

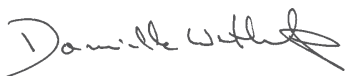
Management report

The financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Royal Canadian Mint Act* and by-laws of the Corporation.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports his findings to the Minister responsible for the Royal Canadian Mint.



Danielle V. Wetherup
President and Master of the Mint



Beverley A. Lepine
Vice-President, Administration and Finance

Auditor's report

To the Minister of Public Works and Government Services

I have audited the balance sheet of the Royal Canadian Mint as at December 31, 2000 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the changes in the method of accounting for employee future benefits and for income tax as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Royal Canadian Mint Act* and the by-laws of the Corporation.



L. Denis Desautels, FCA
Auditor General of Canada
Ottawa, Canada, February 23, 2001

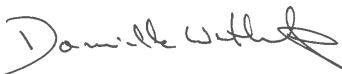
Balance sheet

as at December 31, 2000 (in thousands of dollars)

	2000	1999
Assets		
Current		
Cash and short-term investments (note 10)	\$ 138	\$ 16,109
Accounts receivable	42,106	35,834
Prepaid expenses	2,555	2,042
Inventories (note 4)	40,892	37,419
	85,691	91,404
Capital assets (note 5)	96,882	89,204
	\$ 182,573	\$ 180,608
Liabilities		
Current		
Accounts payable	\$ 37,209	\$ 33,208
Current portion of loans (note 6)	6,263	5,302
Deferred revenues	1,524	5,728
	44,996	44,238
Long-term		
Deferred revenues	1,461	2,188
Loans (note 6)	32,180	36,676
Future income taxes (note 7)	1,102	–
Employee future benefits (note 8)	6,609	6,529
	41,352	45,393
Shareholder's equity		
Share capital		
(authorized and issued, 4,000 non-transferable shares)	40,000	40,000
Retained earnings	56,225	50,977
	96,225	90,977
	\$ 182,573	\$ 180,608

The accompanying notes are an integral part of these statements

Approved by Management



Danielle V. Wetherup
President and Master
of the Mint



Beverley A. Lepine
Vice-President,
Administration and Finance

*Approved on behalf of the
Board of Directors*



Emmanuel Triassi
Chairperson

*Recommended for approval on
behalf of the Audit Committee*



Charles F.M. Ross, H.B.A., L.L.B.
Chair

Statement of operations and retained earnings

for the year ended December 31, 2000 (in thousands of dollars)

	2000	1999
Revenue	\$ 302,556	\$ 584,372
Cost of goods sold	224,087	493,158
Gross profit	78,469	91,214
Other operating expenses		
Marketing and Sales	36,537	40,350
Administration	25,679	22,788
Depreciation	6,366	4,943
	68,582	68,081
Income from operations	9,887	23,133
Interest income	1,178	1,292
Interest expense	(2,349)	(2,382)
Income before income tax	8,716	22,043
Income tax (note 7)	3,140	309
Net income	5,576	21,734
Retained earnings, beginning of year	50,977	29,243
Change in accounting policy (note 3)	(328)	–
Retained earnings, beginning of year restated	50,649	29,243
Retained earnings, end of year	\$ 56,225	\$ 50,977

The accompanying notes are an integral part of these statements

Cash flow statement

for the year ended December 31, 2000 (in thousands of dollars)

	2000	1999
Cash flows from operating activities		
Cash receipts from customers	\$ 291,012	\$ 580,946
Cash paid to suppliers and employees	(287,570)	(537,725)
Interest received	1,191	1,619
Interest paid	(1,784)	(706)
Income taxes paid	(676)	(320)
	2,173	43,814
Cash flows from investing activities		
Purchase of capital assets	(14,044)	(30,318)
Cash flows from financing activities		
Repayment of loans	(4,100)	(7,200)
Net increase (decrease) in cash and short-term investments	(15,971)	6,296
Cash and short-term investments at the beginning of year	16,109	9,813
Cash and short-term investments at the end of year	\$ 138	\$ 16,109

The accompanying notes are an integral part of these statements

Notes to financial statements

December 31, 2000

1. Authority and objectives

The Mint was incorporated in 1969 by the *Royal Canadian Mint Act* to mint coins in anticipation of profit and carry out other related duties. The Mint is an agent corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. It produces all of the circulation coins used in Canada and manages the supporting distribution systems for the Government of Canada. The Mint is one of the world's foremost producers of circulation, collector and bullion investments coins for the domestic and international marketplace. It is also one of the largest gold refiners in the world.

The Mint may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and the terms and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act* the aggregate of the amounts loaned to the Mint and outstanding at any time must not exceed \$75 million.

2. Significant accounting policies

a) Inventories

Raw materials and supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method. Work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

b) Capital assets

Capital assets are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	2 1/2%
Buildings	2 1/2%
Equipment	10%
Hardware and software	20%

c) Deferred revenues

Payments received in advance on sales are not recognized as revenue until the products are shipped.

d) Employee future benefits

The cost of the employee future benefits earned by employees is actuarially determined using the projected benefit actuarial cost method prorated on services. The valuation of liabilities is based upon a current market-related discount rate and other actuarial assumptions which represent management's best long term estimates of factors such as future wage increase and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees.

e) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the Plan have been limited to an amount equal to the employees' contributions on account of current services. Effective April 1, 2000 the Corporation's contributions increased to an amount reflecting the full cost of the employer contributions. This amount, expressed as a percentage of employee contributions, will fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account. The current year's expense for the employer's contribution amounted to \$3,273,000 (1999 - \$1,409,000).

Notes to financial statements

December 31, 2000

f) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at average exchange rates during the year. Translation gains and losses are included in income for the year.

g) Income tax

Income tax expense is determined using the liability method, whereby the future income tax component is recognized on temporary differences using substantively enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Temporary differences between the carrying values of assets or liabilities used for tax purposes and those used for financial reporting purposes arise in one year and reverse in one or more subsequent years. In assessing the realizability of future tax assets, management considers known and anticipated factors impacting whether some portion or all of the future tax assets will not be realized. To the extent that the realization of future tax assets is not considered to be more likely than not, a valuation allowance is provided.

3. Change in accounting policy

Effective January 1, 2000 the Corporation adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants with respect to employee future benefits and income taxes.

a) Employee future benefits

This change in accounting policy affects the recognition of the expense and liability for the costs of obligations for employee future benefits, including post-retirement and post-employment benefits. Under the new recommendations, obligations for non pension employee future benefits, including post-retirement and post-employment benefits, are actuarially determined and are accrued as the employees render the services necessary to earn employee future benefits. Prior to the adoption of the new standard, the cost of employee future benefits for specific termination benefits as provided under collective agreements and the terms of employment were recorded using an undiscounted, full accrual method. Other employee future benefits were recognized on a "pay as you go" basis. The effect of the change in accounting policy has been recorded on a retroactive basis without restatement of prior year comparative figures. The effect of the change in policy was a decrease of \$97,000 in the current year for employee future benefits and a decrease to opening retained earnings of \$328,000.

b) Income tax

The Canadian Institute of Chartered Accounts has issued new standards on accounting for Income Taxes. Prior to the adoption of the new recommendations, income tax expense was recorded by the deferral method of accounting using historical income tax rates and deferred income taxes resulted from differences in the timing of income and expense recognition for accounting and tax purposes. In contrast, under the new standard future income taxes result from differences between the carrying values of assets and liabilities used for tax and accounting purposes. The Corporation has adopted the new accounting standard retroactively. However there was no impact on either retained earnings as at January 1, 2000 or the current year's earnings as a result of this change therefore there was no restatement of the December 31, 1999 comparative figures.

Notes to financial statements

December 31, 2000

4. Inventories

(in thousands of dollars)

	2000	1999
Raw materials	\$ 16,384	\$ 9,973
Work in process	8,647	9,477
Finished goods	13,749	13,889
Supplies	2,112	4,080
	\$ 40,892	\$ 37,419

5. Capital assets

(in thousands of dollars)

			2000	1999
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 3,226	\$ –	\$ 3,226	\$ 3,226
Land improvements	914	711	203	217
Buildings	73,073	20,284	52,789	48,854
Equipment	77,392	39,940	37,452	34,400
Hardware and software	9,037	5,825	3,212	2,507
	\$ 163,642	\$ 66,760	\$ 96,882	\$ 89,204

6. Loans

(in thousands of dollars)

	2000	1999
10-year loan due December 2007, semi-annual interest at 5.840% with principal repayable in ten equal annual installments commencing December 1998	\$ 7,000	\$ 8,000
Amortizing bond with two-year interest holiday maturing December 2009, semi-annual coupon at 7.753% starting June 2000 with principal repayable in ten equal annual installments commencing December 2000	27,900	31,000
Accrued interest on bond	3,543	2,978
	38,443	41,978
Less current portion of loans	6,263	5,302
	\$ 32,180	\$ 36,676

Notes to financial statements

December 31, 2000

7. Income tax	2000	1999
Current tax expense	\$ 2,038	\$ 309
Future tax expense	1,102	–
	\$ 3,140	\$ 309

The Corporation's expected income tax rate is the net federal statutory rate of 38% less a manufacturing and processing deduction of 5%. The Corporation's 2000 effective tax rate varies from the expected rate principally due to the large corporations tax incurred in the year. The Corporation's 1999 effective tax rate was zero, exclusive of the large corporation taxes, due to the utilization of previously unrecognized losses and the utilization of differences between the tax and accounting values of the assets at the date the Corporation became subject to income tax. The tax effects of temporary differences that give rise to the future tax liability result principally from differences between the book value of capital assets and their undepreciated tax value at December 31, 2000. The Corporation is not subject to provincial income taxes.

8. Employee future benefits

The Mint provides a severance plan and workers' compensation benefits to its employees. These benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. The accrued benefit obligation of these benefit plans is \$6,609,000 at the end of the year and is fully recorded in the books of account. The current year's expense for these benefit plans is \$845,000 and total benefits paid amounted to \$1,093,000. The actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations were based on a 7% liability discount rate and rates of compensation increase of 2% to 4.5% which reflect current economic indicators, merit and promotional increases.

9. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada owned entities. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. Transactions with the Department of Finance related to the production and delivery of Canadian circulation coins are generally carried out on a cost plus basis.

10. Financial instruments

The Corporation uses financial instruments such as forward contracts and options to reduce the risk of loss due to adverse movements in foreign exchange and metal prices. A foreign exchange forward contract to sell US\$12.1 million for value January 2, 2001 (1999 - nil) and a precious metal forward contract for value January 3, 2001 worth US\$1.4 million (1999 - nil) were outstanding at the end of the year. There was no precious metal option outstanding at the end of the year (1999 - \$5 million). Gains or losses on financial instruments are recognized in earnings over the same period as the hedged items are recognized in earnings. In accordance with the Corporation's investment policy, all counterparties for investments and other financial instruments are rated R-1 low or better by the Dominion Bond Rating Service or AA or better by Moody's Investors Service. As at December 31, 2000, the Mint had no short-term investments (1999 - \$14,683,000).

11. Commitments

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Mint leases, on an ongoing basis, precious metals and pays lease charges based on market value. The metal under these contractual arrangements is not reflected in the Mint's statements. As at December 31, 2000, 127,587 ounces of gold, 772,288 ounces of silver and 344 ounces of platinum were leased under these contracts (1999 - 207,889 ounces of gold, 1,165,919 ounces of silver and 1,730 ounces of platinum).

Canadian circulation coinage

Production in 1998, 1999 and 2000 ⁽¹⁾

	2000 Total Pieces	1999 Total Pieces	1998 Total Pieces
Coinage dated 1997			
\$2	–	–	–
\$1	–	–	–
50¢	–	–	–
25¢	–	–	–
10¢	–	–	244,000
5¢	–	–	781,000
1¢	–	–	42,940,000
Coinage dated 1998			
\$2	–	383,000	4,926,000
\$1	–	–	–
50¢	–	–	308,000
25¢	–	–	–
10¢	–	2,441,000	201,073,000
5¢	–	10,343,000	146,530,000
1¢	311,000	98,831,000	900,436,000
Coinage dated 1999			
\$2	–	25,130,000	–
\$1	–	–	–
50¢	–	235,000	261,000
25¢	698,000	247,514,000	10,676,000
10¢	35,992,000	222,470,000	–
5¢	20,655,000	104,206,000	–
1¢	140,225,000	949,136,000	264,000
Coinage dated 2000			
\$2	29,847,000	–	–
\$1	–	–	–
50¢	559,000	–	–
25¢	415,196,000	18,891,000	–
10¢	159,125,000	–	–
5¢	108,514,000	–	–
1¢	761,970,000	–	–
Total (all dates)			
\$2	29,847,000	25,513,000	4,926,000
\$1	–	–	–
50¢	559,000	235,000	569,000
25¢	415,894,000	266,405,000	10,676,000
10¢	195,117,000	224,911,000	201,317,000
5¢	129,169,000	114,549,000	147,311,000
1¢	902,506,000	1,047,967,000	943,640,000
Total	1,673,092,000	1,679,580,000	1,308,439,000

(1) Figures are rounded to the nearest thousand pieces.

Canadian circulation coinage

Cumulative production up to December 31, 2000 ⁽¹⁾ ⁽²⁾

	1996	1997	1998	1999	2000
\$2	375,483,000	16,942,000	5,309,000	25,130,000	29,847,000
\$1	17,101,000	–	–	–	–
50¢	458,000	387,000	308,000	496,000	559,000
25¢	28,106,000	–	–	258,888,000	434,087,000
10¢	51,814,000	43,126,000	203,514,000	258,462,000	159,125,000
5¢	36,686,000	27,354,000	156,873,000	124,861,000	108,514,000
1¢	445,746,000	549,868,000	999,578,000	1,089,625,000	761,970,000

(1) Total coins of each date and denomination, regardless of the calendar year in which they were produced.

(2) Figures are rounded to the nearest thousand pieces.

Canadian circulation coinage

Coinage issued in 2000 ⁽¹⁾ - Geographic distribution ⁽²⁾

Province							
City ⁽³⁾	\$2	\$1	50¢	25¢	10¢	5¢	1¢
Newfoundland							
St. John's	–	–	–	850,000	1,757,500	1,400,000	11,787,500
New Brunswick							
Saint John	1,538,000	–	–	6,842,000	4,515,000	2,962,000	23,857,500
Nova Scotia							
Halifax	111,500	–	–	–	6,755,000	1,748,000	34,992,500
Quebec							
Montreal	2,531,000	–	–	96,650,000	50,415,000	34,072,000	122,450,000
Ontario							
Ottawa	3,703,500	–	–	39,906,000	23,790,000	16,526,000	67,072,500
Toronto	7,466,000	–	–	8,542,000	41,905,000	28,282,000	317,655,000
Manitoba							
Winnipeg	827,500	–	–	7,338,000	8,222,500	5,850,000	47,927,500
Saskatchewan							
Regina	500,000	–	–	4,058,000	5,315,000	2,872,000	24,982,500
Alberta							
Calgary	1,458,500	–	–	17,600,000	10,225,000	9,248,000	59,950,000
Edmonton	967,500	–	–	18,438,000	16,495,000	10,606,000	57,872,500
British Columbia							
Vancouver	4,307,000	–	–	18,874,000	21,755,000	11,894,000	118,125,000
Sundry							
persons ⁽⁴⁾	3,825,500	141,000	401,000	96,172,000	412,500	702,000	882,500
Total	27,236,000	141,000	401,000	315,270,000	191,562,500	126,162,000	887,555,000

(1) Figures are rounded to the nearest thousand pieces.

(2) The dates on the coins are not always the same as the calendar year in which they were issued.

(3) The coins were issued to financial institutions in these cities.

(4) The figures for Sundry persons do not include numismatic coinage purchases.

Canadian numismatic coinage

issued as of December 31, 2000 bearing the dates 1999 and 2000 ⁽¹⁾

	2000	1999 ⁽²⁾
Platinum Coin Set (999.5 Pt) ⁽³⁾	510	495
Platinum Proof Coin (999.5 Pt) 1/10 oz.	–	999
.99999 Gold Coin	1,506	1,990
22-Karat Gold Coin	6,284	6,510
14-Karat Gold Coin	9,767	10,242
Silver Aviation Cameo Coin Series - Part II		
Coin #9 DeHavilland Canada DHC-6	–	14,173
Coin #10 DeHavilland Canada DHC-8	–	14,138
Silver Lunar Cameo Coin Series	88,634	77,791
Proof Silver Dollar	114,130	126,435
Brilliant Uncirculated Dollar	60,100	67,655
Proof Set ⁽⁴⁾	90,921	95,113
Specimen Set ⁽⁵⁾	81,581	97,987
Uncirculated Set ⁽⁵⁾	182,298	202,864
Tiny Treasures Uncirculated Gift Set ⁽⁵⁾	78,468	67,694
Oh Canada! Uncirculated Gift Set ⁽⁵⁾	101,969	82,754
50-Cent Sterling Silver Proof Coins (Discovering Nature Series)	106,940	83,423
50-Cent Sterling Silver Proof Coins (Canadian Sports Firsts)	48,130	52,115
50-Cent Sterling Silver Proof Coins (Transportation Series)	44,367	–
International Year of Older Persons	–	24,976
Year of the Dragon 2000 \$150 18-Karat Gold Coin	8,851	–
Alphonse Desjardins 2000 10-Cent Sterling Silver Coin	66,336	–
Les Voltigeurs de Québec 2000 5-Cent Sterling Silver Coin	29,243	–
Millennium Collection		
Millennium Souvenir Set ⁽⁶⁾	859,061	1,499,973
Millennium Commemorative Set ⁽⁶⁾	35,501	60,245
Millennium Chinese Dragon Commemorative Set ⁽⁶⁾	6,868	6,877
Millennium Sterling Silver Proof 25-Cent Coins	76,956	115,344
Gold \$2 Coin	4,114	4,298
Proof \$2 Coin	39,549	39,873
Special Edition-2000 25-Cent Celebration Coin	24,949	–
Special Edition-2000 25-Cent Pride Coin	49,399	–

(1) Coins reported as issued are not necessarily all delivered in the same calendar year and therefore do not correspond to reported sales.

(2) Revised figures.

(3) Four-coin set.

(4) Eight-coin set, including a \$2, \$1 (925 Ag) and a \$1 (aureate).

(5) Seven-coin set.

(6) Twelve-coin set plus Millennium medallion.

Maple Leaf coinage

Sales in ounces for 1999 and 2000

	2000	1999
Gold Maple Leaf coinage		
\$50 (9999 Au)	86,375	627,067
\$20 (9999 Au)	12,202	32,380
\$10 (9999 Au)	7,922	24,732
\$5 (9999 Au)	5,297	70,992
\$1 (9999 Au)	1,564	3,142
Total (ounces)	113,360	758,313
Platinum Maple Leaf coinage		
\$50 (9995 Pt)	–	3,248
\$20 (9995 Pt)	–	394
\$10 (9995 Pt)	–	523
\$5 (9995 Pt)	–	408
\$1 (9995 Pt)	–	200
Total (ounces)	–	4,773
Silver Maple Leaf coinage		
\$5 (9999 Ag)	403,652	1,229,442
Total (ounces)	403,652	1,229,442

Refinery operations

for 1999 and 2000

	Gross weight (Troy ounces)		Refined gold (9999) produced (Troy ounces) ⁽²⁾		Refined silver (999) produced (Troy ounces) ⁽¹⁾	
	2000	1999	2000	1999	2000	1999
Deposits from Canadian Mines						
Quebec	208,437	311,855	101,293	200,928	12,380	75,223
Ontario	622,699	610,175	435,051	503,411	139,442	71,507
Saskatchewan	–	8	–	2	–	1
British Columbia	–	26,399	–	20,191	–	4,451
Northwest Territories	605	–	391	–	189	–
Total	831,741	948,437	536,735	724,532	152,011	151,182
Deposits from other sources						
	1,712,782	1,319,193	1,155,352	1,122,518	101,835	61,160
Total	2,544,523	2,267,630	1,692,087	1,847,050	253,846	212,342

(1) These figures refer only to the silver produced as a by-product of the refining of gold.

(2) Expressed in terms of Troy ounces of fine gold.