

Royal Canadian Mint

Summary of the 2017-2021 Corporate Plan
and 2017 Capital Budget

Forward-looking statements

This Summary of the Corporate Plan contains forward-looking statements that reflect management's expectations regarding the Mint's objectives, plans, strategies, future growth, results of operations, performance and business prospects and opportunities.

Forward-looking statements are typically identified by words or phrases such as "plans", "anticipates", "expects", "believes", "estimates", "intends", and other similar expressions.

These forward-looking statements are not facts, but only estimates regarding expected growth, results of operations, performance, business prospects and opportunities (assumptions).

While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Mint expects.

These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth in Section 6. Enterprise Risk Management and Risk Factors.

To the extent the Mint provides future-oriented financial information or a financial outlook, such as future growth and financial performance, the Mint is providing this information for the purpose of describing its expectations.

Therefore, readers are cautioned that this information may not be appropriate for any other purpose.

Furthermore, future-oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks.

Readers are urged to consider these factors carefully when evaluating these forward-looking statements.

In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur.

The Mint cannot assure that projected results or events will be achieved.

Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in Summary of the Corporate Plan are made only as of March 23, 2017, and the Mint does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

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1. FULLFILLING THE MANDATE

1.1 Executive Overview

The Royal Canadian Mint (RCM) Mint is a strong and vibrant organization with a proud past and a bright future. We are continuing on the strategic path outlined in the 2016-2020 Corporate Plan, with adjustments for recent developments. Our focus on productivity and results is ongoing, driving improved rigour around capital investments, expenses and head count. The RCM is optimistic about its bright future as a high-performing and innovative manufacturing entity in Canada.

The 2017-2021 Corporate Plan of the RCM has been developed to guide the Corporation in fulfilling our mandate over the next five-year planning period.

Changes from the 2016-2020 Corporate Plan

Transformation

The RCM 2017-2021 Corporate Plan is driven by targeted priority programs aligned with strategic objectives that support the vision: delivering excellence through our customer-driven businesses (Customer pillar), our talented people (People pillar) and the value we add to Canada and Canadians (Canada pillar). In particular, some areas such as Finance, Marketing and Human Resources are requiring new business skills to support the RCM's businesses.

In 2017, there will be focus on the organizational transformation required to deliver on our 2017-2021 commitments and position the RCM for a successful and sustainable future. This significant level of change has had a negative short-term impact on employee engagement. The immediate focus is on helping our employees understand the new strategy and their role in the RCM's future success, supplemented with locally-prioritized initiatives. Fresh approaches to communication and engagement are beginning to have an impact however we believe this to be a multi-year journey and will require significant management attention.

Letter of Expectations

The RCM received a Letter of Expectations from the Minister of Finance in May 2016 which was promptly shared with Board of Directors and Senior Leadership. The content and requirements have been carefully reviewed and are integrated in the 2017-2021 Corporate Plan. The Mandate Letter to the Minister of Finance which preceded the RCM Letter of Expectations

has also been thoughtfully reviewed to appreciate the Shareholder context. Themes identified include: transparency, accountability, collaboration, prudence, risk, diversity, the environment, and acting in the best interest of the Government, Canada and Canadians. The RCM had been actively pursuing improvements in many areas outlined and will ensure other areas receive priority attention.

Change to the *Royal Canadian Mint Act*

An amendment to the *Royal Canadian Mint Act* was enacted as part of Bill C-29 in December 2016 removing the profit restriction for the provision of any goods or services to Her Majesty in right of Canada, including the minting of circulation coins. This directs the RCM to strive for profitability in all its business including circulation coinage. The results of this change based on the current Memorandum of Understanding are reflected in the Corporate Plan. As a result of this change to the *Royal Canadian Mint Act*, management reviewed the Circulation Cash Generating Unit (CGU) impairment calculation for its fourth quarter (December 31, 2016) and has determined that no adjustment is required in 2016 under IFRS. The RCM will evaluate the impairment indicators again after a new Memorandum of Understanding is signed.

Active Risk Management

The RCM began in late 2015 to increase its capacity and capabilities to identify, evaluate and mitigate, as appropriate, operational, financial and reputational risk with a focus on integrating risk management into our day-to-day operating activities. Key capabilities will continue to be added in the areas of Enterprise Risk Management, Business Continuity Planning, Information Security, Internal Controls over Financial Reporting, Marketing and Human Resources through a combination of internal resourcing and external expertise to enable progress and continuous improvement as key hires are recruited. Specific to Internal Controls over Financial Reporting, RCM has identified a significant number of areas that required improvement and is applying a risk based approach to systematically make these improvements, and make, where necessary corrections over a 24 to 36 month period for a full CEO/CFO certification process.

Circulation Products and Solutions Improvement

The RCM made significant changes to our circulation businesses in 2016 to provide the best foundation for long-term sustainability. As a result of these changes, our competitiveness in the foreign circulation market is demonstrably improved and we have successfully secured contracts through 2017. This improvement has been somewhat offset by the expected decline in our Alloy Recovery program which has been impacted by a decrease in both volumes and the market price for base metals.

Numismatics Face Value Program

Launched in 2011, the Numismatics Face Value program was designed to acquire new customers by offering silver numismatic collector coins with the same face value as their selling price. It followed the RCM's standard redemption policy allowing Canadians to redeem coins through Canadian financial institutions or RCM dealers. The program was very successful in generating new customers and also became an important revenue and profit component in the Numismatics business due to the large volumes sold and higher than average margins.

The RCM encountered an unanticipated increase in the dollar level of return of face value coins in late 2015, as well as the first three quarters of 2016, which resulted in a review of both the root cause of the returns as well as the related financial reporting implications. The review did not reveal any specific cause for the returns.

The RCM worked diligently to mitigate the risk of returns through the enforcement of household purchase limits as well as reducing the number of face value launches while it reviewed options available to minimize redemptions. Concurrent to these techniques being implemented and the evaluation of options for the future of the program, the financial reporting implications were reviewed and recently finalized. It was determined that the appropriate financial reporting treatment established in 2011 should have been to record face value coin sales as a provision with no revenue recognized as a reasonable estimate of redemptions and returns cannot be established.

The RCM concluded with due regard to Canadian consumer expectations and experience and Government of Canada reputational risk that it would not retroactively alter the terms of the program to impose an expiry date or limit redemption as this would fundamentally change the value proposition under which the customers purchased their coins. We have no plans to change Canadians ability to redeem coins. In light of the new financial implications, the RCM completed a review of the commercial viability of the program and concluded that a refreshed approach to customer acquisition was appropriate going forward and the discontinuation of program made sense.

In Q3 2016 the RCM ceased recording face value sales as revenue and retrospectively adjusted its Q3 2016 Quarterly Financial Report accordingly. The net liability reflects the RCM's net cost of redemption which includes the recovery of silver from the returned coins. The value of the silver will be revalued on a quarterly basis to reflect current market pricing. For year end 2016 the net provision for Face Value redemptions is \$141 MM, \$106MM when offset by the deferred tax asset relating to Face Value of \$35MM. As a planning assumption, the RCM expects this provision will be reduced by \$12.4 MM during 2017-2021 that anticipates annual returns equivalent to the 2016 year.

The impact of the Face Value accounting adjustments to Retained Earnings is as follows.

000's	Retained Earnings	FV Impact
2015 Opening Retained Earnings	\$295,421	
Face Value Adjustment 2011-2014	-\$62,558	-\$62,558
2015 Opening Retained Earnings (Restated)	\$232,863	
Loss in 2015	-\$318	
Other Comprehensive Income	\$552	
Face Value Adjustment 2015	-\$27,959	-\$27,959
Dividends	-\$53,000	
2015 Closing Retained Earnings (Restated)	\$152,138	-\$90,517

These adjustments have been reflected in the financial statements of the plan.

Due to the past significance of the program from a revenue and profitability perspective, the reduction in profitability in the Numismatics business was an impairment indicator for the Ottawa CGU. In the 4th quarter of 2016 a review determined that cash flows from the Ottawa CGU were ample to support its asset base and consequently no impairment charge is required in 2016 under IFRS.

Making the necessary business adjustments will result in 2017 being a breakeven year for the Numismatics business with profitable growth from 2018-2021.

Profitability of the RCM

Average after- tax RCM earnings are currently forecast at \$31 MM, down from \$51 MM in the 2016-2020 Corporate Plan. In light of this, the average dividends over the planning period are now \$31 MM, down from \$52 MM planned in the 2016-2020 Corporate Plan.

The profitability of the RCM is at a lower level in 2017. The Numismatics business is undergoing necessary adjustments transitioning off Face Value and an overreliance on product proliferation to generate revenue and is planned to break even in 2017. The RCM expects profitable growth for the future and will be better able to refine its targets for this business for the 2018-2022 cycle. The RCM's current borrowing plan is unchanged from the 2016-2020 Corporate Plan

Canada 150

The RCM is preparing to launch a significant commemorative circulation coin program to celebrate Canada's upcoming 150th anniversary in 2017. The RCM will leverage this heightened awareness of Canadian pride by positioning commemorative coins and coin sets as a great way to capture and remember the moment. Customer research and past experience indicate this is a high appeal theme which will give us an opportunity to significantly expand our Canadian universe of coin collectors. External support is being leveraged to complement the RCM's resources to ensure strong execution of this important milestone.

Major Planning Assumptions

The RCM is adjusting the methodology to some of our planning assumptions used in the 2017-2021 Corporate Plan as a result of changes to our financial risk management practices. Details of the planning assumptions are contained in Sections 3 and 9.2.

Summary of Programs and Businesses

With the exception of Numismatics, the RCM's businesses continue to be largely price takers. As a result, business lines have varying structural attractiveness.

For the **Canadian Circulation** Program, the RCM is focusing on producing secure and high quality coins and the development of Next Generation Coin technologies for domestic use. The RCM will continue to exercise prudent financial management and maximize efficiency and competitiveness of core activities to deliver a cost-effective program for Canadians. In 2017 the RCM is celebrating Canada's 150th anniversary through significant and creative commemorative circulation coins.

The **Circulation Products and Solutions** business operates in a price-sensitive market. To improve our competitiveness, RCM has focused on optimizing our circulation supply chain, implementing productivity improvements and reducing our fixed cost structure. The impact of the revised strategy is positive with a strong improvement in results forecasted in 2016 in spite of the expected reduction in Alloy Recovery Program proceeds resulting from lower volumes and the impact of reduced nickel metal prices.

The **Numismatics** business has the most potential for growth for the RCM through solid customer acquisition, share of wallet growth and deepening customer relationships. RCM had encountered some challenges in 2016 (in particular with an overreliance on developing additional products to meet profitability goals) as we refined our strategic and operational focus to enable long term profitable growth. We are responding to changes in our market/customer dynamics that are creating short-term pressure but do not change our conclusion for the potential of this business long-term. The discontinuation of the Face Value is expected to have a short term impact on profitability as we transition strategies. Risk mitigation activities have been implemented and will continue to be monitored.

In parallel, we are developing the methodology and processes for the RCM to evolve to a customer-led, data-driven business to align more closely with customer needs and build the capabilities needed to achieve growth that is planned.

The **Bullion Products and Services** business has been a key driver in the RCM's profitability in recent years.

1.2 Public Policy Relevance

The RCM and Government of Canada Priorities

The RCM benefits from our status as a Crown corporation, leveraging our core mandate to enhance our country's image and profits domestically and abroad through a number of successful, industry-leading businesses. In fulfilling our mandate, we support a number of key Government of Canada priorities:

Focus on the Middle Class

Providing jobs in manufacturing, R&D, sales and administration

The RCM provides high quality jobs to over 1,200 Canadians at our Ottawa and Winnipeg locations while delivering strong levels of profitability for our Shareholder. In addition, the RCM commissions creative work from diverse Canadian artists each year and products and services from many trusted suppliers across the country.

Open and Transparent Government

Integrating the expectations for Department of Finance into our plans

In alignment with **transparency** expectations, the RCM will:

- inform the Shareholder of potential risks in RCM's reputation, operations or finances with associated mitigation plans and tactics; and
- share business information like the Corporate Plan in a timely manner.

In alignment with **prudence** expectations, the RCM will:

- diligently pursue operational efficiencies and opportunities to increase value for the Shareholder and demonstrate alignment to the interest of Canadians and Canada; and
- monitor the successful implementation of enhanced hospitality and travel procedures and continue proactive disclosure of board and executive travel.

Supporting the Economy

Supporting the Canadian economy and prosperity through international commerce

In support of the domestic currency system, the RCM is responsible for the production and distribution of circulation coinage to meet the needs of Canadians. The RCM also enhances the efficiency of the distribution system with our partnership in coin recycling across Canada. The RCM provides advice to the Minister of Finance on all coinage matters and ensures continuous coinage availability across Canada to meet the needs of trade and commerce.

The RCM generated over \$2.3 billion in revenues internationally in 2016 and a significant portion of our profits from these efforts. The RCM has the leading market share for gold bullion coins

and offers the second most popular silver bullion coin globally. In addition, the RCM produces circulation and numismatic coins, blanks, medals, medallions, tokens and related services for customers around the world.

A Clean Environment

Committed to protecting the environment and the sustainability of operations

An important part of the RCM's business and an ongoing strategic consideration is to continue to advance environmental awareness and responsible and sustainable corporate practices.

Through 2017-2021 the RCM will continue with the implementation of an Environmental Management System (EMS) in both Ottawa and Winnipeg including full implementation of the new Environmental Management Committee, with a goal to identify opportunities to further reduce our carbon pollution and other harmful environmental impacts. The outputs of the EMS will be integrated into the corporate social responsibility framework.

Diversity

Promote diversity in support of Government's priorities

The RCM has taken pride in promoting diversity through coin designs featuring aboriginal art and creating a link with many of Canada's communities by celebrating their culture on numismatic coins. The RCM will continue to look for opportunities to support diversity in recommending future circulation coin designs and will be reviewing policies to assess alignment with the Government's emphasized commitment to transparent, merit-based appointments, promoting gender balance and creating better access to opportunities for Indigenous Canadians and minority groups.

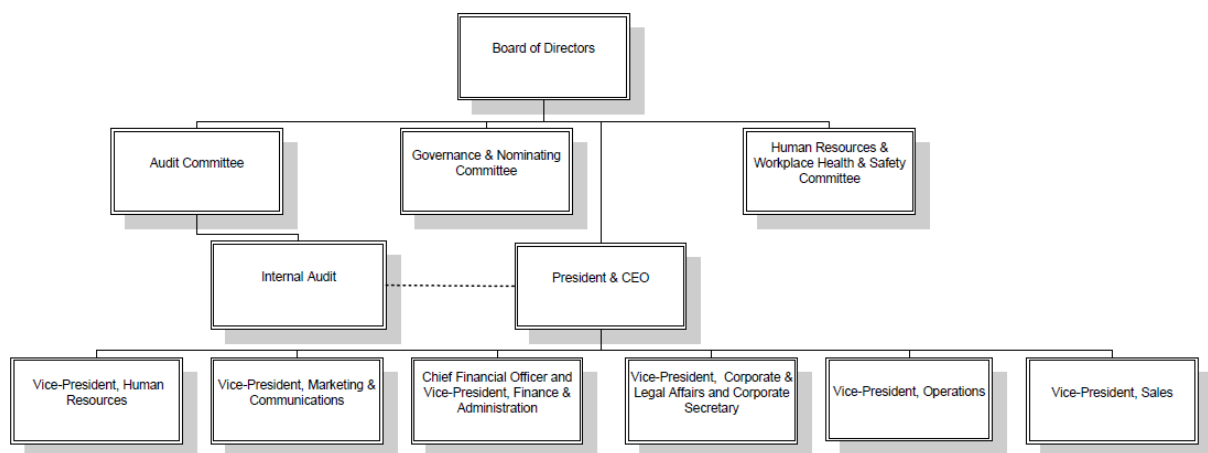
Social affairs

A vibrant Canadian culture and heritage

The RCM celebrates the culture and events of Canada through coins and medals. Our commemorative coin and numismatic programs continue to celebrate Canada's history, culture and values and allow Canadians to connect to their country by delivering compelling themes. The RCM is preparing to launch a commemorative circulation coin program to celebrate Canada's upcoming 150th anniversary in 2017 using designs sourced through an open national competition.

1.3 The Role of RCM's Board of Directors

Organizational Structure of the RCM – Board of Directors and Senior Executive Officers



The Board of Directors

The Board of Directors has overall responsibility for overseeing the management of the RCM's business and affairs. It exercises its duty with a view to the best interests of the RCM and the long-term interests of our sole Shareholder, the Government of Canada, in accordance with the RCM's governing by-laws and various pieces of legislation.

The Board holds management accountable for the RCM's business performance and achievement of our objectives. To fulfill its responsibilities, the Board establishes and approves the RCM's strategic direction through a five-year business plan, and reviews and approves major strategies and initiatives. It exercises due diligence by assessing risks and opportunities, monitoring financial corporate performance, ensuring the integrity of financial results and providing timely reports to the Government of Canada.

Board of Directors Meetings

The RCM's Vice-Presidents are invited to attend all Board meetings; their doing so contributes to a more effective relationship between management and the Board by fostering a shared understanding of the RCM's activities and improving the decision-making process. Other members of the RCM's management team also attend the Board meetings on an as-needed basis.

With the exception of the President and CEO, all directors are independent of the RCM's senior management. At each regular meeting, the Board holds an in-camera session with the President and CEO as well as a separate in-camera session without. The Chair of the Board is an ex-officio voting member on all committees; the President and CEO is also an ex-officio voting member of

all standing committees with the exception of the Audit Committee, which the President and CEO attends as an observer. All members of the Board serve on at least one committee.

Standing Board Committees

Three standing committees assist the Board in discharging its responsibilities: the Audit Committee, the Governance and Nominating Committee, and the Human Resources and Workplace Health and Safety Committee. The Audit Committee meets in-camera with the RCM's external and internal auditors. When required to examine particular issues of interest, the Board establishes special ad hoc committees that are dissolved once they have fulfilled their mandate. The Board and its committees may hire independent advisors as necessary to discharge their duties and responsibilities.

Board Education and Composition

New Board directors are oriented to the RCM and our businesses through comprehensive briefings by senior management as well as tours of the Ottawa and Winnipeg facilities. Regular updates on the RCM's activities are also provided at Board meetings as part of ongoing education. Board members are encouraged to participate in ongoing professional development activities in alignment with an assessment of its skills and competency requirements. In 2016 the Board of Directors completed a skills self-assessment using our newly developed skills matrix and the results have been shared with the Minister to better inform upcoming future appointments and ensure that the proper complement of experience and diversity is maintained going forward as defined in the Letter of Expectations. The RCM will be responsive to the new Governor in Council appointments process.

Changes during 2016

There were no changes to the Board in 2016. Six directors' terms have expired and positions are posted on the Governor in Council website. The RCM has hired a new Vice-President of Marketing and Communications who joined the organization in July 2016.

1.4 Communications with Stakeholders and Outreach Activities

The RCM engages in numerous activities to promote transparency, accountability and accessibility. These include hosting an annual public meeting and publishing the Corporation's annual and quarterly reports on our website. The RCM often solicits feedback from and engages with Canadian consumers and other stakeholders through surveys, focus groups and other public opinion research on a variety of topics. The RCM meets regularly with numismatic and bullion dealers and distributors and with foreign representatives to inform them about our products and services. The RCM also attends trade conferences and shows to meet with stakeholders and customers to discuss key issues facing the minting industry. Additionally, the RCM invites public feedback through our website, Facebook, Twitter and 1-800 call centre.

The RCM has regular interactions with the Minister's Office for coin design approvals and updates on developments at RCM. The RCM team interfaces with the Department of Finance staff at multiple levels to ensure strong delivery on the Canadian Circulation program and to provide transparency on ongoing RCM activities.

Stakeholder communications and outreach activities will be explicitly integrated into the corporate social responsibility framework to be fully implemented in 2017.

1.5 Mission

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

The RCM regards our mission in alignment with the *Royal Canadian Mint Act* that notes “*The objects of the Mint are to mint coins in anticipation of profit and to carry out other related activities*”.

1.6 Vision and Values

Vision

Delivering excellence...through our customer-driven businesses, our talented people and the value we add to Canada and Canadians values.

Values

Honesty, Respect, Passion and Pride.

1.7 RCM Major Strategic Objectives

The RCM's vision is a corporate philosophy, in line with the interests of Canadians, that underlies all of the operations and activities of the RCM and is supported by three major strategic objectives:

Customer-driven

Directly link customer insights and business acumen to our target marketing, product

development, relationship-building and operational excellence to drive profitable growth.

With talented people

Provide the right tools, training and leadership practices in a safe work environment to attract, retain and enable a skilled, productive and engaged team.

To add value to Canada and Canadians

Demonstrate the ‘added-value’ to Canada by delivering return on investment while reducing costs to the Canadian taxpayers, and promoting our heritage, culture and values.

Collectively, the three major strategic objectives are focusing the RCM’s efforts on delivering value to our customers, employees, the Government of Canada and Canadian society whilst generating a commercial return.

The RCM is making good progress in implementing the strategic direction that it established in 2015. In-year prioritization decisions have been made based on changes in business and capacity of the organization.

Below is a summary of highlights.

2016 Corporate Objective 1: Customer-Driven Results Summary

Overall, RCM achieved its primary objectives in this area over the course of the year as a first year in a multi-journey to transform our businesses to be customer driven. Strong progress was made on driving a number of operational improvements while the improvements in marketing sophistication were somewhat behind schedule as RCM focused on building marketing capabilities in addition to implementing improvements. Customer driven insights are impacting our 2017 and 2018 Numismatics product portfolios and we will continue to drive forward with a fact-based philosophy as an organization.

2016 Corporate Objective 2: With Talented People Results Summary

Making progress on our people agenda remains a strategy priority, however in light of the extent of organizational transformation required, focus shifted in the year to rebuilding core employee engagement over a multi-year period and address key business needs with practical solutions. Engagement objectives were established with all RCM executives and we focused our efforts on our senior leaders’ understanding and communication of our strategy and work to

ensure their teams' work was aligned. RCM's employees embraced its Mental Health initiative and RCM continues to prioritize a safe, healthy and productive workplace. A plan for transformation of our HR function was developed in 2016 and we are adding key capabilities around talent management and organizational development.

2016 Corporate Objective 3: To Add Value to Canada and Canadians Results Summary

RCM delivered strong performance its core Canadian Circulation programs through solid cost management, efficient management of the circulation coin program and connecting with Canadians in celebrating important milestones through the commemorative coin program. RCM overall financial performance in 2016 was solid but slightly behind target as strong dividends and taxes paid to the Government of Canada were offset by shortfall in profit against plan primarily resulting from the challenges (both financial reporting and commercial) of its Face Value Program.

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1.8 Return to Shareholder, Profitability and Dividends

Return to Shareholder and Profitability

Financial Benefit to Canada - Previous Five Years in millions (\$MM)

	2011	2012	2013	2014	2015	Total	Average
Income Taxes Paid	\$10.8	\$7.5	\$7.8	\$16.9	\$9.9	\$52.9	\$10.6
Dividends Paid	<u>\$10.0</u>	<u>\$10.0</u>	<u>\$10.0</u>	<u>\$10.0</u>	<u>\$53.0</u>	<u>\$93.0</u>	<u>\$18.6</u>
Paid to Shareholder	<u>\$20.8</u>	<u>\$17.5</u>	<u>\$17.8</u>	<u>\$26.9</u>	<u>\$62.9</u>	<u>\$145.9</u>	<u>\$29.2</u>

The RCM is a fully commercial Crown corporation. The RCM is a prescribed federal Crown corporation for tax purposes and is subject to federal income taxes under the *Income Tax Act*.

Criteria for Issuance of Dividend

The RCM adopted a more prescriptive philosophy in 2015 with regard to dividend payment in order to be consistent with our calculation of ongoing cash reserves and our approach to declaring a special dividend. This approach features a commitment to a fixed dividend on an annual basis, a review for a special dividend at minimum bi-annually with a true up in the form of a special dividend of excess cash over a defined reserve.

Financial Benefit to Canada – Forecast in millions (\$MM)

	2016	2017	2018	2019	2020	2021	Total	Average
Income Taxes Paid	\$12.8	\$7.8	\$8.7	\$9.8	\$11.1	\$12.5	\$62.7	\$10.5
Dividends Paid	<u>\$31.0</u>	<u>\$29.0</u>	<u>\$29.0</u>	<u>\$24.0</u>	<u>\$30.0</u>	<u>\$41.0</u>	<u>\$184.0</u>	<u>\$30.7</u>
Paid to Shareholder	<u>\$43.8</u>	<u>\$36.8</u>	<u>\$37.7</u>	<u>\$33.8</u>	<u>\$41.1</u>	<u>\$53.5</u>	<u>\$246.7</u>	<u>\$41.1</u>

At this time, the Department of Finance is developing a Crown corporation capital and dividend policy framework. The objectives are: to ensure that the financial Crown corporations have appropriate methodologies in place to determine their capital adequacy requirements; that they effectively manage their capital in relation to risk; and, that dividends are paid to the Shareholder when capital is in excess of levels required to deliver on their objectives. The RCM will use the results of this framework to update its dividend policy.

2. CORPORATE PROFILE

2.1 History and Legislative Powers

The RCM is Canada's national mint, mandated to produce circulation coinage and manage the supporting distribution system. Founded in 1908 as a branch of the British Royal Mint, the Government of Canada assumed ownership in 1931. The RCM became a Crown corporation in 1969 and has successfully expanded, offering bullion products and services, numismatic coins, medals, as well as providing minting services to foreign countries. As a commercial Crown corporation, the RCM pays federal income tax, dividends and is self-sustaining, receiving no Government of Canada appropriations.

Legislative Powers

The legislative framework governing the RCM consists primarily of the *Royal Canadian Mint Act* and the *Financial Administration Act*.

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

To fulfill our mandate, the RCM possesses the rights, powers, privileges and capacity of a natural person and may, if necessary:

- a) procure the incorporation, dissolution or amalgamation of subsidiaries and acquire or dispose of any shares in them;
- (b) acquire and dispose of any interest in any entity by any means;
- (c) produce and arrange for the production and supply of coins of the currency of Canada;
- (d) produce and arrange for the production of coins of the currency of countries other than Canada;
- (e) make medals, plaques, tokens and other objects;
- (f) melt, assay and refine gold, silver and other metals;
- (g) lease or acquire gold, silver and other metals;
- (h) lend, lease or dispose of gold, silver and other metals;

(i) issue, promote, deal in or trade in financial services and products relating to gold, silver and other metals, subject to the approval of the Minister and in a manner consistent with the Mint's last corporate plan as approved under section 122 of the *Financial Administration Act*;

(j) securely store and securely ship coins, gold, silver and other metals or arrange for their secure storage and shipment;

k) market minting equipment developed by, or on behalf of, the Mint;

(l) acquire or provide consulting services relating to any activity referred to in paragraphs (c) to (k);

(m) obtain, acquire, license, sell, or otherwise make available or dispose of any patent, copyright, industrial design, trademark or other similar property right, or any licence to any of them, relating to any activity referred to in paragraphs (c) to (k);

(n) engage in marketing, promotion and research and in development activities relating to any activity referred to in paragraphs (c) to (k);

(o) do any of the activities referred to in paragraphs (d) to (f) and (j) on behalf of any person or entity; and

(p) subject to the approval of the Minister and in a manner consistent with the Mint's last corporate plan as approved under section 122 of the *Financial Administration Act*, engage in any other activity.

Throughout its various points of sale, the RCM markets other products to enhance overall customer experience and expectations, and support/stimulate sales of Mint products.

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*.

2.2 Product and Service Descriptions

2.2.1 Canadian Circulation Program

Overview

In contrast to 2015 and 2016, the Canadian Circulation Program operates in anticipation of profit during the planning period (2017-2021). It delivers value to Canadians in delivering secure, high-quality and cost-effective coinage in support of Canadian trade and commerce. In addition to coin production, the RCM manages a sophisticated forecasting and distribution system that ensures the availability of coins across the country in an economical and fiscally prudent manner. The efficiency and effectiveness of RCM's distribution system helps to minimize inventory and production requirements, reducing overall costs to the Shareholder. The RCM serves a key role as an advisor to the Minister of Finance on coin matters by providing insight and feedback on issues involving the nation's coinage.

Impact of Electronic Payments on Coin Demand

The RCM believes that the increasing use of electronic payments is expected to gradually lower the demand for Canadian circulation coinage over the 2017–2021 planning period.

Currently in Canada, 23 per cent of the value and 44 per cent of the volume of all transactions are completed using cash¹. Since 2008, the volume of payments in cash has declined by 29 per cent, while the value of payments has seen a slightly greater decline of 34 per cent². In a 2013 global study of cash usage trends, MasterCard ranked Canada amongst the most advanced countries with respect to the percentage of consumer payment transactions using non-cash methods, and assigned it the highest readiness score of all countries for presence of macroeconomic prerequisites for going cashless³.

It is difficult to predict the pace at which the demand for coins will decline in the years ahead. For there to be a reversal of the trend towards alternate, non-cash methods of payment, there would need to be a significant disruptor such as a natural disaster, an electronic payments system failure, a war or other such activity that would drive citizens toward physical currency. Fee structures and security threats to cyber data are two key elements in the incomplete adoption rate of e-payment systems

Canada may never become an entirely cashless society. A small portion of the population may continue to have structural inaccessibility to cash alternatives, including unbanked individuals and those residing in rural or remote communities. Finally, some Canadians may simply

¹ Bank of Canada, “*The Use of Cash in Canada*”. B. Fung, K.P. Huynh, G. Stuber, 2015

² Payments Canada, “*Canadian Payment Methods and Trends: 2016*”. M. Tompkins, V. Galoclova, 2016

³ MasterCard Advisors, “*Measuring Progress Toward a Cashless Society*”. H. Thomas., A. Jain, M. Angus, 2013

continue to prefer the anonymity of cash.

Long-Term Forecast of Demand for Coins

Annual coinage demand is approximately 4 billion coins per annum with three quarters of this demand met by returning coin deposits to Financial Institutions and the remainder met by a combination of recycling activity and new coin production.

As noted in an advanced country such as Canada with many alternatives to cash, the large decline in cash has already occurred. This has been referenced in a study noting cash will reduce further but in smaller amounts over extended periods of time.⁴

It should be noted that Financial Institution deposits are beyond the RCM's control, that the RCM can only encourage recycling, leaving coin production as the only remaining lever to supply coin demand when deposits and recycling are insufficient.

Long-term coin demand forecasts do not drive current production. In practice the RCM's production plan targets a 3-month window, updated monthly, where changes to the production schedule are restricted to urgent revisions only. Beyond that period, the production schedule is managed to limit work in process and ending inventory. As a commercial entity, the RCM tries to minimize its inventory levels as a matter of good business practice.

Recycling Program Update

Following reports in the United States that TD Bank Group's coin counting machines were inaccurately counting coins, the bank withdrew the machines in the United States. In Canada after reviewing customer demand and usage, the TD Bank Group also decided to cease using the machines. The Bank of Montreal also withdrew from the recycling program, although it was not participating to the same scale of the TD Bank Group. The RCM will continue to support the recycling initiative in Canada through exploring other partnership initiatives that may include options such as licensing or co-op advertising. The RCM is committed to an efficient and cost effective supply of coinage maximizing the amount that is recycled versus the amount that is newly produced. Future corporate plans will be based on the resolution of the recycling investigation.

The RCM reflected the TD Bank Group's and Bank of Montreal's decisions in its forecast over the planning period.

⁴ MasterCard Advisors, "*Measuring Progress Toward a Cashless Society*". H. Thomas., A. Jain, M. Angus, 2013

2.2.2 Circulation Products and Solutions Business

Overview

Circulation Products and Solutions (CP&S) is a global leader and produces and supplies finished coins and coin blanks to customers around the world, including central banks, mints, monetary authorities and finance ministries. Domestically, CP&S is responsible for operation of the Alloy Recovery Program (ARP), whereby older-composition Canadian coins are removed from circulation and replaced by Multi-Ply Plated Steel (MPPS) versions, which are more durable and secure. This systematic replacement of old alloy coins also ensures that there is the removal of US coins in the market, which helps to streamline automated coin acceptance transactions.

2.2.3 Numismatics Business

Overview

Over the long term, the Numismatics business has been an important profit contributor to the RCM's overall financial performance and has significant potential as the result of our ability to delight customers in Canada and around the world. It produces and sells collectible coins and medals to customers in Canada and around the world. Innovative technology enhancements like holograms, selective plating and colour create unique and compelling products that attract new customers and differentiate the RCM's product against competition. The core fundamentals for the Numismatics business are strong. The RCM is determined to meet its profitability targets while it further refines its understanding of its customers in order to produce products that match their buying habits and preferences.

2.2.4 Bullion Products and Services Business

Overview

The Bullion Products and Services Business provides customers with market-leading precious metal investment coin and bar products, supported by integrated precious metal refining, storage and ETR businesses. The products include the Maple Leaf family of gold, silver, palladium and platinum coins, and other precious metal products and services for investment and manufacturing purposes. The Canadian Gold Reserves and Canadian Silver Reserves ETR products listed on the Toronto Stock Exchange allow retail and institutional investors to access precious metals stored at the RCM, while reducing RCM lease costs. The RCM has developed targeted strategies to maintain and grow market share.

3. ANALYSIS OF THE EXTERNAL ENVIRONMENT

3.1 Economic Trends

The RCM uses economic trend forecasts published by the Bank of Canada and, if not available, the International Monetary Fund.

Economic Growth and Inflation	2016 Corporate Plan	2016 Forecast	2017 Corporate Plan
Canada - Growth	2.3%	1.3%	2.2%
Canada - Inflation	2.0%	1.6%	2.1%
USA - Growth	2.8%	2.0%	2.1%
Global - Growth	3.6%	2.9%	3.3%
China - Growth	6.6%	6.4%	6.4%
Japan - Growth	1.2%	0.5%	0.7%
India - Growth	7.5%	7.4%	7.4%
Europe – Growth	1.3%	1.6%	1.2%
Emerging Markets / Developing Countries	5.0%	4.1%	4.6%
Forecasts from the Bank of Canada Monetary Policy Report July 2016. India and Emerging Markets forecasts from the IMF World Economic Outlook Update July 2016			

Over the planning period and principally in the short term, the Bank of Canada expects the global economic expansion will strengthen from 2.9% in 2016 to 3.3% in 2017. The United States will grow at 2.1% for 2017 with continuing slow growth in the Europe and in Japan. The Canadian economy is expected to expand by 2.2% in 2017. The forecast also calls for continued strength in major emerging economies with China at 6.4%.

With modest growth forecast for Canada in 2017, it continues to provide adequate market conditions for numismatics which are regarded as discretionary purchases. Growth in the United States will support the Numismatics Business although there is a weaker outlook for its smaller European market.

The continued growth in emerging markets can provide a supportive environment for foreign coinage demand associated with increased economic activity.

3.2 Gold and Silver Trends

Precious metal markets inherently have variability and are subject to impacts from macro economic factors. Forecasting rates is inherently difficult. RCM relies on external sources as basis for its forecasts.

The 2017 Corporate Plan reflects the weighted average of the 2017 forecast and the current hedged volumes.

Precious metal trends impact the RCM's business in three ways: overall market impact on bullion volumes due to market activity for gold and silver; significant cost of goods sold component for the Numismatics business and impact of price variability on a subset of the Bullion Products and Services revenues.

The RCM hedges our numismatics gold and silver requirements on a regular basis to manage a key component of the cost of goods sold.

For the refinery, increasing gold and silver value would be a favourable development in that it increases the RCM's revenues from the refining process as well as supports mining operations being sustained in the global market.

For the bullion business, only 10% of Gold Maple Leaf coins are sold as a percentage of metal prices with margins impacted by gold price variation. There is no impact on Silver Maple Leaf coin revenues as they are sold in US funds at a fixed premium and not as a percentage of the metal price. (Fixed premiums apply to all other products)

For precious metal planning assumptions, RCM will use a weighted calculation of forecast rate blended with hedges in place at the time the plan is completed. RCM is evolving to a four quarter rolling forecast and hedging program where prior year efforts focused on Corporate Plan fiscal year only.

3.3 Base Metal Price Trends

In 2016, base metals with the exception of steel have eased significantly in USD from the 2016 Corporate Plan levels. With the exception of steel, the 2017 Corporate Plan anticipates base metals to decrease in USD from 2016 Corporate Plan levels.

RCM secures and/or hedges planned base metal transactions to support its various business activities in Canadian Circulation, Circulation Products and Solutions and Numismatics.

While nickel has trended down from its record high prices in 2007, the diminishing price differential between nickel/copper alloys and steel provides a less compelling financial

justification for customers to consider the use of the RCM's cost-effective MPPS versus traditional alloy coins. Reduced nickel prices have a direct and unfavourable impact on ARP program revenues. Hedges for nickel are reviewed on a periodic basis based on volumes and operational considerations.

3.4 Foreign Exchange rate

Canadian dollar movement has a mixed effect on the RCM. Currency hedging contributes to managing volatility in foreign exchange rates; however the longer-term currency trends can impact results.

For 2017 foreign exchange planning assumptions, the RCM will use a weighted calculation of forecast rate blended with hedges in place at the time the plan is completed. The RCM is evolving to a four quarter rolling forecast and hedging program where prior year efforts focused on Corporate Plan fiscal year only. This change allows the RCM to better manage downside risk should a material change in the USD/CAD exchange rate occur.

Impact of Canadian Dollar Changes (Better/ Worse)	Canadian Dollar Is	Impact on US Based Revenues	Impact on US Based Metal Costs	Impact on Canadian Based Costs (Labour)
Over Corporate Plan Rate	Weaker	Increases	Increases	Decreases
Under Corporate Plan Rate	Stronger	Decreases	Decreases	Increases

4. ANALYSIS OF THE INTERNAL ENVIRONMENT

4.1 Internal Capabilities and Processes

4.1.1 Marketing and Communications

The Marketing division ensures that the RCM's brand promotes Canada's history, culture and values, and aligns to the corporate vision of delivering excellence. The division strives to maximize commercial return by raising the profile of the RCM and driving sales results through targeted campaigns both domestically and internationally. The division serves all businesses and corporate interests, with a primary emphasis to lead the strategic thinking and support the Numismatic Business to achieve its growth objectives. In order to do this, the Marketing function will transform to a customer-led, data driven and business focused approach that continuously builds capabilities to achieve anticipated growth.

4.1.2 Sales

The RCM's sales strategies reflect the market conditions in each business.

Circulation Products and Solutions' core focus will continue to be on targeted countries

Sustainable growth in the Numismatic business will be achieved by focusing on the Canadian market through Direct (B2C) channels and targeted B2B domestic and international opportunities.

The sales strategy for the bullion business will focus on continuing to increase our bullion coin market share in select markets through the implementation of targeted business development activities.

We will continue to optimize and align sales resources and organizational structure to support the targeted sales strategy, maximize efficiency and competitiveness.

4.1.3 Operations

The RCM strives to deliver best in class manufacturing across a diversified portfolio of products, multiple production sites and extended supply chain. Operations work to identify and implement

opportunities for continuous improvements to maximize flexibility and minimize costs. The RCM is committed to corporate social responsibility, including the health and safety of employees, and will continue to invest in capital and research and development to ensure it remains a world leader in minting.

Ottawa Operations

Ottawa operations are well positioned to capitalize on continued strength in precious metal markets in securing incremental Bullion market share and realizing on projected Numismatics growth targets. Operational efforts are currently focused on increasing capacity and delivering productivity improvements leveraging operational planning processes and tools to drive overall profitability.

With added complexity in both product mix and supply chain in recent years, RCM has modernized its physical infrastructure throughout the Ottawa Plant, increased sophistication in its planning processes and tools and implemented lean manufacturing to offer greater agility and reduced lead times.

In 2017, we will focus on our planning processes and related business system tools to support our continued focus on efficiency.

Winnipeg Operations

The Winnipeg operation implemented productivity improvements to increase throughputs and yields. The improvements included moving electromagnetic signature inspection to earlier in the production process to manage quality issues immediately; reducing material movement to reduce the cost of equipment and lower value activity and a reduction in water consumption in the plating process. An update to the Coin Pool System, which is used to manage domestic coin supply, improved security controls and reporting capabilities further improves operational efficiencies.

This coupled with a targeted selling approach has resulted in RCM winning several Foreign contracts for 2016 and 2017 and significantly improved utilization in the Plant. A streamlined product portfolio also allows for reduced technical requirements contributing to improved competitiveness and cost savings.

Research and Development

The RCM R&D Centre of Excellence leverages creativity and collaboration in advancing product quality, sophisticated security features, manufacturing optimization as well as customer-driven programs and design innovation. In the upcoming planning period R&D will build on its strong research and development capabilities by seeking to further reduce its carbon pollution and other harmful environmental impacts.

Corporate Social Responsibility and Operations

Both manufacturing sites demonstrate persistent commitment to the environment and the safety and well-being of their people. Recent highlights from the Ottawa site include one-year with no lost time within the Tech Services group, which has a higher risk due to job function, and four years with no lost time within the Refinery group. The Ottawa site is also focused on improving waste water impacts. The Winnipeg plant is proactively implementing process and technology improvements that reduced water consumption by manufacturing lines resulting in less material to treat.

Supply Chain Management

Supply Chain activities are focused in two areas: Circulation Supply Chain and Precious Metals (Bullion and Numismatic) Supply Chain. The Circulation Supply Chain function has undergone significant transformation with the consolidation and reduction of the previous Canadian and Foreign business line administration teams and the metals supply chain function. The team is focused on leveraging the combined circulation volumes and related spend (Canadian and Foreign) with its metals suppliers improving lead times and appropriate quality to meet customer expectations.

The Numismatics Supply Chain activities are focused on its primary strategic categories: packaging, assembly and logistics in an effort to drive cost savings and productivity over the planning period.

Quality Systems

Quality Systems continues to focus on supporting the business through yield improvement activities including the external supplier performance and optimizing internal visual inspection processes.

4.1.4 Finance and Administration

Finance, Corporate Planning and Program Management Office

As part of RCM's transformation program to become more productive and accountable, the Finance and Administration division is undertaking a number of transformation programs during the corporate planning period. Key capabilities are being added to the core finance organization in the areas of Internal and External Reporting, Internal Controls and Taxation to properly address the RCM's business requirements. The RCM funded these new skill requirements through centralizing its finance function to Ottawa as part of its focus on improved productivity.

In 2016, the RCM augmented our capabilities with the addition of a small Corporate Program Management Office to provide support and oversight on the RCM's key cross functional initiatives. We made progress on our internal controls over financial reporting through the introduction of a new Corporate Performance Management system and successfully implementing US State sales tax software.

Better utilization of the RCM's Enterprise Resource Planning (ERP) through data governance and reporting automation tools are planned for 2017.

RCM is reviewing our tax effectiveness in particular, tied to US-based sales, as it is currently impacted by double taxation of certain profits generated from US customers. Conservative, routine tax strategies may be recommended and deployed to reduce the instance of double taxation.

Procurement

The Corporate Procurement group is focused on transformational activities and on delivering the procurement requirements for the RCM's top strategic programs. The transformational activities are focused on ensuring an open, transparent procurement process in an efficient and streamlined manner. External benchmarking is underway as well as a procurement and supply chain assessment and these inputs will allow for a clear roadmap and implementation timing.

Information Technology

The Information Technology (IT) team has supported a significant growth in applications and services to support the RCM's business over the last few years. On a go-forward basis, the RCM will be looking at driving down complexity and customization by adopting industry-standard processes and solutions. For the planning period, the IT team will focus on:

- Providing the systems and tools necessary to support the execution of the corporate strategy in alignment with our Canada, People and Customer pillars. In 2016, core programs have included an upgrade to the Canadian Circulation Coin Pool System, introduction of a Corporate Performance Management System and Dynamics AX (DAX) Performance and Functional Improvements focused on improved usability, performance and effectiveness. 2017 programs are expected to focus on our customer and financial reporting priorities for RCM.
- Building and maintaining a solid and secure foundation to ensure availability, reliability and high performance of business systems;
- Developing and executing a cyber-security program to improve the maturity of cyber security processes, incident response capabilities and cyber security governance; and
- Implementing disaster recovery and business continuity plans and related testing in response to the Auditor General's Special Examination Report.

Financial Risk Management

The RCM has established various policies to address financial risk management. These policies are consistent with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations, and have been reviewed by the RCM's senior leadership team, internal auditor, the Office of the Auditor General and approved by the RCM's Board of Directors.

Hedging activities undertaken by the RCM may include management of foreign exchange, interest rate, base metal and/or precious metal risks. The RCM does not speculate by knowingly taking on an exposure or position for which there is no underlying requirement; it is against the RCM's Foreign Currency and Metal Hedging Policies to do so. The RCM's hedging activities exist purely to protect the financial results of the organization and to provide the organization time to react to a material change in market conditions if necessary. The hedging activities are reported on a mark-to-market basis as required.

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

4.1.5 Human Resources

Human Resources

Talent Development

The RCM benchmarks itself against public and private sector programs and falls within the range of best practices adopted by top manufacturing organizations by allocating up to 1% of payroll for training and development. This is allocated towards occupational health and safety, on-the-job training programs and certification of armed security guards as well as investment in professional development and talent management to support its growth with the current focus on leadership training. The RCM reviews our training and development investment levels annually to ensure the budget and approach aligns with our strategy.

Labour Relations

RCM signed new four-year contracts (2014-2017) with The Public Service Alliance of Canada (PSAC).

Corporate Health, Safety and Environment

The Corporate Health, Safety and Environment (CHSE) team will be focused on maintaining our current highly effective program and improving the health and safety program for contractors and

implementing a refreshed personal protective equipment program. The CHSE will continue to monitor the RCM's environmental performance through our environmental management system including monitoring carbon pollution. CHSE key performance indicators will be aligned, where relevant, with a corporate social responsibility framework implemented in 2017.

CHSE is working to implement the Health and Safety module of the Human Resources Management Information System to enhance the analysis of incidents and accidents and help to focus prevention activities.

Protective Services

Protective Services continues to monitor and improve its processes and ensure it adopts the best practices that are relevant to RCM in the field of personnel security, anti-theft measures and physical asset protection. RCM is focused on completing and deploying an emergency preparedness plan.

4.1.6 Corporate and Legal Affairs

The Corporate and Legal Affairs group is aligning its focus with RCM's strategy and transformation activities by becoming solution-oriented trusted advisors to the business.

Legal Services

The Legal services team is working to meet the needs of RCM's growing Numismatics business through ensuring it has the capability to support international sales through multiple channels (including negotiation and drafting of distributor agreements, compliance with marketing and advertising laws and negotiating and reviewing licensing agreements) as well as developing the commercial capability to support critical elements of our numismatic strategy.

Corporate Affairs

The Corporate Affairs team is supporting the Board of Directors to update the governance framework review which is underway. In its role of managing the RCM's Access to Information Program, it will ensure appropriate notification of the Department of Finance in line with the new Letter of Expectations.

Linguistic Services

The Linguistic Services team completed the implementation of new translation software in early 2016 to better support the business' requirements of RCM's domestic bilingual and international multilingual business and to improve productivity of the team. The Linguistic Services group, in

addition to monitoring the RCM's compliance of Canada's Official Languages Act, they also act as an advocate for bilingualism to the RCM.

Compliance

The Compliance group will continue its oversight of RCM's regulatory compliance programs (Responsible Metals, Anti-Corruption & Anti-Bribery and Anti-Money Laundering & Anti-Terrorist Funding) to protect our brand and products from criminal exploitation. The program provides a comprehensive framework and approach to all parts of RCM's business to mitigate this risk.

4.1.7 RCMH – MRCF Inc.

In 2001, the RCM set up RCMH-MRCF to support a specific joint venture. The TGM joint venture was wound down in 2009. There is no activity being undertaken by RCMH-MRCF Inc. at this point in time. RCM is investigating the use of this subsidiary to avoid double taxation of certain US profits and is completing a detailed risk and operational review to finalize our strategy. The strategy, if undertaken, will be industry standard and conservative in nature.

5. CORPORATE SOCIAL RESPONSIBILITY

The RCM had proactively implemented many best practices in this area in recent years. The RCM recognized the need to update our corporate social responsibility framework to align to our new vision pillars to integrate key areas of focus, such as carbon pollutions, outlined in the Letter of Expectations received from the Minister of Finance.

The CSR framework has been developed to align with the RCM's vision, strategic objectives and top priority programs.

RCM Corporate Social Responsibility Framework

	Customer	People	Canada and Canadians
Ongoing Initiatives	<ul style="list-style-type: none">• Average Order Lifecycle reductions• LBMA compliance	<ul style="list-style-type: none">• Mental health initiative• Health & Safety program• Engagement focus	<ul style="list-style-type: none">• Water consumption• Commemorative programs
New in 2017	<ul style="list-style-type: none">• Insight panel• Net Promoter Score	<ul style="list-style-type: none">• Expanded wellness program	<ul style="list-style-type: none">• Carbon emissions measurement and target setting

Mental Health

The first phase of the RCM's focus on mental health proved to be highly successful. The primary objective of the phase was to raise awareness around mental health in the workplace. RCM's leaders and employees have embraced this corporate focus—which includes mandatory mental health first aid (MHFA) training for managers. Employees have provided rich evidence already of the positive impact the programs are having. RCM will be expanding efforts as a key component of the People pillar of our vision and also intends to research proactive and holistic approaches to employee wellness programs in a manufacturing environment.

6. ENTERPRISE RISK MANAGEMENT AND RISK FACTORS

Enterprise Risk Management Governance and Resourcing

The RCM's enterprise risk profile is renewed annually. The risk profile is reviewed and reported to the Board of Directors through the Audit Committee, where responsibility for risk oversight resides. Adjustments may be made to the risk profile intra-year to reflect the changing risk environment. In establishing the corporate plan, the RCM identifies, assesses and evaluates risks and the potential impact on strategies and corporate targets over the next five-year time horizon

for the corporate plan. Leadership roles in Enterprise Risk and Internal Controls have been defined and are being recruited to enhance the RCM's capacity to identify and mitigate financial, reputational and operational risk. Dedicated expertise in leading security of the RCM's digital assets was also proactively added in 2016. These increased efforts are in alignment with the Letter of Expectations and will allow the RCM to have sustainable, effective risk management practices going forward.

The RCM's performance is influenced by many factors including competitive pressures, economic conditions and volatility in financial and commodity markets.

The following risks have been identified to be of primary relevance for the planning period.

Strategic Risks

Mandate and Regulatory

The RCM is a Crown corporation solely owned by the Government of Canada and governed under a legislative framework that consists primarily of the *Royal Canadian Mint Act* and the *Financial Administration Act*. Changes to Shareholder objectives or to legislation governing the RCM's activities have an impact on attainment of objectives established in this Corporate Plan.

Numismatics Marketing Strategy

To achieve the desired results for the Numismatics business, RCM has had to shift its strategy from an overreliance on developing additional products to meet profitability goals to products that meet customer needs through a variety of channels and marketing techniques.

Bullion Value Proposition

Continued success in the bullion business will require the RCM to offer market-leading bullion products that are sufficiently differentiated from alternative products while remaining price-competitive. Management regularly assesses the competitive environment and adjusts business strategies and tactics as necessary.

Bullion Market Volatility

The demand for precious metal investment products, including bullion, is largely determined by market forces beyond the RCM's control. Political changes in Europe and the United States have the potential to impact bullion demand and are being monitored. Mitigation efforts will be expanded as required. The risk is managed through active monitoring of market conditions to quickly and efficiently align operations, capacity and supply chain.

Reliance on Large Foreign Circulation Contracts

Over the past few years, the increasing number of mints pursuing foreign circulation coinage contracts has contributed to commoditizing the global market. In order to effectively compete and protect the cost base of the Canadian Circulation Program, the RCM has chosen to maximize revenues and contribution margins through the pursuit of high-volume next generation coin series. This strategy will mitigate the risk in that the RCM will maximize production efficiencies and minimize overhead costs. The ability to acquire the right contracts at the appropriate timing poses risks for the Circulation Products and Solutions business, resulting in uncertainty in the corporate plan. In the event volumes decline, the RCM will actively manage sales and operations costs to ensure losses do not occur.

Financial Risks

Base and Precious Metal Prices Impact on Current Businesses

The RCM purchases precious metals including gold, silver, platinum and palladium for use in bullion and numismatic coins, as well as base metals and alloys in the production of domestic and foreign circulation coins. Exposure to volatility in metal prices is mitigated by matching the timing of purchase and sales, contractually transferring price risk to suppliers and applying hedging strategies and/or natural hedges inherent in business activities. Notwithstanding the hedging policy, long-term trends in metal prices may impact sales opportunities, margins and overall profitability.

The RCM also sells base metal collected through ARP. While a portion of ARP sales is typically hedged, variability in metal prices may reduce revenue on the unhedged portion of sales in the short term and the performance of the overall program over the longer-term.

Precious Metal Price Risk Related to Face Value Liability

The net liability that has been established for potential redemption of face value coins reflects the RCM's net cost of redemption which includes the recovery of silver from the returned coins. The value of the silver will be revalued on a quarterly basis to reflect current market pricing. The RCM will be determining its financial risk strategy related to this liability in early 2017.

Foreign Exchange Risk

A significant portion of revenues and costs are denominated in foreign currencies, which exposes the RCM to foreign exchange risk. The RCM mitigates this risk through natural currency hedges and financial instrument hedges. Currency hedging contributes to managing volatility in foreign exchange rates; however the longer-term currency trends can impact results. On balance, a

stronger Canadian dollar will have a negative impact on RCM profitability as it reduces revenues from bullion products and reduces margin on other products sold in US funds.

Operational Risks

Precious Metals – Physical Reconciliation, Management and Control

As the RCM's business involves handling of precious metals, best-in-class practices related to security of physical assets are critical. The RCM is continuously improving its physical security program and tools and internal threat mitigation practices.

The RCM has augmented our controls surrounding precious metals through improvements in our organizational structure, introduction of a perpetual dollar and unit inventory system and implementation of recommendations from external experts in refining processes. As a result of these improvements, the Board of Directors has approved reducing precious metal inventory counts to semi-annually from quarterly for 2016 and beyond.

Business Continuity and Disaster Recovery

The RCM's business is dependent on modern manufacturing facilities, technology and a global supply chain. The RCM's operations may be affected by threats including natural events, pandemics, disruptions to critical infrastructure such as telecommunications or transportation, or events such as fire. Business Continuity Planning (BCP) aims to reduce the risk associated with such potential disruptions. To increase assurance of continuity of the RCM's essential services to Canadians, the BCP program targets preparedness, reduction of impacts of potentially disruptive events and effective recovery plans. Current continuity efforts are focused on improving business continuity documentation and recovery plans, and alignment of information technology recovery capabilities.

Cyber Security

Cyber threats and security of corporate data present a risk for all organizations. The RCM employs security tools and controls and follows industry practices to safeguard information systems and corporate data. To ensure our cyber risk objectives of being secure, vigilant and resilient are being met, an assessment of the RCM's readiness posture was completed in mid-2015. Recommendations to be implemented over the next 24 months from the time of writing are focused on the RCM's incident response management, cyber security governance and increasing the maturity of cyber security processes. A number of key recommendations have been implemented, with the balance planned over 2016-2017.

Internal Controls for Financial Reporting

The RCM maintains internal controls for financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements. Management conducted a review of controls in late 2015. This review identified areas that management assessed as requiring improvement. A plan has been developed to implement strengthened internal controls during the next 24 to 36 months.

Other Material Risks**Health, Safety and the Environment**

The RCM's operations and business activities present a variety of risks related to health, safety and environment. All change initiatives are subject to a structured review and ongoing management oversight to ensure that risks are identified, assessed and managed. Health and safety orientation, ongoing training, wellness programs and a formal hazard prevention program contribute to the reduction of this risk. In addition to the regular assessment and management of environmental risks, the RCM seeks to continue to advance environmental awareness and corporate practices.

Employee Engagement

The RCM has experienced declining engagement and we are using our new strategy and organizational transformation to refocus and re-energize our valued employees. Engagement has been affected by a number of factors, including changes to the RCM's operating environment, strategy and mandate, lay-offs and a prolonged collective bargaining process for the third of the work force and also by modifications to travel policy and cost reduction initiatives.

To address the risk presented by declining employee engagement, action will be taken at both a corporate level and also in targeted local initiatives. The RCM's current and future efforts in talent development, enhanced communication with employees and modernization of end user technology and tools will address needs that affect broad groups of employees. With transformation initiatives underway and continuing, these efforts to stabilize and increase employee engagement are essential to the RCM's success but will take up to three years to drive improvement to desired levels.

Human Resource Risk

RCM management has determined capability gaps in key areas such as Finance, Marketing and Human Resources. Its ability to close these gaps is dependent on finding appropriate candidates on a timely basis. In the interim as it relates to fill permanent roles, contract resources are used wherever possible to allow the RCM to make progress in its transformation.

7. 2017 CORPORATE OBJECTIVES, STRATEGIES AND PERFORMANCE INDICATORS

Corporate Objective 1: To Add Value to Canada and Canadians

Demonstrate the ‘added-value’ to Canada by delivering return on investment while reducing costs to Canadian taxpayers, and promoting our heritage, culture and values.

2017 Objective

- Execute on the Canada 150 Commemorative Program with excellence.
- Maximize returns to the Government of Canada in form of retained profits, dividends and income taxes through continued prudent financial management.
- Ensure an efficient management of the production, storage and distribution of Canadian coins.

Corporate Objective 2: With Talented People

Provide the right tools, training and leadership practices in a safe work environment to attract, retain and enable a skilled, productive and engaged team.

2017 Objective

- Continue the RCM’s Transformation by focusing on helping our employees through change.
- Continue to demonstrate a focus on achieving a safe, healthy and productive workplace.
- Leverage effective talent management strategies to support RCM’s achievement of its strategy.

Corporate Objective 3: Customer-Driven

Directly link customer insights and business acumen to our target marketing, product development, relationship-building and operational excellence to drive profitable growth.

2017 Objective

- Enable long term profitable growth in Numismatics by increasing the sophistication of marketing tools to attract and develop profitable relationships.
- Continue customer focused foreign circulation strategy to ensure a sustainable CP&S business going forward.

8. 2017 CAPITAL BUDGET and 2018-2021 CAPITAL EXPENDITURE PLAN

Capital Budget 2017 and Capital Expenditure Plan 2018-2021

The Capital Budget for 2017 and the Capital Expenditure Plan for 2018-2021 represent the major investments are planned in equipment, facilities and technology which will protect the RCM's productivity and customer service, and enhance growth opportunities. Investments required to maintain reliability, flexibility and capability of RCM equipment as well as to protect employee health and safety and the environment are also included.

The Capital Committee structure ensures effective capital investment in that areas drive value for the business and the Shareholder. The Committee's key responsibilities include overseeing the preparation of the capital investment plan, business case approvals and the reallocation of funds where necessary.

Key elements of the Committee include business case-based decision making, transparency and alignment, progress tracking, post-implementation monitoring, communication, timeliness and tools and processes.

The RCM manages our capital budget in aggregate often making in-year prioritization. As a result of this practice combined with the multi-year nature of certain projects, it is possible that the actual spend by asset category can vary from that presented in the 2017 Capital Budget and 2018-2021 Capital Expenditure Plan.

Prior to proceeding, significant capital projects are 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, ensuring major projects meet planned return on investment and payback objectives. Projects relating to health and safety receive priority consideration.

The RCM is in the progress of evaluating its accounting treatment between operating expenditures and capital expenditures in particular for information technology investments.

Capital Budget 2017 and Capital Expenditure Plan 2018-2021 \$MM

	2017	2018	2019	2020	2021
<i>Total</i>	25.0	20.2	18.3	15.6	15.5

9. OPERATING POSITION, FINANCES AND BORROWING PLAN

9.1 Comparison of 2015 Forecast to Actual

This section reviews 2015 results against the forecast included in the 2016-2020 Corporate Plan.

	2015 Forecast ⁵	2015 Restated ⁶
	\$MM	\$MM
Revenues	2,351.7	2,306.4
Operating Costs	2,289.5	2,279.3
Impairment	65.5	65.5
Profit (loss) before income taxes	-3.3	-38.4
Income tax	-0.5	-10.1
Profit (loss)	-2.8	-28.3
Other comprehensive income, (losses) net of tax	-4.7	-4.7
Total Comprehensive Income (Loss)	-7.5	-33.0
Capital Expenditures	17.4	17.4

Canadian Circulation Program

- There were no shortages of circulation coins in 2015.
- Recycling volumes of 0.6 billion and new coin demand of 0.4 billion coins were on target.
- Reduction in cash flow contributed to impairment.

Circulation Products and Solutions

- The Circulation Products and Solutions Business did not meet its revenue target due to aggressive competition from European mints and downward pricing trends. Costs have been tightly controlled and structural changes made to mitigate the impact to the RCM.
- Reduction in forecast cash flow contributed to impairment.

⁵ Restated using new format and for comparability with 2015 results.

⁶ Restated 2015 results.

Numismatics Business

- The Numismatics business results were adjusted to reflect the decision to reflect the impact of the Face Value Program accounting change. The net impact on results was a charge of \$38 million.
- The Numismatics business strategy is under review to develop a multi-year plan that positions the RCM for achievement of growth potential in this market.

Bullion Products and Services

- The Bullion Business exceeded target.

Net loss before income taxes of \$38.4 MM reflects both the impairment charge of \$65.5 MM as well a \$38 million charge from the restatement of the Face Value Program revenues and as a liability.

9.1.1 Comparison of 2016 Consolidated Corporate Plan to Forecast

This section reviews 2016 forecast against the plan included in the 2016-2020 Corporate Plan.

	2016 Corporate Plan ⁷	2016 Forecast ⁸
	\$MM	\$MM
Revenues	1,939.4	2,641.8
Operating Costs	1,884.4	2,608.9
Profit (loss) before income taxes	55.0	32.9
Income tax	13.7	8.4
Profit (loss)	41.3	24.5
Other comprehensive income, (losses) net of tax	6.8	6.5
Total Comprehensive Income (Loss)	48.1	31.0
Capital Expenditures	26.4	12.8

The RCM expects to be \$22.1 MM (40%) under its profitability target primarily due to the impact of the Face Value Program accounting change.

Canadian Circulation Program

- There were no shortages of circulation coins in 2016.
- Recycling volumes of 0.4 billion are below target due to the TD Bank Group and Bank of Montreal removing coin counting machines from their branches. Correspondingly new coin demand of 0.5 billion coins is slightly over target.

Numismatics Business

- The Numismatics business strategy is under review to develop a multi-year plan that positions the RCM for achievement of growth potential in this market.

⁷ Restated using new format and for comparability with 2016 results.

⁸ Adjusted for \$13.2 million pre-tax charge from discontinuation of the Face Value Program.

Bullion Products and Services

- The Bullion business exceeded target. Metal value in both revenues and cost of goods sold were removed from 2016 results reflecting a change to recognize only premiums of metals provided for transformation into bullion products by clients. The amount removed was \$566 MM that did not affect profitability.

Operating and Capital Expenditure

- Capital expenditures for 2016 included the following:
- Building (\$4.2 MM): This includes plant and office modernization and improvements in Ottawa and Winnipeg, to facilitate efficient plant use while meeting health and safety standards.
- Equipment (\$6.1 MM): Includes investments for reliability, flexibility and capability improvements as well as safety, security and environment. These projects are dedicated to optimizing processes, equipment and layout to ensure a high level of manufacturing efficiency and responsiveness. They also ensure the health and safety of employees, the security of the RCM's assets, and compliance with environmental requirements including carbon emissions monitoring.
- Information Technology (\$2.5 million): Includes computer hardware and software for the ongoing support and development of the computing and communications infrastructure and business applications and customer-facing systems.

9.2 Five-Year Key Planning Assumptions

Planning Assumptions	2017
Inflation ¹	2%
Income Taxes	2017
Effective income tax rate	25%

1) The Bank of Canada Monetary Policy Report – July 2016

9.3 Generally Accepted Accounting Principles (“GAAP”)

Basis of reporting

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010.

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.

New and revised IFRS affecting amounts reported and/or disclosed in the consolidated financial statements

There were no new or revised IFRS issued by the International Accounting Standards Board (IASB) that became effective during the 13 weeks ended April 2, 2016 that affected amounts reported or disclosed in the interim condensed consolidated financial statements.

New and revised IFRS pronouncements issued but not yet effective

The following amendments have been assessed as having a possible impact on the Corporation’s consolidated financial statements in the future. The Corporation is currently assessing these amendments and therefore the extent of the impact of the adoption of the amendments is unknown.

IAS 12 Income Taxes

An amendment was released in January 2016 to IAS12 regarding the recognition of deferred tax assets for unrealised losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

IAS 7 Statement of Cash Flows

An amendment was released in January 2016 to IAS 7 Statement of Cash Flows which clarified that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017.

IFRS 9 Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9, which incorporates the classification and measurement, impairment and hedge accounting phases of the project to replace the existing standards under IAS39 “Financial Instruments: Recognition and Measurement”. The new IFRS 9 standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retroactively. Early adoption is permitted.

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

An amendment was released in December 2011 to IFRS 7 regarding requiring disclosures about the initial application of IFRS 9 which has an effective date of January 1, 2018. The amendments are to be applied retrospectively.

An additional amendment was released in November 2013 to IFRS 7 regarding additional hedge accounting disclosures resulting from the introduction of the hedge accounting section of IFRS 9 which has an effective date of January 1, 2018. The amendments are to be applied retrospectively.

RCM is completing a review of our hedge accounting practices to determine if it can reduce the variability on earnings relating to foreign exchange hedges.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 was issued in May 2014 and specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers. The main exceptions are leases, financial instruments and insurance contracts. In July 2015, the IASB deferred the effective date of IFRS 15 to January 1, 2018. Early adoption is permitted.

IFRS 16 Leases

IFRS 16 Leases was issued on January 13, 2016 to replace IAS 17 Leases. The new standard requires that leases be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee-the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) will have an optional exemption from the requirements. The new standard is effective January 1, 2019. Early adoption is permitted as long as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also adopted.

9.4 Borrowing Plan

9.4.1 Borrowing Authority

RCM's funding activities are governed by section 20 of the *Royal Canadian Mint Act* and section 127 of the *Financial Administration Act*.

Under subsection 20(1) of the *Royal Canadian Mint Act*, the RCM is subject to a statutory borrowing authority constraint which limits total amount outstanding at any time at \$75 million, or such greater amount as may be specified in an appropriation Act.

In accordance with subsections 20(3) of the *Royal Canadian Mint Act* and 127(3) of the *Financial Administration Act*, RCM requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. The borrowing plan that will be submitted to the Minister of Finance for approval is described in sections 9.4.2 and 9.4.3.

9.4.2 Short-Term Borrowings to be undertaken in 2017

The RCM anticipates minimal, if any, short-term borrowings in 2017. Access to short-term funding facilities is needed, however, to address potential working capital requirements and to address potential bank overdraft positions that could stem from inaccurate cash forecasts and delays in receiving large-value payments from customers. The amount of short-term borrowings outstanding at any time will not exceed \$25 MM (Canadian or equivalent US Dollar).

9.4.3 Long-Term Borrowings to be undertaken in 2017

No long-term borrowing will be undertaken in 2017. RCM will be reviewing its capital structure in 2017 in consultation with the Department of Finance.

9.4.4 Total Borrowings – New and Outstanding

Short-term borrowings reflect actual U.S. Dollar bank overdrafts in 2014, 2015 and 2016 YTD and projections for 2017 and beyond allow for minimal use of short-term funding facilities.

9.5. Financial Tables

The outlook for the RCM during the planning period, as represented in the following financial statements, indicates a reasonable level of profitability within our legislative mandate. While operating the Canadian Circulation Program is on a non-profit basis, our portfolio for profit businesses are managed to deliver a solid return on assets and equity for our Shareholder.

9.5.1 Consolidated Statement of Comprehensive Income

Actual 2015 and six-year forecast through 2021

\$MM

	Forecast 2015	Actual 2015	Plan 2016	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
Revenues	2,351.7	2,306.4	1,939.4	2,641.8	1,978.1	2,151.3	2,165.3	2,180.4	2,192.3
Operating Costs	2,289.5	2,279.3	1,884.4	2,608.9	1,953.1	2,112.9	2,122.4	2,132.4	2,138.6
Impairment ⁹	65.5	65.5							
Profit (loss) before income tax	-3.3	-38.4	55.0	32.9	25.0	38.4	42.9	48.0	53.7
Income tax	-0.5	-10.1	13.7	8.4	7.4	9.6	10.7	12.0	13.4
Profit (loss)	-2.8	-28.3	41.3	24.5	17.6	28.8	32.2	36.0	40.3
Other comprehensive income, (losses) net of tax	-4.7	-4.7	6.8	6.5	0.2				
Total comprehensive income (loss)	-7.5	-33.0	48.1	31.0	17.8	28.8	32.2	36.0	40.3

⁹ In 2016 the RCM has reviewed impairment on a quarterly basis and has not identified any indicators of impairment.

9.5.2 Consolidated Statement of Changes in Equity

Actual 2015 and six-year forecast through 2021

\$MM

	Share Capital	Retained Earnings	AOCI*	Total
Balance, beginning of 2015	40.0	232.9	-1.6	271.3
Profit (loss) for the year		-28.3		-28.3
Other comprehensive income (losses)		0.6	-5.2	-4.7
Dividend **		-53.0		-53.0
Balance, end of year 2015	40.0	152.1	-6.8	185.3
Balance, beginning of 2016	40.0	152.1	-6.8	185.3
Profit for the year		24.5		24.5
Other comprehensive income (losses)		-0.1	6.6	6.5
Dividend **		-31.0		-31.0
Balance, end of year 2016	40.0	145.6	-0.2	185.4
Balance, beginning of year 2017	40.0	145.6	-0.2	185.4
Profit for the year		17.6		17.6
Other comprehensive income (losses)			0.2	0.2
Dividend **		-29.0		-29.0
Balance, end of year 2017	40.0	134.2		174.2
Balance, beginning of year 2018	40.0	134.2		174.2
Profit for the year		28.8		28.8
Other comprehensive income (losses)				
Dividend **		-29.0		-29.0
Balance, end of year 2018	40.0	134.0		174.0
Balance, beginning of year 2019	40.0	134.0		174.0
Profit for the year		32.2		32.2
Other comprehensive income (losses)				
Dividend **		-24.0		-24.0
Balance, end of year 2019	40.0	142.2		182.2
Balance, beginning of year 2020	40.0	142.2		182.2
Profit for the year		36.0		36.0
Other comprehensive income (losses)				
Dividend **		-30.0		-30.0
Balance, end of year 2020	40.0	148.2		188.2
Balance, beginning of year 2021	40.0	148.2		188.2
Profit for the year		40.3		40.3
Other comprehensive income (losses)				
Dividend **		-41.0		-41.0
Balance, end of year 2021	40.0	147.5		187.5

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

** Dividends are 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.

9.5.3 Consolidated Statement of Financial Position

Forecast / Actual 2015 and six-year forecast through 2021
\$MM

	Forecast 2015	Actual 2015	Plan 2016	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
Assets									
Current assets									
Cash	140.8	140.8	144.6	114.2	93.3	83.5	89.7	97.5	97.3
Accounts receivable	24.5	22.9	25.0	24.9	25.0	25.0	25.0	25.0	25.0
Prepaid expenses and other	9.2	8.5	9.0	8.7	4.0	4.0	4.0	4.0	4.0
Inventories	79.9	79.1	80.0	78.9	78.2	79.2	80.3	81.1	82.1
	254.4	251.3	258.6	226.7	200.5	191.7	199.0	207.6	208.4
Investment property	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Property, plant and equipment	407.4	407.4	429.0	417.3	432.4	447.8	460.8	473.3	485.7
Accumulated depreciation	-236.9	-234.8	-256.5	-247.0	-261.1	-277.1	-293.5	-310.4	-327.6
Intangible assets / Other	15.2	15.2	16.1	13.7	17.6	16.7	15.3	11.5	9.1
Deferred tax asset	-	30.2	-	33.2	33.6	32.7	31.9	31.0	30.1
	185.9	218.2	188.8	217.4	222.7	220.3	214.7	205.6	197.5
Total assets	440.3	469.5	447.4	444.1	423.2	412.0	413.7	413.2	405.9
Liabilities and Equity									
Liabilities									
Current liabilities									
Accounts payable, accrued liabilities, other	112.6	103.5	110.0	66.8	66.5	66.5	66.5	66.5	66.4
Face value provision	-	3.6	-	3.1	3.5	3.5	3.5	3.5	3.5
Loans payable	7.5	7.5	7.5	7.5	7.5	3.0	3.0	3.0	3.0
Deferred revenues	9.4	8.7	9.0	13.1	9.0	9.0	9.0	9.0	9.0
	129.5	123.3	126.5	90.5	86.5	82.0	82.0	82.0	81.9
Loans and other payables	27.0	31.1	19.5	20.2	12.0	9.0	6.0	3.0	-
Employee benefits	10.5	10.4	11.0	10.1	11.0	11.0	11.0	11.0	11.0
Face value provision	-	119.4	-	137.9	139.5	136.0	132.5	129.0	125.5
	37.5	160.9	30.5	168.2	162.5	156.0	149.5	143.0	136.5
Shareholder's equity									
Share capital	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Retained earnings	240.1	152.1	250.4	145.6	134.2	134.0	142.2	148.2	147.5
Accumulated other comprehensive income (losses)	-6.8	-6.8	-	-0.2	-	-	-	-	-
	273.3	185.3	290.4	185.4	174.2	174.0	182.2	188.2	187.5
Total liabilities and shareholder's equity	440.3	469.5	447.4	444.1	423.2	412.0	413.7	413.2	405.9

9.5.4 Consolidated Statement of Cash Flows

Forecast / Actual 2015 and six-year forecast through 2021 \$MM

	Forecast 2015	Actual 2015	Plan 2016	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
Cash flows from operating activities									
Receipts from customers / net proceeds from derivative contracts / other	2,987.3	2,462.1	2,256.0	2,639.6	1,974.0	2,151.3	2,165.3	2,180.4	2,192.3
Payments to suppliers and employees	-2,855.0	-2,336.1	-2,173.1	-2,595.8	-1,925.4	-2,095.7	-2,104.2	-2,113.1	-2,120.8
Interest paid	-0.9	-0.9	-0.8	-0.8	-0.6	-0.4	-0.2	-0.2	-0.1
Income taxes paid	-17.7	-9.9	-13.8	-19.1	-7.8	-8.7	-9.8	-11.1	-12.5
	113.7	115.2	68.3	23.9	40.2	46.5	51.1	56.0	58.9
Cash flows from investing activities									
Interest received	0.8	1.0	0.4	0.8	0.4	0.4	0.4	0.4	0.4
Payments to acquire property, plant and equipment and intangible assets and other	-17.4	-21.0	-26.4	-12.8	-25.0	-20.2	-18.3	-15.6	-15.5
	-16.6	-20.0	-26.0	-12.0	-24.6	-19.8	-17.9	-15.2	-15.1
Cash flows from financing activities									
Dividend paid *	-53.0	-53.0	-31.0	-31.0	-29.0	-29.0	-24.0	-30.0	-41.0
Repayment of loans and other payables	-7.5	-7.5	-7.5	-7.5	-7.5	-7.5	-3.0	-3.0	-3.0
	-60.5	-60.5	-38.5	-38.5	-36.5	-36.5	-27.0	-33.0	-44.0
Net increase (decrease) in cash	36.6	34.7	3.8	-26.6	-20.9	-9.8	6.2	7.8	-0.2
Cash at the beginning of the year	104.2	104.2	140.8	140.8	114.2	93.3	83.5	89.7	97.5
Effects of exchange rate changes on cash held in foreign currencies		1.9							
Cash at the end of the year	140.8	140.8	144.6	114.2	93.3	83.5	89.7	97.5	97.3

* Dividends are 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.

10. VOLATILITY AND SENSITIVITY ANALYSIS

The RCM operates in the volatile commodity and currency markets and is aware that changes in external factors can affect the gross profit prospects for each business.

Evidence of these markets' volatility includes:

Gold Prices

- Between 2006 and 2015, the price of gold fluctuated from a low of \$524 US in 2006 to a high of \$1,895 US in 2011, while averaging \$1,140 US over the 10-year period.
- At the time of writing in 2016, gold has averaged \$1,257 US after opening the year at \$1,082 US and reaching a high of \$1,366 US in July.

Foreign Exchange rates:

- Over the past 10 years, the Canadian dollar averaged \$1.09/\$1.00 US, with a high of \$1.45/\$1.00 US in 2016 and a low of \$0.92/\$1.00 US in 2007.
- At the time of writing in 2016, the Canadian dollar has averaged \$1.32/\$1.00 US against an RCM planning estimate of \$1.31/\$1.00 US.

11. POLICY UPDATES FOR THE PLANNING PERIOD

11.1 Operating Budget Freeze

The mandate of the RCM directs it to be financially self-supporting. The majority of costs at the RCM are spent to achieve profits, which have allowed it to pay income taxes and remit dividends.

The RCM took measures in the 2015-2019 Corporate Plan to reflect the intent of the Government of Canada operating budget freeze by implementing targeted expenditure reduction to achieve improved profitability.

In observing the spirit and intent of the Operating Budget Freeze, it is important to note that the RCM is a commercial Crown corporation. Over the coming years, it is essential for the RCM to remain flexible in our operations and able to respond to changing market circumstances in a way which produces for the Shareholder the highest possible returns, both in the short-term and in the context of longer term opportunities the corporation is pursuing.

11.2 Special Examination of the Auditor General of Canada

Section 138 of the *Financial Administration Act* requires the RCM to have a special examination carried out at least once every 10 years. In 2013, a special examination was performed by the Office of the Auditor General of Canada. The special examination found there were no significant deficiencies in the RCM's systems and practices that were selected for examination. It also noted the RCM has maintained these systems and practices in a manner that provides it with reasonable assurance that our assets are safeguarded and controlled, our resources are managed economically and efficiently, and our operations are carried out effectively.

There were a number of recommendations and suggestions made which are identified in the table below with the expected year and quarter of completion. All recommendations contained in the Auditor General of Canada 2014 Special Examination Report of the RCM have been accepted. The majority of recommendations were implemented by year-end 2015 and the remainder will be implemented by the end of Q2 2017. The full 2014 Special Examination Report is posted on the RCM's website.

ANNEX 1: Update on Implementation of Travel Guidelines

The RCM has been recognized by the Department of Finance through the Letter of Expectations received in May 2016 for being fully supportive with regard to the implementation of this government-wide initiative to follow Treasury Board policies, directives and related instruments for travel, hospitality, conference and event expenditures. Consequently the RCM made changes to its policies, processes and systems with the RCM's compliant Corporate Travel, Hospitality, Conference and Event Policy coming into effect on February 29, 2016.

Transparency and Communications

The RCM continues to post Director and Officer travel and hospitality expenses on our website. The RCM's revised Corporate Travel, Hospitality, Conference and Event Policy is posted on our website and reinforces RCM's alignment with the Treasury Board and commitment to good governance by ensuring enhanced transparency and improving communication of travel and hospitality expenditures to the public.

ANNEX 2: Glossary of Terms

AOCI – Accumulated Other Comprehensive Income

ARP – Alloy Recovery Program

ATU – Amalgamated Transit Union

B2B – Business to Business

B2C – Business to Consumer

BCP – Business Continuity Planning

BPS – Broad Public Sector

Bullion DNA – Bullion Digital Non-Reactive Activation

CAD – Canadian Dollar

CGU – Cash Generating Unit

CHSE – Corporate Health, Safety and Environment

CP&S – Circulation Products & Solutions

CSR – Corporate Social Responsibility

DAX – Dynamics AX (ERP system)

EMS – Environmental Management System

ERM – Enterprise Risk Management

ERP – Enterprise Resource Planning

ETR – Exchange Traded Receipt

FTE – Full-time Equivalent (employee)

FX – Foreign Exchange

GAAP – Generally Accepted Accounting Principles

HR – Human Resources

IASB – International Accounting Standards Board

IAS – International Accounting Standard

IFRS – International Financial Reporting Standards

IT – Information Technology

KPI – Key Performance Indicator

LBMA – London Bullion Market Association

M – Thousand

MM – Million

MHFA – Mental Health First Aid

MPPS – Multi-Ply Plated Steel

NGC – Next Generation Coin

OCI – Other Comprehensive Income

P&L – Profit and Loss

PSAC – Public Service Alliance of Canada

PSPP – Public Service Pension Plan

PSHCP – Public Service Health Care Plan

R&D – Research & Development

RCM – Royal Canadian Mint

USD – United States Dollar

YTD – Year to Date