# “IN ANTICIPATION OF PROFIT”

## 2007 ANNUAL REPORT

Royal Canadian Mint
Monnaie royale canadienne

2007 WAS THE MOST PROFITABLE YEAR EVER RECORDED IN THE HISTORY OF THE ROYAL CANADIAN MINT. THE MINT LEVERAGED ITS INNOVATION ADVANTAGE, STRENGTHENED STRATEGIC PARTNERSHIPS AND POSITIONED ITSELF FOR FUTURE GROWTH IN THE GLOBAL MARKETPLACE.

On the cover:
Section 3(2) of the
*Royal Canadian Mint Act*
requires that the Mint
conduct its business
"in anticipation of profit"

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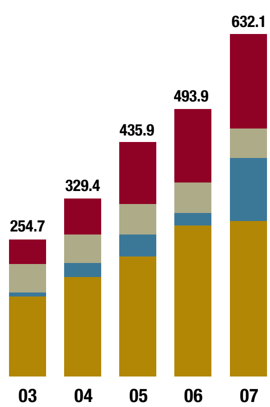
# FINANCIAL AND OPERATING HIGHLIGHTS

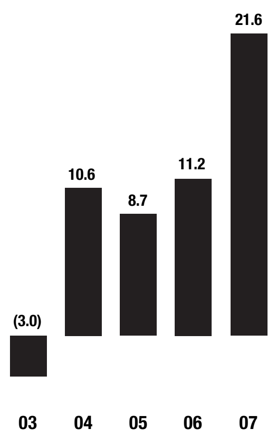
| | 2007 | 2006 | % change |
|---|---|---|---|
| **Key financial highlights (in millions of dollars)** | | | |
| Revenue | **632.1** | 493.9 | 28.0 |
| Income before income tax | **30.7** | 16.0 | 91.9 |
| Net income | **21.6** | 11.2 | 92.9 |
| Total assets | **292.3** | 209.7 | 39.4 |
| Capital expenditures | **21.5** | 19.9 | 8.0 |
| Cash flow from operating activities | **35.1** | 36.8 | (4.6) |
| **Key operating highlights** | | | |
| Circulation coins produced (in millions of pieces) | **1,937.5** | 2,237.1 | (13.4) |
| Gold bullion sales (in thousands of ounces) | **278.6** | 296.1 | (5.9) |
| Number of employees (at December 31) | **779** | 773 | 0.8 |
| Gross profit | **145.4** | 101.7 | 43.0 |
| Pre-tax return on equity | **21.5%** | 14.0% | 53.6 |
| Debt to equity ratio | **1.05:1** | 0.83:1 | 26.5 |
| Shareholder's equity | **142.8** | 114.4 | 24.8 |
| Total production (millions of pieces) | **4,177.5** | 2,989.7 | 39.8 |

**Revenue (segmented)**
($ in millions)

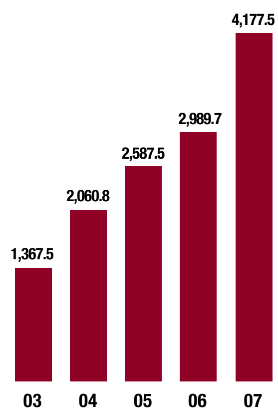



Canadian Circulation
Numismatics
Foreign Coinage
Bullion and Refinery

**Net income (loss)**
($ in millions)




**Total production**
(millions of pieces)



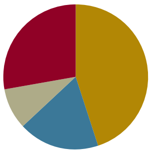
# THE MINT AT A GLANCE

| Business line | 2007 results | |
|---|---|---|

### Royal Canadian Mint

The Royal Canadian Mint is a commercial Crown corporation and one of the world's foremost producers of circulation, numismatic and bullion coins for the domestic and international marketplace. It is also one of the world's largest refiners of gold and silver.

Revenue by segment



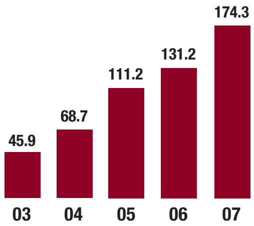
Cdn. Circulation 174.3
Foreign Coinage 115.0
Numismatics 56.3
Bullion and Refinery 286.3

The Mint generated revenue of $632.1 million and net income of $21.6 million in 2007 compared to revenue of $493.9 million and net income of $11.2 million in 2006. It also delivered $74.3 million in seigniorage to its shareholder – the Government of Canada.

### Canadian Circulation

The Mint produces high quality, cost effective coins for circulation in Canada. Many of these carry designs that celebrate Canada's history, culture and values. The Mint manages the inventory and distribution of Canadian coinage, ensuring efficient trade and commerce across Canada.

Revenue ($ in millions)

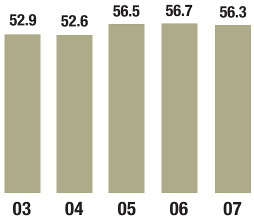



The Mint continued to experience strong demand for Canadian circulation coins in 2007. Production declined 13% due to several factors, including a weakened demand for one-cent coins and the ability to draw dormant coin into the circulation pool. Revenue increased by 32.9% to $174.3 million from $131.2 million in 2006.

### Numismatics

The Mint's numismatic coins are renowned for their beauty and craftsmanship. Made primarily of precious metals, the coins are enhanced with special effects such as holograms. Numismatic products include uncirculated, specimen and proof circulation coins as well as products for sale to gift-givers.

Revenue ($ in millions)

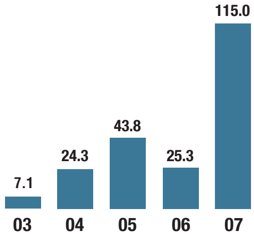



Numismatic revenues decreased 0.7% to $56.3 million from $56.7 million in 2006 as the collecting market continued to soften and precious metal prices reached historic highs. Sales of giftable products declined 41.2% to $3.7 million from $6.3 million in 2006.

### Foreign Coinage

The Mint designs and produces circulation and numismatic coins, ready-to-strike blanks, medals, medallions and tokens for customers around the world. It also licenses its patented plating technology, manages the Mint's foreign partnerships and opens new markets for the Mint's products and consulting services.

Revenue ($ in millions)

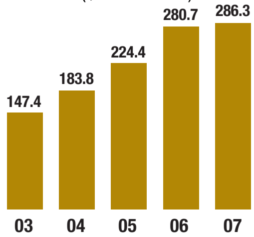



Strong demand for alloy as well as plated coins caused 2007 revenue to climb 354.5% to $115.0 million from $25.3 million in 2006. During 2007, the Mint produced 2.2 billion coins for 12 countries compared to 747.6 million pieces for 13 countries in 2006.

### Bullion and Refinery

The Mint produces and markets a family of gold and silver bullion coins as well as high purity precious metals products such as granules for industrial applications. It operates a refinery that provides customers with a range of services from gold and silver refining to assaying and secure storage.

Revenue ($ in millions)

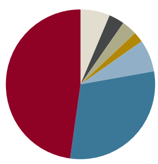



Bullion and refinery revenues increased 2% to $286.3 million from $280.7 million in 2006. Demand for Silver Maple Leaf (SML) coins drove sales up 40% to 3.5 million ounces from 2.5 million ounces in 2006. Sales of gold bullion were relatively stable at 278,616 ounces. The volume of precious metals refined increased slightly to 5.4 million ounces from 5.0 million ounces in 2006.

## 2007 performance

## 2008 outlook

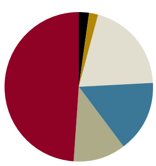
Revenue by region ($ in millions)



| | |
|---|---|
| Canada | 302.8 |
| US | 190.2 |
| Asia | 42.9 |
| Middle East | 14.3 |
| Europe | 21.7 |
| Latin America | 20.7 |
| Africa | 39.5 |

The Mint operates an international business affected by the health of the Canadian, U.S. and global economies, fluctuations in exchange rates, base and precious metal prices as well as intense competition from other mints around the world. Despite these factors, the Mint expects to grow revenue and income as it aggressively develops and markets its products and services.

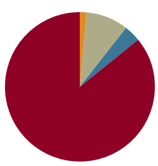
Production (millions of pieces)



| | |
|---|---|
| 1 cent | 947.9 |
| 5 cent | 221.4 |
| 10 cent | 304.1 |
| 25 cent | 386.8 |
| 50 cent | 0.3 |
| $1 | 38.1 |
| $2 | 38.9 |

A resilient economy coupled with evolving retail and micro-payment landscapes are expected to continue to drive unprecedented demand for circulation coins in Canada. The demand will be amplified by the release of five commemorative circulation coins to celebrate the Vancouver 2010 Olympic and Paralympic Winter Games.

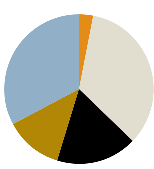
Revenue (% by region)



| | |
|---|---|
| Canada | 85.9 |
| US | 3.8 |
| Europe | 9.1 |
| Other | 1.2 |

The Mint has set aggressive revenue targets for numismatics leading up to the Vancouver 2010 Olympic and Paralympic Winter Games. Achieving those targets depends upon the Mint's ability to produce innovative and relevant products that can capture a growing share of the market.

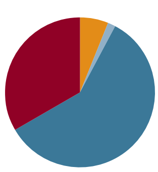
Revenue (% by region)



| | |
|---|---|
| Asia | 32.9 |
| Middle East | 12.4 |
| Latin America | 17.4 |
| Africa | 34.2 |
| Other | 3.1 |

The volatility in the base metals market is forecast to continue driving demand for the Mint's low cost multi-ply coins in the international marketplace. The Mint will continue its current strategy of high frequency business development visits aimed at securing new customers, strengthening existing relationships and enhancing exposure for the Mint and its products and services.

Revenue (% by region)



| | |
|---|---|
| Canada | 33.6 |
| US | 58.8 |
| Asia | 1.6 |
| Other | 6.0 |

A volatile gold price is expected to sustain demand for the Mint's investment products, particularly for the 99999 Gold Maple Leaf and Olympic gold and silver bullion products, while activity in the secondary market will have less impact on the sale of new bullion coins. Demand for SML coins is expected to remain strong.

# OUR TECHNOLOGY IS ATTRACTING NEW CUSTOMERS

New high-speed coin presses in Winnipeg mint coins for Canada and foreign customers, such as New Zealand.

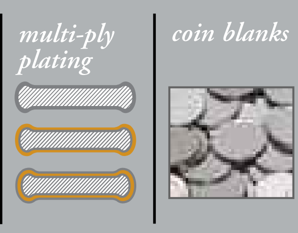
More than 40 percent of the Royal Canadian Mint's business in 2007 was in foreign markets. Demand for the Mint's patented multi-ply plated steel (MPPS) technology increased sharply as countries around the world continued to seek a cost-effective alternative to traditional alloy processes in the face of soaring metal prices.

The Mint produced in excess of 1.2 billion multi-ply plated circulation coins for countries such as Papua New Guinea, Barbados, Ghana, and New Zealand. That, added to sustained Canadian circulation-coin production close to two billion pieces, meant near record output for the Winnipeg plant.

Another example of the attractiveness of the Mint's technological expertise was the $1 Million Dollar Coin. Incorporating the Mint's world-leading 99.999 percent pure gold—the result of careful engineering—the 100 kg. coin is the largest ever issued, as certified by Guiness World Records. Single-ounce collector versions were snatched up by customers on all continents.

## AN EFFICIENT, ECONOMICAL ALTERNATIVE

The Mint's multi-ply plating is a unique electroplating process that deposits alternating layers of nickel and copper over a steel core. MPPS turns out coins with greater resistance to tarnishing and with a unique electromagnetic signature for increased security and recognition by vending machines.



# WE ARE REINVENTING OUR SUPPLY CHAIN

Coins produced for the Royal Canadian Mint near Delhi, India, are exported to Thailand.

Following the example of other competitive global enterprises, in 2007 the Royal Canadian Mint established coining operations abroad, which increased its capacity. These new operations—housed at a facility owned by the Indian Government Mint—was essential to fulfilling a contract with Thailand for which they produced 384.4 million one-Baht coins. Going forward, the operation will act as an alternative production facility to meet growing foreign demand.

The Mint realized additional supply chain efficiencies last year thanks to productive partnerships. Building on its success in southern Ontario and the National Capital Region, its coin-recycling program was successfully expanded in 2007 to the province of Quebec. Through a public awareness campaign, Quebec residents were invited to empty their coin jars and deposit their reserves at Coinstar machines. By drawing dormant coin of 684 million pieces into the circulation pool, the Mint was able to reduce Canadian circulation coin manufacturing requirements.

## LOCAL PRESENCE, GEOGRAPHIC REACH

The Mint has produced coins for more than 60 countries over the last 25 years. Supply chain partnerships like the one piloted in India will allow the Mint to increase overall production capacity, locate its quality management systems closer to foreign markets, and further expand its international customer base.

*figure 1*

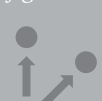
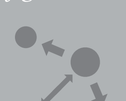


*figure 2*




Coins destined for Oman are produced and shipped out of the Winnipeg facility.

In markets where it has no local presence, the Royal Canadian Mint has begun establishing channel partnerships to promote its technology and services. A marketing partnership with German-based banknote and technology company Giesecke & Devrient (G&D) proved profitable in 2007: G&D assisted in securing a contract with the Government of Oman, on the Arabian Peninsula, for the manufacture of two denominations.

Now in its second year, the Mint's licensing arrangement with Jarden Zinc Products Incorporated of Tennessee, USA, continues to pay off. Jarden manufactures multi-ply plated coin blanks using the Mint's proprietary processes, helping the Corporation meet global demand. Last year, Jarden produced blanks for shipment to Ghana and Ethiopia.

A partnership with Brinks Canada Limited, announced in April, was pivotal in 2007 as well: Brinks installed seven refurbished ATL machines on the Canadian circulation coin production line, allowing the Mint to expand roll and wrap operations at its Winnipeg facility.

## AN OLYMPIC SPIRIT

Proud to be an Official Supporter of the 2010 Vancouver Olympic and Paralympic Winter Games, in 2007 the Mint launched an extensive Olympic commemorative coin program that will roll out over the next three years. Releases will include one-ounce Gold and Silver Maple Leaf bullion coins—never before approved by the International Olympic Committee.

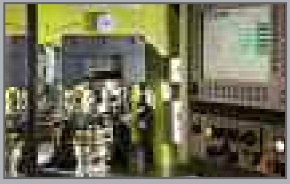

Teer Coatings Ltd. of the UK and the Mint developed Physical Vapour Deposition, which enables mirror-finished coin manufacturing.

Technological innovation continues to be the Royal Canadian Mint's greatest competitive advantage. Last year, the Mint began reaping the benefits of the licensing arrangement established in 2006 with Teer Coatings Ltd. of the UK. Teer Coatings and the Royal Canadian Mint developed the Physical Vapour Deposition (PVD) technology and process, specifically the application to numismatic coin dies. The Mint has since used this technology in making its PVD-coated dies for all proof coins. PVD coating improves die durability and enables production of a lasting mirror finish during striking. The partners have been marketing PVD technology to other mints worldwide and in 2007 sold PVD equipment to customers in the United States, China and South Africa. They are now exploring opportunities and commercial applications outside the minting industry.

Committed to maintaining its technology leadership, the Mint will establish a Research and Development Centre for Excellence and triple its R&D budget to $2 million in 2008. A key research effort will be exploring potential enhancements to electromagnetic signatures (EMS)—to increase the security of higher-denomination coins and improve coin recognition in vending machines.

## MODERNIZATION AND OPTIMIZATION

Investment in capital equipment is a priority for the Mint. In 2007, the Winnipeg plant acquired seven new high-speed coin presses and a new blanking press.



# MESSAGE FROM THE PRESIDENT AND CEO

The legislation which establishes the Royal Canadian Mint is clear; we are to operate "in anticipation of profit." These are words that affect all that we do.

It's been a record year for the Royal Canadian Mint: for the year ended December 31, we recorded a pre-tax profit of 30.7 million, almost double last year's figure.

Our success in 2007 can be partially attributed to the worldwide appeal of our patented multi-ply plated steel (MPPS) technology. As the world economy grows and the price of metals continues to rise, demand for this cost-effective alternative to traditional plating methods is increasing, particularly in Asian, African and Middle Eastern countries.

For this reason, we are focused on carefully expanding our operations to support the manufacturing demands of both our foreign and domestic businesses; identifying partnership opportunities that will allow us to extend our geographic reach; and adopting creative approaches to fulfilling our contracts that allow us to realize important efficiencies.

At the same time, we remain committed to fulfilling our core mandate of producing circulation coinage for Canada, and will continue to apply our inventiveness in that realm as well. The success of our coin recycling initiative is notable in that regard. With the support of Canadians, we were able to draw back into circulation 684 million pieces, reducing the requirements for production of new coins.

Our alloy recovery program (ARP) was a major contributor to the bottom line in 2007, allowing us to recover base metals from coins produced prior to the introduction of plated coins in Canada in 2000.


The stunning 14-Karat gold Moon Mask coin, enhanced with a multi-coloured enamel effect, preserved the appearance of a hand carved red cedar mask and was a striking tribute to the moon's significance and appeal to cultures worldwide.

While the past year was one of record profit for the Corporation as a whole, each of our four business lines recorded major achievements of their own, including:

- Issuing five Olympic and Paralympic-themed commemorative circulation coins
- Introducing new technologies for collector coins, such as embedded crystals, plasma and ultra high-relief
- Signing key agreements with foreign partners
- Producing the world's first 100 kg 99999 gold bullion coin and a 99999 one-ounce Gold Maple Leaf coin

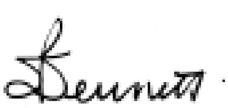
Our enterprise resource planning (ERP) system went live in June and is providing a strong foundation for further integration of our processes—finance, order processing, manufacturing, procurement and others.

Sales of our Silver Maple Leaf were at record levels in 2007. We expect sustained revenues in that area for the coming year as customers turn to silver as an affordable option to gold bullion. Our silver refinery became fully operational last year and we expect it will create new opportunities for us.

Going forward, we will endeavour to use our profits wisely—to continue to reinvest in our infrastructure by modernizing our capital equipment and to invest in our people as well, because each employee at the Royal Canadian Mint has an important role to play in our future.

2008 will be an important year for our Olympic program as we roll out further products in the lead-up to the 2010 Games in Vancouver and celebrate the 400th anniversary of the founding of Quebec City. It will also mark the Mint's centennial. This represents an important milestone, one that allows us to take pause, acknowledge our success and place within the Canadian cultural and economic contexts, and look with optimism at the opportunities ahead in the global marketplace.

In closing, I want to acknowledge the winner of the 2007 President's Award, Roy Yogasingham, Director of Quality Systems in Ottawa. Roy played a key role in building stronger relationships with key foreign customers and has steadfastly assisted the Mint in maintaining its vision as a world-class brand.



Ian E. Bennett
President and CEO

# MESSAGE FROM THE CHAIRMAN

Keeping stride with the Mint's organizational growth and the expansion of its foreign business, the Board of Directors continued to refine the Corporation's governance structure and practices in 2007.

Individual Director evaluations were completed to help us improve our individual and collective performance. Through this process, we identified opportunities to strengthen the Board, Board processes, and the relationship between the Board and management, and have implemented several action items as a result. For example, we developed specific Board training and education sessions to improve members' knowledge and understanding of the business of the Mint. We also included a session on the benefits of an effective Board-management relationship as part of our strategic planning process.

The Board made structural improvements last year with respect to its strategic planning responsibility. We formed a Strategic Planning Steering Committee to ensure the Corporation's strategic planning process is carried out as effectively as possible, with clear and measurable objectives. The Committee is also tasked with overseeing the development of an annual business plan aligned with the Mint's five-year corporate plan.

At the same time, we dissolved the Strategic Planning Committee, returning direct responsibility for oversight of major strategic initiatives to the Board itself. With the Olympics program and other key projects underway, the involvement and participation of the entire Board will be important.

Last year, we bid adieu to Sheldon Brown, the longest-standing member of our Board. Sheldon contributed 11 years of service to the Mint. He will be missed for his sharp insights and unique affection for this organization. We also said farewell to Richard Kwan, whose term expired in the fall. Marc Brûlé departed the Board as well, but rejoined the organization later in the year as our new Chief Financial Officer.

The Mint marked the 140th anniversary of the Dominion of Canada with a 14-Karat gold coin. A sell-out, the coin featured Queen Victoria's coat of arms as it appeared in the *British North America Act* in 1867.

We welcomed three new directors: Kirk MacRae, President of R.K.M. Investments; Claude Bennett, former Member of the Provincial Parliament of Ontario (1971-1987); and Carman Joynt, former Audit Partner with Deloitte & Touche Chartered Accountants. These members bring unique expertise and a new balance of experience to our seasoned Board.

Sad news reached us in the fall that Gerard Connolly, a Mint Board member from 1988 to 1998, had passed away. This followed the passing, in late 2006, of former Board member (1995-2003) Paul H. Bilodeau. Both Gerry and Paul will be fondly remembered by their former colleagues on the Board and management team.

As we look to 2008 and beyond, we are enthusiastic about the opportunities for our business. We have embarked on a comprehensive Olympic circulation and numismatic program that will roll out over the next few years, culminating with the Games themselves in Vancouver in 2010.

At the same time, demand for our multi-ply plated steel technology and other innovations is high, driving our foreign business. We intend to pursue international opportunities fully—while remaining aware of reputational risk. The business culture differs greatly from country to country. We must engage accordingly and never lose sight of the critical importance of sustaining quality service and delivering a quality product.

We must also pay careful attention to our manufacturing infrastructure to ensure optimal output and the safe, reliable operation of our production lines, as the health and safety of our employees remains paramount.

Major changes lie ahead for our industry, we know. While capitalizing on current and emerging opportunities today, it is critical that we develop longer-term plans now to evolve our business in line with customer needs and apace with functional adjustments to the Canadian currency system. Our increased commitment to R&D is evidence of that long-term view; by investing today in our next great innovations, we will be able to ensure the profitability, longevity and ongoing relevance of the Mint as an enterprising Canadian corporation and a national cultural institution.

Max C. Lewis
Chairman

# CORPORATE GOVERNANCE

In 2007, the Royal Canadian Mint continued to adopt and implement best governance practices, carrying forward the process of renewal begun five years ago to promote efficiency and profitability within Mint operations and help the Corporation sustain its international position of leadership in the minting industry. As primary references, the Board uses best practices identified in the private and public sectors, as well the principles and corporate governance guidelines issued by the Department of Finance and Treasury Board Secretariat of Canada, and the recommendations of the Office of the Auditor General for Crown corporations.

## THE BOARD OF DIRECTORS

The Board is comprised of not less than nine and not more than 11 Directors, including the Chairman of the Board and the President and CEO. With the exception of the President and CEO, all Directors are independent of management. The Chairman is an ex-officio member on all Committees as is the President and CEO with the exception of the Audit Committee.

**Board Mandate**
The Board of Directors is responsible for overseeing the management of the Mint with a view to both the best interests of the Mint and the long-term interests of its sole Shareholder, the Government of Canada. Among its roles, the Board sets the strategic direction of the Mint; reviews and assesses risks and opportunities; monitors the financial management and ensures the integrity of the financial results.

**Board Orientation and Continuing Education Program**
The Mint has developed a comprehensive orientation and continuing education program to ensure that new and seasoned Directors understand clearly their roles and responsibilities and, more particularly, the Mint's unique business and the environment in which it operates. This enables them to quickly begin contributing to debates and discussions.

In addition to receiving written briefing materials, Directors are invited to attend a two-day in-depth briefing session with senior management and to tour the Ottawa and Winnipeg facilities. In addition, they are periodically invited to special sessions related to the Mint's environment and business activities. All Directors sit on at least one Committee of the Board.

Directors are also invited to attend select national and international trade shows and conferences. Participation at these events allows them to add further value in their role and to bring a higher level of dialogue to Board discussions.


The intricate shape of a snowflake can take your breath away – a phenomenon which was replicated on the popular Crystal Snowflake coin, made with brilliant blue CRYSTALLIZED™ Swarovski Elements.

**Board and Director Self-Evaluation**

Over the past 10 years, the Board of Directors' self-evaluation has evolved from informal discussions held in-camera to a more formal process in which members complete a questionnaire to assess the Board's annual performance on key performance indicators and engage in an open, frank and constructive discussion. A summary of the results of the discussions are shared with the Minister responsible for the Mint.

In 2007, the Board implemented an assessment of the effectiveness of individual Directors. This process was led by the Chairman and included the completion of a written questionnaire and one-on-one meetings with each Director who also had the opportunity to evaluate the Chairman's performance. The results of these discussions remain confidential between the Chairman and the Director; however, the information is used as a basis for determining Committee membership, individual and overall training needs as well as establishing an action plan to improve the performance of the Board. It was agreed that individual Director and overall Board performance evaluations would henceforth be conducted during alternate years, in order to preserve a dedicated focus for what are two distinct types of evaluations.

**Board Integrity and Transparency**

The Board adheres to the government's Conflict of Interest and Post-Employment Code for Public Office Holders and the Mint's Code of Conduct. Each year, Directors are required to sign the Directors' Declaration of Conflict of Interest Statement of the Mint to confirm their understanding of their obligations and to declare any conflict of interest. Disclosure and transparency are fundamental principles promoted widely across the Corporation. In support of those principles and as part of its role, the Board works to ensure that the Corporation's annual report provides the information necessary for the Mint's stakeholders to understand the Mint's values, goals and financial results.

**Board Remuneration**

The Mint falls under Group 7 of the *Remuneration Guidelines for Part-Time Governor in Council Appointees in Crown Corporations*, which sets the annual retainers and per diems of independent Directors. The salary range for the Chairman is from $10,500 to $12,400, and for Directors, from $5,300 to $6,200. All Directors are paid a per diem in the range of $410 to $485 for attendance at meetings, events or trade shows, etc.

The Mint also reimburses the Directors for travel and other expenses incurred in attending meetings or in carrying out the business of the Mint. The Internal Auditor conducts a review on travel and hospitality expenses of the President and CEO and the Board of Directors and reports the findings to the Audit Committee on a quarterly basis. In 2007, in order to promote transparency, the travel and hospitality expenses for the Directors and the Mint's senior management were posted on the Mint's website on a quarterly basis.

**Board Meetings**

The Board holds its meetings with the Vice-Presidents and the Internal Auditor in attendance to build trust and a sense of partnership between the Board and management. Committee meetings are generally held at least two weeks before Board meetings. At each Board meeting, an in-camera discussion is held, initially with the President and CEO in attendance and then with the remaining Board members only. When appropriate, the Chairman de-briefs the President and CEO following the in-camera discussion.

In 2007, the Board's key areas of focus included an annual strategic planning meeting that focused on better understanding the environment and complexities of the Mint's business lines; the development of the five-year Corporate Plan of the Mint; the review and approval of strategies; the quarterly review of the performance of the Mint, including risks and opportunities; and the continued implementation of improved financial reports that include key performance indicators. In addition, the Board continued to monitor the implementation of work process improvements through various business transformation initiatives, such as the *Lean* philosophy and the Carpédia project, to increase throughput and bring about sustained savings year over year. Going forward, the best practices of both *Lean* and Carpédia will be merged into one continuous approach. One environmental achievement to note for 2007 is the Board's adoption of a paperless approach at meetings. All Directors now access meeting resources via a secure web portal.

The diamond wedding anniversary of the Queen and Prince Philip was celebrated with a Mint first – a pure gold coin weighing an impressive 5 oz. This magnificent coin earned the Mint a sell-out within weeks.


A first for the Mint, a distinctive square-holed coin was produced, inspired by those used in China after 523 BC. These coins continued to be used as trade tokens as tightly-knit Chinese communities were established across Canada. Quickly snapped up by collectors for another sell-out, the silver coin had a unique $8 denomination.

## BOARD COMMITTEES

Much of the detailed, preparatory work of the Board is conducted through the Board's four Committees: Audit, Governance and Nominating, Human Resources, and Strategic Planning Steering. Committee mandates are reviewed and updated every three years or as required and detailed three-year workplans are approved each year. Committees report their activities to the following Board meeting and make recommendations where appropriate.

**The Audit Committee**
The Audit Committee assists the Board with oversight of all material aspects of the Corporation's reporting, control and audit functions. The Committee's role includes monitoring of the qualitative aspects of financial reporting to the Shareholder and of the Corporation's processes for management of business/financial risk and compliance with significant applicable legal, ethical and regulatory requirements. The Auditor General of Canada is the external auditor of the Corporation.

All members of the Committee are independent of management and financially literate, with one member having a professional accounting designation. The Internal Auditor position reports directly to the Audit Committee. As a matter of best practice, the Committee holds an in-camera discussion at each meeting which is undertaken in three steps: 1) initially in the presence of the internal auditor and the external auditors, excluding any management of the Corporation; 2) then with the internal auditor only; 3) and finally with the remaining Committee members only.

In 2007, the Committee's key areas of focus included review and monitoring of the Mint's financial results as well as the results of the Mint's 50% ownership in TGM Specialty Services Inc.; the development of an Enterprise Risk Management program; approval of risk management plans; review of existing policies related to risk management, corporate travel expenses, and hedging policies; monitoring of the implementation of the new enterprise resource planning (ERP) system; review and approval of internal audit reports as well as reports from the Office of the Auditor General; and conduct of post-mortems on significant projects.

**The Governance and Nominating Committee**
In the fall of 2007, the Corporate Governance and Nominating Committees were blended together to streamline overlapping tasks and avoid duplication of effort.

The new Committee assists the Board of Directors by providing guidance and oversight in the area of governance and by carrying out activities related to the appointments and reappointments of Directors to the Board.

During the year, the Corporate Governance Committee's key areas of focus included conduct of the Committee's first self-evaluation on its performance; the review and approval of new and existing policies; the resumption of discussions with Governance Committee Chairs of other Crown corporations to discuss common issues and establish a network of contacts at the Director level. The Committee also changed the cycle of corporate policy review from a three-year interval to a five-year interval, with the option to undertake a review in a shorter timeframe as required.

The Nominating Committee's activities included consideration of a reappointment to the Board and of a potential new appointment.

**The Human Resources Committee**
The Human Resources Committee assists the Board of Directors by overseeing strategies related to human resources.

In 2007, the Committee's key areas of focus included an organizational restructuring to focus responsibility and accountability for results within each business line; the development of the President and CEO's objectives for the year and review of his performance; objective-setting for vice-presidents and their performance review; review of the revised bonus program for all non-unionized employees; determination of base pay increases for all employees; review of the compensation strategy for vice-presidents following a benchmarking study, as well as for executive directors; review and approval of new and existing policies related to the management and well-being of employees; and preparation for the upcoming collective bargaining process with the Mint's two unions whose agreements were expiring at the end of December 2007.

**The Strategic Planning Steering Committee**
In 2007, the Strategic Planning Committee evolved into the Strategic Planning Steering Committee. The new entity, comprised of all the Chairs of other Committees and the CEO, assists the Board of Directors by defining and overseeing the annual process for development, review and approval of ongoing corporate strategies and initiatives including the corporate plan and the annual operational plan.

In 2007, the Committee's key areas of focus included development of the strategic planning process for 2008, and development of an annual operational plan with quarterly reports measuring results against plan targets.


A world first, the Mint applied state-of-the-art plasma technology to a numismatic coin. The 125th anniversary of the first International Polar Year was brought to life with a unique colour intensity and metallic hue.

## ATTENDANCE SUMMARY

| | Board Committees | | | | | | |
|---|---|---|---|---|---|---|---|
| Board Member | Board of Directors (10) | Audit (7) | Corporate Governance (3) | Governance and Nominating (1) | Human Resources (9) | Nominating (2) | Strategic Planning Steering (2) |
| Lewis, Max C. *Chairman* | 9/10 | 7/7 | 3/3 | 1/1 | 9/9 | 2/2 | 2/2 |
| Bennett, Ian E. *President and CEO* (1) | 10/10 | 7/7 | 3/3 | 1/1 | 9/9 | 2/2 | 2/2 |
| Bennett, Claude (2) | 5/5 | 1/1 | 1/1 | 1/1 | 3/3 | | |
| Brown, Sheldon (3) | | | | | | | |
| Brûlé, J. Marc (4) | | 1/1 | | | | | |
| Dujmovic, Susan | 10/10 | 6/6 | | | 1/1 | | 1/1 |
| Harvey, Ghislain | 10/10 | | | | 9/9 | 1/2 | 2/2 |
| Joynt, Carman (5) | 1/1 | | | 1/1 | 1/1 | | |
| Kwan, Richard (6) | 8/9 | 5/6 | | | 1/1 | | |
| Love, James B. | 9/10 | | 2/3 | 1/1 | 1/1 | | |
| MacRae, Kirk (7) | 9/9 | 1/1 | 1/1 | | 8/8 | | |
| Meagher, Keith E. | 10/10 | 7/7 | 3/3 | 1/1 | 2/2 | | |
| Proulx, Louis | 10/10 | | 3/3 | 1/1 | 4/4 | 2/2 | 2/2 |
| Shirr, Darcia G. | 10/10 | | 3/3 | 1/1 | 8/9 | | |

(1) Bennett, Ian E.: While not a member of the Audit Committee, Mr. Bennett attends the meetings by invitation

(2) Bennett, Claude: Appointed to the Board of Directors on June 27, 2007

(3) Brown, Sheldon: Term ended on January 24, 2007

(4) Brûlé, Marc: Resigned from the Board of Directors on January 25, 2007

(5) Joynt, Carman: Appointed to the Board of Directors on November 22, 2007

(6) Kwan, Richard: Term ended on November 21, 2007

(7) MacRae, Kirk: Appointed to the Board of Directors on January 25, 2007

# PERFORMANCE AGAINST OBJECTIVES

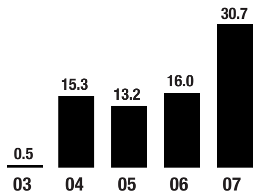
| Business line | 2007 Strategic Objectives |
|---|---|
| <br>**Royal Canadian Mint**<br>"The *Mint Act* that governs the Corporation states explicitly the Royal Canadian Mint is to operate "in anticipation of profit." These are words that affect all we do."<br><br>Ian E. Bennett, *President and CEO* | 1. Maintain the Mint's reputation as a world-class brand.<br>2. Ensure Canadian circulation products and services are cost effective, accessible and inspire Canadians.<br>3. Ensure that foreign coinage, bullion, refinery services and collectibles are profitable and market leaders.<br>4. Maintain long-term profitability through customer satisfaction, growth and constant improvements in efficiency.<br>5. Create an environment where all employees can demonstrate corporate values and celebrate their success.<br>6. Ensure that health, safety and the environment are paramount considerations. |
| <br>**Canadian Circulation**<br>"The successful launch of our coin program commemorating the Vancouver 2010 Olympic and Paralympic Winter Games along with our increased capacity lays the foundation for continued profitable growth."<br><br>Paul Lefebvre, *Executive Director* | 1. Pursue multi-year circulation coin programs using the Mint's advanced technology.<br>2. Increase the Mint's multi-ply plating capacity.<br>3. Expand the recycling campaign to major cities to allow more Canadians to participate.<br>4. Expand ARP to replace alloy coins of all denominations in the market.<br>5. Implement *Lean Enterprise* and continuous improvements across the business line to optimize efficiency. |
| <br>**Numismatics**<br>"The introduction of numerous new technologies and innovations in 2007 is solid evidence that we remain a world leader in the art and science of minting."<br><br>Sean Byrne, *Acting Executive Director* | 1. Celebrate Canadian history, culture and values through innovative coin designs.<br>2. Continue to implement the Vancouver 2010 Olympic commemorative coin program.<br>3. Invest in product and process research and development to maintain the Mint's reputation for innovation and quality.<br>4. Leverage the Mint's brand by enhancing giftable products. |
| <br>**Foreign Coinage**<br>"New partnerships with other international mints will allow us to expand capacity as well as strategically position the Mint to meet the demand for our quality coinage."<br><br>Peter J. Ho, *Executive Director* | 1. Promote and market the Mint's award-winning technology and innovations, such as the patented multi-ply plating process and die coating technology.<br>2. Leverage the Mint's international sales network to promote all Mint products and services.<br>3. Maintain existing and explore new partnership opportunities to expand and support the Mint's capacity and competencies. |
| <br>**Bullion and Refinery**<br>"We have made significant improvements in establishing the Mint's self-sufficiency in precious metals while creating new bullion products and securing higher refinery volumes."<br><br>John Moore, *Executive Director* | 1. Continue to develop and promote unique products and services.<br>2. Investigate and implement changes to the refinery to sustain the Mint's position as a world-class facility.<br>3. Expand the silver refinery to meet demand and achieve efficiencies.<br>4. Expand our customer base while enhancing existing customer relationships.<br>5. Meet and maintain the Mint's refining requirements for its own products. |

## 2007 performance

## Key performance measure

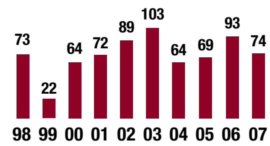
- Income before income tax increased 91.9% to $30.7 million from $16 million in 2006.
- Pre-tax return on equity increased to 21.5% from 14% in 2006. Gross profit as a percentage of revenue increased to 23.0% from 20.6% in 2006.
- Successfully completed Phase I and launched Phase II of the Enterprise Resource Planning system.
- Continued to strengthen our ability to grow profitable through key partnerships with Jarden Zinc Products, Inc., the India Government Mint, Teer Coatings Limited and Giesecke & Devrient.
- Awarded as one of Canada's Top 100 Employers of the Year by *Maclean's* magazine for the second consecutive year.

Income before income tax
($ in millions)



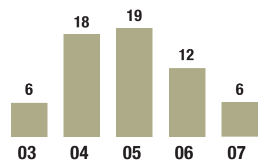

- Increased revenue by 32.9% to $174.3 million from $131.2 million in 2006.
- Decreased seigniorage by 20.2% to $74.3 from $93.1 million in 2006.
- Expanded the coin-recycling program to over 300 kiosks in Ontario and Quebec.
- Expanded the ARP with the purchase of new equipment.
- Purchased seven high-speed presses for the Winnipeg facility, increasing capacity by 15%.
- Achieved 10% improvement in production efficiencies.
- Issued five 25-cent coins, each featuring different Olympic and Paralympic events.

Seigniorage ($ in millions)
per Government of Canada year end



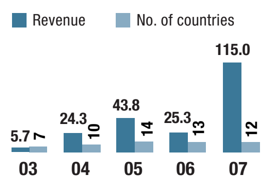

- Numismatic revenue declined by 0.7% to $56.3 million from $56.7 million in 2006. Sales of giftable products declined 41.2% to $3.7 million from $6.3 million in 2006.
- Issued 62 new numismatic products in 2007 compared to 41 in 2006.
- Employed several new technologies including embedded crystals, plasma and ultra high relief to create unique coins.
- Issued 33 numismatic products and giftables to commemorate the Vancouver 2010 Olympic and Paralympic Winter Games.

Numismatic sell outs



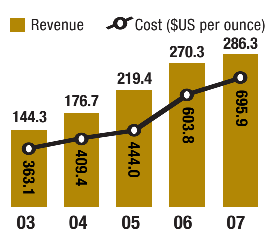

- Revenues increased 354.5% to $115.0 million from $25.3 million in 2006.
- Produced 2.2 billion coins for 12 countries compared to 747.6 million pieces for 13 countries in 2006.
- Assisted global clients in the transition from alloy to plated coins to re-develop coinage and establish more efficient trade and commerce.
- Signed an agreement to produce 880 million multi-ply coins for Ghana.
- Launched negotiations to expand capacity of the Mint's plating technology with identified, strategic international partners.

Revenue ($ in millions) / Number of countries served




- Increased revenues by 2% to $286.3 million from $280.7 million in 2006.
- Increased sales of Silver Maple Leaf coins by 40% to 3.5 million ounces from 2.5 million ounces in 2006.
- Increased the volume of precious metal refined by 8% to 5.4 million ounces from 5.0 million ounces in 2006.
- Produced the world's first 100 kg 99999 gold bullion coin, with a face value of $1 million and a 99999 one-ounce Gold Maple Leaf coin with a $200 face value.
- Overcame operating challenges in the silver refinery which allowed it to run at full capacity by October.

Bullion revenue ($ in millions) /
Cost of gold



# DIRECTORS AND OFFICERS

## BOARD OF DIRECTORS

**Max C. Lewis**
*Retired*
*Fredericton, New Brunswick*
Chairman,
Board of Directors
Chair, Strategic Planning
Steering Committee

**Ghislain Harvey**
*Executive Vice President*
*and General Manager of*
*Promotion, Saguenay Inc.*
*Saguenay, Québec*
Chair, Human Resources
Committee

**Louis Proulx**
*Chairman of the Board*
*GPL Proulx Assurances*
*inc., Laval, Québec*
Chair, Governance and
Nominating Committees

**Susan Dujmovic**
*Assistant Vice-President*
*of Credit Risk*
*HSBC Bank Canada*
*Vancouver, British Columbia*
Chair, Audit Committee

**Darcia G. Schirr, Q.C.**
*Partner*
*Robertson Stromberg*
*Perdersen LLP*
*Regina, Saskatchewan*

**James B. Love, Q. C.**
*Partner, Love & Whalen*
*Toronto, Ontario*

**Keith E. Meagher**
*Retired*
*St. Albert, Alberta*

**Claude Bennett**
*Retired*
*Ottawa, Ontario*

**Carman Joynt**
*Retired*
*Ottawa, Ontario*

**Kirk MacRae**
*President*
*R.K.M. Investments*
*Sydney, Nova Scotia*

## SENIOR EXECUTIVE OFFICERS

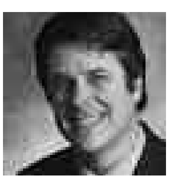
**Ian E. Bennett**
President &
Chief Executive Officer

**Marguerite F. Nadeau, Q.C.**
Vice-President of
Corporate and Legal
Affairs, General Counsel
and Corporate Secretary

**Beverley A. Lepine, CA**
Chief Operating Officer

**J. Marc Brûlé, CA**
Vice-President of Finance
and Administration and
Chief Financial Officer

**Diane Plouffe Reardon**
Vice-President of
Marketing and
Communications



**Craig Szelestowski**
Vice-President of Human
Resources and Business
Transformation

**Richard J. Neville, FCA**
Vice-President and
Special Advisor to the CEO

## BUSINESS LINE LEADERS

**Paul Lefebvre**
Executive Director
Canadian Circulation

**Sean Byrne**
Acting Executive
Director, Numismatics

**Peter J. Ho**
Executive Director
Foreign Circulation

**John Moore**
Executive Director, Bullion
and Refinery

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CORPORATE OVERVIEW

Canada's first domestically produced coin was struck on January 2, 1908 in the facility that would eventually become the Royal Canadian Mint.

The Mint's Ottawa facility, which occupies the same premises in which the Mint was founded, produces handcrafted collector and commemorative coins, gold bullion coins, medals and medallions. It also houses a gold refinery operating since its launch in 1911 and a new silver refinery which opened in 2006. Established in 1976, the Winnipeg Mint is a high-tech, high-volume manufacturing facility that produces alloy and multi-ply coins and blanks for Canada and other countries around the world.

**Vision**
Canadian to the core, the Mint is a world-class brand that exceeds expectations with outstanding products and services.

**Mission**
The Royal Canadian Mint is a world-class provider of branded investment, collectible and secure payment products and services that connect people and inspire celebration.

**Values**
The Royal Canadian Mint is committed to and will attain its vision through the development of the following cultural values:

- Customer focus
- Excellence
- Innovation
- Being Canadian
- Integrity
- People

**Major Strategic Objectives**
The major strategic objectives of the Mint are to:

- Maintain the Mint as a world class brand that is recognized for quality, innovation and meeting or exceeding customers' expectations;
- Ensure that Canadian circulation products and services are cost effective, accessible, and relevant, and inspire Canadians to celebrate their history, culture and values;
- Ensure that foreign coinage, bullion and refinery services, collectibles, giftables and other related products and services lead in their respective markets and are profitable;
- Generate a profit and maintain long-term viability of the Corporation through an ongoing commitment to customer satisfaction, growth and efficiency;
- Create an environment where all employees demonstrate the Corporation's values and celebrate their success; and
- Ensure that health, safety and the environment are paramount considerations in providing the ideal workplace.

## THE FOUR BUSINESS LINES

**Canadian Circulation**

The Mint's core mandate is to produce and manage the distribution of Canada's circulation coinage and provide advice to the Minister of Finance on all matters related to coinage. The distribution of circulation coins in Canada is managed through the National Coin Committee (NCC). Chaired by the Mint, the NCC is comprised of representatives from 12 Canadian financial institutions and four armoured car companies. The effective management of inventories and distribution ensures efficient trade and commerce across Canada.

**Numismatics**

The Mint is renowned for its ability to merge the art and science of minting to create coins of extraordinary beauty and impeccable craftsmanship. Made primarily of precious metals, the coins are enhanced with special effects such as holograms, enameling, lasering and embedded crystals.

Complementing the Mint's numismatic business is a line of consumer gifts, primarily coins packaged to celebrate personal occasions, special national events and one of Canada's most popular sports – hockey. The Mint also produces medals, medallions and tokens.

**Foreign Coinage**

The Mint designs and produces circulation and numismatic coins, ready-to-strike blanks, medals, medallions and tokens for customers around the world. It also licenses its patented plating technology, manages the Mint's foreign partnerships and opens new markets to the Mint's products and consulting services.

**Bullion and Refinery**

The Mint produces and markets a family of high purity .9999 ("four nines") and .99999 ("five nines") Gold and Silver Maple Leaf bullion coins, wafers and kilo bars as well as Gold and Silver granules for the jewellery industry and industrial applications. The Mint also offers Canadian and foreign customers an integrated solution to gold and silver processing from refining and assaying to secure storage.

## PERFORMANCE

**Key Performance Indicators**

To achieve its financial goals, the Mint strives to continually improve profitability through prudent financial management, aggressive marketing and by constantly improving the quality of its products and efficiency of its operations. The Mint measures its operating and financial performance by using metrics meaningful to its shareholder, customers, business partners and employees.

**2007 Consolidated Performance**

**Consolidated results and financial performance**
*(In $ million)*

| | 2007 | 2006 | % change | 2005 |
|---|---|---|---|---|
| Revenue | **632.1** | 493.9 | 28.0% | 435.9 |
| Income before tax | **30.7** | 16.0 | 91.9% | 13.2 |
| Net income | **21.6** | 11.2 | 92.9% | 8.7 |
| Total assets | **292.3** | 209.7 | 39.4% | 195.9 |
| Shareholder's equity | **142.8** | 114.4 | 24.8% | 104.2 |
| Inventories | **70.3** | 40.3 | 74.4% | 33.0 |

**Consolidated financial performance**

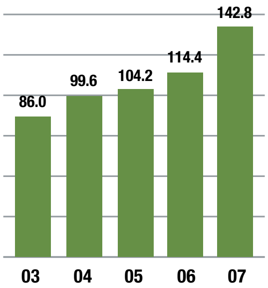
In 2007, extraordinary demand for domestic and foreign coins along with dozens of improvements in almost every aspect of the Mint's operations and processes have allowed the Mint to achieve a record year of profitability – $30.7 income before income tax compared to $16.0 million in 2006. The key factors behind the year's results include:

- Revenue increased 28.0% to $632.1 million from $493.9 million in 2006. Strong revenue growth was achieved in Foreign Circulation (354.5%) and Canadian Circulation (32.9%) with more modest growth in Bullion and Refinery (2%).
- Operating costs, including the cost of goods sold, increased 23.8% to $590.1 million from $476.8 million in 2006. The cost of goods sold, which represents 82.5% of total operating costs, increased 24.1% to $486.6 million from $392.2 million in 2006. This increase reflects the substantial increases in the volume of Canadian circulation and foreign coins produced compounded by increases in the price of both base and precious metals.
- Administrative costs increased by 13.9% to $36.8 million from $32.3 million in 2006, with administrative costs as a percentage of revenue decreasing from 7% to 6%.

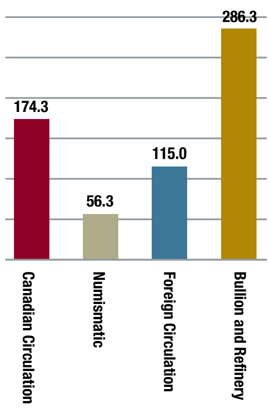
There were several major factors behind the Mint's performance in 2007:

- Continued volatility in base metal prices coupled with growing confidence in plating technology resulted in a second year of extraordinary demand from foreign governments for Canada's competitively priced, high-quality multi-ply coins. As well, despite the record base metal prices, the Mint's production of foreign alloy circulation coins also increased significantly. In total, production of foreign coins increased by 195% to 2.2 billion pieces from 747.6 million pieces in 2006 and revenues of the foreign circulation business line increased to $115.0 million from $25.3 million in 2006.
- Healthy consumer demand in Canada along with the evolution of the retail industry and micro-payment technologies continued to drive demand for Canadian circulation coinage.
- Profitable growth in high-margin coinage-related businesses – the Alloy Recovery Program (ARP) and coin processing and recycling. In 2007, revenues from the ARP increased 84.5% to $35.8 million from $19.4 million in 2006, driven primarily by record nickel metal prices. Working together with Coinstar International Inc., 684 million coins were recycled to generate revenue of $1 million and savings of $2.2 million.
- The implementation of an extensive program to commemorate the Vancouver 2010 Olympic and Paralympic Winter Games.
- The Mint's focus on developing partnerships. These include the licensing agreement with Teer Coatings Limited to market Physical Vapour Deposition (PVD) technology. The Mint was among the first to use PVD in the production of numismatic coin dies, extending die life and improving the quality of finished coins. This model has proven to be more successful than working independently and will be extended to other partners with whom the Mint is developing advanced technologies.

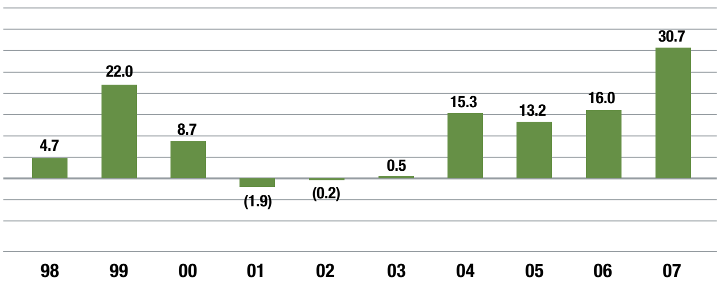
**Shareholder's equity**
($ in millions)




**Gross operating revenue by business segment**
($ in millions)

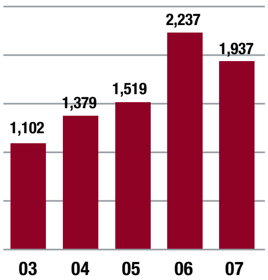



**10-year income (loss) before taxes**
($ in millions)

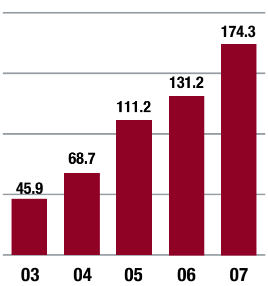


## PERFORMANCE BY BUSINESS LINE

**Canadian circulation coin production** (millions of pieces)




**Canadian circulation coin revenue** ($ in millions)




### Canadian Circulation

Revenue from Canadian circulation coins increased 32.9% to $174.3 million from $131.2 million in 2006, the fourth consecutive year of double-digit growth. However, the volume of coins produced declined 13% to 1.937 billion pieces in 2007 from 2.237 billion pieces in 2006. This decline was driven by a weakening demand for the one-cent coin and a 68% increase in recycling volumes to 684 million pieces in 2007 from 407 million pieces in 2006. The penny represents 70% of recycled volumes.

Explanation of results: Canadian demand was again driven by a strong domestic economy and consumer spending, particularly at "big box" retail stores with their profusion of cash registers and extended shopping hours. This was coupled with the continued impact of emerging payment technologies for small transactions, such as parking and public transit, which reduced the number of coins returned to circulation. This micro payment landscape should continue to evolve with demand for circulation coins expected to remain relatively strong over the five year planning period.

To maintain its ability to meet demand while improving efficiency, during 2007 the Mint:

- Purchased seven high-speed presses for the Winnipeg facility. These state-of-the-art presses increased coining capacity at the facility by 32% while improving reliability and speed without compromising quality.
- Achieved a 10% improvement in production efficiencies, measured in coins per press per year, through a series of *Lean* initiatives, such as hourly production targets and tools that improved the Mint's ability to respond to issues.
- Expanded the Alloy Recovery Program (ARP). New equipment, commissioned in November, 2007 at a cost of $10 million, will allow the Mint to significantly expand the recovery of base metals from coins produced prior to the introduction of plated coins in Canada in 2000.
- Commissioned quantitative sampling research to determine the volume of multi-year program, ARP-eligible and non-genuine coins in circulation in Canada. This ongoing research will produce semi-quarterly reports that will inform the Mint's strategic decision-making and ability to measure the success of its various programs, such as the commemorative circulation coin program for the Vancouver 2010 Olympic and Paralympic Winter Games.

Through its alliance with Coinstar International Inc., coin recycling was expanded to approximately 200 kiosks in southern Ontario, 20 in the National Capital Region and 90 in the province of Quebec. This program continues to exceed expectations by generating revenue and achieving substantial savings by reducing the need to produce new coins.

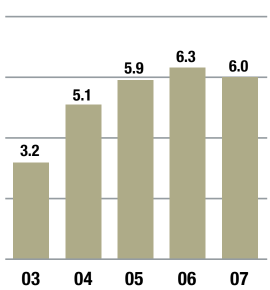
Alloy coins collected by Coinstar International Inc. are delivered to ARP for recovery of the nickel. In turn, the Mint replaces the alloy coins collected with plated coins.

The focus of the Mint's commemorative coin program in 2007 was the launch of a program designed to commemorate the Vancouver 2010 Olympic and Paralympic Winter Games. Over the year, the Mint issued five 25-cent circulation coins, each featuring different Olympic and Paralympic events: curling, ice hockey, wheelchair curling, biathlon and alpine skiing. Another 12 commemorative circulation coins are to be issued in the lead up to 2010; these will include 10 new 25-cent coins and two Lucky Loonie one-dollar coins.

Outlook

With a resilient economy and the increasing demand for coinage, production levels for Canadian circulation coins are near record levels and expected to remain relatively stable. However, the Mint is closely monitoring industry trends to gauge the impact of e-payments on coinage demand and will carefully track economic developments in general.

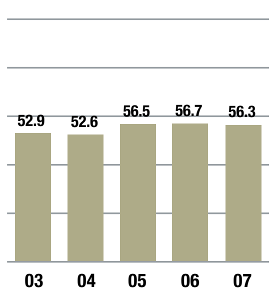
**Web sales revenue**
($ in millions)




**Numismatics**

Numismatics revenues decreased 0.7% to $56.3 million from $56.7 million in 2006 as the collecting market continued to soften. Only six of 62 new coins minted in 2007 sold out by the end of the year, compared to 12 of 41 coins issued in 2006. The numismatics business line comprises two businesses: numismatic coins and giftables. Sales of numismatic coins increased 4.4% to $52.6 million from $50.4 million in 2006, while sales of giftable products declined 41.2% to $3.7 million from $6.3 million in 2006.

**Numismatic revenues**
($ in millions)




Explanation of results: The slight decline in sales for the division reflects the Mint's decision to withdraw its giftables from "big box" and department stores temporarily while it assesses its products and retail sales strategy. At the same time, the Mint experienced a modest decline in sales of non-Olympic numismatic coins as the collectibles market continued to contract. Our ability to sustain sales in a soft market has been supported by the launch of a multi-year program to commemorate the Vancouver 2010 Olympic and Paralympic Winter Games. In 2007, the series of $25 sterling silver hologram coins, the series of $75 gold coloured coins, $300 premium gold coins and one-kilogram gold and silver coins proved particularly popular.

The year 2007 was also exceptional for the introduction of new technology and an expanded offering. During the year, the Mint issued:

- The $20 sterling silver Crystal Snowflake coin, embedded with CRYSTALLIZED™ Swarovski elements.
- The world's first coin to employ plasma energy. This technology was used on the International Polar Year coin to create intense blue hues to capture the frigid essence of the Arctic.
- Two coins embellished with enamel: the $300 14-carat gold coin featuring the design of hand-carved Moon Mask and the Joseph Brant proof silver dollar.
- An extremely low mintage fine gold kilo and five-ounce coins. Only 20 kilo gold coins and 200 five-ounce gold coins were made available worldwide. Both coins commanded a significant premium.
- The first coin offered by the Mint with ultra high relief, the sterling silver Royal Vignette series.
- A new multi-year series of silver coins featuring dinosaurs created with selective oxidation.
- A 50-cent holiday coin that employed lenticular technology to create a 3-D coloured design with the illusion of movement.

To mitigate risk in a shrinking market, the Mint:

- Pursued efforts to maintain the existing customer base by continuing to offer innovative new products.
- Pursued efforts to acquire new customers through an expanded market penetration strategy in Quebec and the United States.
- Leveraged the increase in brand awareness and contacts generated by the Olympic coin program.
- Shifted the product mix to increase the representation of higher margin gold products, advanced technology coins and coins of unusual size or shape.

To improve performance in the giftable business, the Mint:

- Developed a line of high volume, low cost products that offer a compelling value proposition to suppliers, retailers and customers.
- Partnered with companies that have retail expertise, established dealer networks, strong relationships with key suppliers and a pipeline of products.

The Mint's creativity and craftsmanship continues to be recognized on the international stage with two coins winning in three categories in the prestigious Krause Publications Coin of the Year Awards. The laser-etched $50 Palladium Big Bear and Little Bear Constellation coin series was named Best in Show and Most Innovative Coin, while the colourized $5 Fine Silver "Pink Ribbon" coin earned the Most Inspirational Coin award. The winners were revealed at the World Money Fair in Berlin in February, 2008.

Outlook

The two product lines within Numismatics – collectibles and giftables – each have their own challenges, opportunities and strategies. Although the collectibles market, particularly coin collecting, is in decline, the Mint has set aggressive revenue targets for numismatics leading up to the Vancouver 2010 Olympic and Paralympic Winter Games. Achieving those targets depends upon the Mint's ability to produce innovative and relevant products that can capture a growing share of the market.

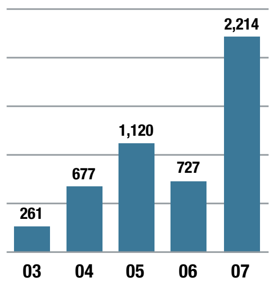
**Foreign Coinage**

The Mint produced 2.2 billion coins for 12 countries compared to 747.6 million pieces for 13 countries in 2006. Revenues in 2007 increased 354.5% to $115.0 million from $25.3 million in 2006. During 2007, the Mint also secured contracts to produce 1.24 billion coins in 2008 and 2009; these contracts will generate $67.6 million in revenue.

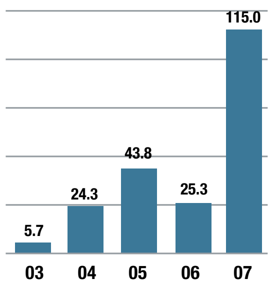
Explanation of results: Exceptionally high and volatile base metal prices coupled with growing confidence in plating technology, including the Mint's patented multi-ply process, generated historic foreign sales volumes and revenues for the Mint in 2007. Copper, nickel and zinc are the primary metals used in alloy coinage and the increases caused the manufacturing cost to exceed the face value of many alloy coins around the world.

Many countries are turning to the Mint to manage the challenge – not just for cost effective coins. About 25% of the Mint's clients used the transition from alloy to plated coins to re-develop their coinage – with the Mint's assistance – to establish more efficient trade and commerce. The Mint's multi-ply coins are now being used in 14 countries around the world, including Papua New Guinea, New Zealand, Ghana, Oman, Paraguay, Barbados and the Bahamas, and they are attracting strong interest from other countries in the Caribbean and Africa. Multi-ply coins now represent 55% of the Mint's foreign volume.

**Foreign circulation coins sold**
(millions of pieces)




**Foreign circulation revenue** ($ in millions)



To satisfy demand and to build upon the momentum in foreign sales, the Mint:

- Aggressively pursued multi-ply plating contracts with foreign governments, targeting emerging economies in particular. The Mint can reduce a country's coinage costs while maximizing the profits on Canadian circulation coinage through enhanced production efficiencies.
- Maintained existing and pursued new alloy coin contracts. In 2007, the Mint signed an agreement to produce alloy coins for 3 countries including 400 million alloy coins for the United Arab Emirates.
- Marketed the Mint's technologies and processes including multi-ply, the ARP and coloured coin technologies to other mints around the world.
- Increased coining capacity by partnering with foreign mints.
- Invested in product and process research and development to maintain the Mint's reputation for innovation and quality products and services.

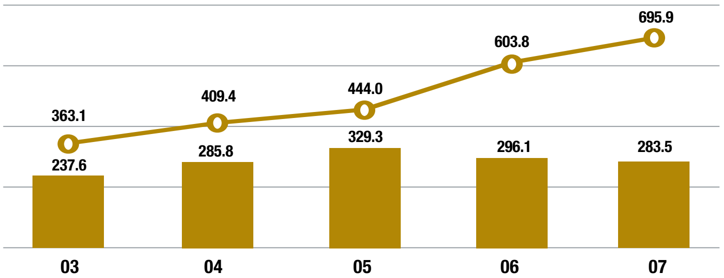
Outlook

The Mint's foreign business is expected to continue to experience significant growth. The volatility in the base metals market is forecast to continue and, as a result, the Mint's low cost multi-ply product will remain attractive to customers in the international marketplace. The Mint will pursue its efforts to secure new customers, strengthen existing relationships and enhance exposure for its products and services.

**Bullion and Refinery**

Bullion and refinery revenues increased 2% to $286.3 million from $280.7 million in 2006. The increase was driven primarily by strong demand for Silver Maple Leaf (SML) coins, with sales up 40% to 3.5 million ounces from 2.5 million ounces in 2006. Sales of Gold Maple Leaf coins (GML), wafers and bars were relatively stable at 278,616 ounces compared to 296,097 ounces in 2006. The volume of precious metals refined increased by 8% to 5.4 million ounces from 5.0 million ounces in 2006.

**Sales of gold bullion products** (thousands of ounces)
**vs. average price of gold** (US$ per ounce)



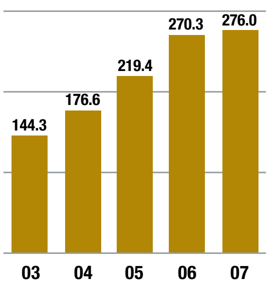

Explanation of results: Performance in the bullion and refinery business line is closely tied to global precious metal prices. In 2007, the gold price fluctuated between US$650 and US$700 during the first nine months of the year, then rose rapidly to close the year at US$833 as investors responded to the declining value of the U.S. dollar, continued geopolitical tension in Iraq and Afghanistan, turbulence in the global financial markets and the rapid increase in the oil price. At the same time, supply remained constrained with gold producers struggling to squeeze production from aging mines.

During the first nine months of 2007, the volatile gold price encouraged investors holding bullion to capture their profit by selling into the secondary market – as they did throughout much of 2006, which continued to depress sales of new bullion coins. However, as the gold price began to rise, demand for new coins strengthened.

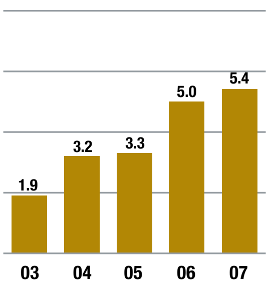
Demand for SMLs, which had surged in 2006, continued to strengthen throughout 2007. Mirroring activity in the gold markets, the silver metal price bounced between US$12 and US$14 until early September when it began to climb, reaching US$15.82 by mid-November as some investors used the metal to speculate on the U.S. dollar while others sought an investment hedge. At the same time, the Mint's share of the global silver coin market has grown to exceed 30%. Traditionally, the Corporation has captured only 9% of the global market.

Demand for palladium evaporated with flat prices. Investors are waiting for the next upward movement while industrial users are reducing inventory. The Mint has suspended its palladium program until market conditions change.

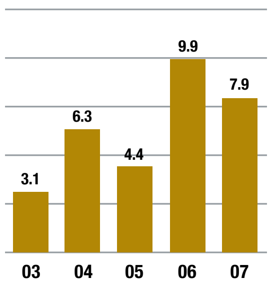
**Bullion product revenue**
($ in millions)




**Refining services**
(gross weight received
in millions of troy ounces)
* includes all metals



**Refining services revenue**
($ in millions)




Start-up problems with the new silver refinery made it necessary to outsource a component of refining services in the first half of 2007. All difficulties were resolved and the refinery was running at full capacity by October.

To improve performance during the year, the Mint:

- Produced the world's first 100 kilogram 99999 gold bullion coin, with a face value of $1 million, and a 99999 one-ounce Gold Maple Leaf coin with a $200 face value.
- Targeted primary producers and scrap sources, leveraging the Mint's reputation for quality, ethics, security and service. The volume of scrap delivered to the Mint for refining reached a record high.
- Increased the Mint's hydromet capacity, which allows it to treat double the amount of slag per batch internally, rather than outsourcing.
- Implemented several *Lean* initiatives, including the replacement of labour-intensive silver granulation equipment.

Many of these measures are aimed at establishing the Mint's self-sufficiency in precious metals, allowing it to control its pipeline of materials, while generating additional revenue by creating new bullion products, securing higher refinery volumes from existing clients, reducing costs, improving inventory management and increasing refining capacity.

Outlook
Gold and silver prices are expected to continue to be strong in 2008 and the Mint expects demand to remain firm, particularly for the 99999 GML and Olympic bullion products, while activity in the secondary market will have less impact on the sale of new bullion coins. Demand for SML coins is also expected to remain strong.

**RCMH-MRCF Inc.**
TGM Specialty Services Inc. (TGM) is a business-to-business operation that provides packaging products and services to the Mint and other domestic and international clients. In 2007, The Mint's streamlined product offerings focused on popular themes such as the Olympics along with the reorganization of responsibilities for giftables, marketing and sales within the numismatics business line led to reduced TGM activity.

TGM is 50% owned by the Mint through its subsidiary RCMH-MRCF Inc. and 50% by Travelway Group International Inc. As a result, 50% of TGM's activity is included in the Mint's financial statements.

## IN SUPPORT OF THE BUSINESS STRATEGIES

***Enterprise Resource Planning (ERP)***

After two years of planning, preparation and implementation, the Mint successfully completed Phase I of the ERP system in June. Phase I included manufacturing, purchasing, order processing and financial systems. Implementation of Phase II will include performance management capabilities as well as a series of individual projects including integration of warehouse management and distribution and the product lifecycle management (PLM) processes, as well as development of refinery and assay systems. Full implementation of Phase II, to be a major focus in 2008, will include performance management capabilities.

Once fully implemented, the Mint expects the ERP system to generate significant operating efficiencies through integration, improved access to information across business lines, and support for the company’s *Lean* initiatives.

***Microsoft Office 2007***

To complement the new ERP system, the Mint is upgrading its office systems to Microsoft’s Office 2007. This suite of products will be fully compatible and integrated with the ERP system, allowing for increased efficiencies.

***Business continuity planning***

A disaster recovery plan was designed and will be implemented in the first half of 2008, to ensure business continuity in the event of a serious business disruption or system failure at the Winnipeg or Ottawa facilities.

***Business Transformation***

In 2007, the Mint combined the functions of Business Transformation, *Lean Enterprise*, corporate sustainability and quality assurance to provide seamless improvements in the Mint’s processes and activities during this period of unusual growth. Responsibilities are aligned around three functions:

- Business transformation: Implement major company-wide strategic transformations and initiatives, such as the recent ERP system, that tend to be cross-functional and multi-disciplinary with longer time horizons.
- Continuous improvement: Coordinate tactical improvements in processes to increase throughput, productivity and reduction of waste using *Lean Enterprise* principles.
- Quality systems: Develop and manage the Mint’s quality control standards and systems to ensure consistent quality in the Mint’s products and services.

***Human Resources***

Employment at the Mint increased to 779 employees at the end of 2007 from 773 employees at the end of 2006, including permanent and temporary employees. Wages and benefits slightly increased to $53.7 million from $53.2 million in 2006. These increases reflect strong growth in two of the Mint's four business lines: Canadian circulation, including the alloy recovery program, and foreign circulation.

Spending on training increased 26% to $1.01 million in 2007 from $0.8 million in 2006, representing 3.0% of payroll. The Mint's training efforts focused on ERP and official languages training, although the Mint also provided ongoing training in other areas, such as: coaching skills, *Lean Enterprise*, culture, customer service, wellness, and harassment, discrimination and violence in the workplace.

For the second year in a row, the Mint was honoured as one of Canada's Top 100 Employers of the Year by *Maclean's* magazine. As part of this award, the Mint was also again identified as one of the Top 15 Employers in the National Capital Region and one of Canada's Top 10 Family Friendly Employers by Today's Parent magazine. These awards reflect the Mint's ongoing commitment to building an organization that values its employees, encourages creativity and rewards commitment to the Corporation.

On December 31, 2007, the three-year collective bargaining agreements between the Mint and the two unions representing its workforce – the Amalgamated Transit Union (ATU) and the Public Service Alliance of Canada (PSAC) – expired.

**Health, safety, security and environment**

Protection of people and the environment is a core value of the Mint and the responsibility of every employee. In Winnipeg, lost-time injuries increased to 25 in 2007 from 22 in 2006 and lost-time days decreased to 165 in 2007 from 273 in 2006. In Ottawa, the number of lost-time injuries declined to 10 in 2007 from 18 in 2006 while lost-time days declined to 25 in 2007 from 97 in 2006.

In order to improve health programs, the management of injuries, illnesses and return to work during 2007, the Mint employed Occupational Health Nurses in Ottawa and Winnipeg. The presence of health professionals in the plants will enhance focus on the prevention of illness and injury as well as the health recovery programs.

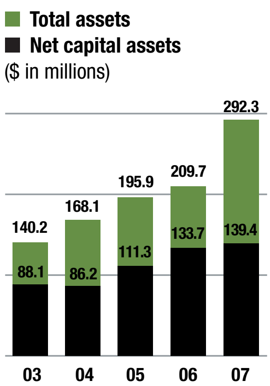
The addition of these nurses has resulted in a heightened awareness of the responsibilities of each employee and increased accountability for managers and supervisors in creating a work environment which encourages all staff to incorporate health, safety and wellness goals into their daily routine to reduce, eliminate workplace injuries, illnesses. Programs to promote health and safety awareness will continue in 2008 and will be supplemented with additional training at both facilities.

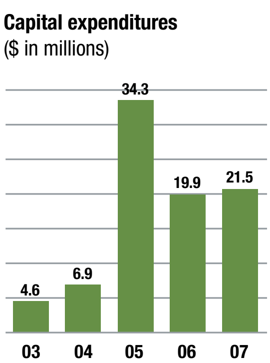
Several initiatives were also undertaken to reduce the Mint's impact on the environment:

- As recommended by a compressed air scoping study completed in Winnipeg with the assistance of Manitoba Hydro, an energy efficient variable speed air compressor was installed as part of the facility's air conditioning and ventilating system. This will result in annual savings in water, electricity and maintenance costs.
- An oil-quenched furnace used in die production was replaced with a high-pressure gas-quenched furnace. The gas-quenched furnace uses nitrogen as the coolant thus eliminating waste oil and reducing costs.
- Cold weather packages were installed in the chiller units in the plating process reducing water consumption and extending the utility of the chillers.
- The Asbestos Management Program has been implemented and removal of asbestos from the Winnipeg facility continued in 2007 with anticipated completion in 2009.
- The Ottawa facility reduced its waste streams from 42 to 23, and provided training to its staff to ensure each waste stream was in compliance.
- The Mint completed the retrofit of its energy systems in Ottawa. This retrofit allows the Mint to produce its own heat and cooling. This new system is more cost efficient and environmentally friendly and improves air quality in the building.
- The initiative to replace chrome plating with a non-toxic fused deposit to coat dies was completed in early 2007. This eliminated the generation of 1,845 litres of chromic acid and 690 kilograms of contaminated towels.
- Implementation of a halocarbon program enhanced the Mint's ability to monitor and control emissions.

The Mint continuously assesses and mitigates security risks through strict adherence to secure operating procedures. The ERP system allowed the Mint to implement measures to enhance the privacy, security and integrity of customer and employee information and the Mint's intellectual assets.

The Mint also enhanced its systems to protect the Corporation against external threats.




**Liquidity and capital resources**

As anticipated, the Mint's aggressive growth continues to increase pressure on working capital requirements. This is due in part to an increase in inventory to $70.3 million from $40.3 million to meet market demand, a planned $20.9 million debt repayments as well as 2007 capital spending of $21.5 million. In addition, accounts receivable at December 31, 2007 increased to $51.7 million from $29.8 million at the end of 2006.

Financing: In 2007, the Mint refinanced its short-term borrowings with a long-term loan of $20 million to improve working capital and reduce interest expense ($8 million of repayments in 2007 on existing debts). At the end of 2007, total outstanding long-term loans increased to $27.3 million and the Mint's debt-to-equity ratio increased to 1.05:1 from 0.83:1 at the end of 2006. Timely accounts receivable collections, appropriate long-term financing of capital investments and practical credit policies will ensure working capital management continues to support the financial requirements of the Mint.

Capital expenditures: Capital expenditures increased to $21.5 million from $19.9 million in 2006. The most significant projects included:

- Completion of the three-year energy efficiency project at the Ottawa facility ($1.0 million in 2007). This project achieved the anticipated annual savings of $800,000 in energy costs while providing safety and operating benefits.
- Completion of Phase I and launch of Phase II of the ERP system ($3.8 million in 2007).
- The acquisition of high-speed presses in Winnipeg ($3.7 million).
- Expansion of the ARP from 25-cent coins to 5- and 10-cent coins with the purchase of new equipment ($4 million).
- A new heat-treating furnace in Winnipeg ($0.5 million).

**Risks to performance**

The Mint strives to mitigate risks that challenge its ability to fulfill its mandate and maximize profits. The most significant risks arise from the cost of materials used in the manufacture of its products and volatile demand.

**Precious metal risk:** The Mint purchases four precious metals – gold, silver, platinum and palladium. These metals are used in the Maple Leaf and numismatic coins. The Mint is not exposed to price risk as a result of a change in price in the metals used for the bullion coins and wafers because the purchase and sale of metals used in these products are completed on the same date, using the same price in the same currency. For numismatic products, risk is mitigated through a precious metal risk management hedging program.

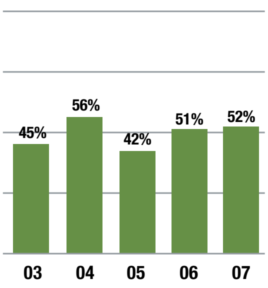
**Base metal risk:** The Mint purchases a wide range of alloys made from a handful of base metals for the production of domestic and foreign circulation coins. The most significant of these base metals are nickel, copper and steel, for which the market continues to be volatile. The Mint has developed relationships with strategic vendors to secure supplies and manage costs in these difficult market conditions. Locking in the metal value only when a contract is awarded reduces the Mint's exposure to metal price fluctuation. When risk cannot be transferred to the customer, the Mint occasionally uses hedging strategies to protect its margins. The Mint also uses hedging strategies to fix the revenue generated from the alloys recovered from ARP.

**Foreign exchange risk:** A rapidly growing portion of the Mint's revenue is arising from exports while our expanding partnerships have increased the portion of our costs denominated in foreign currencies. Foreign exchange rate risk is mitigated by pricing contracts in the same currency as the expenses to be incurred and through an active currency-hedging program. The continued strength of the Canadian dollar also affects our competitiveness in international markets, which amplifies the importance of our efforts to continuously improve productivity and reduce manufacturing costs.

**Working capital requirements:** The Mint's growth plans will require significant capital expenditures and working capital. Aggressive cash flow and asset liability management will be critical to meet the Mint's operating and capital needs. The Mint is also reviewing its capital structure to ensure it is properly financed and leveraged to facilitate the planned growth.

To enhance its risk management strategies, the Mint will develop and implement Enterprise Risk Management (ERM) over the next 18 to 24 months. ERM is a method for managing risk consistently throughout an organization. It involves establishing corporate risk tolerance, identifying and measuring the impact of various risks, and developing risk management action plans to mitigate risks that exceed corporate risk tolerance. ERM will allow the Mint to manage risk and respond more effectively to opportunities.

**Export sales as a percentage of total revenue**



**Outlook**

The Mint is a Canadian corporation with four distinct core businesses. Although each business line is driven by significantly different market forces, all are affected by the health of the Canadian and global economies as well as fluctuations in exchange rates and base or precious metal prices. These factors create both challenges and opportunities for the Mint.

A resilient Canadian economy and the evolving micro payment landscape are expected to continue driving increased demand for Canadian coinage until 2012. However, weakness in the U.S. economy could challenge economic stability in Canada, which would dampen consumer spending and reduce demand for circulation coinage. Continued weakness in the U.S. economy could also amplify volatility in the U.S. dollar, which could stimulate demand for precious metals.

Volatility in base metal prices, which is driven in part by conditions in the U.S., is expected to continue to increase demand from countries around the world for the Mint's low- cost high-quality multi-ply circulation coinage. While this is generating substantial foreign sales, it also challenges the Mint to secure sufficient capacity to meet both domestic and foreign production requirements. At the same time, the relationships the Mint is establishing with foreign customers and suppliers is creating opportunities to license technology, sell tooling, provide consulting services and secure customers for the Mint's refinery.

To ensure it can participate in the opportunities and meet the challenges on the horizon, in 2008 the Mint will focus on initiatives that will not only expand the Mint's resources, they will enhance its capabilities and ensure it will be able to meet the complex demands of foreign customers. It is also monitoring the evolution of the domestic micro payment landscape in order to manage its existing circulation coinage business effectively and identify opportunities.

# STATISTICS

## Table 1 – Canadian circulation coinage

**Production in 2005, 2006 and 2007(1)**

| | **2007** | 2006 | 2005 |
|---|---|---|---|
| | **Total Pieces** | Total Pieces | Total Pieces |
| **Coinage dated 2004** | | | |
| $2 | **–** | – | 1,000 |
| $1 | **–** | – | 960,000 |
| 50¢ | **–** | – | – |
| 25¢ | **–** | – | 6,552,000 |
| 10¢ | **–** | – | 1,100,000 |
| 5¢ | **–** | – | 840,000 |
| 1¢ | **–** | – | 62,358,000 |
| **Coinage dated 2005** | | | |
| $2 | **–** | – | 38,317,000 |
| $1 | **–** | 90,000 | 44,285,000 |
| 50¢ | **–** | – | 200,000 |
| 25¢ | **–** | – | 269,586,000 |
| 10¢ | **–** | 275,000 | 211,075,000 |
| 5¢ | **–** | – | 148,082,000 |
| 1¢ | **–** | 39,600,000 | 727,825,000 |
| **Coinage dated 2006** | | | |
| $2 | **5,040,000** | 30,279,000 | – |
| $1 | **1,621,000** | 39,140,000 | 8,350,000 |
| 50¢ | **–** | 98,000 | – |
| 25¢ | **155,991,000** | 473,027,000 | – |
| 10¢ | **19,800,000** | 311,847,000 | – |
| 5¢ | **2,558,000** | 182,316,000 | – |
| 1¢ | **101,475,000** | 1,160,408,000 | – |
| **Coinage dated 2007** | | | |
| $2 | **33,917,000** | – | – |
| $1 | **36,424,000** | – | – |
| 50¢ | **250,000** | – | – |
| 25¢ | **230,772,000** | – | – |
| 10¢ | **284,310,000** | – | – |
| 5¢ | **218,914,000** | – | – |
| 1¢ | **846,420,000** | – | – |
| **Total (all dates)** | | | |
| $2 | **38,957,000** | 30,279,000 | 38,318,000 |
| $1 | **38,045,000** | 39,230,000 | 53,595,000 |
| 50¢ | **250,000** | 98,000 | 200,000 |
| 25¢ | **386,763,000** | 473,027,000 | 276,138,000 |
| 10¢ | **304,110,000** | 312,122,000 | 212,175,000 |
| 5¢ | **221,472,000** | 182,316,000 | 148,922,000 |
| 1¢ | **947,895,000** | 1,200,008,000 | 790,183,000 |
| **Total** | **1,937,492,000** | 2,237,080,000 | 1,519,531,000 |

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

# Table 2 – Canadian circulation coinage

**Cumulative production up to December 31, 2007(1) (2)**

| | **2007** | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| **$2** | **33,917,000** | 35,319,000 | 38,317,000 | 12,908,000 | 11,244,000 |
| **$1** | **36,424,000** | 49,111,000(3) | 44,375,000 | 10,894,000 | 5,102,000 |
| **50¢** | **250,000** | 98,000 | 200,000 | – | – |
| **25¢** | **230,772,000** | 629,018,000 | 269,586,000 | 210,047,000 | 100,638,000 |
| **10¢** | **284,310,000** | 331,647,000 | 211,350,000 | 213,025,000 | 164,617,000 |
| **5¢** | **218,914,000** | 184,874,000 | 148,082,000 | 123,925,000 | 101,793,000 |
| **1¢** | **846,420,000** | 1,261,883,000 | 767,425,000 | 842,486,000 | 748,123,000 |

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

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

(3) Includes the 2006 Lucky Loonie commemorative circulation coin which was produced in 2005.

# Table 3 – Canadian circulation coinage

**Coinage issued in 2007(1) – Geographic distribution(2)**

| **Province** City (3) | **$2** | **$1** | **50¢** | **25¢** | **10¢** | **5¢** | **1¢** |
|---|---|---|---|---|---|---|---|
| **Newfoundland and Labrador** | | | | | | | |
| St. John's | 80,000 | 348,000 | – | 2,266,000 | 4,042,000 | 2,796,000 | 20,095,000 |
| **New Brunswick** | | | | | | | |
| Saint John | 2,809,000 | 1,538,000 | – | 5,390,000 | 7,958,000 | 5,358,000 | 19,027,000 |
| **Nova Scotia** | | | | | | | |
| Halifax | 238,000 | 203,000 | – | 6,114,000 | 10,825,000 | 5,394,000 | 38,293,000 |
| **Quebec** | | | | | | | |
| Montreal | 2,425,000 | 591,000 | – | 33,290,000 | 52,697,000 | 33,864,000 | 150,150,000 |
| Quebec City | 1,164,000 | 1,531,000 | | 12,634,000 | 12,298,000 | 6,070,000 | 28,797,000 |
| **Ontario** | | | | | | | |
| Ottawa | 1,212,000 | 3,346,000 | – | 18,574,000 | 22,410,000 | 12,642,000 | 78,605,000 |
| Toronto | 10,217,000 | 10,075,000 | – | 45,112,000 | 123,868,000 | 92,212,000 | 600,938,000 |
| **Manitoba** | | | | | | | |
| Winnipeg | 123,000 | 2,726,000 | – | 6,644,000 | 10,042,000 | 6,190,000 | 46,338,000 |
| **Saskatchewan** | | | | | | | |
| Regina | 856,000 | 551,000 | – | 6,336,000 | 6,693,000 | 5,620,000 | 29,332,000 |
| **Alberta** | | | | | | | |
| Calgary | 399,000 | 1,751,000 | – | 10,598,000 | 12,702,000 | 8,182,000 | 50,398,000 |
| Edmonton | 3,078,000 | 5,817,000 | – | 17,234,000 | 35,103,000 | 20,596,000 | 91,160,000 |
| **British Columbia** | | | | | | | |
| Vancouver | 5,532,000 | 2,338,000 | – | 26,272,000 | 43,022,000 | 25,222,000 | 147,920,000 |
| **Sundry persons** (4) | 57,000 | 68,000 | 235,000 | 23,058,000 | 235,000 | 296,000 | 882,000 |
| **Total** | **28,190,000** | **30,883,000** | **235,000** | **213,522,000** | **341,895,000** | **224,442,000** | **1,301,935,000** |

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

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

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

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

# Table 4 – Numismatic coinage

**Issued as of December 31, 2007 bearing the dates 2006 and 2007 (1)**

| | Quantity sold |
|---|---|
| $50 Palladium Coin | 18 |
| 10th Anniversary $2 Gold Coin | 3 |
| 140th Anniversary of the Dominion of Canada $100 14-Karat Gold Coin | 4,453 |
| 150th Anniversary of the Victoria Cross – Proof Silver Dollar | 764 |
| 1900 Shinplaster $300 Gold Coin | 7 |
| 1923 Shinplaster $300 Gold Coin | 778 |
| Annual Report with Coin (English) | 3,609 |
| Annual Report with Coin (French) | 553 |
| Baby Coin Set | 29,964 |
| Baby Keepsake Tin & Silver Dollar | 3,229 |
| Baby Keepsake Tin | 162 |
| Baby Lullabies CD and Silver Coin (2006) | 122 |
| Baby Lullabies CD and Silver Coin (2007) | 3,207 |
| Baby Sterling Silver Coin Set | 1,911 |
| Baby Wafer 1 oz Silver | 1,162 |
| Beaumont Hamel $30 Sterling Silver Coin | 325 |
| Birthday Coin Set | 12,547 |
| Brigantine $20 Silver Hologram | 7,490 |
| Canada Calendar and Coin Set | 5,264 |
| Canada Day 25-cent Coloured Coin | 568 |
| Canada Day Kid's Activity and Coin Set | 27,743 |
| Canadarm $300 Gold Coin | 16 |
| Celebrating Thayendanegea – Brilliant Uncirculated Dollar | 16,378 |
| Celebrating Thayendanegea – Limited Edition Proof Silver Dollar With Enamel Effect | 4,760 |
| Celebrating Thayendanegea – Proof Silver Dollar | 32,224 |
| Celebration of Arts Special Edition Proof Silver Dollar | 6,466 |
| Circulation Coin Roll | |
| 50-cent | 4,462 |
| 25-cent Breast Cancer | 1,102 |
| $1 Lucky Loonie | 351 |
| $2 10th Anniversary | 356 |
| 25-cent Medal of Bravery | 205 |
| Circulation First Day Cover | |
| 1-cent | 38 |
| 5-cent | 29 |
| 10-cent | 31 |
| 25-cent | 25 |
| 25-cent Breast Cancer | 92 |
| 25-cent Medal of Bravery | 210 |
| 50-cent | 66 |
| $1 | 34 |
| $1 Lucky Loonie | 154 |
| $2 | 129 |
| CN Tower $20 Silver Coin | 3 |
| Coin & Stamp Set – $5 Peregrine Falcon | 1,081 |
| Coin & Stamp Set – $5 Sable Island Horse and Foal | 2,519 |
| Coin & Stamp Set – $5 Snowbirds | 2,138 |
| Congratulations Coin Set | 8,910 |
| Congratulations Gift Set | 21 |
| Cowboy 1/25 oz Gold Coin | 645 |
| Crystal Snowflake $20 Sterling Silver Coin – Blue | 1,433 |
| Crystal Snowflake $20 Sterling Silver Coin – Iridescent | 1,404 |
| Crystal Snowflake $300 14-Karat Gold Coin | 137 |
| Dog Sled Team $30 Sterling Silver | 587 |
| Dogsled Team $250 14-Karat Gold Coin | 53 |
| Fine Silver Chinese $8 Coin | 19,954 |
| Fishing Trade $200 22K Gold Coin | 2,127 |

| Table 4 – Numismatic coinage *(continued)* | Quantity Sold |
|---|---|
| Forget-Me-Not Sterling Silver Coin | 10,195 |
| Fortress of Louisbourg $10 Silver | 215 |
| Four Seasons - 5 oz Silver Coin | 13 |
| Gold Louis $1 Fine Gold Coin (2006) | 1,373 |
| Gold Louis $1 Fine Gold Coin (2007) | 3,457 |
| Gold Maple Leaf Bullion Test Coin | 95 |
| Golden Daisy 50-cent Silver Coin | 419 |
| Holiday Carols CD and Sterling Silver Dollar | 228 |
| Holiday Commemorative Coin Set | 66,267 |
| Holiday Ornaments 50-cent Lenticular Coin | 16,989 |
| Holiday Sleigh Ride $20 Fine Silver Coin | 6,041 |
| International Polar Year $20 Blue Plasma | 3,005 |
| International Polar Year $20 Sterling Silver | 8,352 |
| Iris Versicolor .99999 Gold Coin | 26 |
| Jasper $20 Silver Coin | 329 |
| Limited Edition Concept Test Token Set | 204 |
| Limited Edition Test Token Set – Pink Ribbon | 61 |
| Longest Running International Hockey Series $100 14-Karat Gold Coin | 37 |
| Lucky Loonie Bookmark | 337 |
| Lucky Loonie Sterling Silver Coloured Coin | 17 |
| Maple of Long Life $8 Fine Silver Coin | 11,624 |
| Medal of Bravery – Special Edition Proof Silver Dollar | 497 |
| Medal of Bravery – Special Edition Proof Silver Dollar Enameled | 48 |
| Nahanni $20 Silver Coin | 543 |
| National War Memorial $30 Sterling Silver Coin | 115 |
| NHL Coin Set 2006/2007 | |
| Calgary Flames | 832 |
| Edmonton Oilers | 2,213 |
| Montreal Canadiens | 2,952 |
| Ottawa Senators | 1,634 |
| Toronto Maple Leafs | 3,527 |
| Vancouver Canucks | 1,264 |
| Oh! Canada! Coin Set | 23,582 |
| Oh! Canada! Gift Set | 188 |
| Panoramic Camera Niagara Falls $30 Sterling Silver Coin | 5,181 |
| Panoramic Picture Canadian Rockies $300 Gold Coin | 511 |
| Parasaurolophus $4 Silver Coin | 13,010 |
| Pengrowth Saddledome $20 Silver Coin | 550 |
| Proof Set (2006) | 713 |
| Proof Set (2007) | 34,613 |
| Purple Violet .99999 Gold Coin | 1,171 |
| Quebec Winter Carnival Gift Set | 105 |
| Queen's 60$^{th}$ Anniversary 25-cent Coloured Coin | 13,264 |
| Queen's 60$^{th}$ Anniversary 5 oz Gold Coin | 198 |
| Queen's 60$^{th}$ Anniversary 5 oz Silver Coin | 1,945 |
| Queen's 80$^{th}$ Birthday $300 Gold Coin | 4 |
| Queen's 80$^{th}$ Birthday 25-cent Coloured Coin | 132 |
| Red-Breasted Nuthatch 25-cent Coloured Coin | 10,581 |
| Ruby-Throated Hummingbird 25-cent Coloured Coin | 16,256 |
| Silver Maple $5 Silver Coloured Coin | 2,070 |
| Silvery Blue 50-cent Silver | 815 |
| Specimen Set | 24,619 |
| Square Beaver $3 Coin Silver Coin | 37 |
| Sugar Maple in Orange $5 Silver Coloured Coin | 11,495 |
| Swallowtail 50-cent Silver | 552 |
| Timber Trade $200 22K Gold Coin | 33 |
| Uncirculated Set – Special Edition | 1,636 |
| Uncirculated Set (2006) | 598 |
| Uncirculated Set (2007) | 43,679 |
| Vimy Memorial $30 Sterling Silver Coin | 5,190 |
| Wedding Coin Set | 10,318 |

| Table 4 – Numismatic coinage *(continued)* | Quantity Sold |
|---|---|
| Wedding Premium Coin Set | 849 |
| Wedding Wafer 1 oz Silver | 1,116 |
| Wolf 1/25 oz Gold Coin | 11,328 |
| Woolly Mammoth 1 oz Platinum | 190 |
| Year of the Dog Lunar Cameo Coin | 17 |
| Year of the Dog Lunar Cameo 18-Karat Gold Coin | 5 |
| Year of the Pig Lunar Cameo Coin | 10,752 |
| Year of the Pig Lunar Cameo 18-Karat Gold Hologram Coin | 818 |
| | |
| **Olympic products** | |
| 14-Karat Gold Coloured Coin | |
| RCMP | 4,529 |
| Athlete's Pride | 2,381 |
| Canada Geese | 2,117 |
| $25 Sterling Silver Coin | |
| Curling | 13,908 |
| Ice Hockey | 15,132 |
| Athlete's Pride | 10,631 |
| Biathlon | 8,325 |
| Alpine Skiing | 9,819 |
| $25 Sterling Silver Hologram Coin Set | 37 |
| $300 Gold Coin – Olympic Ideals | 925 |
| Bookmark and Lapel Pin | |
| Curling | 780 |
| Ice Hockey | 1,329 |
| Alpine Skiing | 882 |
| Circulation First Day Cover 25-cent | |
| Curling | 2,338 |
| Ice Hockey | 3,192 |
| Wheelchair Curling | 1,079 |
| Biathlon | 828 |
| Alpine Skiing | 756 |
| Circulation Coin Roll 25-cent | |
| Curling | 4,856 |
| Hockey | 3,606 |
| Wheelchair Curling | 1,995 |
| Biathlon | 1,511 |
| Alpine Skiing | 1,424 |
| Fine Gold Kilo Coin – Early Canada (2007) | 20 |
| Fine Silver Kilo Coin – Early Canada (2007) | 2,444 |
| Olympic Winter Games Coin Collection | 119,682 |
| Olympic Winter Games Coin Collector Card (2007) | 49,711 |
| Special Edition Uncirculated Set (2007) | 26,351 |
| Sterling Silver Circulation Coin Set and Wafer (2007) | 375 |
| Sport Card (2007) | |
| Curling | 90,175 |
| Ice Hockey | 100,000 |
| Wheelchair Curling | 34,275 |
| Biathlon | 29,800 |
| Alpine Skiing | 40,000 |
| **Total** | **1,188,262** |

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

# Table 5 – Maple Leaf coinage

Sales in ounces for 2006 and 2007

| | 2007 | 2006 |
|---|---|---|
| **Gold Maple Leaf Coinage** | | |
| $1,000,000 (99999 Au) | **6,430** | – |
| $200 (99999 Au) | **30,848** | – |
| $50 (9999 Au) | **189,462** | 209,937 |
| $20 (9999 Au) | **6,738** | 10,569 |
| $10 (9999 Au) | **4,251** | 6,491 |
| $5 (9999 Au) | **2,130** | 4,096 |
| $1 (9999 Au) | **895** | 967 |
| **Total (ounces)** | **240,754** | 232,060 |
| **Silver Maple Leaf Coinage** | | |
| $5 (9999 Ag) | **3,526,052** | 2,464,727 |
| **Total (ounces)** | **3,526,052** | 2,464,727 |
| **Palladium Maple Leaf Coinage** | | |
| $50 (9995 Pd) | **15,415** | 68,707 |
| **Total (ounces)** | **15,415** | 68,707 |

# Table 6 – Refinery operations

For 2006 and 2007

| | Gross weight (Troy ounces) | | Refined gold (9999) produced (Troy ounces) (1) | | Refined silver (999) produced (Troy ounces) (2) | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| **Deposits from Canadian Mines** | | | | | | |
| Québec | **500,507** | 517,337 | **314,903** | 327,996 | **140,335** | 127,916 |
| Ontario | **307,205** | 496,749 | **225,031** | 256,836 | **37,701** | 39,665 |
| Newfoundland and Labrador | **65,534** | – | **58,706** | – | **5,388** | – |
| **Total** | **873,246** | 1,014,086 | **598,640** | 584,832 | **183,424** | 167,581 |
| **Deposits from other sources** | **3,381,811** | 3,773,874 | **2,163,464** | 2,000,704 | **185,608** | 170,599 |
| **Total** | **4,255,057** | 4,787,960 | **2,762,104** | 2,585,536 | **369,032** | 338,180 |

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

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

# Table 7 – Canadian circulation coinage

Commemorative/regular designs and plated/non-plated coin production in 2004-2007

| | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| 1 Cent (CPZ) | **9,625,000** | 1,062,275,000 | 759,658,000 | 653,317,000 |
| 1 Cent (CPS) | **938,270,000** | 137,733,000 | 30,525,000 | 134,906,000 |
| | | | | |
| 5 Cent (N) | **–** | 43,008,000 | – | – |
| 5 cent (P) | **221,472,000** | 139,308,000 | 89,664,000 | 132,097,000 |
| 5 Cent – Victory | **–** | – | 59,258,000 | – |
| | | | | |
| 10 Cent (N) | **–** | – | – | – |
| 10 Cent (P) | **304,110,000** | 312,122,000 | 212,175,000 | 214,143,000 |
| | | | | |
| 25 Cent – Caribou (N) | **–** | – | – | – |
| 25 Cent – Caribou (P) | **274,763,000** | 423,189,000 | 206,346,000 | 177,466,000 |
| 25 Cent Poppy | **–** | – | 472,000 | 28,500,000 |
| 25 Cent L'Acadie | **–** | – | – | 15,400,000 |
| 25 Cent Alberta | **–** | – | 20,640,000 | – |
| 25 Cent Saskatchewan | **–** | – | 19,290,000 | – |
| 25 Cent Veteran | **–** | – | 29,390,000 | – |
| 25 Cent Breast Cancer | **–** | 29,798,000 | – | – |
| 25 Cent Medal of Bravery | **–** | 20,040,000 | – | – |
| 25 Cent Olympic – Curling | **22,400,000** | – | – | – |
| 25 Cent Olympic – Hockey | **22,400,000** | – | – | – |
| 25 Cent Olympic – Wheelchair Curling | **22,400,000** | – | – | – |
| 25 Cent Olympic – Biathlon | **22,400,000** | – | – | – |
| 25 Cent Olympic – Alpine Skiing | **22,400,000** | – | – | – |
| | | | | |
| One Dollar | **38,045,000** | 37,085,000 | 32,336,000 | 3,408,000 |
| One Dollar – Lucky Loon | **–** | 2,145,000 | 8,350,000 | 6,526,000 |
| One Dollar – Terry Fox | **–** | – | 12,909,000 | – |
| | | | | |
| Two Dollar | **38,957,000** | 25,274,000 | 38,318,000 | 12,907,000 |
| Two Dollar 10th Anniversary | **–** | 5,005,000 | – | – |

(CPS) Copper plated steel

(CPZ) Copper plated zinc

(CN) Cupro nickel

(N) Nickel

(P) Plated

CONSOLIDATED FINANCIAL STATEMENTS

# MANAGEMENT REPORT

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

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

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

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

Bennett

**Ian E. Bennett**
*President and*
*Chief Executive Officer*

J. Marc Brulé

**J. Marc Brulé, CA**
*Vice President, Finance and Administration*
*Chief Financial Officer*

Ottawa, Canada
March 18, 2008

# AUDIT COMMITTEE REPORT

The Audit Committee's (Committee) role is to act on behalf of the Board of Directors (Board) and oversee all material aspects of the Corporation's reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The Committee's role includes a particular focus on the qualitative aspects of financial reporting to the Shareholder and on the Corporation's processes for the management of business/financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements.

For most of 2007, the Committee was comprised of three (3) independent directors, who are neither officers nor employees of the corporation until the departure from the Board of Mr. Richard Kwan, on November 21, 2007. Mr. Kwan's position on the Audit Committee was filled by Mr. Carman Joynt on December 14, 2007. The other members were: Susan Dujmovic, and Keith Meagher. Also, as an Ex-officio member, is Max Lewis, Chairman of the Board. The Board believes that the composition of the Committee reflects a high level of financial literacy and expertise.

During the past fiscal year, the Committee held seven (7) meetings. In fulfilling its responsibility, the Committee:

- discussed with the internal and external auditors the overall scope and specific plans for their respective audits;
- discussed the Corporation's progress, throughout the year, on their financial results and overall performance;
- discussed the Corporation's annual consolidated financial statements, accounting principles and policies, and the adequacy of the Corporation's internal financial controls;
- reviewed management's response and in some circumstances, their actions, regarding recommendations of the internal and external auditors; and
- met regularly with the Corporation's internal and external auditors, without management present, to discuss the results of their examinations, their evaluations of the Corporation's internal financial controls, and the overall quality of the Corporation's financial reporting.

The meetings also were designed to facilitate any private communications with the Committee that the internal or external auditors desired.

**Susan Dujmovic**
*Chair, Audit Committee*

# AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of the Royal Canadian Mint as at December 31, 2007 and the consolidated statements of operations and retained earnings, comprehensive income and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for financial instruments as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

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

Sheila Fraser

**Sheila Fraser, FCA**
Auditor General of Canada

Ottawa, Canada
March 18, 2008

# CONSOLIDATED BALANCE SHEET

as at December 31 (in thousands of dollars)

| | 2007 | 2006 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and cash equivalents (note 4) | **$ 15,008** | $ 4,222 |
| Accounts receivable, net (note 5) | **51,687** | 29,834 |
| Prepaid expenses | **731** | 742 |
| Inventories (note 6) | **70,310** | 40,341 |
| Derivative related assets (note 7) | **9,018** | 422 |
| | **146,754** | 75,561 |
| Deferred charges | **138** | 418 |
| Derivative related assets (note 7) | **5,924** | – |
| Property, plant and equipment (note 8) | **128,484** | 119,838 |
| Intangibles (note 9) | **10,961** | 13,853 |
| | **$ 292,261** | $ 209,670 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities (note 10) | **$ 45,081** | $ 39,549 |
| Current portion of loans and other payables (note 11) | **8,587** | 20,395 |
| Income taxes payable | **3,469** | 1,915 |
| Deferred revenues | **45,970** | 3,203 |
| Derivative related liabilities (note 7) | **2,442** | – |
| | **105,549** | 65,062 |
| **Long-term** | | |
| Deferred revenues | **752** | 843 |
| Derivative related liabilities (note 7) | **600** | – |
| Loans and other payables (note 11) | **27,313** | 17,094 |
| Future tax liabilities (note 12) | **5,443** | 3,196 |
| Employee future benefits (note 13) | **9,794** | 9,068 |
| | **43,902** | 30,201 |
| **Shareholder's equity** | | |
| Share capital | | |
| (authorized and issued, 4,000 non-transferable shares) | **40,000** | 40,000 |
| Retained earnings | **94,985** | 74,407 |
| Accumulated other comprehensive income (note 14) | **7,825** | – |
| | **102,810** | 74,407 |
| | **142,810** | 114,407 |
| | **$ 292,261** | $ 209,670 |

Commitments and Guarantees (note 15)

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

**Max C. Lewis**
*Chairman,*
*Board of Directors*

Approved on behalf of the Audit Committee

**Susan Dujmovic**
*Chair,*
*Audit Committee*

Approved on behalf of Management

**Ian E. Bennett**
*President and*
*Chief Executive Officer*

**J. Marc Brûlé**
*VP Finance &*
*Administration, CFO*

# CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

| | 2007 | 2006 |
|---|---|---|
| Revenues | **$ 632,071** | $ 493,934 |
| Cost of goods sold | **486,638** | 392,218 |
| Gross profit | **145,433** | 101,716 |
| Other operating expenses | | |
| Marketing and Sales | **51,540** | 39,759 |
| Administration | **36,821** | 32,334 |
| Amortization | **15,090** | 12,499 |
| | **103,451** | 84,592 |
| Income from operations | **41,982** | 17,124 |
| Net foreign exchange gain (loss) | **(11,055)** | 223 |
| Interest income | **1,161** | 160 |
| Interest expense | **(1,432)** | (1,466) |
| Income before income tax | **30,656** | 16,041 |
| Income tax expense (note 12) | **(9,078)** | (4,874) |
| Net income | **21,578** | 11,167 |
| Retained earnings, beginning of year | **74,407** | 64,240 |
| Dividend paid | **(1,000)** | (1,000) |
| Retained earnings, end of year | **$ 94,985** | $ 74,407 |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

| | 2007 | 2006 |
|---|---|---|
| Net income | **$ 21,578** | $ – |
| Other comprehensive income: | | |
| Gains on derivatives designated as cash flow hedges (net of income taxes of $3,126) | **7,825** | – |
| Reclassification to net income of gains on cash flow hedges | **(131)** | – |
| Other comprehensive income for the year | **7,694** | – |
| Comprehensive income | **$ 29,272** | $ – |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

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

| | 2007 | 2006 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | **$ 653,316** | $ 512,671 |
| Cash paid to suppliers and employees | **(609,433)** | (468,919) |
| Interest received | **1,161** | 160 |
| Interest paid | **(1,519)** | (1,819) |
| Income taxes paid | **(8,403)** | (5,318) |
| | **35,122** | 36,775 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(21,460)** | (19,853) |
| Purchase of intangibles | **–** | (15,000) |
| | **(21,460)** | (34,853) |
| **Cash flows from financing activities** | | |
| Dividend | **(1,000)** | (1,000) |
| Issuance of loans and other payables | **20,000** | 26,450 |
| Repayment of loans and other payables | **(20,919)** | (4,100) |
| | **(1,919)** | 21,350 |
| Effect of exchange rate changes on cash and cash equivalents | **(957)** | (92) |
| Net increase in cash and cash equivalents | **10,786** | 23,180 |
| Cash and cash equivalents at the beginning of year | **4,222** | (18,958) |
| Cash and cash equivalents at the end of year (note 4) | **$ 15,008** | $ 4,222 |

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007

## 1. Authority and objectives

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

In 2002, the Mint incorporated RCMH-MRCF Inc., a wholly-owned subsidiary, to hold the Mint's interest (50%) in TGM Speciality Services Inc., a joint venture with a private sector partner. TGM Specialty Services Inc.'s objective is to offer packaging products and services to domestic and international markets.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

## 2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Corporation are:

### a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary. Its interest in the joint venture is proportionately consolidated.

### b) Cash and cash equivalents

Cash includes cash equivalents that are investments with terms to maturity of three months or less at the time of acquisition. Cash equivalents consist primarily of short term deposits.

### c) Transaction costs

Transaction costs related to loans and other payables are offset against the outstanding principle balance of the debt and are amortized using the effective interest rate method.

### d) Inventories

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

### e) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized under the straight-line method at the following annual rates:

| | |
|---|---|
| Land improvements | 2.5% |
| Buildings | 2.5% |
| Equipment | 10% |
| Hardware and software | 20% |

Amounts included in uncompleted capital projects are transferred to the appropriate property, plant and equipment classification upon completion, and are then amortized.

f) Intangible assets

Intangible assets consist solely of rights to use certain trademarks and logos associated with a particular contract. Intangible assets are recorded at cost and amortized on a straight-line basis over the term of the respective contract of approximately 6.5 years.

g) Revenues

Revenues from the sale of products are recognized when the rights and obligations of ownership have passed to the buyer. Revenues from refinery and other services are recognized as such services are rendered.

h) Deferred revenues

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

i) Deferred charges

The cost incurred for specific projects in advance of sales are not recognized as expenses until the products are shipped.

j) Employee future benefits

*i) Pension benefits*

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost as employer. This amount is currently based on a multiple of the employees' required contributions, and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

*ii) Other benefits*

Employees are entitled to a severance benefit plan. There is also a supplementary retirement benefit plan including post retirement benefits for certain employees as well as post-employment benefits for employees in receipt of long-term disability benefits. The benefits are accrued as the employees render the services necessary to earn them. The cost of the benefits earned by the employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the severance and supplementary retirement benefit plans is 12 years and 8 years respectively (2006 – 12 years; 8 years). For the post employment benefits for employees on long-term disability, the average term of the liability is 5 years.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liability for workers' compensation benefits is actuarially determined based on known awarded disability and survivor pensions and other potential future awards in respect of accidents that occurred up to the value measurement date. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average expected period over which the benefits will be paid. The average expected period over which the benefits will be paid is 9 years. The benefit entitlements are based upon relevant Provincial legislations in effect on that date.

A full actuarial evaluation was conducted in December 2006 for all plans. As a result, the accounting valuation has been updated as at December 31, 2007. The next full actuarial evaluation is scheduled for December 2009.

k) Foreign currency translation

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

l) Income tax

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

m) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. The inventory valuation allowance, employee-related liabilities and estimated useful lives of plant and equipment are the most significant items where estimates are used. Actual results could differ significantly from those estimated

## 3. Change in accounting policies

a) Adoption of new accounting standards

On January 1, 2007, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook relating to financial instruments, including Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges. These sections provide standards for recognition, measurement, disclosure and presentation of other comprehensive income; accumulated other comprehensive income, equity, financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied.

Section 3855 - Financial Instruments — Recognition and Measurement requires the Corporation to categorize its financial assets as held for trading, held to maturity, available for sale, or as loans and receivables. The Corporation is also required to categorize its financial liabilities as either held for trading or other liabilities. In accordance with the transitional provisions, upon initial recognition, financial assets or financial liabilities are required to be measured at their fair value. The related accounting treatment for financial instruments subsequent to initial recognition depends on the classification. Financial assets and liabilities categorized as held for trading are measured at fair value with changes in fair value recognized in net income. Available for sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in net income. Financial assets and liabilities held to maturity, loans and receivables, and other liabilities are measured at amortized cost. In addition, derivatives embedded in financial instruments or other contracts may be required to be accounted for separately.

Upon adoption of the standard, the Corporation measured its financial assets and financial liabilities at fair value resulting in no material impact to opening retained earnings. Subsequently, the Corporation designated its cash and cash equivalents as held for trading since they could be reliably measured at fair value. The change in fair value of cash and cash equivalents is recorded in the Statement of operations under net foreign exchange gain (loss). The accounts receivable were classified as loans and receivables and accounts payable and accrued liabilities, loans and other payables were classified as other financial liabilities. Forward currency contracts and commodity swap contracts are classified as held for trading unless they are accounted for as a hedge.

Upon adoption of section 3855, the Corporation reviewed all outstanding and issued contracts and began recognizing embedded derivatives requiring separation from host contracts. There were no embedded derivatives that required recognition as an asset or liability on the balance sheet.

Section 1530 - Comprehensive Income, requires certain gains and losses such as those arising from the change in the fair value of cash flow hedges or assets classified as available for sale; that would otherwise be recorded as part of net income, to be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income.

A statement of Comprehensive Income was added to the Corporation's financial statements. Accumulated other comprehensive income forms part of shareholders' equity and as required by Section 3251, the Corporation has shown accumulated other comprehensive income as a separate component of equity. The change in equity resulting from changes in accumulated other comprehensive income are also separately shown in the notes to the financial statements.

Section 3865 – Hedges, establishes when and how hedge accounting can be applied. Derivatives will be classified as held for trading unless designated as hedging instruments. All derivatives will be measured at fair value. For derivatives that hedge the changes in the fair value of an asset or liability, changes in the derivatives' fair value will be reported in net income and offset by changes in the fair value of the hedged asset or liability. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognized in other comprehensive income, and will subsequently be reclassified to net income in the periods affected by the variability in the cash flows of the hedged item.

The Corporation uses derivative instruments, such as forward foreign currency and commodity swap contracts, to manage the Corporation's exposure to fluctuations in cash flows resulting from foreign exchange risk and commodity price changes related to fixed price and/or foreign denominated sales and purchases, including anticipated transactions. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

Certain derivative instruments that are held for economic hedging purposes, and do not meet the requirements of Section 3865, are classified as held for trading with the changes in fair value being recorded in the statement of operations under net foreign exchange gain (loss).

When derivative instruments are used, the Corporation determines whether hedge accounting can be applied. Where hedge accounting is appropriate, the Corporation designates the hedged relationship as a cash flow hedge. All designated hedges are formally documented at inception, detailing the particular risk management objective and the strategy undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative must be highly effective in accomplishing the objective of offsetting changes in forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge. Furthermore, accumulated ineffectiveness must be measured over the life of the hedge. The effective portion of the hedge is recorded in other comprehensive income, while the ineffective portion is recognized in the statement of operations in net foreign exchange gain (loss). Upon adoption, the derivative instruments associated with the designated hedges were recorded at fair value and the effective portion of the hedges were recorded in accumulated other comprehensive income. No adjustment resulted from the measurement of the ineffective portion of the hedge. The resulting impact on the opening balance sheet was an increase of $0.1 million to current assets and accumulated other comprehensive income.

b) Future accounting changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards are effective for the Corporation's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In May 2007, the CICA issued Section 3031, Inventories, which supersedes existing guidance on inventories in Section 3030, Inventories. This standard is effective for the Corporation's reporting period beginning on or after January 1, 2008. This standard introduces significant changes to the measurement and disclosure of inventories, including the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable for goods and services produced for specific purposes, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.

## 4. Cash and cash equivalents

As at December 31, 2007, cash and cash equivalents included:

| (in thousands of dollars) | 2007 | | 2006 | |
|---|---|---|---|---|
| | **Original currency** | **Canadian dollars** | Original currency | Canadian dollars |
| Canadian dollars | **$ 1,717** | **$ 1,717** | $ 3,302 | $ 3,302 |
| US dollars | **$ 13,450** | **13,291** | $ 789 | 920 |
| | | **$ 15,008** | | $ 4,222 |

Cash and cash equivalents included investments of $12.8 million (2006 – nil) in short-term deposits in Canadian Banks. The average term to maturity of short-term deposits was 19 days (2006 – nil). The portfolio yield to maturity is 4.29% (2006 – nil).

## 5. Accounts receivable

As at December 31, 2007, accounts receivable included:

| (in thousands of dollars) | 2007 | | 2006 | |
|---|---|---|---|---|
| | **Original currency** | **Canadian dollars** | Original currency | Canadian dollars |
| Canadian dollars | **$ 22,359** | **$ 22,359** | $ 24,779 | $ 24,779 |
| US dollars | **$ 29,681** | **29,328** | $ 4,338 | 5,055 |
| | | **$ 51,687** | | $ 29,834 |

The Company provides credit to its customers in the normal course of business. At December 31, 2007, the largest credit exposures are 2 customers which represent 47% of the total receivable balance of which 31.7% is from the Department of Finance of Canada.

## 6. Inventories

| (in thousands of dollars) | 2007 | 2006 |
|---|---|---|
| Raw materials and supplies | **$ 35,483** | $ 16,640 |
| Work in process | **24,333** | 16,645 |
| Finished goods | **10,494** | 7,056 |
| | **$ 70,310** | $ 40,341 |

## 7. Financial Instruments

*i) Foreign currency forwards and commodity swap contracts*

The Corporation enters into sale and purchase transactions that are denominated in foreign currencies, U.S. dollars and Euros. The Corporation manages its' exposure to exchange rate fluctuations between the foreign currency and the Canadian dollar by entering into foreign currency forward contracts. The Corporation also uses such contracts in the process of managing its overall cash requirements. Fair value estimates for these derivative contracts are based on quoted forward market prices at December 31, 2007.

Additionally, the Corporation enters into commodity sales and purchases at current commodity market prices. The Corporation manage its' exposure to such commodity price fluctuations by entering into sales or purchase commitments that fix the future price or the Corporation enters into commodity swap contracts that fix the future commodity price. Fair value estimates for these derivatives contracts are based on quoted forward market prices at December 31, 2007.

At December 31, the notional and fair values of the derivative instruments designated as hedges are as follows:

| (in thousands of dollars) | | **2007** | | 2006 | |
|---|---|---|---|---|---|
| | **Maturities** | **Notional** | **Fair-Value** | Notional | Fair-Value |
| **Assets** | | | | | |
| Current: | | | | | |
| Commodity swaps | 2008 | **$ 30,002** | **$ 6,558** | – | – |
| Long-term: | | | | | |
| Commodity swaps | 2009-2010 | **38,045** | **4,393** | – | – |
| Total | | **$ 68,047** | **$ 10,951** | – | – |

The gains on derivatives designated as cash flow hedges will be reclassified from accumulated other comprehensive income to net income during the periods when the hedged revenues are recorded. The amounts will be reclassified to revenues over periods up to 3 years of which approximately $6.6 million will be reclassified during the next 12 months.

In 2006, the Corporation entered into foreign currency forward contracts and designated them as hedges. Foreign currency forward contracts with a notional amount of $34.3 million were outstanding at December 31, 2006. The fair value of these contracts was an asset of $0.1 million.

At December 31, the notional and fair values of the derivative instruments not designated as hedges are as follows:

| (in thousands of dollars) | | 2007 | | 2006 | |
|---|---|---|---|---|---|
| | **Maturities** | **Notional** | **Fair-Value** | Notional | Fair-Value |
| **Assets** | | | | | |
| Current: | | | | | |
| Foreign currency forwards | 2008 | **$ 57,773** | **$ 2,116** | $ 5,552 | $ 422 |
| Commodity swaps | 2008 | **1,579** | **344** | – | – |
| Total short-term | | **59,352** | **2,460** | 5,552 | 422 |
| Long-term: | | | | | |
| Foreign Currency forwards | 2009-2010 | **21,944** | **1,300** | – | – |
| Commodity swaps | 2009-2010 | **2,002** | **231** | – | – |
| Total long-term | | **23,946** | **1,531** | – | – |
| Total | | **$ 83,298** | **$ 3,991** | $ 5,552 | $ 422 |
| **Liabilities** | | | | | |
| Current: | | | | | |
| Foreign currency forwards | 2008 | **$ 65,285** | **$ 2,442** | – | – |
| Long-term: | | | | | |
| Foreign currency forwards | 2009-2010 | **20,062** | **600** | – | – |
| Total | | **$ 85,347** | **$ 3,042** | – | – |

For the year-ended December 31, 2007, the amounts recorded in the statement of operations resulting from the net change in fair value of the derivative instruments not designated as hedges amount to a gain of $0.5 million (2006 – gain of $0.4 million). These amounts are included in net foreign exchange gain (loss).

*ii) Other Financial instruments*

The Corporation's other financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and loans and other payables. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value as a result of the relatively short-term nature of these instruments. At December 31, the fair value of loans and other payables amounts to $36.3 million ($36.5 million in 2006) and has been estimated based on a discounted cash flow approach using current market rates.

*iii) Credit Risk*

The Corporation is exposed to non-performance of counterparties when entering into foreign currency forward and commodity swap contracts. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligation to the Corporation. Additionally, the Corporation manages its exposure by contracting only with creditworthy counterparties who are rated AA or better by Moody's or Standard & Poor's.

The cash and cash equivalents and accounts receivable subject the Corporation to a concentration of credit risk. The Corporation invests its excess cash primarily in short term deposits with Canadian Banks. The Corporation maintains a reserve for estimated losses resulting from the inability of the Corporation's customers to pay outstanding amounts. The provision is based on factors that include accounts aging, historical bad debt experience, customer creditworthiness and other known factors. The Corporation also mitigates potential receivables credit risk through credit evaluation and proper approval processes.

## 8. Property, plant and equipment

| (in thousands of dollars) | Cost | Accumulated Amortization | **2007 Net Book Value** | 2006 Net Book Value |
|---|---|---|---|---|
| Land | $ 3,226 | $ – | **$ 3,226** | $ 3,226 |
| Land improvements | 1,003 | 810 | **193** | 119 |
| Buildings | 88,274 | 33,017 | **55,257** | 51,356 |
| Equipment | 133,440 | 78,966 | **54,474** | 52,134 |
| Hardware and software | 26,248 | 16,016 | **10,232** | 4,628 |
| Uncompleted capital projects | 5,102 | – | **5,102** | 8,375 |
| | $ 257,293 | $ 128,809 | **$ 128,484** | $ 119,838 |

## 9. Intangibles

| (in thousands of dollars) | Cost | Accumulated Amortization | **2007 Net Book Value** | 2006 Net Book Value |
|---|---|---|---|---|
| Intangibles | $ 15,000 | $ 4,039 | $ 10,961 | $ 13,853 |
| | $ 15,000 | $ 4,039 | $ 10,961 | $ 13,853 |

In 2007, the amortization expense relating to the intangible was $2.3 million (2006 – $1.1 million).

## 10. Accounts payable and accrued liabilities

As at December 31, 2007, accounts payable and accrued liabilities included:

| (in thousands of dollars) | **2007** | | 2006 | |
|---|---|---|---|---|
| | **Original Currency** | **Canadian dollars** | Original currency | Canadian dollar |
| Canadian dollars | **$ 30,441** | **$ 30,441** | $ 37,437 | $ 37,437 |
| US dollars | **$ 14,816** | **14,640** | $ 1,813 | 2,112 |
| | | **$ 45,081** | | $ 39,549 |

## 11. Loans and other payables

| (in thousands of dollars) | 2007 | 2006 |
|---|---|---|
| 5 year term loan, bearing interest at 4.421%, calculated semi-annually with a principal repayment of $2 million per annum for the first four year and outstanding principal balance ($12 million) in full on the fifth anniversary. | **$ 20,000** | $ – |
| 10-year loan matured in December 2007, bearing interest at 5.840% calculated semi-annually. | **–** | 1,000 |
| Amortizing bond with two-year interest holiday maturing December 2009, semi-annual coupon at 7.753% starting June 2000 with principal repayable in ten equal annual installments of $3.1 million commencing December 2000. | **6,200** | 9,300 |
| Short-term money market loan matured January 2, 2007, bearing interest at 4.50%. Both principal repayment and interest were paid at maturity. | **–** | 12,700 |
| Non-interest bearing long term payable, maturing in March 2010 that has been recorded at the present value of the future payments of $2.9 million due in 2008, $3.1 million due in 2009 and $3.7 million due in 2010 using an imputed interest rate of 4.0%. | **9,048** | 13,750 |
| Accrued interest on long-term debt | **652** | 739 |
| | **35,900** | 37,489 |
| Less the current portion of long-term debt | **8,587** | 20,395 |
| | **$ 27,313** | $ 17,094 |

The 10-year loan listed above was with Export Development Canada (EDC). EDC is a Crown corporation and is related to the Royal Canadian Mint as a result of common ownership. The loan with EDC was transacted at fair value, and made on the same terms as those with third parties.

## 12. Income taxes

| (in thousands of dollars) | 2007 | 2006 |
|---|---|---|
| Income tax expense | **$ 9,957** | $ 4,580 |
| Future tax expense | **(879)** | 294 |
| | **$ 9,078** | $ 4,874 |

Income tax expense on net income before income tax differs from the amount that would be computed by applying the Federal statutory income tax rate of 32.52% (2006 – 32.52%). The reasons for the differences are as follows:

| | 2007 | 2006 |
|---|---|---|
| Computed tax expense | **$ 9,969** | $ 5,217 |
| Change in enacted rates | **(905)** | (415) |
| Over accrual in the prior period | **(229)** | (44) |
| Other net amounts | **243** | 116 |
| | **$ 9,078** | $ 4,874 |

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities in 2007 and 2006 are presented below:

| (in thousands of dollars) | **2007** | 2006 |
|---|---|---|
| Future tax assets: | | |
| Employee future benefits | **$ 2,556** | $ 2,621 |
| Inventories | **1,873** | 402 |
| Investment tax credits | **22** | – |
| | **4,451** | 3,023 |
| Future tax liability | | |
| Capital assets | **(6,768)** | (6,107) |
| Derivative related assets | **(3,126)** | – |
| Investment tax credits | **–** | (112) |
| Net future tax liability | **(5,443)** | (3,196) |
| Included in other comprehensive income | **3,126** | – |
| Future tax liability | **$ (2,317)** | $ (3,196) |

## 13. Employee future benefits

*i) Pension benefits*

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's contributions to the Public Service Pension Plan for the year were $6.4 million (2006 - $5.5 million).

*ii) Other benefits*

The Corporation provides severance benefits to its employees based on their years of service and final salary. The Corporation also provides workers' compensation benefits along with post-employment benefits for employees in receipt of long-term disability benefits. It also offers to certain employees a supplementary retirement benefits plan which provides benefits based on average earnings at retirement. These benefits plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future revenues earned by the Corporation.

Information about these benefit plans at the balance sheet date is as follows:

**Defined Benefit Plan Obligation**

| (in thousands of dollars) | | **2007** | | 2006 |
|---|---|---|---|---|
| **Accrued benefit obligation** | | | | |
| Balance at beginning of year | **$** | **10,773** | $ | 9,757 |
| Current service cost | | **805** | | 938 |
| Interest cost | | **529** | | 484 |
| Benefits paid | | **(1,097)** | | (415) |
| Actuarial losses | | **1,053** | | 9 |
| Balance at end of year | **$** | **12,063** | $ | 10,773 |
| Accrued benefit obligation at end of the year | **$** | **12,063** | $ | 10,773 |
| Unamortized net actuarial losses | | **(1,838)** | | (996) |
| Accrued benefit liability at end of year | **$** | **10,225** | $ | 9,777 |
| Short term portion (accounts payable and accrued liabilities) | **$** | **431** | $ | 709 |
| Long term portion (employee future benefits) | **$** | **9,794** | $ | 9,068 |

**Significant Assumptions (weighted average)**

| | **2007** | 2006 |
|---|---|---|
| Accrued benefit obligation as of December 31 | | |
| Discount rate | **5.7%** | 5.0% |
| Rate of compensation increase | **4.3%** | 4.3% |
| Benefit costs for year ended December 31 | | |
| Discount rate | **5.6%** | 5.0% |
| Rate of compensation increase | **4.1%** | 4.4% |
| Assumed health care cost trend rates at December 31 | | |
| Initial health care cost trend rate | **6.25%** | 6.5% |
| Cost trend rate declines to | **6.25%** | 6.5% |
| Year that the rate reaches the rate it is assumed to remain at | **2008** | 2007 |

## 14. Accumulated other comprehensive income

| (in thousands of dollars) | | **2007** | | 2006 |
|---|---|---|---|---|
| Accumulated other comprehensive income beginning of year | **$** | **–** | $ | – |
| Fair value transition | | | | |
| Transitional adjustment on adoption of new accounting policies (note 3) | | **131** | | – |
| Other comprehensive income | | **7,694** | | – |
| Accumulated other comprehensive income end of year | **$** | **7,825** | $ | – |

## 15. Commitments and guarantees

*i) Base metal commitments and precious metal leases*

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments, as well as precious metals leases. As at December 31, 2007, the Corporation had $22.4 million (2006 - $14.6 million) in purchase commitments outstanding. These commitments are to be completed by November 12, 2008. In addition, at the end of the year, the Corporation had entered into precious metal leases for 221,636 ounces of gold; 2,652,776 ounces of silver; and 3,253 ounces of palladium (2006 – 105,119 ounces of gold; 1,386,406 ounces of silver; and 18,789 ounces of palladium). The fees for these leases are based on market value. The value of the metals under both of these contractual arrangements has not been reflected in the Corporation's consolidated financial statements since the Corporation intends to settle these commitments through receipt or delivery of the underlying metal.

*ii) Bid bonds, performance guarantees and import letters of credit*

The Corporation has various outstanding guarantees and bid bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bid bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments which might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As of December 31, 2007, under the guarantees and bid bonds, the maximum potential amount of future payments is $13.7 million (2006 - $32.6 million).

*iii) Other commitments and guarantees*

The Corporation may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and terms and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed $75 million. For the year ended December 31, 2007, approved short-term borrowings for working capital within this limit, were not to exceed $25.0 million (2006 - $25.0 million).

To support such short-term borrowings as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates. No amounts were borrowed under these lines of credit at year end.

## 16. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada owned entities. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. Transactions with the Department of Finance related to the production, management and delivery of Canadian circulation coins are negotiated and measured at an exchange amount under a three year Memorandum of Understanding, where pricing is agreed annually in the normal course of operations.

## 17. Non-monetary transactions

In December 2003, the Corporation signed a contract where it exchanged certain inventory for service credits. These credits recorded at carrying value will be applied against services to be provided to the Corporation including advertising, marketing studies and printing. These credits are recognized as they are used by the Corporation. In 2007, no credits were utilized (2006 - nil). As a result, the balance of the credits outstanding at year end is $1.0 million (2006 - $1.0 million).

In 2006, the Mint signed an agreement which included an exchange of $2.0 million for goods and services as partial payment for its intangible asset. The payment will be recognized as the goods and services are delivered. In 2007, no goods and services have been provided in respect of this agreement. As a result, the balance of goods and services still to be delivered remains at $2.0 million at year end.

## 18. Interest in joint venture

The following amounts represent the Corporation's proportionate interest in the joint venture:

| (in thousands of dollars) | **2007** | 2006 |
|---|---|---|
| Assets | | |
| Current assets | **$ 905** | $ 1,067 |
| Long-term assets | **211** | 217 |
| Liabilities | | |
| Current liabilities | **55** | 188 |
| Long-term liabilities | **37** | 35 |
| Earnings | | |
| Sales | **$ 939** | $ 2,128 |
| Expenses | **975** | 2,063 |
| Net (loss) income | **(36)** | 65 |
| Cash flow | | |
| Operating activities | **7** | 291 |
| Investing activities | **(31)** | (11) |
| Financing activities | **(2)** | (12) |

98% of the joint venture's total sales for the year ended December 31, 2007 were to the Royal Canadian Mint (2006 - 65%). The Royal Canadian Mint's consolidated financial statements reflect only those sales and related expenses, which were sold to unrelated third parties.

## 19. Comparative figures

The previous year's comparative figures have been reclassified to conform to current year's presentation.