RCM’s Olympic products. The traditional collector business continues to be the dominant revenue stream of this business line, accounting for approximately 85 percent of total sales, with other consumer-oriented products making up the balance. A healthy and stable segment, products for collectors will continue to be the core of the business line and a source of sustainable revenue growth.



## BUSINESS LINES

The business line's revenues and profitability are forecast to rise because of the excitement generated by the Vancouver 2010 Winter Olympic Games. The RCM will leverage this excitement to increase awareness of its products, expand the organization's customer database, and maintain a strategic presence in the most profitable and appropriate markets.

The multi-year circulation program also continues to increase awareness about the RCM and provide a unique educational opportunity to promote Canadian values, culture and history. The business line's focus is on developing integrated products and leveraging overall RCM advertising and promotional efforts.

### BULLION AND REFINERY

#### Overview

The Bullion and Refinery business line produces and markets a family of high-purity gold and silver Maple Leaf bullion coins, wafers and kilo bars, as well as gold and silver granules for use in jewellery and industrial applications. The RCM also provides Canadian and foreign customers with integrated services related to refinery, assay and secure storage.

#### Status

While the global financial crisis is presenting challenges to other RCM business lines, it has led to a significant increase in global demand for the products of this business line. While it is difficult to predict how long the bull market in precious metals will continue, the prospects for the business line remain strong as long as the market remains strong. Not surprisingly, when the global economy starts to recover, demand for newly minted bullion products is expected to decline.

The refinery component of the business line sells its gold refining, silver refining, casting/outturn and storage services to mines, scrap dealers, and jewellery and metal producers. Customers' key requirements are timely assay results and settlement, account credit and liquidity, safe storage and security, demand and variety of outturn, as well as overall service credibility, reliability and honesty.

### RCMH-MRCF INC.

In 2002, the RCM entered into a joint venture with Travelway Group International Inc. (TGI), through the RCM's wholly owned subsidiary, RCMH-MRCF Inc., to enable the RCM to pursue new business opportunities and achieve further vertical integration. Under the agreement, RCMH-MRCF Inc. owned 50 percent of the new joint venture: TGM Specialty Services Inc. (TGM).

In 2008, the RCM and TGI agreed that the TGM structure and business model was not serving either party's interests effectively. Accordingly, both parties decided to wind down the TGM partnership. At the same time, the two sides agreed that the RCM and TGI would enter into a strategic supplier relationship.

In keeping with this decision, the dissolution of TGM was completed in 2009. Since that move, RCMH-MRCF has neither undertaken nor planned any activities for the period covered by this document.



## MAJOR STRATEGIC OBJECTIVES

This section addresses activities related to the four strategic objectives of the RCM.

**Strategic Objective 1: Generate a commercial return on capital employed today, and invest in people, equipment and research and development necessary to ensure the long-term profitability of the RCM.**

- Contribute to the RCM’s profitability by integrating, implementing and communicating its brand to foster a greater awareness of and emotional connection to the RCM and its products and services.
- Develop new and innovative products and processes for the Numismatics and Bullion and Refinery business lines.
- Ensure a multi-year Memorandum of Understanding with Department of Finance that secures long-term profitability for the RCM.
- Pursue sales of the RCM’s multi-ply plated steel product.
- Expand sales of the RCM’s products to additional foreign markets.
- Ensure profitability in the face of rising metal prices by optimizing price and product-mix strategies.
- Implement a multi-channel promotional strategy while maximizing returns on campaign spending.
- Capitalize on lean and continuous improvement initiatives to drive efficiencies, improve customers’ experiences, reduce product costs and increase profitability.

**Strategic Objective 2: Meet or exceed customers’ expectations for quality, service and value.**

- Leverage customer feedback in the development of future programs.
- Continue with significant investments in research and development, and innovation.
- Review coin composition with a view to reduce costs.
- Develop specific strategies and incentives to maximize returns from the Master Club category, including an enhanced loyalty program.
- 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.



## MAJOR STRATEGIC OBJECTIVES

### **Strategic Objective 3: Achieve or enhance employee satisfaction, engagement and wellbeing.**

- Implement—using the results of an employee survey—targeted improvements to human-resources practices that increase employee satisfaction and engagement.
- Invest in training and nurturing 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.
- Integrate the principles of the *Employment Equity Act* and the *Multiculturalism Act* into programs and procedures.
- Ensure health-and-safety policies and programs are developed, implemented and maintained across business lines, as required by legislation, industry standards and best management practices.

### **Strategic Objective 4: Apply best practices in corporate social responsibility to maintain a balance between shareholder and stakeholder expectations and economic, environmental and social needs.**

- Develop a corporate social responsibility policy that reflects the RCM's vision, mission and values, and that positions the RCM as a key participant in this field.
- Develop new technologies, including high-security and anti-tarnishing features, to enhance domestic and foreign circulation coinage.
- Develop green technologies as a demonstration of the RCM's commitment to a clean environment and sustainable economic growth.
- Pursue a multi-year program that continues to inspire Canadians to celebrate the culture, people and history of Canada.
- Support coin recycling and efficient coin distribution.



## MAJOR RISKS FOR THE PLANNING PERIOD

### **Un-reconciled discrepancy in precious-metals inventory**

The RCM's reputation for security is a key element of the organization's strong brand. Any un-reconciled discrepancy in the RCM's inventory of precious metals would harm the organization's hard-won reputation for security, lower customer confidence and pose a threat to future revenues. To safeguard the organization's inventory of precious metals, the RCM will take steps to ensure that reasonable processes and controls are in place.

### **Rising prices of base and precious metals**

Prices of base and precious metals are major factors in the costs of manufacturing RCM products. These prices can also affect the profitability of the Alloy Recovery Program, the value proposition of the RCM's multi-ply plated steel product, the marketability of numismatic products and demand for bullion. To mitigate the many risks associated with rising prices of base and precious metals, the RCM has instituted a hedging program that provides the organization with cost and price certainty.

### **Retirement of several key executives**

Several key executives are scheduled to retire during the period covered by this Corporate Plan. To mitigate the negative impact of losing these key personnel, the RCM has developed an annual succession plan that will ensure skilled, qualified personnel are available to replace those who retire.

### **Dramatic fluctuations in the value of foreign currencies**

Fluctuations in the value of foreign currencies is an ongoing risk for the RCM, as a significant portion of the organization's revenues are denominated in foreign currencies while the vast majority of operating expenses are in Canadian dollars. To mitigate the risk posed by dramatic fluctuations in the value of foreign currencies and reduce the adverse impacts of exchange rate volatility, the RCM uses natural currency and financial instrument hedges.

### **Weak demand for Canadian circulation coinage**

Demand for Canadian circulation coinage may continue to be adversely impacted by the slow growth of the Canadian economy. This weak demand could be exacerbated by continued expansion in recycling operations—which would reduce the RCM's production requirements for Canadian circulation coinage—and a sudden and rapid acceleration in the adoption of e-payments. To mitigate the risk of weak demand for Canadian circulation coinage, the RCM closely monitors and responds to trends related to the use of coins and demand for plated products.



FINANCIAL MANAGEMENT

This section provides an overview of the RCM’s five-year 2010–2014 financial statements. The five-year financial plan is based on the economic assumptions and planning premises listed below:

- Wage increases are assumed at prevailing rates and the inflation rate is assumed on fixed, general and administrative expenses.
- Productivity gains achieved in 2009 will carry through the planning period as a result of Lean and other initiatives.
- The exchange rate of the United States dollar will be \$1.06 Canadian.
- Precious-metal prices per ounce in Canadian dollars for the planning period are estimated at \$1,002 for gold, \$1,304 for platinum and \$15.48 for silver.
- Base-metal prices per kilogram in Canadian dollars for 2010 are estimated at \$19.08 for nickel, \$5.51 for copper, \$1.74 for zinc and \$1.22 for steel.
- Long-term debt financing will be used to secure a portion of capital requirements.<sup>4</sup>
- Loan interest will be calculated on the basis of outstanding loans at the end of each year.<sup>5</sup>
- The 2010 capital budget will be \$18 million.<sup>6</sup>
- Income taxes and dividends will be paid during the planning period.

Consolidated Statement of Operations  
Actual 2008 and six-year forecast through 2014  
\$(000's)

	Actual 2008 <sup>7</sup>	Forecast 2009 <sup>8</sup>	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
Revenues	1,391,983	1,871,418	1,275,028	1,036,856	1,059,180	1,092,602	1,100,791
Operating costs	1,343,033	1,813,837	1,259,813	1,020,332	1,045,150	1,071,381	1,070,696
Income before income tax	48,950	57,581	15,215	16,524	14,030	21,221	30,095
Income tax	15,104	16,986	4,489	4,874	4,139	6,260	8,878
Net Income	33,846	40,595	10,726	11,650	9,891	14,961	21,217

<sup>4</sup> Included in Corporate Plan 2010–2014 and Capital Budget 2010 is a revised 2010 capital budget of \$25 million and a revised borrowing plan.

<sup>5</sup> *ibid*

<sup>6</sup> *ibid*

<sup>7</sup> Prior to tabling the RCM 2008 Annual Report. Actual financial results for 2008 are provided in the Annex to this document.

<sup>8</sup> Given the time elapsed, actual financial results for 2009 are provided in the Annex to this document.



## FINANCIAL MANAGEMENT

### Consolidated Balance Sheet

Actual 2008 and six-year forecast through 2014

\$(000's)

	Actual 2008 <sup>9</sup>	Forecast 2009 <sup>10</sup>	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
<b>Assets</b>							
Current							
Cash and cash equivalents	9,251	39,885	38,739	40,820	33,509	43,812	59,007
Accounts receivable	58,187	35,147	35,146	40,146	42,146	44,146	46,146
Prepaid expenses and other	29,359	3,000	3,000	4,000	5,000	6,000	7,000
Inventories	95,100	95,000	95,000	97,000	99,000	101,000	104,000
	191,897	173,032	171,885	181,966	179,655	194,958	216,153
Long-term							
Property, plant and equipment	281,752	306,752	324,752	342,752	360,752	378,752	396,752
Accumulated depreciation	(143,341)	(159,718)	(177,011)	(195,625)	(215,014)	(234,907)	(255,637)
Intangibles	8,769	6,577	4,385	2,193	–	–	–
Deferred charges and other	117	300	300	300	300	300	300
	147,297	153,911	152,426	149,620	146,038	144,145	141,415
	339,194	326,943	324,311	331,586	325,693	339,103	357,568
<b>Liabilities</b>							
Current							
Income taxes payable	3,885	5,800	1,000	1,000	1,000	2,000	3,000
Accounts payable, accrued liabilities, other	66,425	60,041	48,742	48,741	48,741	49,741	49,741
Current portion of loans	8,551	7,176	4,567	14,543	2,409	2,408	2,406
Deferred revenues	16,082	4,000	4,000	4,000	4,000	4,000	4,000
	94,943	77,017	58,309	68,284	56,150	58,149	59,147
Long-term							
Deferred revenues and other	982	2,000	2,000	2,000	2,000	2,000	2,000
Loans and other payables	34,342	26,000	30,600	16,200	13,800	11,400	9,000
Future tax liabilities	12,675	8,000	9,500	10,300	9,800	9,400	8,800
Employee future benefits	10,201	10,500	10,750	11,000	11,250	11,500	11,750
	58,200	46,500	52,850	39,500	36,850	34,300	31,550
<b>Shareholder's Equity</b>							
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings	127,831	163,426	173,152	183,802	192,693	206,654	226,871
Accumulated other comprehensive income	18,220	–	–	–	–	–	–
	186,051	203,426	213,152	223,802	232,693	246,654	266,871
	339,194	326,943	324,311	331,586	325,693	339,103	357,568

<sup>9</sup> Prior to tabling the RCM 2008 Annual Report. Actual financial results for 2008 are provided in the Annex to this document.

<sup>10</sup> Given the time elapsed, actual financial results for 2009 are provided in the Annex to this document.





## FINANCIAL MANAGEMENT

### Consolidated Cash Flow Statement

Actual 2008 and six-year forecast through 2014

\$(000's)

	Actual 2008 <sup>11</sup>	Forecast 2009 <sup>12</sup>	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
<b>Cash flows from operating activities</b>							
Cash receipts from customers	1,355,190	1,883,395	1,275,028	1,031,856	1,057,180	1,090,602	1,098,791
Interest received	1,351	200	200	200	200	200	200
Cash paid to suppliers and employees	(1,341,835)	(1,791,751)	(1,250,349)	(1,001,199)	(1,025,746)	(1,052,883)	(1,053,447)
Interest paid	(2,295)	(1,884)	(1,251)	(1,301)	(906)	(556)	(471)
Income taxes paid	(7,455)	(19,746)	(7,789)	(4,075)	(4,639)	(5,660)	(8,478)
	4,956	70,214	15,839	25,481	26,089	31,703	36,595
<b>Cash flows from investment activities</b>							
Purchase of capital assets	(25,441)	(25,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
	(25,441)	(25,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
<b>Cash flows from financing activities</b>							
New loans	15,000	–	9,000	–	–	–	–
Dividend paid to Shareholder <sup>13</sup>	(1,000)	(5,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Repayment of loans and other payables	(7,484)	(9,580)	(6,985)	(4,400)	(14,400)	(2,400)	(2,400)
	6,516	(14,580)	1,015	(5,400)	(15,400)	(3,400)	(3,400)
Effect of exchange rate on cash	8,212	–	–	–	–	–	–
Net increase (decrease) in cash and equivalents	(5,757)	30,634	(1,146)	2,081	(7,311)	10,303	15,195
Cash and cash equivalents at the beginning of the year	15,008	9,251	39,885	38,739	40,820	33,509	43,812
Cash and cash equivalents at the end of the year	9,251	39,885	38,739	40,820	33,509	43,812	59,007

### Borrowing Plan<sup>14</sup>

In accordance with the *Royal Canadian Mint Act*, the RCM may borrow money from the Consolidated Revenue Fund or any other source; however, the aggregate of the amounts loaned to the RCM and outstanding at any time may not exceed \$75 million. While the Minister of Finance approves terms and conditions of all borrowings, short-term loans are limited to \$25 million and uses of these funds are determined on an on-going, as-required basis to support RCM business activities.

<sup>11</sup> Prior to tabling the RCM 2008 Annual Report. Actual financial results for 2008 are provided in the Annex to this document.

<sup>12</sup> Given the time elapsed, actual financial results for 2009 are provided in the Annex to this document.

<sup>13</sup> Dividends are considered and approved by the Board of Directors on a yearly basis after review of the audited financial statements and based upon the Framework for Dividend Payment.

<sup>14</sup> Included in the Corporate Plan 2010–2014 and Capital Budget 2010 are a revised borrowing plan that reflects the repayment in full of a 2007 five-year long-term loan. In addition, the RCM did not require a planned \$9 million long-term loan in 2010. These changes result in principal repayments on all long-term financing of \$1.5 million per annum over the planning period.



CAPITAL PLAN

Capital Budget 2010 and Capital Expenditure Plan 2011–2014

The Capital Budget for 2010 and the Capital Expenditure Plan for 2011–2014 represent investments required by the RCM to maintain its reliability and flexibility, to ensure the capability of equipment, to protect employee and environmental health and safety, and to support growth initiatives identified by the RCM’s four business lines. Indeed, major investments in equipment, facilities and technology will enable the RCM to maintain high levels of productivity and customer service, and enhance growth opportunities. Given the nature of the RCM’s operating environment and potentially long lead times for the delivery of specialized equipment, all capital projects proposed for 2010–2014 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. Other essential projects include replacing aging equipment, addressing health-and-safety requirements, increasing reliability, improving production throughput, and maintaining and renovating buildings.

Capital Budget 2010 and Capital Expenditure Plan 2011–2014 \$(000’s)

	2010 <sup>15</sup>	2011	2012	2013	2014
Information technology, growth and technological innovation, and regular sustaining capital	25,000	18,000	18,000	18,000	18,000
RCMH–MRCF Inc.	–	–	–	–	–



ANNEX

Update to 2008 and 2009 results

Annual Reports for 2008 and 2009 have been completed. Financial results for both years are presented below.

Consolidated Statement of Operations

Actual 2008–2009

\$(000’s)

	Actual 2008	Actual 2009
Revenues	1,392,279	2,034,106
Operating costs	1,336,943	1,965,507
Income before income tax	55,336	68,599
Income tax	17,181	19,486
Net Income	38,155	49,113

<sup>15</sup> Included in the Corporate Plan 2010–2014 and Capital Budget 2010 is a revised 2010 Capital Budget of \$25 million.

**Consolidated Balance Sheet****Actual 2008–2009****\$(000's)**

	<b>Actual 2008</b>	<b>Actual 2009</b>
<b>Assets</b>		
Current		
Cash and cash equivalents	9,251	76,956
Accounts receivable	58,482	29,939
Prepaid expenses	1,698	1,663
Inventories	80,909	55,172
Derivative related assets	27,778	1,054
	178,118	164,784
Long-term		
Property, plant and equipment	283,720	300,431
Accumulated depreciation	(143,677)	(158,591)
Intangibles	8,769	2,908
Derivative-related assets	–	352
	148,812	145,100
	326,930	309,884
<b>Liabilities</b>		
Current		
Income taxes payable	3,727	8,778
Accounts payable and accrued liabilities	41,938	47,165
Current portion of loans and other payables	10,051	5,169
Deferred revenues	16,082	5,411
Derivative-related liabilities	12,713	3,803
	84,511	70,326
Long-term		
Derivative-related liabilities	982	–
Loans and other payables	32,842	11,972
Future tax liabilities	12,675	7,254
Employee future benefits	10,201	10,421
	56,700	29,647
<b>Shareholder's Equity</b>		
Share capital	40,000	40,000
Retained earnings	127,499	171,612
Accumulated other comprehensive income	18,220	(1,701)
	185,719	209,911
	326,930	309,884



Consolidated Cash Flow Statement  
Actual 2008–2009  
\$(000's)

	Actual 2008	Actual 2009
<b>Cash flows from operating activities</b>		
Cash receipts from customers	1,345,907	2,037,077
Interest received	1,351	443
Cash paid to suppliers and employees	(1,339,868)	(1,908,111)
Interest paid	(2,295)	(2,326)
Income taxes paid	(7,455)	(19,856)
Net proceeds on sale of derivatives	17,496	11,460
	15,136	118,687
<b>Cash flows from investment activities</b>		
Purchase of capital assets	(27,409)	(19,943)
	(27,409)	(19,943)
<b>Cash flows from financing activities</b>		
New loans	15,000	–
Dividend paid to Shareholder	(1,000)	(5,000)
Repayment of loans and other payables	(7,484)	(26,039)
	6,516	(31,039)
Net increase (decrease) in cash and equivalents	(5,757)	67,705
Cash and cash equivalents at the beginning of the year	15,008	9,251
Cash and cash equivalents at the end of the year	9,251	76,956

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