

Royal Canadian Mint

Summary of the 2013-2017 Corporate Plan &
2013 Capital Budget

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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, storage facilities and precious metal exchange traded receipts. In 2011 its revenues were 80% export based.

The RCM is a business that operates in the volatile global metals markets. Consequently, 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 that modest economic growth (with elevated risks) and a Canadian dollar close to the U.S. 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. In the Economic Action Plan 2012, the Government announced it will eliminate the penny from Canada's coinage system. The RCM plans to work with officials towards this objective.

The RCM also develops and produces special multi-year commemorative circulation coins that carry designs to feature Canada's "story". Aside from increased demand for the smaller denominations to facilitate rounding from the penny elimination decision, it is anticipated there will be no significant change to domestic coinage demand during the planning period. 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 designs and manufactures circulation and numismatic coins, medals, medallions and tokens for international markets. The RCM is actively promoting its cost effective multi-ply plated coins to foreign governments with a view to converting their coins to this format.

The RCM operates in a foreign coinage environment of intense competition, vying for business with aggressive national Mints. It is expected that the RCM's planned mix marketing programs centered on its SM&RT (Secure, Modern & Resistant Technology) production and marketing platform, promoting the RCM's leading edge features, coin management services and support, multi-ply coin technology and the measured emergence from the recession in developing nations (where economic activity can increase coin demand) will continue to provide "winnable" conditions to achieve planned targets.

Struck with the distinctly Canadian maple leaf design, RCM bullion coins are immediately recognized throughout the world for their unsurpassed quality. The RCM also markets some of the world's most highly valued wafers and bars for the investment market, as well as high purity precious metals products such as grains for industrial applications. The RCM has been refining and storing gold for mines and central banks throughout the world since 1911. Today it operates refineries that provide customers with a range of services from gold and silver refining to assaying and secure storage. Marketing efforts will be focussed on sustaining and promoting the internationally recognized "Maple Leaf" brand. Due to modest global growth, the RCM expects some moderation of the perceived geopolitical and equity market instability which has led to high demand for precious metals products. Confident, from the success of its Exchange Traded Receipt (ETR) gold investment storage vehicle, the RCM plans to expand both Gold and Silver ETR's over the planning period that will help to generate revenues and lower the cost of leasing gold for its Bullion and Refinery operations. These offerings are a secure, efficient and convenient way to invest directly in physical precious metals.

The RCM produces numismatic coins that chronicle the Canadian experience by capturing culture and artistic perfection. Made primarily of precious metals, several of the RCM's numismatic coins are also enhanced with special technologies such as holograms, painting, and embedded crystals.

Continually challenged by historically high 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.

Through strategic investments in research and development, the RCM will continue to harness technological innovation and advance traditional minting.

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 strategic planning meeting between the Board of Directors and Senior Management which initiates the development of the Corporate Plan.

Having evolved from a branch of the British Royal Mint to a successful government enterprise, the RCM remains committed to strengthening its position as a successful and progressive international Canadian Crown corporation.

1. Introduction

The 2013-2017 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 2012-2016 Corporate Plan

The fundamental business strategies of the RCM have not changed from the 2012-2016 Corporate Plan. There are, however notable external changes that the RCM acknowledges. These include modest global growth, continuing to be marked by the on-going elevated risk of the Euro Area and the fiscal challenges faced by the United States and Japan. It also includes a lower priced metals market for both precious and base metals. The prospect of risk in financial markets and the above noted factors can lead to significant fluctuation in the RCM's results. The RCM is anticipating reduced interest in Gold and Silver Maple Leaf coins as the global economic outlook gradually stabilizes. The RCM is also assuming reduced profits from the ARP brought on by reduced nickel prices.

In spite of the external environment the RCM continues to develop relationships, invest in capital and pursue its objectives vigorously. It is well positioned to continue to achieve its objectives within the context of the updated environment anticipated in the 2013-2017 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. In doing so, the RCM envisions its brand pillars of pride, trust and innovation as guiding principles. 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 all the strategies outlined in the 2013-2017 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 RCM 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:

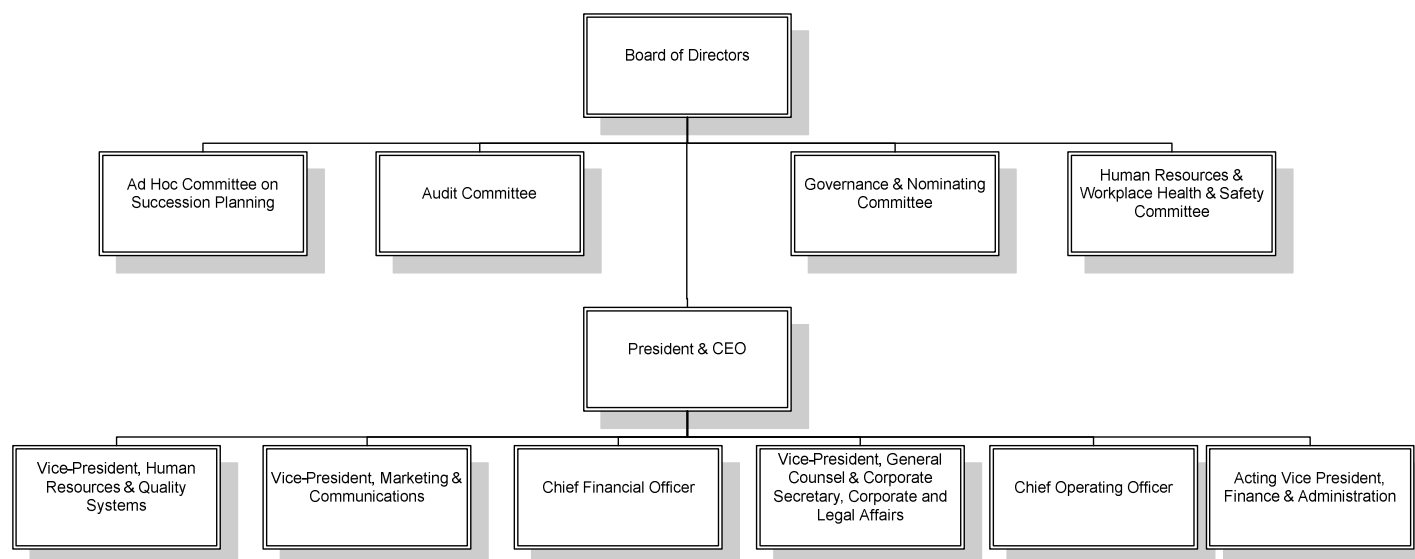
- procure the incorporation, dissolution or amalgamation of subsidiaries, and acquire or dispose of any shares in them;
- acquire and dispose of any interest in any entity by any means; and
- generally do all things that are incidental or conducive to the exercise of its powers with respect to:
 - coins 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 Government of Canada.

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; doing so contributes to a more effective relationship between management and the Board by fostering a shared understanding and enhanced decision making. The Executive Directors of the RCM's four business lines attend all Board strategic and corporate planning sessions, as do other managers on an as-needed basis and for succession-planning purposes.

Board meetings are held following committee meetings to reduce costs and travel time. In addition to its regular meetings, once a year at the onset of the Corporate Planning cycle the Board holds a two-day planning meeting with over 50 senior and middle managers to have an open and frank discussion on the RCM's future. Meetings are held in Ottawa as well as outside 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 and other stakeholders. Once a year, the Board meets in Winnipeg. Events or meetings with employees are generally organized at both the Ottawa and Winnipeg facilities. An in camera session is usually 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. If they are not in attendance, the Board Chair debriefs the President and CEO and the corporate secretary following the in camera discussion, as appropriate.

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 an assessment of financial performance against the corporate plan, the monitoring and oversight of business risks in accordance with its risk management framework, and the recommendation of specific courses of action to the Board as required. The Audit Committee analyzes internal and external audit results as well as the periodic special examinations. The next special examination will take place during 2013 with a report to the Audit Committee and Board of Directors in 2014. 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 and Nominating Committee** provides guidance on matters of corporate governance, including the review of the profiles of desirable skills and experience required of Directors, and the selection criteria for new appointments and re-appointments for Directors, the Chair and the President and CEO. 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, training and professional development, employee engagement, compensation policies and labour relations issues. It recommends the President and CEO's annual performance objectives and goals to the Board, and then evaluates his performance against these objectives and goals. The committee also oversees the Corporation's occupational health and safety policies, programs, practices, procedures and performance. Following a practice it began the previous year, the committee bookends its meetings with *in camera* sessions, thus allowing committee members the opportunity to discuss various matters prior to the start and at the end of the meeting

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, tours of the Ottawa and Winnipeg facilities (including in-depth presentations on the facilities' operations) and regular updates on the business lines at Board meetings. As part of the orientation program, new Directors typically 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 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 Board of Directors continues to improve on its processes and how best to evaluate its performance. Following changes made in 2010, the Board decided to reintroduce the conduct of

a self-evaluation on its performance on an annual basis. Committee self-evaluations may be held every second year, taking into account current events or situations that may give rise to the need to conduct a special evaluation during an unscheduled year to address certain issues or concerns. The results from the evaluations are discussed at committee and/or Board meetings and, where appropriate, an action plan is drawn up to address the issues.

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, as well as its foreign representatives and partners, to inform them of the RCM's products and activities and to receive feedback and insights to help shape the RCM's marketing and product strategies;
- Chairing quarterly meetings of the National Coin Committee, which is 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 Canadian and American Numismatic Association trade shows, the World Money Fair numismatic event, and the Mint Directors' Conference where many of the RCM's customers, dealers and distributors are in attendance;
- Inviting the public to attend the RCM's circulation coin launches and annual public meetings;
- Regularly seeking customer and public feedback through annual customer satisfaction surveys, focus group testing and public opinion research, including suggestions for 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.

Reaching out to stakeholders and local coin collectors, the RCM held its third annual public meeting on July 19, 2012 in Calgary.

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, the Director of Internal Audit as well as other Directors representing various divisions. The meetings 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 growth in major advanced economies and ongoing strength in major emerging economies. Global growth is expected to average 3.3% in 2013. The fiscal challenges faced by Europe, the United States and Japan continue to pose notable elevated risks to the economic outlook. The RCM anticipates declining gold and silver prices, reduced base metal prices and the Canadian dollar to be close to the U.S. dollar. The organization undertakes numerous initiatives. Those listed in the 2013-2017 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 ¹

The Canadian Economy – 2012/2013 Forecast

It is anticipated that the Canadian economy will expand by 2.1% in 2012 and 2.0% in 2013. Inflation is expected to be 1.6% in 2012 and 2.0% in 2013.

The Canadian dollar has been averaging \$1.00 to the US dollar in 2012. In 2013 the RCM is using a planning average of \$0.98 CAD to \$1.00 USD.

The US Economy – 2012/2013 Forecast

It is anticipated that the American economy will grow at 2.1% in 2012, with an increase to 2.0% in 2013. Inflation is expected to be 2% in 2012 and 1.8% in 2013.

The International Economic Outlook – 2012/2013 Forecast

The world's economy will expand by 3.1% in 2012 and 3.3% in 2013. Emerging markets and developing countries will enjoy positive growth with a projected growth rate of 5.3% in 2012 and 5.6% in 2013.

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

Once again, China is expected to lead growth at 7.8% in 2012 and 8.1% in 2013. India will achieve growth rates of 5.3% and 6.2% in 2012 and 2013.

Japan's economy is expected to expand in 2012 at 2.2%, and grow 1.2% in 2013 and Europe is forecast in 2012 to contract by -0.5% and grow by 0.2% in 2013.

Gold and Silver Trends

Forecasts for 2013 have gold and silver to be lower than 2012 planned levels.

	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>USD</i>	<i>CDN</i>	<i>USD</i>	<i>CDN</i>
Gold (per oz)	\$1,690.00	\$1,656.20	\$1,800.00	\$1,746.00
Silver (per oz)	\$31.00	\$30.38	\$40.00	\$38.80

Base Metal Price Trends

In 2013 it is anticipated the prices of base metals will decrease in both US and Canadian funds.

	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>USD</i>	<i>CDN</i>	<i>USD</i>	<i>CDN</i>
Nickel (per KG)	\$15.85	\$15.53	\$25.00	\$24.25
Copper (per KG)	\$7.60	\$7.45	\$10.00	\$9.70
Zinc (per KG)	\$1.81	\$1.77	\$2.50	\$2.43
Steel (per KG)	\$1.25	\$1.23	\$1.42	\$1.38

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 2013-2017 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 hypothesis than forecast.

Evidence of these markets' volatility includes:

Gold Prices

- Between 2002 and 2011, the price of gold fluctuated from a low of \$277 US in 2002 to a high of \$1,895 US in 2011, while averaging \$746 US over the 10 year period.
- At the time of writing in 2012, gold has averaged \$1,660 US after reaching a high of \$1,790 US in October then setting a low point of \$1,540 US in May.

Foreign Exchange rates:

- From 2002 to 2011, the Canadian dollar averaged \$1.19/\$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.
- At the time of writing in 2012, the Canadian dollar has averaged \$1.00/\$1.00 US against an RCM planning estimate of \$0.97/1.00 US.

Gold prices 6% lower, silver prices 22% lower than 2012-2016 Corporate Plan

In the 2013-2017 Corporate Plan, the RCM is anticipating both gold and silver to ease from the levels planned in the 2012-2016 Corporate Plan.

Gold Maple Leaf coins are sold in US funds. Any increase or decrease in the price of gold from the forecast rates will impact premium revenues. This can be offset should the US dollar gain in strength relative to the budget level. 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 higher due to an updated planning assumption of a strengthened US dollar at \$0.98 CAD to \$1.00 USD.

For the refinery, declining gold and silver value is an unfavourable development. Metals retained from the customer after the refining process form part of the RCM revenue base, which

correspondingly decreases as precious metal prices decline. A weaker Canadian dollar will mitigate this effect. While lower, historically 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 historically high precious metal input costs, such as those that have been experienced since 2006 may 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.

Base metal prices

Non ferrous metals range from 24 -37% lower than 2012-2016 Corporate Plan

Steel strip 12% lower than 2012-2016 Corporate Plan

In the 2013-2017 Corporate Plan, the RCM is anticipating:

- **Non-Ferrous**
 - Nickel prices to be approximately 37% lower
 - Copper prices to be approximately 24% lower
 - Zinc prices to be approximately 28% lower
- **Ferrous**
 - Steel Strip prices to be 12% lower

Lower nickel and copper prices decrease revenue from the Alloy Recovery Program (ARP). This effect is mitigated by a weaker Canadian dollar. With the change in composition of the \$1 and \$2 dollar coins to multi-ply plated steel in 2012, a reduction in coinage cost was achieved and opportune considering the on-going price differential of nickel to steel and the additional revenue through the ARP.

While nickel has trended down from its record high prices in 2007, the ongoing price 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 – declining from the 2012-2016 Corporate Plan

In the 2013-2017 Corporate Plan, the RCM is anticipating the Canadian dollar will be \$0.98, weaker, than the \$0.97 forecast in the 2012-2016 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 weakening increases 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 more expensive in Canadian funds with a weaker 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 – Modest recovery with elevated risk

In the 2013-2017 Corporate Plan, the RCM is anticipating:

- Canadian growth to be 2.0% compared to 2.6% in the 2012-2016 Corporate Plan
- US growth to be 2.0% compared to 3.2% in the 2012-2016 Corporate Plan
- Europe to be 0.2% compared to 1.6% in the 2012-2016 Corporate Plan
- Emerging markets to be 5.6% compared to 6.4% in the 2012-2016 Corporate Plan

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

As modest global growth continues, it is anticipated there will 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. Longer 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 growth in emerging markets can provide a supportive environment for foreign coinage demand associated with increased economic activity.

RCM Major Strategic Objectives

In 2011, the RCM recorded the highest revenue year in its history and realized its eighth 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 business environment is subject to competitive forces, economic conditions and volatility in financial and commodity markets. The diverse markets in which the RCM’s business lines operate present a variety of risks to future performance. The RCM has implemented an Enterprise Risk Management (ERM) program to address risks related to the achievement of the Corporation’s business objectives. An ERM committee consisting of the RCM’s senior officers maintains oversight of ERM. ERM continues to be progressively integrated into the Mint’s management processes, with information related to material risks communicated and discussed

with the Board of Directors. The following summarizes a number of risks that may affect the Mint's results, operations and objectives.

Base and Precious Metal Prices

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.

Competition

The Bullion and Refinery, Numismatics, and Foreign business lines all operate in competitive environments. There is a risk that competitor actions may impact the Mint's ability to achieve business objectives. Management regularly assesses the competitive environment, and adjusts business strategies and tactics as necessary. Investment in research and development, emphasis on strategic supply and sales relationships, and expansion of innovative product offerings all contribute to the management of competitive threats.

Domestic Coin Demand

There has been a steady trend in annual demand for Canadian circulation volumes in recent years. Future production demand may be impacted by increased usage of electronic payments, increased usage of the Mint's recycling program, and any change in the denomination structure. The Mint addresses these risks by maintaining focus on the efficiency and effectiveness of operations in coin production and distribution. Management continues to monitor domestic coin demand to adjust production and capacity accordingly. As the Winnipeg facility also produces coin for foreign business, additional capacity presents an opportunity to pursue foreign sales.

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.

Foreign Coin Demand

The Mint has adopted a strategy to aggressively increase foreign coinage market share. Current plating capacity is constrained relative to the anticipated market opportunity for foreign coinage, prompting the ongoing investment in the Mint's plating facility. There is a risk that foreign coin demand may not materialize as expected. With focused sales resources, continued technology and product improvements, and the investment in the Research and Development Centre of Excellence, the Mint is well positioned to address this risk.

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. Currency hedging contributes to managing volatility in foreign exchange, however the longer term currency trends can impact results.

Health and Safety, Security and Environment

The RCM's operations and business activities present a variety of risks related to health and safety, security and environment. Change initiatives are subject to a structured review process to ensure that risks are identified, assessed and managed across the organization. Health and safety orientation, ongoing training, wellness programs and a formal hazard prevention program all contribute to the reduction of this risk, which is also regularly reviewed by senior officers.

In addition to the regular assessment and treatment of environmental risks, the RCM seeks to continue to advance environmental awareness and corporate practices. As the RCM's business involves handling of currency and precious metals, practices related to security of physical and information assets are reviewed and maintained on a continuous basis. While risks relating to health and safety, security and environment can never be eliminated, the RCM invests resources to ensure reasonable and prudent management of these risks.

Precious Metal Investment Demand

The demand for precious metal investment products, including bullion and ETR, is largely determined by market forces beyond the RCM's control. This risk is addressed through active monitoring of market conditions to quickly and efficiently align operations and capacity. Diversification of business activities beyond core bullion products, opportunities in precious metal storage and entry into new markets also contribute to management of this risk.

Manufacturing Operations and Processes

The RCM's manufacturing operations are managed to be efficient, flexible and reliable. With numerous change initiatives to invest in new technology, improve capacity and maintain high quality standards, there is a risk that the RCM will encounter challenges with technologies,

processes, or access to required resources. This risk is reduced through prudent selection and planning of capital improvements and alignment of workforce requirements, with investment in appropriate human resources. The RCM also fosters a culture of continuous improvement and leverages relationships with suppliers and customers to contribute to the management of this risk.

Return to Shareholder and Profitability

The RCM is a fully commercial Crown Corporation that operates for profit. Since its incorporation in 1969 to 2011, the RCM has earned \$410 million in profits and returned 46% 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 (below) 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 Royal Canadian Mint 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; and
- 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 Royal Canadian Mint, 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	2012
\$1,000	\$1,000	\$1,000	\$5,000	\$7,000	\$10,000	\$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 2012. The RCM is planning on sustaining profitability in 2013, 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 took 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.

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 2011 Consolidated Actual Results and 2011 Forecast

This section compares actual results of the year ended December 31, 2011 with the forecasted financial results in the 2012-2016 Corporate Plan.

	2011 Forecast	2011 Actual
	\$(000's)	\$(000's)
Revenues	3,048,940	3,159,351
Operating Costs	3,007,712	3,115,526
Profit before income taxes	41,228	43,825
Income tax	10,925	11,422
Profit	30,303	32,403
Other Comprehensive Income, net of tax	(3)	(1,812)
Total Comprehensive Income	30,300	30,591
Capital Expenditures	34,000	31,895

The RCM achieved another record year in 2011 with revenues climbing to \$3 billion. Intense competition squeezed margins on both numismatic and bullion products.

To meet continuing strength in demand, the Canadian Circulation business line coinage production remained strong. By constantly monitoring and adjusting coin inventories across the country, the Mint ensured that no coin shortage was experienced in any region of Canada during the year.

In 2011, the Mint unveiled a special five-coin circulation coin series under the theme of 'Canada's legendary nature' and issued the two first coins from that series: a one-dollar coin celebrating the centennial of Parks Canada and a two-dollar coin commemorating Canada's Boreal forest. The remaining coins, three 25-cent coins commemorating the wood bison, orca, and peregrine falcon, began to roll out in January 2012.

Volume of pre-2001 coins decreased at a slower than anticipated rate, resulting in revenues from the ARP program similar to 2010.

The Foreign coinage business line produced and shipped 1.1 billion coins and blanks to 13 countries. Because the shipment of coins can lag the awarding of a contract by at least six months, a decline in revenues from foreign coinage in 2011 reflects continued soft global demand. Close to 95% of the coins were produced using the Mint's MPPS technology as government recognized the benefits of the significantly reduced priced and superior quality and security of the coins. Revenue from alloy coins continued to decline with customers opting for lower-cost plated material.

Although the global economy remained weak in 2011, foreign demand for circulation coinage was slightly improved. Despite a strong Canadian dollar and the particularly aggressive competition from mints in countries where domestic demand for circulation coinage has declined due to depressed economies, the Mint sustained its market share by continuing to win 22% of public tenders issued by foreign governments during the year.

Record demand for the Mint's numismatic coins has led to significant growth in the number of new coins offered to accommodate the increased number of customers both domestically and abroad. During 2011, 30 of 110 new coins released sold out.

Despite record precious metals prices, the Mint is also committed to increasing the number of numismatic collectors by offering themes and designs with wider commercial appeal at affordable price points. Two new "20 for 20" pure silver commemorative coins were produced in 2011 and proved to be two of the best selling coins for the business line in recent history. The Mint also had success with two coins commemorating the wedding of the Duke and Duchess of Cambridge, despite having very little time to conceive, engineer and produce the coins between the November 2010 engagement date and the April wedding.

Gold and silver demand and prices continue to be driven by global economic and financial instability, particularly in Europe. The shortage of gold and silver supplies that constrained sales in 2009 and 2010 did not exist in 2011, although there were some constraints on silver sales due to a shortage of blanks.

New bullion products from the Mint included two collector bullion coins in the Wildlife series, the Cougar and Grizzly 9999 fine one-ounce silver bullion coins; and a one-ounce 99.999% pure gold bullion coin celebrating the RCMP. The RCMP coin is the fourth in a line of gold bullion collector coins launched in 2007 that remains unchallenged as the world's purest gold bullion coin.

Refinery volumes declined primarily due to a decline in production by one major customer and the nature of ore mined by others. The Mint's refinery was added to the London Bullion Market Association's (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 designation for its 1,000 oz. 99.9% pure silver bars is a highly prestigious endorsement of its increasingly important silver refining operations.

The Mint announced the closing of the initial public offering (IPO) of the Canadian Gold Reserve's Exchange Traded Receipts (ETRs) program in November 2011. The ETRs are listed in Canadian and U.S. dollars on the Toronto Stock Exchange (TSX) under the symbols MNT and MNT.U, respectively. Thirty million ETRs were issued at a price of CAN \$20.00 per ETR raising gross proceeds of \$600 million.

Net capital expenditures were \$31.9 million. The most significant projects included:

- The launch of a two-year project to expand plating capacity in Winnipeg with commissioning of the plant anticipated in 2013;
- A second bi-metal coining press was purchased for Winnipeg to meet the anticipated growth in foreign demand for bi-metal coins as they convert low value notes to high value coins;
- More than 50 capital projects were undertaken in Ottawa to enhance capacity and support new initiatives;
- In the refinery, more than 36 projects were completed in 2011, including implementation of a new wastewater treatment facility to reduce the quantity of waste produced by the refinery and hydromet improvements to treat the by-products of the refining process;
- The establishment of an advanced material science lab within the Research and Development Centre of Excellence; and
- Enhancements to the capabilities of the Research and Development Centre of Excellence continued with the installation of a laser, a press and anti-tarnishing equipment.

Comparison of 2012 Consolidated Corporate Plan to Current Forecast

This section provides a forecast of 2012 results against the forecast included in the 2012-2016 Corporate Plan.

	2012 Corporate Plan	2012 Forecast
	\$(000's)	\$(000's)
Revenues	3,358,390	2,250,002
Operating costs	3,311,092	2,209,702
Profit before income taxes	47,298	40,300
Income tax	11,825	10,680
Profit	35,473	29,620
Other Comprehensive Income	(287)	3,474
Total Comprehensive Income	35,186	33,094
Capital Expenditures	71,000	71,000

While revenues and profits are forecasted below plan, the Mint will continue to deliver a successful and profitable year. In fact, 2012 will be the 5th most profitable year since it became a Crown Corporation. Results are primarily impacted due to a softening of demand of bullion coins and the ongoing financial crisis that is creating a reduction in demand for foreign coinage. These are partially offset by a stronger than expected performance for numismatics.

Canadian coinage production and recycling volumes are slightly below planned levels primarily due to the reduced penny volumes. The last penny for Canadian circulation was struck on May 4, 2012. The Government of Canada announced the elimination of the penny from Canada's coinage system in Economic Action Plan 2012. The elimination of the penny from Canada's coin set will have limited impact on the Mint's overall operating or financial performance.

On April 10, 2012 a new generation of one-dollar and two-dollar circulation coins began circulation. The new coins incorporate advanced security features and are manufactured with the Mint's patented multi-ply plated steel technology.

The Mint launched the final three coins of the 2011 commemorative circulation coins program designed to celebrate Canada's great outdoors and the significance of our natural environment. It has also launched the commemorative circulation coins series celebrating the 200th anniversary of the War of 1812 as well as the 2012 Lucky Loonie to celebrate the 2012 London Olympics and a 25-cent coin commemorating the 100th Grey Cup® game.

The Alloy Recovery Program (ARP) continues to generate a reasonable profit with coins recovered through the Mint's recycling program.

As noted, foreign coinage volumes are below planned volumes. The economic crisis in Europe has substantially reduced demand for coinage, creating a temporary surplus in global minting capacity and an intensely competitive marketplace. However, the Mint continues to compete aggressively to expand its share in the foreign market.

Bullion sales are affected by investor demand. The stability of precious metal prices has depressed demand.

Canadian Gold Reserves' Exchange Traded Receipts (ETRs) program launched in 2011 continues to generate modest revenues. A purchase right for gold ETR holders is planned in November 2012 which should grow the size of the program.. The RCM also completed the initial public offering of Silver ETRs in November 2012 with a value of \$100 million.

Refinery volumes are expected to be below plan due to a slowdown in the gold and silver recycling markets as well as the nature of ore mined by certain customers.

Numismatics will surpass its targets in spite of high precious metal prices that in turn affect product costs and customer prices.

In its capital forecast, the Mint continues to invest in the plating plant expansion and renewal of its facility in Winnipeg, research and development, IT initiatives including an enterprise resource planning (ERP) upgrade, a new human resources system and refinery system, as well equipment for the Winnipeg and Ottawa facilities along with office space expansion and plant layout improvements in Ottawa.

Performance Indicators for 2013

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 2013-2017 Corporate Plan net income before income taxes in the prevailing market; 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 shortage 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 meet or decrease the targeted 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 2013-2017 Corporate Plan recycling coins target; and
- To apply best practices in corporate social responsibility (CSR) utilizing the new framework, launched in 2013.

4. Marketing and Communications

Overview

The Marketing and Communications division plays a lead role in nurturing the corporate vision of being the *best mint in the world*, and is the steward of the RCM's brand. In line with the RCM's vision, the marketing and communications strategy seeks to continue distinguishing the organization as a producer of culture and currency, rather than just a manufacturer.

In 2011, the Mint undertook a branding exercise to understand positioning across the corporation's markets of choice, to identify key brand attributes (pride, trust and innovation) that could serve as filters for RCM marketing and communications activities, and serve as a first step towards the creation and implementation of enhanced brand guidelines.

A brand promise statement (*Minting the story*) was introduced as the foundation for the articulation of the brand throughout the corporation, thus deepening the concept of 'storytelling' through the RCM's various products, services and especially, marketing and communications initiatives, be they for Canadian or foreign markets.

The introduction of an integrated marketing plan in 2011, which articulated the focus for marketing and communications activities aligned to business line priorities, drove the division's direction to provide increased services to all business lines, as well as to serve corporate interests. Over the past year and into 2012, Marketing and Communications resources supported not only the growth of the Numismatics and Collectibles Business Line through the development and launch of many non-circulating coin products—including the timely execution of a Winnipeg Jets programme to welcome the team back to the NHL, and a royal wedding and British monarchy programme—but also extended and increased support to the other business lines. For example, the Marketing and Communications division developed and launched an exciting new special five-coin circulation series (the "*Canada's Legendary Nature*" series, anchored by the centennial of Parks Canada one-dollar coin); supported the introduction of the Mint's IPO for its Gold ETR—Canadian Gold Reserves' Exchange Traded Receipts; and provided numismatic and circulation product development and branding services to help the Foreign Business Line add value to, and differentiate its offerings in a highly competitive market.

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.

As outlined in the 2012-2016 Corporate Plan, the RCM is focussing its consumer marketing on greater value-add activities to enrich the customer experience, and on Customer Relationship Management (CRM) practices and systems.

Current status

The alignment of marketing strategies to the RCM's vision is critical. Each of these strategies will reinforce the RCM's reputation and brand promise to different stakeholders, notably its customers and employees. The following strategies represent the core priorities for the Marketing and Communications division.

Bringing the Brand promise to Life

Having gone through both an internal and external assessment, the RCM's new brand promise aims to deliver on its' 3 core attributes of innovation, pride and trust, by "Minting the Story". With the privilege of being a curator of currency and culture, the Mint can further "tell the story" of different events and themes that showcase Canada's people, places and passions.

While the 2011 Commemorative circulation coin program promoted Canada's "Legendary Nature", the cornerstone being Parks Canada's 100th anniversary, the RCM's program promoted the stories of different animals and the conservation efforts deployed. A multi-media campaign was conducted to educate Canadians and create an emotional connection to the RCM's brand.

Further efforts in 2012 will include the introduction of revised guidelines for both internal and external communication mediums that will reinforce the brand promise.

Global leadership in coinage solutions

The RCM introduced a new service offering named *SM&RT* (Secure, Modern & Resistant Technology) in 2011 for its international customers. *SM&RT* is a full-service international coin production and marketing platform, offering services covering all facets of circulation and numismatic coin design, production, technology and consulting services, as well as marketing and communications expertise.

Growing the Numismatic and Collectibles market

The growth in products is a result of an enhanced "targeted" approach to market development. While all channels have seen further penetration, the RCM's marketing efforts will continue to heighten its' customer knowledge and market segmentation.

Extending the Precious Metals business

The RCM introduced the largest IPO in Canada in November 2011 with the Canadian Gold Reserves' Exchange Traded Receipts. The launch was supported by Marketing and Communications through the development of a dedicated web site to ensure regulatory compliance and to provide prospects and shareholders with trusted information on this investment. Other subsequent tranches will be supported by marketing and communications activities.

Corporate Social Responsibility

The RCM continues to develop a comprehensive corporate social responsibility (CSR) framework. In 2011, a CSR assessment was conducted by Canadian Business for Social Responsibility (CBSR), of which the RCM is a member. CBSR identified key priority areas for the RCM to understand the CSR initiatives currently underway at the RCM, identified stakeholders, conducted employee focus groups and interviewed external stakeholders, including suppliers, partners, government, customers, other crown corporations and international stakeholders. At the end of 2011, the steps to be taken to develop a formal CSR framework were outlined and presented to management and employees for discussion. During 2013, this framework will be developed and implemented.

Communications continues to improve existing and implement new internal communications tools in an effort to improve internal communications at the RCM. The RCM's internal communications strategy is aimed at fostering engagement and pride through more open, frequent and trustworthy dialogue at all employee levels. To standardize regular communications with all employees at the RCM, throughout 2011 all managers with direct reports were provided with communications training. New managers will be provided this training as they arrive at the RCM, to ensure consistency. 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.

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 greater targeted product and marketing offers, customer interaction and emotional connection through its products and services, and through initiatives such as increased e-marketing and broader social media presence;
- Deliver an increasing number of new numismatic products to drive Numismatic and Collectibles Business Line revenue and profit; and
- Shift from a product-driven strategy to a target market driven strategy.

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

- Introduce the new brand platform with a new set of guiding principles and alignment of internal and external communication tools as well as of product and service offerings to the new look and feel;
- Develop relevant customer-driven satisfaction measures for all business lines;
- 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 Campaign Management 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 and significant accomplishments in new and existing markets 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

- Develop and 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. This direction was ratified at the recent Mint Directors Conference where the CEO of the Royal Australian Mint and MDC President indicated without innovation "our future may be less certain".

Current Status

R&D in the corporation is guided by a Steering Committee that prioritizes projects and recommends to the Executive Committee project priorities, capital funding and operating requirements. In 2010, the R&D centre established a format to manage priority projects, as reviewed quarterly and set forth by the Steering Committee.

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
 - Ensure 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
 - Continue to explore the latest in currency technologies.

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. The fact that Canada has not experienced a coin shortage in many years while maintaining low inventories has foreign countries increasingly seeking knowledge from the RCM which further solidifies the RCM's reputation as a global leader in coinage solutions.

In March 2012, the Government of Canada made a decision that will change the look of Canada's denomination structure. It was announced that in 2012, the one cent coin would cease to be circulated for trade and commerce. To support this objective, the business line will be required to leverage its expertise and knowledge of managing the nation's distribution system in order to redeem one cent coins economically across the country. Once sorted, the metals will be recycled so that they can be re-used in other applications. The RCM's long standing relationships with key stakeholders will be used to ensure that the program can be executed in a seamless manner.

Historically, Canadian circulation coins had been manufactured using expensive alloys such as copper and nickel that are actively traded on the commodities market. Since 2000, the Canadian circulation 5, 10, and 25-cent denominations have been produced with multi-ply plated steel materials saving the Canadian Government over \$250M since the transition.

Also in 2012, to extend the savings from steel base coinage, the next generation of Canada's highest coin denominations were introduced to the market. After years of collaboration between various stakeholders including vending, parking, transit and others, the new multi-ply plated steel one dollar and two dollar coins were introduced with their new advanced security features.

Although counterfeiting of coins is not problematic in Canada, being proactive with new security features ensures that the integrity of Canada's monetary supply continues to be maintained. Features such as virtual imaging, laser marks, and edge lettering along with coin reading technology underscores the RCM's commitment.

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. With the Government's announcement that one cent coins will cease to be distributed, the coin recycling program provides a convenient solution for Canadians to return their one cent coins should they wish to do so.

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. In 2012, with the conversion of the \$1 and \$2 coins to multi-ply plated steel, the alloy recovery program will be expanded.

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

- Continue to introduce multi-ply plated steel \$1 and \$2 coins with a corresponding ARP program contingent on a supportive nickel price;
- Improve counterfeit detection and coin security;
- Maximize ARP profitability;
- Continue research and development into payment technologies;
- 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;
- Establish an R&D Centre of Excellence in Winnipeg; and
- Removal of the one cent coin from circulation as required,

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 be 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 a number of RCM technologies including the RCM's patented plating technology. In addition, the business line offers services leveraging the newest advances in products and processes developed by the RCM to the global minting community.

Major RCM Foreign Business Line 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 and Communications services; and
- 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; and
- Meet and/or exceed customer's quality expectations and delivery timelines.

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 succession planning;
- Invest in sales training; and
- Invest in training focussing on health and safety, 5S and *lean*.

8. Numismatics, Collectibles and Medals Business Line

Overview

With stunning product quality and beauty, this business line produces and sells celebrated collectable coins and medals to customers in Canada and a global audience. Incorporating precious metals, numismatic products are distinguished by their craftsmanship and pioneering 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

- Pursue and develop high potential international market
- 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;

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;
- Invest in sales / call centre training; 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.

The customers of the RCM's bullion investment products are 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.

At its Ottawa location, the RCM offers integrated precious metal refinery services including assaying, secure storage and a variety of outturn products.

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 sections: 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 five sections: Finance, Strategic Planning and Analysis, 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.
- Responsible for the development of the annual budgeting and corporate planning exercise.

The Corporate and Legal Affairs Division of the RCM is composed of four sections: the Office of the General Counsel, Corporate Security, Corporate Affairs, and Official Languages and Linguistic Services.

- The office of the General Counsel is 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; assisting in the development of corporate policies and the implementation of the Disclosure of Wrongdoing policy; ensuring all corporate regulatory and legal requirements are met; providing legal advice in labour and employment law, and corporate and commercial law; drafting and participating in the negotiation of domestic and foreign contracts, registering patents, trade-marks and industrial designs and overseeing litigation matters;
- The Corporate Security section is responsible for the organization's entire security posture as it relates to personnel, physical assets as well as the confidentiality, integrity and availability of all information systems and data;
- The Corporate Affairs section is responsible for managing the administration of the Access to Information Act and Privacy Act, including the training of all employees on their rights and responsibilities, conducting privacy impact assessments and privacy audits, and overseeing the implementation of privacy and privacy breach policies. In collaboration with the Office of the General Counsel, safeguarding, managing requests and generating funds for the use of the RCM's intellectual property. The section is also responsible for coordinating the submission and tabling of statutory reports and documents to Parliament and managing government relations by interfacing with the Minister's Office and other central agencies on a variety of subjects, including the approval of new coin designs.

- The Official Languages and Linguistic Services section provides high quality linguistic services (translation, adaptation, editing, proofreading, language training and consecutive sign and simultaneous interpretation) thereby supporting the bilingual internal and national operations as well as the multilingual international business of the RCM; enabling the Corporation to fulfill its social ethos of promoting Canada's people, culture and history not only through compliance with the *Official Languages Act*, but also—within the greater scope of the Corporate Social Responsibility framework—by encouraging positive measures to uphold bilingualism.

Corporate Engineering and Environment within the Operations Division of the RCM is responsible for providing services to its internal customers in order to enhance minting and refining processes. This department is also responsible to provide 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.

For several years the Continuous Improvement and Corporate Operational Planning department provided 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 worked in concert with the RCM's internal resources to develop capabilities using the principles of *lean* enterprise and the leadership agility framework. In 2011, with a strong culture of continuous improvement, the department was decentralized and integrated within the business lines. This transition was a natural evolution for the team that sought to spread and embed lean thinking and a continuous improvement mindset across the organization.

Many practices and tools are firmly embedded into the business activities and remain in WISE, the RCM's management system.

Current Status

The HR Division's strategic priorities for 2013 include a sustained focus on increasing the RCM's ability to attract the best talent, continuing the development of the succession plan for key positions and the implementation of comprehensive training and talent management strategy. The Mint will focus on a four stream training and development strategy to ensure the skills and abilities of employees are 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 continue to work with cross-functional teams to introduce processes and activities to further employee engagement across the organization.

As well, the HR Division will continue the implementation of its new HRMIS (Human Resources Management Integrated System) which will provide the Mint with an efficient integrated solution (Human Resources/Payroll/Time and attendance) 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 team will initiate a comprehensive review of RCM supplier quality monitoring and support activities to enhance the quality and delivery of products and services from external suppliers to RCM manufacturing operations.

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 improve and support reporting processes to facilitate sound business decisions and realize efficiencies from the new 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, corporate security, corporate affairs and official languages 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;
- Implement 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 enhance 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;
- 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;

- Continue to investigate, make recommendations and dispose of non-performing assets where feasible;
- Proactively implement prudent hedging programs to protect the profitability of the RCM;
- Pursue excellence in the delivery of corporate, legal, corporate security and official languages and linguistics services;
- Ensure a multi-layered security posture; 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

- 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; and
- Ensure that best privacy practices are integrated into the RCM's programs and procedures to safeguard customers' and employees' personal information.

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

- Leverage the results of the employee survey and implement targeted improvements to people practices to increase employee satisfaction and engagement, in order to enhance the Mint's value proposition as an employer of choice ;
- 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 Occupational Health & Safety culture at the RCM;
- Develop a comprehensive workplace wellness program to encourage and assist the Mint's employees in engaging in healthy life style choices;
- Invest in the training and development of RCM employees, particularly in the critical areas of: research and development, leadership abilities professional development, continuous improvement, develop skills based matrices and provide relevant on-the-job training, and ensure Mint compliance with various legislated requirements;

- Maintain sound employee relations through open communication with union representatives and non-unionized employees; and
- Support the on-going efforts to integrate the principles of the *Employment Equity Act* and the *Multi-culturalism Act* into its current programs and procedures;

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 owned 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 may include management of foreign exchange, interest rate, base metal and/or 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 2012 carried through the planning period by *lean* and other initiatives;
- exchange rate of \$0.98 CAD / \$1.00 USD;
- precious metal prices per ounce in Canadian dollars are estimated at \$1,656 for gold \$1,509 for platinum and \$30.38 for silver;
- base metal prices per kg in Canadian dollars are estimated at \$15.53 for nickel, \$7.45 for copper, \$1.77 for zinc and \$1.23 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 2013 of \$61 million; and
- payment of income taxes and dividends in the planning period.

Generally Accepted Accounting Principles (“GAAP”)

A) Adoption of new accounting standards - Current

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 GAAP. The RCM’s financial statements for the year ended December 31, 2011 were the first annual consolidated financial statements issued by the Corporation that comply with IFRS. The Corporation’s transition date is January 1, 2010 (the “transition date”) and the Corporation has prepared its opening IFRS consolidated statement of financial position at that date. Annual Report 2011 consolidated financial statements were prepared in accordance with the accounting policies described in Note 2 and in accordance with the requirements of IFRS 1, which is applicable upon first-time adoption of IFRS. IFRS 1 requires that the same policies be applied for all periods presented and that those policies be based on IFRS effective at the end of the adoption year, or December 31, 2011 for the Corporation. The Corporation prepared 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 Annual report 2011 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 that fair value as the asset’s deemed cost.

The Corporation has elected to use fair value as deemed cost for all of its 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

The Corporation has elected to use the exemption provided by IFRS 1 to recognize all cumulative actuarial gains and losses at the date of transition in opening retained earnings for the Corporation’s employee benefit plans. Without the election of this IFRS 1 exemption, full retrospective application of IAS 19 “Employee Benefits” would have been required.

The Corporation also has elected to use the exemption provided by IFRS 1 to provide historical disclosure of the defined benefit obligations and experience adjustments prospectively from the date of transition.

(iii) Leases

Under IFRIC 4, “Determining whether an arrangement contains a lease”, a first-time adopter may determine whether an arrangement existing at the date of transition to IFRS contains a lease based on the facts and circumstances existing at that date. If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with Canadian GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter does not need to reassess that determination when it adopts IFRS. The Corporation has elected to apply the transitional provisions in IFRIC 4 at the date of transition.

(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.

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 IFRS, 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 IFRS 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 Canadian GAAP as a result of a transaction that occurred before the date of transition, it shall not recognize those assets and liabilities in accordance with IFRS (unless they qualify for recognition as a result of a later transaction or event). The Corporation has not recognized any financial assets or financial liabilities at the date of transition that had been derecognized under Canadian GAAP.

(iii) Estimates

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

Reconciliation of Canadian GAAP to IFRS.

A complete reconciliation of Canadian GAAP to IFRS is presented in the notes to the RCM's 2011 Audited Consolidated Financial Statements.

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's consolidated financial statements in future years:

IAS 1 Presentation of Financial Statements ("IAS 1")

IAS 1 was amended in May 2012 to clarify the disclosure requirements for certain comparative information. The amendment to IAS 1 is effective for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 16 Property, Plant & Equipment ("IAS 16")

IAS 16 was amended in May 2012 for the classification of servicing equipment; it provides clarification that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment to IAS 16 is effective for reporting periods beginning on or after January 1, 2013. This amendment is to be applied retrospectively. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 19 Employee Benefits ("IAS 19")

IAS 19 was amended in June 2011 for the accounting and presentation of post-employment benefits including the elimination of the use of the 'corridor' approach, the change of the treatment for termination benefits and various other amendments. The amendment to IAS 19 is effective for reporting periods beginning on or after January 1, 2013. This amendment is to be applied retrospectively. Earlier application is permitted. The Corporation is currently evaluating the impact of this amendment to IAS 19 on its consolidated financial statements.

IAS 27 Separate Financial Statements ("IAS 27")

In 2011, 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. This standard is to be applied retrospectively. Earlier application is permitted. The adoption of this standard is not expected to have an impact on the Corporation's consolidated financial statements.

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

IAS 28 was amended in 2011 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. This standard is to be applied retrospectively. Earlier application is permitted. The adoption of this standard is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 32 Financial Instruments: Presentation (“IAS 32”)

An amendment was released in December 2011 to IAS 32 about application guidance on the offsetting of financial assets and financial liabilities with effective date on or after January 1, 2014. This amendment is to be applied retrospectively. The adoption of the amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

An amendment was released in May 2012 to IAS 32 regarding the tax effect of distributions to holders of equity instruments with an effective date of January 1, 2013. This standard is to be applied retrospectively. Earlier application is permitted. The adoption of this standard is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 34 Interim Financial Reporting (“IAS 34”)

An amendment was released in May 2012 to IAS regarding interim financial reporting and segment information for total assets and liabilities with effective date on or after January 1, 2013. This amendment is to be applied retrospectively. Earlier application is permitted. The adoption of the amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”)

An amendment to IFRS 1 was released in March 2012 to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. The amendment is applicable to annual periods beginning on or after 1 January 2013. There is no impact on the Corporation's consolidated financial statements.

Further amendments to IFRS 1 were released in May 2012 to address issues surrounding repeated application of IFRS 1 and the capitalization of borrowing costs upon adoption of IFRS. The amendments are applicable to annual periods beginning on or after 1 January 2013. There is no impact on the Corporation's consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures (“IFRS 7”)

There were two amendments released in December 2011 to IFRS 7. One was on enhancing disclosures about offsetting of financial assets and financial liabilities with effective date on or

after January 1, 2013 and the other one was on requiring disclosures about the initial application of IFRS 9 with effective date on or after January 1, 2015 (or otherwise when IFRS 9 is first applied). The amendments are to be applied retrospectively. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

The mandatory application date of IFRS 9 was amended in December 2011. The Corporation will be required to retrospectively adopt IFRS 9 on January 1, 2015, which is the result of the IASB’s project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard defines the classification, recognition, derecognition and measurement guidance for financial assets and financial liabilities. The adoption of this standard is not expected to have a material impact on the Corporation's consolidated 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. This standard is to be applied retrospectively. Earlier application is permitted. The adoption of this standard is not expected to have an impact on the Corporation's consolidated 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. This standard is to be applied prospectively. Earlier application is permitted. The adoption of this standard is not expected to have an impact on the Corporation's consolidated 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. This standard is to be applied prospectively. Earlier application is permitted. The adoption of this standard is not expected to have an impact on the Corporation's consolidated 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 IFRS standards 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. This standard is to be applied prospectively. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's consolidated 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 2011 and six year forecast through 2017** **\$(000's)**

	Actual 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Revenues	3,159,351	2,250,002	2,336,522	2,354,385	2,371,488	2,372,839	2,391,975
Operating Costs	3,115,526	2,209,702	2,313,734	2,320,695	2,337,058	2,339,560	2,354,877
Profit before income tax	43,825	40,300	22,788	33,690	34,430	33,279	37,098
Income tax	11,422	10,680	6,039	8,928	9,124	8,819	9,831
Profit	32,403	29,620	16,749	24,762	25,306	24,460	27,267
Other comprehensive income, net of tax	(1,812)	3,474	(1,197)	0	0	0	0
Total comprehensive income	30,591	33,094	15,552	24,762	25,306	24,460	27,267

Consolidated Statement of Changes in Equity
Actual 2011 and six year forecast through 2017 \$(000's)

	Share Capital	Retained Earnings	AOCI*	Total
Balance, beginning of 2011	40,000	197,919	290	238,209
Profit for the year		32,403		32,403
Other comprehensive income (losses)		755	(2,567)	(1,812)
Dividend **		(10,000)		(10,000)
Balance, end of year 2011	40,000	221,077	(2,277)	258,800
Balance, beginning of year 2012	40,000	221,077	(2,277)	258,800
Profit for the year		29,620		29,620
Other comprehensive income (losses)		0	3,474	3,474
Dividend **		(10,000)		(10,000)
Balance, end of year 2012	40,000	240,697	1,197	281,894
Balance, beginning of year 2013	40,000	240,697	1,197	281,894
Profit for the year		16,749		16,749
Other comprehensive income (losses)		0	(1,197)	(1,197)
Dividend **		(10,000)		(10,000)
Balance, end of year 2013	40,000	247,446	0	287,446
Balance, beginning of year 2014	40,000	247,446	0	287,446
Profit for the year		24,762		24,762
Other comprehensive income (losses)		0	0	0
Dividend **		(10,000)		(10,000)
Balance, end of year 2014	40,000	262,208	0	302,208
Balance, beginning of year 2015	40,000	262,208	0	302,208
Profit for the year		25,306		25,306
Other comprehensive income (losses)		0	0	0
Dividend **		(10,000)		(10,000)
Balance, end of year 2015	40,000	277,514	0	317,514
Balance, beginning of year 2016	40,000	277,514	0	317,514
Profit for the year		24,460		24,460
Other comprehensive income (losses)		0	0	0
Dividend **		(10,000)		(10,000)
Balance, end of year 2016	40,000	291,974	0	331,974
Balance, beginning of year 2017	40,000	291,974	0	331,974
Profit for the year		27,267		27,267
Other comprehensive income (losses)		0	0	0
Dividend **		(10,000)		(10,000)
Balance, end of year 2017	40,000	309,241	0	349,241

* AOCI: Accumulated other comprehensive income (net gains (losses) on cash flow hedges).

** 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 2011 and six year forecast through 2017
\$(000's)

	Actual 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Assets							
Current assets							
Cash and cash equivalents	78,930	67,150	53,606	49,485	53,666	51,861	66,701
Accounts receivable	13,234	20,000	25,000	30,000	35,000	45,000	50,000
Prepaid expenses and other	7,238	6,300	6,300	6,300	6,300	6,300	6,300
Inventories	104,417	100,000	105,000	110,000	115,000	120,000	125,000
	203,819	193,450	189,906	195,785	209,966	223,161	248,001
Investment property	236	236	236	236	236	236	236
Property, plant and equipment	287,445	354,939	410,790	444,704	461,679	478,179	483,679
Accumulated depreciation	(125,981)	(139,635)	(156,137)	(175,933)	(196,518)	(217,723)	(239,107)
Intangible assets	7,514	7,878	10,124	10,388	9,622	8,092	8,903
	169,214	223,418	265,013	279,395	275,019	268,784	253,711
Total assets	373,033	416,868	454,919	475,180	484,985	491,945	501,712
Liabilities and Equity							
Liabilities							
Current liabilities							
Accounts payable, accrued liabilities, other	74,618	65,000	70,000	80,000	80,000	80,000	80,000
Loans	1,504	4,503	7,502	7,501	7,500	7,500	7,500
Deferred revenues	6,183	7,000	7,000	7,000	7,000	7,000	7,000
	82,305	76,503	84,502	94,501	94,500	94,500	94,500
Loans and other payables	9,358	34,471	56,971	49,471	41,971	34,471	26,971
Deferred tax liabilities	13,040	13,000	15,000	18,000	20,000	20,000	20,000
Employee future benefits	9,530	11,000	11,000	11,000	11,000	11,000	11,000
	31,928	58,471	82,971	78,471	72,971	65,471	57,971
Shareholder's equity							
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings	221,077	240,697	247,446	262,208	277,514	291,974	309,241
Accumulated other comprehensive income	(2,277)	1,197	0	0	0	0	0
	258,800	281,894	287,446	302,208	317,514	331,974	349,241
Total liabilities and shareholder's equity	373,033	416,868	454,919	475,180	484,985	491,945	501,712

Consolidated Statement of Cash Flows
Actual 2011 and six year forecast through 2017
\$(000's)

	Actual 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
<i>Cash flows from operating activities</i>							
Receipts from customers / net proceeds from derivative contracts	3,232,594	2,243,793	2,331,522	2,349,386	2,366,488	2,362,839	2,386,975
Payments to suppliers and employees	(3,185,774)	(2,192,606)	(2,294,273)	(2,291,057)	(2,316,369)	(2,318,221)	(2,333,907)
Interest paid	(345)	(283)	(1,454)	(1,722)	(1,514)	(1,305)	(1,097)
Income tax paid	(10,817)	(10,719)	(4,039)	(5,928)	(7,124)	(8,818)	(9,831)
	35,658	40,185	31,756	50,679	41,481	34,495	42,140
<i>Cash flows from investing activities</i>							
Interest received	500	535	200	200	200	200	200
Payments to acquire property, plant and equipment and intangible assets	(31,895)	(71,000)	(61,000)	(37,500)	(20,000)	(19,000)	(10,000)
	(31,395)	(70,465)	(60,800)	(37,300)	(19,800)	(18,800)	(9,800)
<i>Cash flows from financing activities</i>							
New loans	0	30,000	30,000	0	0	0	0
Dividend paid *	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Repayment of loans and other payables	(1,497)	(1,500)	(4,500)	(7,500)	(7,500)	(7,500)	(7,500)
	(11,497)	18,500	15,500	(17,500)	(17,500)	(17,500)	(17,500)
Net increase (decrease) in cash and equivalents	(7,234)	(11,780)	(13,544)	(4,121)	4,181	(1,805)	14,840
Cash at the beginning of the year	86,045	78,930	67,150	53,606	49,485	53,666	51,861
Effects of exchange rate changes on cash held in foreign currencies	119	0	0	0	0	0	0
Cash at the end of the year	78,930	67,150	53,606	49,485	53,666	51,861	66,701

*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 a 10-year long term borrowing in the amount of \$15 million, with principal repayments that began in 2009.

In 2012 the RCM plans to secure a portion of its capital requirements with \$30 million in long term debt financing, principal repayments over a term of up to 10 years

During the planning period, the RCM plans to secure a portion of its capital requirements with a \$30 million loan in 2013, with principal repayments over a term of 10 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 2012, with \$4.5 million in 2013 and \$7.5 million in 2014 to 2017.

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. 2013 Capital Budget and 2014-2017 Capital Plan

Capital Budget 2013 and Capital Expenditure Plan 2014-2017

The Capital Budget for 2013 and the Capital Expenditure Plan for 2014-2017 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 2013-2017 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. Major initiatives for 2013 include the completion of projects which began in 2012 including a new human resources system, refinery system, and an ERP upgrade as well as new investments in customer relationship management and e-commerce infrastructure. Other ongoing projects ensure enterprise infrastructure and integrity and performance.

In Winnipeg, 2013 projects include the completion of a plating plant renewal, which began in 2011, as well as investments in research and development, presses, an annealing furnace and office upgrades.

In Ottawa, continued improvement of the plant layout is planned for 2013 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 2013 and
Capital Expenditure Plan 2014-2017**
\$(000's)

	2013	2014	2015	2016	2017
<i>Total</i>	61,000	37,500	20,000	19,000	10,000
<i>RCMH –MRCF Inc.</i>	-	-	-	-	-