ROYAL CANADIAN MINT

Summary of the Corporate Plan 2011-2015 and Capital Budget 2011

This Corporate Plan Summary is being submitted in accordance with section 125 of the Financial Administration Act (FAA) and summarizes the 2011-2015 Corporate Plan and 2011 Capital Budget as approved by the Board of Directors of the Royal Canadian Mint on November 3, 2010. The 2011-2015 Corporate Plan received Governor in Council approval on March 25, 2011.

The Plan received Governor in Council approval on March 25, 2011. In accordance with section 153 of the FAA, information that if published could be detrimental to the commercial interests of the Corporation has not been included.

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Executive Summary

As a national institution, the Royal Canadian Mint (RCM) has the mandate to produce circulation coins and to manage the coin distribution system for the Government of Canada. As well the RCM refines and produces precious metal products such as bullion and numismatic coins. Furthermore, the RCM designs and produces circulation coins for customers around the world. The RCM is thus a highly integrated, multi-product Corporation which strives to be relevant, progressive and innovative, and which is ever mindful of the importance of growth, its brand, its corporate social responsibility and profitability.

After a record year of profitability in 2009, the RCM is currently projected to have another strong financial performance in 2010, albeit not at the record level achieved in 2009. Such performance attests to the capacity of the RCM to take advantage of favorable market opportunities in order to optimize its profitability.

In looking forward, the RCM is entering a period that will require it to be highly flexible and adaptive to uncertain global and financial markets. Although Canada's economy has responded well to the stimulus activities enacted within our country, the sustained recovery is contingent on the stabilization of the larger global economies. High debt levels across Europe, coupled with lagging employment figures in the United States and the likelihood of stimulus activities slowing or ending completely remain a threat to restrain or derail global economic growth. A "double-dip" recession is not expected but nonetheless, a cooling of the world economy could negatively impact Canada's projections. This global uncertainty directly impacts the operations of the RCM and, in particular, the demand for Canadian circulation coinage and gold bullion. However, the RCM's continued investment in Research and Development is a key long-term strategic thrust towards ensuring the RCM's long-term profitability and viability despite global uncertainty. The RCM is planning an ambitious capital replacement program that includes the plating facility renewal, energy retrofit in Winnipeg and strategic information technology investments.

The Canadian Circulation business line is the core business line of the RCM. Production levels for Canadian circulation coins have rebounded and stabilized after the decrease in demand for Canadian circulation coinage experienced last year during the height of the global financial economic crisis. A key strategic thrust for the RCM in this corporate plan is the renewal of its plating capabilities in order to continue to provide service to the Government of Canada. As noted in prior Corporate Plans, the Alloy Recovery Program (ARP) is projected to provide decreasing returns throughout the planning period.

The Foreign Coin business line is projected to have growth throughout the planning period. Foreign governments had deferred spending as a result of the global financial economic crisis but the market is starting to show signs of recovery. In the context of deficit reduction and cost containment, the RCM's low-cost, high-quality multi-ply plated steel product has an attractive value proposition for the RCM's foreign customers.

The Numismatics, Collectibles and Medals business line is in a transition phase as major revenue and product platforms reached the end of their lifecycle with the conclusion of the Vancouver

2010 coin program and the strategic decision to reduce gift product sales through retail in response to challenging conditions. The business line is nonetheless well positioned to build on the positive momentum developed from the Vancouver 2010 coin program and achieve growth in Canada.

The Bullion and Refinery business line has achieved robust financial performance from 2008 to 2010. The RCM's agility and one-stop shopping model allow it to continue to profit from the favorable market conditions for Precious metals. At this point in time, it is virtually impossible to predict how long the precious metals bull market will continue. However, persistently high unemployment in the United States and low growth rates in industrialized economies are indicators of favourable market conditions for the Bullion and Refinery business line, at least in the near future. The RCM will take advantage of the current conditions to extend the precious metal business with strategies that provide both growth and stability.

As a national institution, the RCM, through its programs and services, will continue to promote Canada's history, culture and values both domestically and internationally. It will remain competitive in the global marketplace and will continue to be fully accountable and transparent to its shareholder, the Government of Canada.

1 Introduction

The Corporate Plan of the Royal Canadian Mint (RCM) 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 will link these strategic objectives to operational objectives.

Roles & Responsibilities

The RCM produces circulation and non-circulation coins (for Canada and other countries), 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. Legislation which establishes the RCM is clear, that the corporation is to conduct its businesses 'in anticipation of profit'. That fundamental object has shaped the history of the RCM and is reflected in this 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
- People

Corporate Profile and Governance

Legislative Powers

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

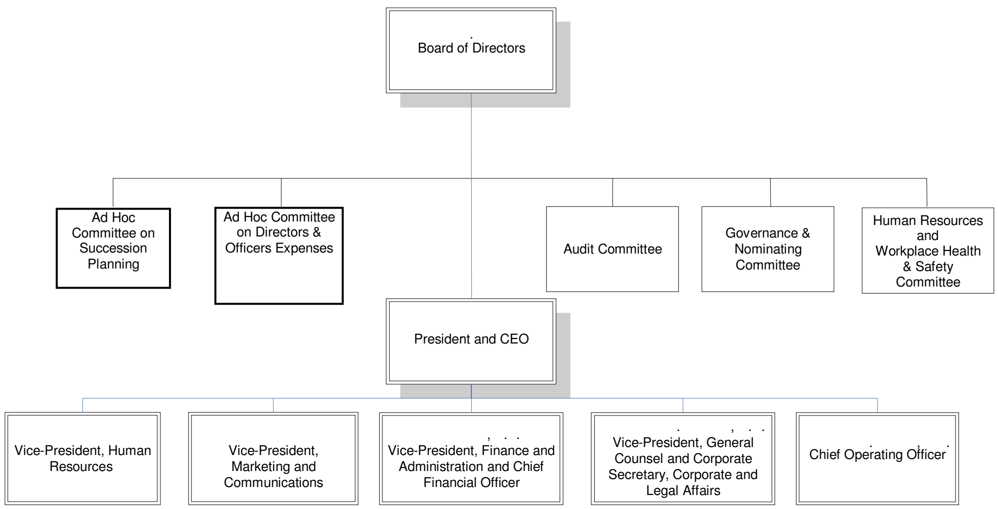
- procure the incorporation, dissolution or amalgamation of subsidiaries, and acquire and dispose of any shares in them;
- acquire and dispose of any interest in any entity by any means; and
- generally do all things that are incidental or conducive to the exercise of its powers with respect to:
  -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

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

The RCM is designated a Schedule III – Part II Crown Corporation under the *Financial Administration Act*. The RCM operates under the general direction of its Board of Directors. The Governor in Council appoints the RCM's Chairperson and President/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 Transport, Infrastructure and Communities.

Governance

Organizational Structure of the RCM – Senior Executive Officers



The Board of Directors consists of the Chairman of the Board of Directors, the President and CEO and nine other Directors. The Board has established three standing committees and two ad hoc committees as per the above organization chart.

2 Planning Environment

Over the planning period and particularly in the short term, the RCM anticipates the external environment will be characterized by a strong domestic and international economic outlook, higher precious and base metal prices and a continued strengthening of the Canadian dollar.

External Business Environment [1]

The Canadian Economy – 2010/2011 Forecast

It is anticipated that the Canadian economy will expand 3.7%, in 2010, with 2011 economic growth decreasing to 3.1%. Inflation is expected to be 2.1% for both 2010 and 2011.

The Canadian dollar has been averaging $1.03 to the US dollar in 2010. The RCM is anticipating a stronger Canadian dollar in 2011 and is using a planning average of $1.01 CAD to $1.00 USD.

The US Economy – 2010/2011 Forecast

Forecasters anticipate that the American economy will grow at 3.1%, in 2010, with an increase to 3.5% in 2011. Inflation is expected to be 2.1% for 2010 and close to 1.7% for 2011.

The International Economic Outlook – 2010/2011 Forecast

The world's economy will expand by 4.2% in 2010, with a growth of 4.0% in 2011. Emerging markets and developing countries will enjoy positive growth for 2010 and 2011 with average growth rates of 6.3% and 6.5% respectively.

Notably, China will continue to experience positive growth for 2010 and 2011 with growth rates of 10% and 9.9% respectively. India is expected to achieve growth rates of 8.8% and 8.4% in 2010 and 2011.

Japan's economy is expected to grow in 2010 at 1.9%, and 2.0% in 2011 and Europe is forecast in 2010 to grow slightly at 1.0% and 1.5% for 2011. The situation in Europe and notably Greece prompted the European Union in 2010 to respond with a new European Stabilization Mechanism. In association with the IMF, a wide-ranging set of measures were designed to stabilize and provide on-going support to European recovery efforts.

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

Gold and Silver Trends

Forecasts for 2011 have gold and silver to be higher than 2010 planned levels in both US and Canadian funds.

	2011 USD	*2011 CDN*	*2010 USD*	*2010 CDN*
Gold (per oz)	$1,340.00	$1,353.40	$945.00	$1,001.70
Silver (per oz)	$22.00	$22.22	$14.60	$15.48

Base Metal Prices

In 2011 it is anticipated the prices of base metals with the exception of steel strip will increase in both US and Canadian funds.

	2011 USD	*2011 CDN*	*2010 USD*	*2010 CDN*
Nickel (per KG)	$23.00	$23.23	$18.00	$19.08
Copper (per KG)	8.20	$8.28	$5.20	$5.51
Zinc (per KG)	$2.30	$2.32	$1.64	$1.74
Steel (per KG)	$1.15	$1.16	$1.15	$1.22

Planning factors for the RCM

Budget to Budget directional movement and strength in the external factors affect the gross profit prospects for each of the RCM's business lines. Consideration of these factors allows the RCM to assess their impact. In developing its Corporate Plan, the RCM consults various industry and public sector sources to gather market insight, and then selects a rational point within this range.

The RCM continues to operate within a volatile environment with unpredictable markets such as the global currency, base and precious metals markets.

- The fluctuation in gold is most notable. Between 2000 and 2009, the price of gold has fluctuated from a low of $255 US in 2001 to a high of $1,213 US in 2009, while averaging $522 US over the 10 years. To date in 2010, gold averaged $1,190 US after starting the year at $1,120 US and reaching a low of $1,058 in February with a high of $1,373 US in October.

- From 2000 to 2009, the Canadian dollar has averaged $1.29/$1.00 US, with a high of $1.61/$1.00 US in 2002 and a low of $0.92/$1.00 US in 2007. For the first nine months of 2010, the Canadian dollar has averaged $1.03/ $1.00 US against an RCM forecast of $1.06 US.

<u>Gold and Silver Prices – 30-40% higher</u>

In the current Corporate Plan, the RCM is anticipating gold and silver prices to be approximately 30-40% higher than the previous Corporate Plan.

Gold Maple Leaf coins are sold in US funds; an increase in the price of gold from the last Corporate Plan will result in increased premium revenues (that will be mitigated by the stronger Canadian dollar from $1.06 to $1.01). Silver Maple Leaf coins are sold in US funds at a flat rate and not as a percentage of the silver price. Consequently revenues are not impacted by the price of silver in US funds but will be lower due to the strong Canadian dollar.

For the refinery, higher priced gold and silver is a favourable development. Metals retained from customer deposits form part of the RCM revenue base, which correspondingly increases as precious metal prices rise. Again, a stronger Canadian dollar will mitigate this effect. High precious metals prices will keep mines operating, and encourage the refining demand for scrap material, keeping this sector robust.

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

<u>Base Metal Prices – Non ferrous metals 20 to 50% higher, Steel Strip same</u>

In this Corporate Plan, the RCM is anticipating

- **Non-Ferrous**
  - Nickel prices to be approximately 20% higher than the previous Corporate Plan
  - Copper prices to be approximately 50% higher than the previous Corporate Plan
  - Zinc prices to be approximately 30% higher than the previous Corporate Plan
- **Ferrous**
  - Steel Strip prices to be the same as the previous Corporate Plan

Higher nickel and copper prices increase revenue from the Alloy Recovery Program (ARP). This effect is partially mitigated by a stronger Canadian dollar. With the planned transition of the $1 and $2 dollar coins to steel in 2011, a reduction of seigniorage will have been avoided with the increasing price of nickel. Seigniorage is the difference between the face value of a coin and the cost of manufacturing and distributing a coin.

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

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

Canadian Dollar Strength – Stronger and closer to US parity.

In the current Corporate Plan, the RCM is anticipating the Canadian dollar be closer to US dollar parity at $1.01 compared to $1.06 in the last 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 dollars' strength lowers the effective return from US based revenues such as Gold and Silver Maple Leaf products, Foreign Coin and Numismatic products sold outside of Canada.

Positive impact

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

While the Mint 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 –Emergence from Recession

In this Corporate Plan, the RCM is anticipating

- Canadian growth to be 3.1% compared to 3.0% in the last Corporate Plan.
- US growth to be 3.5% compared to 1.2% in the last Corporate Plan.
- Europe to be 1.5% compared to 0.4% in the last Corporate Plan.
- Emerging Markets to be 6.5% compared to 4% in the last Corporate Plan.

As Canada emerges from the recession in 2011, it provides favorable market conditions for Numismatics that are known to be a discretionary purchase. The recovery in the United States will impact favorably on the Numismatics, Collectibles and Medals business line with continued concern in its smaller market of Europe that is experiencing a slower level of economic recovery as evidenced by the significant action taken in 2010 by the IMF and European Union to stabilize the economic situation among member countries.

It is possible that a continued global economic recovery in 2011 will provide less of an impetus for investors to purchase bullion and cause holders to reallocate their holdings from bullion to paper based products. The RCM has seen how economic uncertainty can lead to a large demand for its bullion products. Continued economic stability may 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. At the time of writing, the concerted European and IMF response to ensure regional economic stability is indicative of national and international efforts that will be taken to promote continued global recovery.

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

RCM Major Strategic Objectives

In 2009, the RCM recorded the highest profitability in its history and successfully realized its sixth 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 operate 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 the customer and their satisfaction with the RCM's products and services.

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

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

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

Major Risks for the Planning Period

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

In developing the foundations of ERM, policy and processes have been developed. An ERM Committee, consisting of the President and Vice-Presidents, meets quarterly to review risk issues and maintain adequate risk oversight. Efforts have been made to evolve risk reporting and related communications, and a structured risk retreat has been integrated into the planning cycle. This retreat includes a formal risk assessment and identification of risk responses. In order to continue to enhance management of risk, structured risk management plans have been created and will be monitored by the ERM Committee to provide additional coverage of priority risks.

Building on the output of the ERM retreat, review by the ERM Committee, and subsequent efforts of the risk coordinators and other resources engaged in the risk management process, the following risks have been identified as particularly relevant for the planning period. These risks warrant continued efforts to assess and adjust the risk management actions as may be required.

Capacity Management & Product Planning

Balancing capacity and unpredictable demand, while preserving financial performance, is a challenge that is inherent in the RCM's business context. Plating capacity is presently constrained and bullion and refinery demand remains very strong, contributing to risk in managing the RCM's business. Options are to be evaluated with consideration of risk implications, including ongoing flexibility in manufacturing operations and management of quality.

Trademarks & Patents

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

Economic

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

Competitors & Product / Market Assessment

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

Balance

This risk relates to the possibility that conditions result in excess pressure on the organization and employees, affecting engagement and performance. The RCM addresses this risk in a number of ways, including the Employee Assistance Program, Health and Wellness programs, and the Annual Employee Survey. In order to further mitigate this risk, efforts to implement targeted improvements based on survey feedback will continue. Additionally, resource requirements are to be clearly identified for initiatives and in the annual workforce plan.

Bullion Demand Volatility

Volatility in bullion demand presents challenges in management of operational processes, infrastructure, and impacts to financial performance. With frequent monitoring of forecasts and operational considerations, there is considerable effort to manage this risk. In order to address the inherent volatility of demand and potential financial impact, expansion into new geographic markets may increase stability of business volumes. Furthermore, expanded business opportunities in storage contribute to mitigating this risk.

Other Risks

There are several risks inherent in the RCM's business activities, including precious and base metal prices, and foreign exchange risk. The RCM purchases precious metals, including gold, silver, platinum and palladium for use in bullion and numismatic coins. 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 purchase and sales, contractually transferring price risk to suppliers, and use of hedging strategies and/or natural hedges inherent in business activities.

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

Return to Shareholder and Profitability

The RCM is a fully commercial Crown Corporation that operates for profit. Since its incorporation in 1969 to 2009, the RCM has earned $344 million in profits and returned 50% of these funds to the Government of Canada.

Given the primary objective of the RCM, the Corporation strives to pay an annual dividend to its shareholder. In determining the amount of the dividend, the Board of Directors has a specific dividend proposal framework that considers such criteria as, but not limited to; liquidity, long-term viability, capital asset requirements, research and development related to new products and product lines, investments to achieve productivity and management efficiency as well as investments in human and other resources to respond to a changing business environment.

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 field. These factors—manageable to some extent—can impact planning assumptions and anticipated profit. The RCM anticipates a profit for 2010. The RCM is planning on sustaining profitability in 2011, 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. This three-year agreement provides for a range of private sector type incentives for the RCM.

Budget 2010 Cost Containment Measures

The RCM has taken note of the Government of Canada's cost containment measures and has taken measures in this Corporate Plan to honor the spirit of these measures announced by the federal government in March, 2010.

The RCM continues to set aggressive revenues and profitability targets during the planning period. The majority of the RCM's costs are related to operations, and revenue and profit generation, which contribute to these aggressive targets. These costs are not regarded as discretionary and have not been subject to the cost containment initiative. These have been identified as those related to operating both the Ottawa and Winnipeg plants, business line expenses as well as a number of corporate expenses which support operations and present and future sales such as engineering, research and development, marketing and communications, and information technology; or are deemed to be corporate priorities such as translation, training, and health and safety.

A number of internal general and administrative costs, totaling $13 million within its corporate expenses will be subject to the cost containment initiative and be held to 2010 levels for the RCM 2011 and 2012 fiscal years.

3 Performance Management

Assessment of 2009 Consolidated Actual Results & 2009 Forecast

This section compares actual results of the year ended December 31, 2009 with the forecasted financial results in the 2010-2014 Corporate Plan.

	2009 Forecast	2009 Actual
	$(000's)	**$(000's)**
Revenues	1,871,418	2,034,106
Cost of goods sold	1,700,784	1,868,015
Gross profit	170,634	166,091
Business line costs	65,031	51,468
Business line operating profit	105,603	114,623
Corporate expenses	45,721	48,114
Income before interest, foreign exchange	59,882	66,509
Interest expense (income) / foreign exchange loss (gain)	2,301	(2,090)
Income before income taxes	**57,581**	**68,599**
Income tax	16,986	19,486
Net Income	**40,595**	**49,113**
Capital Expenditures	**25,000**	**19,943**

The RCM solidified its place as a world leader in minting in 2009, reaping the rewards of forward thinking strategies implemented in prior years and realizing the benefits of operating a diversified business with progressive business practices.

The RCM achieved its third consecutive year of record performance with revenues of $2.0 billion and net income of $49.1 million. Global financial uncertainty continued to fuel extraordinary demand for bullion products, while astute hedging allowed ARP to remain profitable despite the sharp decline in nickel prices.

Although Canadian Circulation coinage volumes were higher than forecasted, demand for new coins was suppressed by the recession and continued increases in the volume of coins recycled. Volumes were also supported by the final issue of coins celebrating the Vancouver 2010 Olympic and Paralympic Winter Games: cross country skiing, speed skating and bobsleigh as well as three coins commemorating the top Canadian Winter Olympic Games Moments of all time as selected by Canadians across Canada; the men's and women's hockey gold medals at Salt Lake City in 2002 and the five medals won by Cindy Klassen in long-track speed skating in 2006. The RCM also produced the Montreal Canadiens 100th anniversary \$1 coin featuring the iconic team's anniversary logo.

The financial performance of the Canadian Circulation business line continued to be supported by ARP. Revenue from ARP remained stable despite the decline in nickel prices.

The impact of the recession on demand for numismatics, collectibles and medals products was mitigated by the widespread appeal of the RCM's Vancouver 2010 collector coin program. During the year, 10 of 67 new coins produced with a mintage sold out, compared to nine of 85 coins produced in 2008. Coins with special effects such as ultra-high relief or imbedded crystals continue to be popular, particularly when special effects are applied. Among the sell-outs were the Montreal Canadiens 100th anniversary proof dollar; a rare one-ounce Steppe Bison platinum coin; a hologram gold coin set celebrating the 30th anniversary of the Gold Maple Leaf; and a \$20 fine silver coin with an autumn showers crystal raindrop.

The RCM also produced the 615 Olympic and 399 Paralympic athlete medals for the Vancouver 2010 Olympic and Paralympic Winter Games. Every medal is a one-of-a-kind work of art, each featuring contemporary Aboriginal artwork using a unique laser etching process.

The RCM sold 1.2 billion coins and blanks for 18 countries compared to 1.7 billion coins for 16 countries in 2008. Global demand for coinage was soft due to the global recession and decline in commercial micro transactions worldwide. However, there was an increasing portion of companies that selected the RCM's propriety technology; 12 of the 18 countries for which the RCM produced coins in 2009 chose the more cost effective multi-ply plating manufacturing process rather than the traditional – and historically more expensive – alloy coinage.

The extraordinary demand for bullion and elimination of the secondary market caused supply shortages among the RCM's key competitors, creating a perfect storm that drove record volumes and profitability for the RCM, which has the unique ability to expand capacity quickly because of the vertically integrated nature of its operation.

Business line direct costs and corporate expenses were lower than forecast. As a percentage of revenue, these costs decreased to 5% from a forecasted 6%.

With the increase in business activity in 2009, the capacity to implement new capital projects was reduced. The most significant projects included:

- Installation and commissioning of a new continuous casting and rolling mill to increase yield, reduce 'giveaways' of precious metals, and eliminate one step in a two-step operation.
- A coining press was purchased to produce the one-of-a-kind athlete medals for the Vancouver 2010 Olympic and Paralympic Winter Games and will be used for premium products such as the kilo and 5oz coins and other medal products.

- In Winnipeg, more than 70 capital projects at a cost of $5.6 million were initiated including the installation of a second coloured-coin production line, a sachet bagging line, and a PVD die coating system identical to that used in Ottawa.

Comparison of 2010 Consolidated Corporate Plan to Current Forecast

This section provides a revised forecast of 2010 results against the forecast included in the 2010-2014 Corporate Plan.

	2010 Corporate Plan $(000's)	**2010 Current Forecast $(000's)**
Revenues	1,275,028	2,103,129
Cost of goods sold	1,144,575	1,963,664
Gross profit	130,453	139,465
Business line costs	62,760	46,499
Business line operating profit	67,693	92,966
Corporate expenses	51,451	51,710
Income before interest, foreign exchange & taxes	16,242	41,256
Other expense / (income)	1,027	(3,274)
Income before income taxes	**15,215**	**44,530**
Income tax	4,489	12,468
Net Income	**10,726**	**32,062**
Capital Expenditures	**25,000**	**19,380**

The RCM will exceed its 2010 net income targets primarily due to the continued strength of the bullion market.

All of the RCM's business lines have contributed to the RCM's impressive 2010 financial performance. However, as noted above the Bullion and Refinery Business Line has been able to take advantage of an uncertain global economy and increasing gold prices.

The Canadian economy has remained relatively stable as evidenced in the demand for circulation coins in 2010. Coinage production and the recycling volumes have remained at 2009 volumes.

To protect itself from any declines in base metal prices, the RCM has hedged most of the nickel it expects to recover in 2010 through ARP.

The RCM's commemorative circulation coin program in 2010 continued to celebrate the Vancouver 2010 Olympic and Paralympic Winter Games with the final two coins issued: the 2010 Lucky Loonie and the 25-cent coin featuring sledge hockey. The RCM also issued a $1 circulation coin commemorating the celebration of the 100th anniversaries of the Royal Canadian Navy and the Saskatchewan Roughriders football franchise, as well as a 25-cent coloured poppy coin to coincide with Remembrance Day.

The RCM expects demand for precious metals and precious metal prices to remain strong. For the refinery, higher priced precious metals encourage producers to open new or suspended mines and increase the volume of scrap material brought to the RCM for refining.

The RCM's aggressive revenue and profit targets established for the Numismatics, Collectibles and Medals business line are being met through an extremely successful Vancouver 2010 Olympic and Paralympic Winter Games product line.

The Foreign Coinage Business Line will not meet plan in 2010 due to timing of production and delivery schedules.

Business line direct costs and corporate expenses, combined, are forecast to be well below plan, primarily due to a decrease in distribution costs.

Performance Indicators for 2011

The RCM's corporate vision is to be the Best Mint in the World. Being the Best Mint in the World will continue to be achieved through the attainment of the RCM's four major strategic objectives. The following are some of 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 a net income before income taxes of $ 30.7 million

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

- To ensure no shortages of coins in the Canadian marketplace

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

- To achieve an employee engagement score of 65% of employees fully engaged

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 recycle 1.1 billion coins
- To implement a Corporate Social Responsibility Framework

4 Marketing and Communications

Overview

Marketing and Communications play a lead role in nurturing the corporate vision of being the Best Mint in the World. By redefining an integrated marketing strategy, the Marketing and Communications division will continue to foster a strong brand position for the RCM and ensure its growth. This includes the development of an articulated brand strategy to serve all the markets the RCM chooses to compete in and the different customer segments the RCM will target, as well as an enhanced set of brand guidelines. It also requires that product and service development are aligned and the brand experience for both internal and external stakeholders is consistent with the RCM brand values and reputation.

To foster a culture that is market driven, the Marketing and Communications division will also enhance its customer and overall market intelligence to improve the effectiveness of its marketing programs. This will also serve to better support all business lines in order to maximize opportunities. And as such, the division will ensure it provides adequate resources to offer "best-in-class" services in areas of product development, market research and planning, database marketing, advertising and direct marketing, and overall communication services.

Current status

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

As the RCM has completed a very successful program with the Vancouver 2010 Winter Games, there is momentum that offers new growth opportunities. The RCM brand has gained positive equity namely through its presence during the Olympic Games at both the RCM Pavilion and then at the Public Library. The interest levels were extremely high for the unique athlete Medals (produced by the RCM), its gold products and for daily Vancouver 2010 commemorative circulation coins made available through coin exchanges. The overall appreciation by the public that visited both RCM venues (over 150,000) was extremely favourable. The public had a greatly improved perception of the RCM. Most visitors indicated that they discovered many aspects of the RCM that were previously unknown to them.

The RCM continues to foster innovation through different areas of its operations. From handcrafting the most unique athlete medals in Olympic and Paralympic Games history, to coloured circulation coins, to novel numismatic coins with crystals, high relief and holograms, and with the purest 99999 Gold (Maple Leaf) products, innovation continues to fuel the RCM brand. It is also fundamental for the RCM brand to continue to preserve the reputation for quality it has built through the years, which is the strongest attribute associated to the RCM brand.

An internal communications audit was undertaken in the fourth quarter of 2009. Many findings indicate and support the need for employees to be well informed of the RCM direction and activities. A strong sense of engagement and pride can be fostered through a more open and trustworthy dialogue with all levels of the RCM. Many of the existing communication tools are effective but there is room for improvement. 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.

While the Vancouver 2010 program closed with a very successful take up of collector coin products, the product development team will pursue a more customer centric focus in developing future products. A target market approach will be instilled within the Marketing and Communications division to better service all business lines and foster a greater integration of activities. While the core market segments are already defined within each business line, customer insights and further market intelligence will provide more insight into the development of untapped market segments to grow the RCM's penetration of its products and services.

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

Major RCM Strategic Objectives

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

- Increase the RCM's brand awareness and relevancy by creating a greater customer interaction and emotional connection through its products and services;
- Leverage circulation programs to increase interest in coin collecting to further collectors and the numismatics, collectibles and medals business;
- Shift from a product-driven strategy to a target market driven strategy;
- Maximize efficiency by broadening core competencies and becoming a client-focused marketing and communications service;
- Capture more thoroughly relevant data information on new and potential customers, at all contact points.

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

- Develop satisfaction measures in all customer contact touch points, through our call centre, web and retail experience;
- Enhance planning cycles to further meet targeted gate deliverables in product development;
- Leverage customer feedback in the development of future programs, namely through market research;
- Engage customers in the development of specific programs such as the multi-year circulation coin program;
- Support RCM's 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 performance indicators to measure the efficiency and effectiveness of marketing and communications services.

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

- Improve the effectiveness of internal communications, with more effective planning and timely delivery;
- 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; and
- Engage employee participation in corporate social responsibility practices.

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

5 Research and Development

Overview

The R&D Centre of Excellence was formed in 2008 to ensure long-term profitability and to maintain RCM's position as leaders of innovation and technology in the global minting industry.

In 2009 and further in 2010, the RCM is delivering on its commitment to enhance innovation through additional funding and resource allocation in 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 of Excellence vision is to, within five years, 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 of Excellence is dedicated to becoming a creative and collaborative group that is motivated by challenges and the unknown, incorporating long term strategies to exceed customer expectations and stay ahead of the curve competitively.

Current Status

The funds targeted for the R&D Centre were established as a percentage of revenues. A Steering Committee prioritizes projects and recommends to the Executive Committee project priorities, capital funding and operating requirements.

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
  - ensuring new technologies are environmentally friendly wherever possible

- Create an innovative and collaborative culture to tap into and encourage new ideas and the development of new technologies that will be performance driven with respect to driving projects to commercial realization;

- Expand and strengthen capabilities (people, space, equipment, materials); make use of creativity and talents and maintain a competitive edge through close observation of competitive, market and customer trends;

- Establish and build partnerships and external connections to stretch resources, accelerate projects and foster new revenues from royalties and patents; and

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. Part of this mandate is the management of a comprehensive distribution system that ensures coins are readily available across the country to meet demand.

Historically, Canadian circulation coins had been manufactured using alloys such as copper and nickel. Since 2000, the Canadian circulation 1, 5, 10, and 25 cent denominations are produced with multi-ply plated steel materials, significantly reducing the impact of volatile metals pricing and reducing the cost of Canadian coinage.

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

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

Major RCM Strategic Objectives

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

- Introduction of a multi-ply plated steel $1 and $2 coin in 2011, with an ARP program to follow in 2012;
- Improve counterfeit detection and coin security;
- Maximize ARP profitability;
- Assist the Government of Canada's Task Force for the Payment's System Review by:
    - Advising as to the state, role and trends of circulation coinage and the Canadian circulation coin distribution system in relation to the Canadian payments system.

  - Supporting the Task Force in any way that it requests so as to help it reach its objectives.

- Provide advice to the Government on coin-related issues and optimal denomination structure, and introduce new high security technologies;

- Capitalize on *lean* and continuous improvement initiatives to drive efficiencies, reduce product costs in an effort to increase profitability and improve the customer experience; and

- Establish an R & D Centre of Excellence

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

- Continue with significant investments in R&D and innovation;

- Support the Foreign business line through the servicing of foreign circulation contracts;

- Lead the National Coin Committee to enhance the distribution system and ensure coins continue to be accessible and available to Canadians across the country; and

Strategic Objective #3: People. To achieve or 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; and

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

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

- Establish a new multi-year program that continues to inspire Canadians to celebrate Canada, its culture, people and history as well as encouraging coin collecting. The multi-year program also offers an opportunity to showcase RCM's knowhow and innovation to Canadians and thus increase RCM's brand awareness and increasing customer acquisition for the Nusmismatics, Collectibles and Medals business line;

- Process coins from coin recyclers across Canada and ensure these coins are efficiently re-distributed in the Coin Pool system; and

- Conduct ongoing sampling programs for composition, yield and design.

7 Foreign Business Line

Overview

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

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

Major RCM Strategic Objectives

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

- Work with potential plating partners to evaluate demand and expansion options;
- Offer RCM marketing services;
- Increase sales force to increase market presence, develop and maintain customer relationships;
- Develop reactive consulting options to ensure we can respond to customer requests for additional services as required;
- Develop program to leverage the experience gained through the Vancouver 2010 Olympic and Paralympic Winter Games.

Strategic Objective #3: People. To achieve or 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; and
- 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 focussing on health and safety, 5S and *lean*.

8 Numismatics, Collectibles and Medals Business Line

Overview

The Numismatics, Collectibles and Medals Business Line is responsible for generating revenues through the production and sale of renowned collectable coins, medals and coin related products to customers in Canada and around the world. Incorporating precious metals like gold, silver and platinum, numismatic products are distinguished by their craftsmanship and innovative technology enhancements that include holograms, selective plating, painting and embedded crystals. The RCM's product and customer service quality standards are also key differentiators in the industry. The Business Line is also responsible for the RCM's online presence which services corporate and business lines functional areas from a branding and content perspective.

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

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

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

Strategic Objective #3: People. To achieve or 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; and

- 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 focussing on health and safety, 5S and *lean*.

9 Bullion and Refinery Business Line

Overview

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

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

The RCM's integrated refinery services include assaying, secure storage and a variety of outturn products. Refinery services are sold to mines, scrap dealers, financial institutions and industrial firms. These customers' key requirements are timely assay results and settlement, liquidity, secure storage, a variety of outturn, as well as reputable and reliable service. The refinery has been providing gold refining services since 1911 and silver refining services since 2006.

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.

- Maintain and improve assay quality and expertise to sustain industry leading reputation;
- 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;
- Invest in new equipment for outturn products and efficiencies to improve gold refinery Return on Investment (ROI); 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 achieve or 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; and
- 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 focussing on health and safety, 5S and *lean*.

10 Other Corporate

Overview

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

- It 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;
- It helps plan and facilitate improvements in the RCM's business processes, using the RCM's own people to optimize productivity and operational and financial effectiveness using the principles of *Lean Enterprise*; and
- Once these improvements are finalized, they are documented in the RCM's Quality Management System (WISE). 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.
- A fourth area of service is that of Translation Services to meet the RCM's Official Languages and international linguistic needs.

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

- It is responsible for ensuring the integrity and transparency of all financial information and records;
- It provides reports and performance indicators to senior management in a timely manner, which provides essential financial information in support of the corporate vision;
- It establishes and maintains the organization's accounting policies, principles, practices and procedures to ensure the safeguarding of assets and proper management of cash flow;
- It 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;
- It 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;
- It is mandated to create and preserve corporate wealth by safeguarding the Corporation's financial and physical assets, managing financial and business risks and earning investment income; and
- It provides information systems services to the corporation, both the on-going technical support of computing facilities and communication systems, and the implementation of new technologies and applications.

The Corporate and Legal Affairs Division of the RCM is composed of four departments: Legal Services, Health & Safety, Security and Environment, Corporate Affairs and Corporate Planning. This division provides the following services:

- It 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; managing the Whistleblower hotline; ensuring all corporate regulatory and legal requirements are met; coordinating the submission and tabling of statutory reports and documents to Parliament; drafting and participating in the negotiation of domestic and foreign contracts, registering patents, trade-marks and industrial designs and overseeing litigation matters;
- It is responsible for providing guidance and direction in the areas of health and safety and environmental management, ensuring compliance with applicable legislation and best business practices, in addition to ensuring operations do not adversely impact employees, the public or the natural environment;
- It is responsible for the protection of corporate assets through a comprehensive security operation and the direction of the RCM's Emergency Response Team;
- It provides secretariat and technical support to the RCM's Board of Directors; administrative support to the President's office and to the Executive Committee; and
- It safeguards, manages requests and generates funds for the use of the RCM's intellectual property; manages the Advertising Communication Compliance policy; manages the administration of the Access to Information Act and Privacy Act; and manages relations with the shareholder.

Current Status

The HR Division's strategic priorities for 2011 include a focus on continuing the implementation of the RCM's succession plan for key positions, developing talent and conducting collective bargaining with the RCM's two unions to renew the collective agreements expiring on December 31, 2010.

The HR Division plans to implement an efficient integrated solution (human resources, payroll, timesheets and attendance) at the operations level to provide the RCM with strategic management information.

Lastly, the HR Division will pursue its efforts in developing an RCM-wide culture of accountability, performance, continuous improvement and *Lean Enterprise*. In this respect, the Continuous Improvement team will work with stakeholders to develop integrated operational plans that will communicate and strengthen the linkages of key initiatives to the corporate vision and strategies. The creation of cross functional teams coupled with regular reviews is all expected to assist in developing a culture of accountability, performance, continuous improvement and *Lean Enterprise.*

A key strategic priority for the Finance and Administration Division is the conversion from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) as mandated by the Canadian Accounting Standards Board.

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

Finally, the Finance and Administration Division will continue to harvest efficiency gains from the new consolidated ERP system as well to 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 for 2011 are to continue improving the RCM's environmental as well as its health and safety programs. In addition, the Corporate and Legal Affairs Division's emphasis in 2011 will be to continue improving its customer service levels from a legal, security, corporate affairs and health and safety standpoint.

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;

- Continue to implement workforce flexibility solutions to ensure that the workforce adapts to fulfill changing customer demand in a timely and effective manner;

- Introduce strategies to increase accountability in the RCM's organizational culture and promote a culture of performance at the RCM;

- Continue to improve the RCM's workforce planning processes to ensure that the growth and development of the workforce is aligned with business needs, profitability demographic and other changes;

- As collective agreements with the RCM's two unions expire at the end of 2010, conduct collective bargaining in partnership with the RCM's two bargaining agents to renew collective agreements and promote the continued growth of the RCM;

- Broaden the training and delivery of *lean* principles and tools that enable employees to make continual small-step improvements as well as significant breakthrough improvements that have quantifiable and lasting impact on the company's profitability;

- Complete the implementation of a fully robust ERM program at the RCM;

- Continue to provide strategic analysis on potential new joint ventures and significant asset investments;

- Proactively implement prudent hedging programs to protect the profitability of the RCM;

- Ensure high level information systems security and availability of critical IT systems resources, through the maintenance of an effective IT disaster recovery process; and

- Safeguard, protect and generate revenues from the RCM's intellectual property.

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

- Working collaboratively with other stakeholders, define and implement the vision, plan, skills, incentives and resources to create transformational *Lean Enterprise* improvements and a continuous improvement culture across the RCM; and

- Maintain ISO 9001 certifications in both the Ottawa and Winnipeg facilities and implement fully the RCM's improved quality management system resulting in faster and more sustainable resolution of quality issues and increased customer satisfaction.

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

- Using the results of the employee survey (2010 Best Employers in Canada), implement targeted improvements to people practices to increase employee satisfaction and engagement, thus improving the RCM's current standing as one of Canada's Best Employers;

- Invest in the training and development of RCM employees, particularly in the critical areas of: research and development, leadership, marketing, teamwork and continuous improvement;

- Maintain sound employee relations through open communication with union representatives and non-unionized employees;

- Take steps to integrate the principles of the *Employment Equity Act* and the *Multi-culturalism Act* into its current programs and procedures;

- Support the delivery and continual application of 5S across the organization to create a safer and more productive environment that engages employees and enhances their satisfaction; and

- 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.

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, a dividend was paid to RCMH-MRCF Inc. as a result of the winding down of the joint venture.

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

12 Financial Management

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, general and administrative expenses;
- productivity gains achieved in 2010 carried through the planning period by Lean and other initiatives;
- US exchange rate of $1.01 CAD;
- precious metal prices per ounce in Canadian dollars for the planning period are estimated at $1,353 for gold, $1,737 for platinum and $22.22 for silver;
- base metal prices per kg in Canadian dollars for 2011 is estimated $23.23 for nickel, $8.28 for copper, $2.32 for zinc and $1.16 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 2011 of $73.5 million;
- payment of income taxes and dividends in the planning period.

Generally Accepted Accounting Principles ("GAAP")

Change in accounting policies

a) Adoption of new accounting standards - Current

i) Financial instruments – disclosure and presentation

In June 2009, the CICA issued amendments to its Financial Instruments – Disclosure standard section 3862. The amendments focus on enhancing disclosures about fair value measurements and improving disclosures about liquidity risk. These new requirements were effective for the Corporation's December 31, 2009 financial statements.

ii) EIC173 : Credit risk and the fair value of financial instruments

In January 2009, the CICA issued EIC173 " Financial Instruments – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". EIC173 requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This new requirement was effective for the Corporation on December 31, 2009.

b) Adoption of new accounting standards - Future

i) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Corporation is a publicly accountable enterprise and will adopt IFRS.

In order to prepare for the transition to IFRS, the Corporation has developed and implemented a conversion plan which consists of five phases: (i) Diagnostic Assessment; (ii) Design and Planning; (iii) Solutions Development; (iv) Implementation and (v) Post Implementation Review.

Phase (i) Diagnostic Assessment and Phase (ii) Design and Planning are complete. Phase (iii) Solutions Development and phase (iv) Implementation are progressing as planned. Certain critical standards that may have an impact to the Corporation have been identified. The detailed analysis and evaluation of the majority of the critical standards are complete. The selection of first-time adoption decisions and ongoing accounting policies necessary for the Corporation to change over to IFRS have been made.

The major impacts to the opening balance sheet adjustments at the date of transition January 1st, 2010 are highlighted as follows:

Fair value or revaluation as deemed cost

The Corporation plans to choose to use fair value as deemed cost for building at the date of transition and choose to retrospectively apply IAS16 for equipment, investment property and intangible assets.

The impact to the opening balance sheet adjustment at the date of transition is about $6.6 million increase in equity for building and an $8.6 million increase for equipment.

Employee benefits

The Corporation also plans to choose to recognize the net cumulative actuarial loss at the date of transition which will result in about a $1.1 million decrease in equity on the opening balance sheet adjustment.

Intangible Assets

Software costs of $7.8 million are reclassified from Property, Plant and Building to intangible assets to comply with IFRS requirements.

IFRS adjustments will result in a net after tax increase to Retained Earnings of $10.9 million.

Management strategies are evolving and may change as we continue to review our assessments of financial and business implications. The Corporation will continue to monitor developments in standards as issued by the International Accounting Standards Board and the Canadian AcSB. Financial statements for 2011-15 are prepared in accordance with IFRS.

c) 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 and as of April 1, 2011, the RCM will be reporting quarterly.

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 Operations and Retained Earnings
Actual 2009 and six year forecast through 2015
$(000's)

	Actual 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Revenues	2,034,106	2,103,129	2,154,846	2,166,289	2,176,734	2,184,093	2,194,064
Operating Costs	1,965,507	2,058,599	2,124,123	2,130,956	2,136,219	2,139,846	2,147,602
Income before income tax	68,599	44,530	30,723	35,333	40,515	44,247	46,462
Income tax	19,486	12,468	8,141	8,833	10,129	11,062	11,615
Net Income	**49,113**	**32,062**	**22,582**	**26,500**	**30,386**	**33,185**	**34,847**
Retained earnings, beginning of year	127,499	171,612	207,600	223,182	242,682	266,068	292,253
Dividend *	5,000	7,000	7,000	7,000	7,000	7,000	7,000
Retained earnings, end of year	171,612	196,674	223,182	242,682	266,068	292,253	320,100
Capital Expenditures	19,943	19,380	73,500	45,000	18,000	15,000	15,000

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

Consolidated Balance Sheet

Actual 2009 and six year forecast through 2015

$(000's)

	Actual 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Assets							
Current							
Cash and cash equivalents	76,956	42,564	35,281	36,262	38,796	53,661	67,548
Accounts receivable	29,939	22,891	24,982	29,983	36,983	43,983	50,984
Prepaid expenses and other	2,699	3,000	3,000	4,000	5,000	6,000	7,000
Inventories	55,172	90,000	95,000	98,000	110,000	116,000	125,000
	164,766	158,455	158,263	168,245	190,779	219,644	250,532
Long-term							
Investment Property	-	-	236	236	236	236	236
Fixed	300,431	319,811	381,612	424,372	440,447	453,697	466,497
Accumulated depreciation	(158,591)	(176,193)	(173,854)	(188,111)	(205,503)	(222,712)	(240,486)
Intangibles	2,908	-	8,791	7,576	6,682	5,697	5,267
Deferred charges and other	370	300	300	300	300	300	300
	145,118	143,918	217,085	244,373	242,162	237,218	231,814
	309,884	302,373	375,348	412,618	432,941	456,862	482,346
Liabilities							
Current							
Income taxes payable	8,778	500	500	500	500	1,000	3,000
Accounts payable, accrued liabilities, other	50,968	30,011	30,011	30,011	30,011	30,011	30,011
Current portion of loans	5,169	1,524	4,189	5,521	5,520	5,518	5,517
Deferred revenues	5,411	4,000	4,000	4,000	4,000	4,000	4,000
	70,326	36,035	38,700	40,032	40,031	40,529	42,528
Long-term							
Loans and other payables	11,972	10,464	46,285	60,773	55,261	49,749	44,237
Future tax liabilities	7,254	8,700	15,312	17,012	19,212	21,712	22,612
Employee future benefits	10,421	10,500	11,869	12,119	12,369	12,619	12,869
	29,647	29,664	73,466	89,904	86,842	84,080	79,718
Shareholder's Equity							
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings	171,612	196,674	223,182	242,682	266,068	292,253	320,100
Accumulated other comprehensive income	(1,701)	-	-	-	-	-	-
	209,911	236,674	263,182	282,682	306,068	332,253	360,100
	309,884	302,373	375,348	412,618	432,941	456,862	482,346

Consolidated Cash Flow Statement
Actual 2009 and six year forecast through 2015
$(000's)

	Actual 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Cash flows from operating activities							
Cash receipts from customers	2,037,077	2,112,216	2,152,754	2,161,290	2,169,734	2,177,093	2,187,064
Interest received	443	450	200	200	200	200	200
Cash paid to suppliers and employees	(1,908,111)	(2,095,865)	(2,111,442)	(2,114,822)	(2,126,584)	(2,124,678)	(2,135,174)
Interest paid	(2,326)	(358)	(739)	(2,374)	(2,374)	(2,174)	(1,974)
Net proceeds on sales of derivatives	11,460	-	-	-	-	-	-
Income taxes paid	(19,856)	(19,301)	(6,042)	(7,133)	(7,929)	(8,062)	(8,716)
	118,687	(2,858)	34,731	37,161	33,047	42,379	41,400
Cash flows from investment activities							
Purchase of capital assets / intangibles	(19,943)	(19,380)	(73,500)	(45,000)	(18,000)	(15,000)	(15,000)
	(19,943)	(19,380)	(73,500)	(45,000)	(18,000)	(15,000)	(15,000)
Cash flows from financing activities							
New loans	-	-	40,000	20,000	-	-	-
Dividend paid to Shareholder *	(5,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Repayment of loans and other payables	(26,039)	(5,154)	(1,514)	(4,180)	(5,513)	(5,514)	(5,513)
	(31,039)	(12,154)	31,486	8,820	(12,513)	(12,514)	(12,513)
Net increase (decrease) in cash and equivalents	67,705	(34,392)	(7,283)	981	2,534	14,865	13,887
Cash and cash equivalents at the beginning of the year	9,251	76,956	42,564	35,281	36,262	38,796	53,661
Cash and cash equivalents at the end of the year	76,956	42,564	35,281	36,262	38,796	53,661	67,548

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

Borrowing Plan

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

Currently there is one long term borrowing.

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

In addition to the above long term borrowing, in 2006 the RCM incurred a non-interest bearing long term payable in the amount of $15 million, with principal repayments that began in 2006.

During the planning period, the RCM plans to secure a portion of its capital requirements with long term debt financing, including a $40 million loan in 2011 and a $20 million loan in 2012, both with principle repayments over 15 years, subject to the approval, of the terms and conditions, by the Minister of Finance.

Principal repayments, on all long term financing, totaling $1.5 million per annum are projected for 2011, with $4.2 million in 2012 and $5.5 million in 2013 to 2015.

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 2011 Capital Budget and 2012-2015 Capital Plan

Capital Plan Budget 2011 and Capital Expenditure Plan 2012-2015

The Capital Budget for 2011 and the Capital Expenditure Plan for 2012-2015 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 2011-2015 are considered multi-year projects as spending can carry forward to subsequent years.

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

The RCM continues to invest in its information technology capabilities. Initiatives for 2011 include a new human resources system, refinery system, ERP upgrade and projects to ensure enterprise infrastructure and integrity and performance.

In Winnipeg, 2011 projects include a plating plant renewal and energy retrofit program as well as investments in presses and research and development.

In Ottawa, a redesigning of the plant layout is planned for 2011 along with investments in office renovations, 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 2011 and
Capital Expenditure Plan 2012-2015
$(000's)

	2011	2012	2013	2014	2015
Total	$73,500	$45,000	$18,000	$15,000	$15,000
RCMH –MRCF Inc.	-	-	-	-	-