# THIRD QUARTER REPORT
# FISCAL 2014

## NARRATIVE DISCUSSION

### BASIS OF PRESENTATION

The Royal Canadian Mint has prepared this report as required by section 131.1 of the *Financial Administration Act* using the standard issued by the Treasury Board of Canada. This narrative should be read in conjunction with the unaudited condensed consolidated financial statements.

The Mint has prepared these unaudited condensed consolidated financial statements for the 13- and 39-week periods ended September 27, 2014 and September 28, 2013 in compliance with International Financial Reporting Standards (IFRS).

### PERFORMANCE

**Consolidated results and financial performance**

*(in CAD $ millions for the 13- and 39-week periods ended September 27, 2014 and September 28, 2013)*

| | 13 weeks ended | | | | 39 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| | 27-Sep-14 | 28-Sep-13 | $ Change | % Change | 27-Sep-14 | 28-Sep-13 | $ Change | % Change |
| Revenue | $ 500.5 | $ 678.3 | $ (177.8) | (26.2)% | $ 1,739.6 | $ 2,592.1 | $ (852.5) | (32.9)% |
| Profit before taxes | 8.2 | 12.5 | (4.3) | (34.4)% | 43.1 | 37.9 | 5.2 | 13.7% |
| Profit after taxes | 6.1 | 9.3 | (3.2) | (34.4)% | 32.3 | 28.4 | 3.9 | 13.7% |

| | As at | | | |
|---|---|---|---|---|
| | 27-Sep-14 | 31-Dec-13 | $ Change | % Change |
| Cash | $ 94.6 | $ 63.2 | $ 31.4 | 49.7% |
| Inventories | 93.8 | 98.0 | (4.2) | (4.3)% |
| Capital assets | 254.9 | 255.4 | (0.5) | (0.2)% |
| Total assets | 474.4 | 458.4 | 16.0 | 3.5% |
| Working Capital | 139.1 | 114.9 | 24.2 | 21.1% |

*NOTE: The Mint's fiscal year ends on December 31.*

### CONSOLIDATED OVERVIEW

Consolidated revenue for the 13 weeks ended September 27, 2014 was $500.5 million, a 26.2% decline from $678.3 million in the same period in 2013. The variance was driven primarily by the continuing decline in the gold price and bullion demand, a trend that reversed in September with a resurgence of myriad economic and geopolitical concerns. The decline in gold bullion sales was compounded by a decline in revenue in the Foreign and Canadian Circulation business lines, primarily the Alloy Recovery Program (ARP). This was partially offset by continuing strength in demand for the Mint's numismatic products.

Consolidated profit before taxes declined 34.4% to $8.2 million in the third quarter of 2014 from $12.5 million in the same period in 2013, primarily due to a decline in profit from Bullion, Refinery and ETR partially offset by an improvement in contribution from the Foreign and Numismatic and Collectibles business lines. Profit after taxes declined by 34.4% to $6.1 million for the third quarter of 2014 from $9.3 million in 2013. Consolidated total assets increased to

$474.4 million at September 27, 2014 from $458.4 million at December 31, 2013 due primarily to an increase in cash to $94.6 million from $63.2 million at December 31, 2013. Capital assets were stable at $254.9 million with the completion of the Mint's major capital projects. The surplus inventories held by the Mint during the second quarter of 2014 to mitigate the possible disruption in production that might have occurred with the implementation of the new enterprise resource planning system have been reduced to $93.8 million, a historically normal level.

Consolidated revenue for the 39 weeks to September 27, 2014 was $1,739.6 million, a 32.9% decline over revenue in the same period in 2013. Consolidated profits before taxes for the year-to-date increased 13.7% to $43.1 million from $37.9 million in the same period in 2013 while profits after taxes increased 13.7% to $32.3 million from $28.4 million.

As at September 27, 2014, the Mint had exceeded the operating and financial annual targets established in the Corporate Plan approved by the Government of Canada in November 2013.

## CORPORATE DEVELOPMENTS

During the quarter, the Mint selected The Boston Consulting Group (BCG) to help explore how best to divest the MintChip™ digital currency product. The selection of BCG was the result of an open, competitive procurement process. Over the coming months, BCG will support the Mint in packaging the MintChip™ assets, determining the best approach to identifying and engaging interested parties, and identifying the optimal path forward for divestment.

## PERFORMANCE BY BUSINESS LINE

### Revenue by Business Line

*(in CAD $ millions for the 13- and 39-week periods ended September 27, 2014 and September 28, 2013)*

| | 13 weeks Ended | | | | 39 weeks Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | 27-Sep-14 | 28-Sep-13 | $ Change | Change | 27-Sep-14 | 28-Sep-13 | $ Change | Change |
| Canadian Circulation | $ 32.4 | $ 36.5 | $ (4.1) | (11.2)% | $ 93.3 | $ 100.1 | $ (6.8) | (6.8)% |
| Numismatic and Collectibles | 45.2 | 38.8 | 6.4 | 16.5% | 135.1 | 120.8 | 14.3 | 11.8% |
| Foreign | 13.1 | 17.3 | (4.2) | (24.3)% | 53.9 | 42.5 | 11.4 | 26.8% |
| Bullion, Refinery and ETR | 410.2 | 585.7 | (175.5) | (30.0)% | 1,457.5 | 2,328.7 | (871.2) | (37.4)% |

### Operating Highlights and Analysis of Results

### Canadian Circulation:

Revenue for the business line was $32.4 million for the 13 weeks ended September 27, 2014, an 11.2% decline from revenue of $36.5 million in the same period in 2013. The variance was driven primarily by a 39.2% decline in revenue from the Alloy Recovery Program (ARP).

The Mint sold 102.1 million coins to the Department of Finance during the quarter compared to 24.2 million coins sold in the third quarter of 2013. Consumer demand for coinage is stable, and the supply of coins that returned into the market in 2013 due to the accelerated recycling of all coins triggered by the withdrawal of the penny has been depleted.

Under the Alloy Recovery Program (ARP), the Mint recovered and sold 162.7 metric tonnes of nickel and 57.0 metric tonnes of cupronickel during the 13 weeks ended September 27, 2014 compared to 379.3 metric tonnes of nickel and 57.0 metric tonnes of cupronickel in the same period in 2013. ARP revenue for the quarter declined 39.2% to $5.0 million from $8.3 million in the third quarter of 2013. This variance in the volume of metal recovered reflects a decline in the volume of coins recycled; the Mint also recovers fewer pre-2001 coins every year from the coins that are recycled. The decline in revenue reflects the decline in volume offset by higher base metal prices.

The Mint continued to work with financial institutions and coin recycling companies to ensure pennies continue to be recovered efficiently; during the quarter, 267 million pennies were redeemed. Close to five billion pennies have been recovered from the market place since February 2013, placing the Mint on target to recover six billion pennies by February 2016. All proceeds from the reclamation of scrap metals are returned to the Government.

For the 39 weeks to September 27, 2014, revenue from the business line declined 6.8% to $93.3 million from $100.1 million in the same period in 2013. It recovered and sold 506.0 metric tonnes of nickel and 171.0 metric tonnes of cupronickel compared to 1,026.8 metric tonnes of nickel and 190.0 metric tonnes of cupronickel in the same period in 2013.

As manager of Canada's coinage system, the Mint constantly monitors coin inventories across the country to ensure sufficient supply is available at all times in all regions to meet the coinage needs of Canadian consumers. There were no inventory imbalances in any region of the country.

**Numismatics and Collectibles:** Demand continues to build for the Mint's numismatic products driving revenue up 16.5% to $45.2 million during the 13 weeks ended September 27, 2014 compared to $38.8 million in the same period in 2013. The Mint issued 77 new numismatic coins during the quarter compared to 54 in the same period in 2013. There were 22 sell-outs during the quarter compared to 16 sell-outs in the same period in 2013.

Demand was particularly strong for premium and technology coins. The one-kilo pure gold Year of the Sheep coin sold out in 23 days. A set of three coins featuring images from well-known Emily Carr works of art also sold out in just seven days. The Mint released four Superman™ coins during the quarter, including a 14KT gold Superman™ coin. All four Superman™ coins sold out in three days or less. Two face-value programs were launched: a $50 for $50 fine silver Snowy Owl and a $200 for $200 Towering Forests. Coins aimed at expanding demand in the U.S. included a new series of coins featuring prehistoric animals; the first coin in this series is a Woolly Mammoth that was produced in gold and silver.

The continuing growth in demand for the Mint's numismatic coins despite soft economic conditions has been sustained by better aligning the product portfolio with the needs of collectors, targeted marketing throughout the quiet months of the summer and improvements to the quality of customer experience through highly personalized care. During the quarter, the Mint's marketing program included direct marketing through freestanding inserts, direct response television advertisements, targeted email campaigns and telemarketing. The Mint also held three Master Club events at its boutiques in Vancouver, Winnipeg and Ottawa.

The Mint attended the American Numismatic Association trade show and the Royal Canadian Numismatic Association trade show in August and participated in the Mint Directors Conference technical committee meeting in Finland in September.

Revenue for the business line was $135.1 million during the 39 weeks ended September 27, 2014 compared to $120.8 million in the same period in 2013. The Mint has issued 193 new numismatic coins during the year to date compared to 158 in the same period in 2013. There have been 55 sell-outs in the year to date compared to 41 sell-outs in the same period in 2013.

**Foreign:** The Mint shipped 402.0 million coins and blanks to nine countries during the 13 weeks ended September 27, 2014 compared to 595.7 million coins and blanks shipped to nine countries in the third quarter of 2013. Revenue declined 24.3% to $13.1 million from $17.3 million in the same time period in 2013. The decline in revenue reflects the timing of shipments. During the quarter, the Mint won a contract to produce circulation coins. The Mint continues to compete aggressively to expand its share of the foreign circulation coinage market by developing new products, such as double-annealed nickel, non-cyanide diffusion bronze coins, non-cyanide diffusion brass and sophisticated embedded security features. Using its proprietary technology, the Mint produced one million blanks during the quarter for shipment in October. This is the world's first coin produced with non-cyanide diffusion bronze and the only commercial option to meet growing market demand for the environmentally-friendly production of yellow coins. The process also reduces tarnishing. The Mint has purchased capital equipment to support high volume production of this process beginning in 2015.

As a technology leader, the Mint is expanding its revenue stream from licensing, royalty and technology transfer fees. During the quarter, it secured a consulting contract with a South American customer for a numismatic project and the Mint's technical consulting contract with an Asian nation advanced into Phase II. To further capitalize on the Mint's expertise, the Mint has identified potential audiences and developed formal curricula for training and consulting offerings related to coining technologies, marketing, security and circulation coin management for delivery through the research and development facilities in Ottawa and Winnipeg.

In the 39 weeks ended September 27, 2014, the Mint produced and shipped 1.8 billion coins and blanks to 13 countries compared to 1.4 billion coins and blanks to 16 countries in the same period in 2013. Revenue increased 26.8% to $53.9 million in the year to date compared to $42.5 million in the same period last year. During the 39-week period, the Mint secured five contracts to produce circulation and numismatic coins for four countries compared to 12 contracts with 12 countries in the same period in 2013.

**Bullion, Refinery and ETR:** Revenue declined 30.0% to $410.2 million during the 13 weeks ended September 27, 2014 from $585.7 million in the same period in 2013. The volume of Gold Maple Leaf (GML) sales declined 29.7% to 137 thousand ounces compared to 195 thousand ounces in the same period in 2013. Sales of Silver Maple Leaf (SML) coins declined 19.4% to 5.4 million ounces from 6.7 million ounces in the same period last year.

As in the second quarter of fiscal 2014, the decline in GML demand during July and August reflected the shift in investor sentiment as global economies appeared to be recovering. This reversed in early September with sombre economic news coming from Europe and China, and as geopolitical tensions in the Middle East caused the price of oil to drop. The price of gold dropped from $US1,340.25 per ounce in early July to $US1,213.50 in September. Demand jumped 250% in September as buyers of the physical asset re-entered the market in Asia, Europe and North America. The price of silver followed a similar pattern, dropping from a high of US$21.50 per ounce in mid July to a low of US$17.11 at the end of September. During the quarter, the Mint issued several special products including a one-gram legal tender gold bullion coin, packaged in sets of 25 coins, and a 10-ounce silver bar. It also launched the second in a four-coin series depicting birds of prey at the American Numismatics Association trade show in August.

The Mint's margins on products were maintained despite intense competition.

During the quarter, the Mint issued 4,914 Silver Exchange-Traded Receipts (ETRs) following completion of the exercise of 2014 Purchase Rights under the Canadian Silver Reserves

Program. A total of 3,100 purchase rights were exercised at a price of $20.00 for gross proceeds of $62,000. After deducting expenses associated with the exercise of the rights, net proceeds of $60,760 were applied to purchase approximately 3,020 ounces of silver bullion on behalf of ETR holders who exercised purchase rights. Net redemptions of 1.39 million Gold ETRs reduced assets under management by 20,800 ounces or approximately 8%. Silver assets under management saw slight net growth due to the execution of the purchase rights.

Revenue from refining gold decreased modestly to $3.7 million from $4.4 million in the same period in 2013. During the quarter, the Mint undertook a significant modernization project for a customer under which old gold bars were upgraded to modern standards. Revenue from refining silver was stable. Sales of one-kilogram bullion bars tracked the sale of bullion coins. Demand from individual and institutional customers for storage of physical precious metal was stable.

During the 39 weeks ended September 27, 2014, Bullion, Refinery and ETR revenue declined 37.4% to $1,457.9 million from $2,328.7 million in the same period in 2013. Sales of GML coins declined 45.9% to 474 thousand ounces from 876 thousand ounces in 2013 while sales of SML coins declined 1.0% to 20.9 million ounces from 20.7 million ounces in the previous year.

## LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures decreased to $5.0 million for the 13 weeks to September 27, 2014 compared to $7.6 million in the same period in 2013. The decline reflects the completion of several major capital projects including the completion of the Winnipeg manufacturing facility expansion, the implementation of the ERP (Enterprise Resource Planning) upgrade and the development of additional space for the storage of precious metals. Capital projects during the quarter included renovations at the Ottawa facilities as well as new equipment for the Winnipeg and Ottawa facilities.

During the 39 weeks ended September 27, 2014, capital expenditures were $15.9 million compared to $36.9 million in the same period in 2013.

## RISKS TO PERFORMANCE

There has not been any material change in the risks to performance discussed in the Management's Discussion and Analysis in the 2013 Annual Report.

## OUTLOOK

The robust numismatic demand experienced throughout 2012 and 2013 continues to build in 2014. The Mint expects to release in excess of 250 numismatic coins by year-end as it continues to build its customer base in existing markets and to open new markets. The Mint cannot predict the precious metals market, but the rebound in the Bullion, Refinery and ETR business experienced at the end of Q3 is expected to continue into Q4 with the resurgence in economic and geopolitical concerns. The Foreign business line is building momentum on the strength of superior product and services supported by the emphasis on consulting and training. It continues to target 15% of available global market for circulation coinage by 2020. Despite the volumes of coins being recycled and the impact on demand for new coins, Canadian circulation coinage revenue 2014 is not expected to vary significantly from 2013.

## Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with *IAS 34 Interim Financial Reporting* and requirements in the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and for such internal controls as management determines is necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

To the best of our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.

| | |
|---|---|
| J. Marc Brûlé, CPA, CA | André Aubrey, CPA, CA |
| *Interim President and CEO* | *Interim Vice-President Finance & Administration* |

Ottawa, Canada
November 26, 2014

**ROYAL CANADIAN MINT**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**Unaudited**

| | | As at | |
|---|---|---|---|
| *(CAD$ thousands)* | Notes | **September 27, 2014** | December 31, 2013 |
| **Assets** | | | |
| Cash | 4 | **$ 94,607** | $ 63,228 |
| Accounts receivable | 5 | **27,174** | 38,741 |
| Prepaid expenses | | **2,422** | 1,678 |
| Inventories | 6 | **93,789** | 97,986 |
| Derivative financial assets | 7 | **959** | 463 |
| Current assets | | **218,951** | 202,096 |
| Derivative financial assets | 7 | **349** | 688 |
| Property, plant and equipment | 8 | **237,180** | 238,215 |
| Investment property | | **236** | 236 |
| Intangible assets | 8 | **17,669** | 17,186 |
| **Total assets** | | **$ 474,385** | $ 458,421 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | | **$ 57,405** | $ 70,597 |
| Loans payable | | **7,596** | 7,528 |
| Deferred revenue | | **9,345** | 3,922 |
| Income taxes payable | | **2,000** | 499 |
| Employee benefits | 9 | **1,745** | 2,257 |
| Derivative financial liabilities | 7 | **1,760** | 2,412 |
| Current liabilities | | **79,851** | 87,215 |
| Derivative financial liabilities | 7 | **1,178** | 137 |
| Loans payable | | **41,968** | 41,972 |
| Deferred tax liabilities | | **16,287** | 16,329 |
| Employee benefits | 9 | **9,581** | 9,581 |
| **Total liabilities** | | **148,865** | 155,234 |
| **Shareholder's equity** | | | |
| Share capital (authorised and issued 4,000 non-transferable shares) | | **40,000** | 40,000 |
| Retained earnings | | **287,260** | 264,979 |
| Accumulated other comprehensive income (losses) | | **(1,740)** | (1,792) |
| **Total shareholder's equity** | | **325,520** | 303,187 |
| **Total liabilities and shareholder's equity** | | **$ 474,385** | $ 458,421 |

Commitments, contingencies and guarantees (note 14).

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

**ROYAL CANADIAN MINT**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**Unaudited**

| | | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|---|
| *(CAD$ thousands)* | Notes | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| Revenues | 10, 13 | **$ 500,499** | $ 678,260 | **$ 1,739,601** | $ 2,592,062 |
| Cost of goods sold | | **459,784** | 632,750 | **1,596,186** | 2,458,985 |
| Gross profit | | **40,715** | 45,510 | **143,415** | 133,077 |
| **Other operating expenses** | | | | | |
| Marketing and sales expenses | | **17,779** | 18,438 | **56,215** | 54,885 |
| Administration expenses | 12 | **13,810** | 14,772 | **42,915** | 40,820 |
| Other operating expenses | | **31,589** | 33,210 | **99,130** | 95,705 |
| Operating profit | | **9,126** | 12,300 | **44,285** | 37,372 |
| Net foreign exchange gains (losses) | | **(738)** | 310 | **(633)** | 534 |
| **Finance income (costs), net** | | | | | |
| Finance income | | **124** | 65 | **301** | 393 |
| Finance costs | | **(272)** | (224) | **(807)** | (422) |
| Finance income (costs), net | | **(148)** | (159) | **(506)** | (29) |
| Profit before income tax | | **8,240** | 12,451 | **43,146** | 37,877 |
| Income tax expense | | **2,139** | 3,113 | **10,865** | 9,469 |
| **Profit for the period** | | **6,101** | 9,338 | **32,281** | 28,408 |
| **Other comprehensive income** | | | | | |
| *Items that will be reclassified subsequently to profit or loss:* | | | | | |
| Net unrealized gains (losses) on cash flow hedges | | **(610)** | 1,030 | **(2,343)** | (1,517) |
| Reclassification of net realized gains (losses) on cash flow hedges transferred from other comprehensive income | | **937** | 924 | **2,395** | 901 |
| Other comprehensive income (losses), net of tax | | **327** | 1,954 | **52** | (616) |
| **Total comprehensive income** | | **$ 6,428** | $ 11,292 | **$ 32,333** | $ 27,792 |

The accompanying notes are an integral part of these condensed consolidated financial

**ROYAL CANADIAN MINT**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**Unaudited**

**13 weeks ended September 27, 2014**

| *(CAD$ thousands)* | **Share Capital** | **Retained earnings** | **Accumulated other comprehensive income ("AOCI") (Net losses on cash flow hedges)** | **Total** |
|---|---|---|---|---|
| Balance as at June 28, 2014 | **$ 40,000** | **$ 281,158** | **$ (2,067)** | **$ 319,091** |
| Profit for the period | **-** | **6,101** | **-** | **6,101** |
| Other comprehensive income | **-** | **-** | **327** | **327** |
| Balance as at September 27, 2014 | **$ 40,000** | **$ 287,260** | **$ (1,740)** | **$ 325,520** |

13 weeks ended September 28, 2013

| *(CAD$ thousands)* | Share Capital | Retained earnings | Accumulated other comprehensive income ("AOCI") (Net losses on cash flow hedges) | Total |
|---|---|---|---|---|
| Balance as at June 29, 2013 | $ 40,000 | $ 257,670 | $ (2,816) | $ 294,854 |
| Profit for the period | - | 9,338 | - | 9,338 |
| Other comprehensive losses | - | - | 1,954 | 1,954 |
| Dividend paid | - | (10,000) | - | (10,000) |
| Balance as at September 28, 2013 | $ 40,000 | $ 257,008 | $ (862) | $ 296,146 |

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

**ROYAL CANADIAN MINT**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (COND'T)**
**Unaudited**

**39 weeks ended September 27, 2014**

| *(CAD$ thousands)* | **Share Capital** | **Retained earnings** | **Accumulated other comprehensive income ("AOCI") (Net losses on cash flow hedges)** | **Total** |
|---|---|---|---|---|
| Balance as at December 31, 2013 | **$ 40,000** | **$ 264,979** | **$ (1,792)** | **$ 303,187** |
| Profit for the period | **-** | **32,281** | **-** | **32,281** |
| Other comprehensive losses | **-** | **-** | **52** | **52** |
| Dividend paid | **-** | **(10,000)** | **-** | **(10,000)** |
| Balance as at September 27, 2014 | **$ 40,000** | **$ 287,260** | **$ (1,740)** | **$ 325,520** |

39 weeks ended September 28, 2013

| *(CAD$ thousands)* | Share Capital | Retained earnings | Accumulated other comprehensive income ("AOCI") (Net losses on cash flow hedges) | Total |
|---|---|---|---|---|
| Balance as at December 31, 2012 | $ 40,000 | $ 238,600 | $ (246) | $ 278,354 |
| Profit for the period | - | 28,408 | - | 28,408 |
| Other comprehensive losses | - | - | (616) | (616) |
| Dividend paid | - | (10,000) | - | (10,000) |
| Balance as at September 28, 2013 | $ 40,000 | $ 257,008 | $ (862) | $ 296,146 |

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

**ROYAL CANADIAN MINT**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**Unaudited**

| | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| **Cash flows from operating activities** | | | | |
| Receipts from customers | **$ 501,294** | $ 683,704 | **$ 1,756,878** | $ 2,593,878 |
| Payments to suppliers and employees | **(466,746)** | (719,837) | **(1,749,427)** | (2,673,121) |
| Interest paid | **(188)** | (225) | **(739)** | (414) |
| Cash receipts on derivative contracts | **152,752** | 646,364 | **512,400** | 1,256,689 |
| Cash payments on derivative contracts | **(150,453)** | (586,418) | **(453,064)** | (1,131,799) |
| Income taxes paid | **(3,227)** | (1,849) | **(9,406)** | (5,432) |
| Net cash generated (used) by operating activities | **33,432** | 21,739 | **56,642** | 39,801 |
| **Cash flows from investing activities** | | | | |
| Interest received | **124** | 65 | **301** | 393 |
| Payments to acquire property, plant and equipment and intangible assets | **(4,964)** | (7,649) | **(15,930)** | (36,944) |
| Net cash used by investing activities | **(4,840)** | (7,584) | **(15,629)** | (36,551) |
| **Cash flows from financing activities** | | | | |
| Dividend paid | **-** | (10,000) | **(10,000)** | (10,000) |
| Loans and other payables | **(2)** | (1) | **(4)** | (12) |
| Net cash generated (used) by financing activities | **(2)** | (10,001) | **(10,004)** | (10,012) |
| Net increase/(decrease) in cash | **28,590** | 4,154 | **31,009** | (6,762) |
| Cash at the beginning of the period | **65,655** | 53,838 | **63,227** | 64,514 |
| Effects of exchange rate changes on cash held in foreign currencies | **362** | (61) | **371** | 179 |
| **Cash at the end of the period** | **$ 94,607** | $ 57,931 | **$ 94,607** | $ 57,931 |

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

## 1. NATURE AND DESCRIPTION OF THE CORPORATION

The Royal Canadian Mint (the "Mint" or the "Corporation") was incorporated in 1969 by the *Royal Canadian Mint Act* to mint coins in anticipation of profit and carry out other related activities. 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. The addresses of its registered office and principal place of business are 320 Sussex Drive, Ottawa, Ontario, Canada, K1A 0G8 and 520 Lagimodière Blvd, Winnipeg, Manitoba, Canada, R2J 3E7.

In 2002, the Mint incorporated RCMH-MRCF Inc., a wholly-owned subsidiary. RCMH-MRCF Inc. has been operationally inactive since December 31, 2008.

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

## 2. BASIS OF PRESENTATION

### 2.1 Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with *IAS 34 Interim Financial Reporting ("IAS 34")* of the *International Financial Reporting Standards ("IFRS")* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. As permitted under this standard, these interim condensed consolidated financial statements do not include all of the disclosure requirements for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended December 31, 2013.

These interim condensed consolidated financial statements have not been audited or reviewed by an external auditor.

These interim condensed consolidated financial statements have been approved for public release by the Board of Directors of the Corporation on November 26, 2014.

### 2.2 Basis of presentation

The interim condensed consolidated financial statements were prepared on the historical cost basis, except for derivative instruments which were measured at fair value and the defined benefit plan and other long-term benefits which were measured at the actuarial valuation amount. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Although the Corporation's year end of December 31 matches the calendar year end, the Corporation's quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Corporation's quarters contains 13 weeks.

### 2.3 Consolidation

The interim condensed consolidated financial statements incorporate the interim financial statements of the Corporation and its wholly-owned subsidiary. The subsidiary's accounting policies are in line with those used by the Corporation. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

### 2.4 Functional and presentation currency

Unless otherwise stated, all figures reported in the interim condensed consolidated financial statements and disclosures are reflected in thousands of Canadian dollars (CAD$), which is the functional currency of the Corporation.

### 2.5 Significant accounting policies

Significant accounting policies applied in these interim condensed consolidated financial statements are disclosed in note 2 of the Corporation's annual consolidated financial statements for the year ended December 31, 2013. The accounting policies have been applied consistently in the current and comparative periods.

### 2.6 Key sources of estimation uncertainty and critical accounting judgments

The preparation of these interim condensed consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period.

In making critical judgements, estimates and using assumptions, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ significantly from the estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 3. APPLICATION OF NEW AND REVISED IFRS

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

There were no new or revised IFRS issued by the International Accounting Standards Board (IASB) that became effective during the 39 weeks ended September 27, 2014 that affected amounts reported or disclosed in the interim condensed consolidated financial statements.

### 3.2 New and revised IFRS in issue but not yet effective

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation's consolidated financial statements in future years.

*IFRS 1 First-time Adoption of IFRS ("IFRS 1")*
An amendment was released in December 2013 to IFRS 1 as part of the "Annual Improvements – 2011-2013 cycle" project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS and applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early adoption. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IFRS 3 Business Combinations ("IFRS 3")*
An amendment was released in December 2013 to IFRS 3 as part of the "Annual Improvements – 2011-2013 cycle" project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that IFRS 3 excludes for its scope the accounting for formation of joint arrangements in the financial statements of the joint arrangement itself. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IFRS 7 Financial Instruments: Disclosures ("IFRS 7")*
An amendment was released in December 2011 to IFRS 7 regarding requiring disclosures about the initial application of IFRS 9 which currently does not have an effective date. The amendments are to be applied retrospectively to all comparative periods.

An additional amendment was released in November 2013 to IFRS 7 regarding additional hedge accounting disclosures resulting from the introduction of the hedge accounting section of IFRS 9 which currently does not have an effective date. The amendments are to be applied retrospectively to all comparative periods.
The Corporation is currently evaluating the impact of these amendments to IFRS 7 on its consolidated financial statements therefore the impact is not known at this time.

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

The Corporation is currently evaluating the impact of the adoption of IFRS 9 on its consolidated financial statements therefore the impact is not known at this time.

*IFRS 11 Joint Arrangements ("IFRS 11")*
An amendment was released in May 2014 to IFRS 11 which provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The

amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IFRS 13 Fair Value Measurement ("IFRS 13")*

An amendment was released in December 2013 to IFRS 13 as part of the "Annual Improvements – 2011-2013 cycle" project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 "Financial Instruments: Presentation". The adoption of the amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

*IFRS 14 Regulatory Deferral Accounts ("IFRS 14")*

IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016. This standard specifies the accounting for regulatory deferral account balances that arise from rate regulation. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. The adoption of the standard is not expected to have an impact on the Corporation's consolidated financial statements.

*IFRS 15 Revenue from Contracts with Customers ("IFRS 15")*

IFRS 15 was issued in May 2014 and applies to annual reporting period beginning on or after January 1, 2017. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue'', IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

The Corporation is currently evaluating the impact of the adoption of IFRS 15 on its consolidated financial statements therefore the impact is not known at this time.

*IAS 16 Property, Plant and Equipment ("IAS 16")*

IAS 16 was amended in May 2014 for the clarification of acceptable methods of depreciation; it explains that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflect a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IAS 19 Employee Benefits ("IAS 19")*

An amendment was released in November 2013 to IAS 19 to clarify the requirements that relate to contributions from employees or third parties to defined benefit plans. The revised IAS is effective for annual periods beginning on or after July 1, 2014. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IAS 38 Intangible Assets ("IAS 38")*

IAS 38 was amended in May 2014 for the clarification of acceptable methods of amortisation; it introduces a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in IAS 16 with limited circumstances when the presumption can be overcome. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IAS 40 Investment Property ("IAS 40")*

An amendment was released in December 2013 to IAS 40 as part of the "Annual Improvements – 2011-2013 cycle" project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that this standard and IFRS 3 "Business Combinations" are not mutually exclusive and application of both standards may be required. Determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of both standards. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

*IAS 41 Agriculture ("IAS 41")*

Amendments to IAS 41 and ISA 16 were released in June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendments is not expected to have an impact on the Corporation's consolidated financial statements.

## 4. CASH

| *(CAD$ thousands)* | As at<br>**September 27, 2014** | December 31, 2013 |
|---|---|---|
| Canadian dollars | **$ 84,023** | $ 54,949 |
| US dollars | **9,120** | 4,480 |
| Euros | **1,464** | 3,799 |
| Total cash | **$ 94,607** | $ 63,228 |

## 5. ACCOUNTS RECEIVABLE

| *(CAD$ thousands)* | As at<br>**September 27, 2014** | December 31, 2013 |
|---|---|---|
| Trade receivables and accruals | **$ 25,232** | $ 35,313 |
| Allowance for doubtful accounts | **(126)** | (190) |
| Net trade receivables | **25,106** | 35,123 |
| Other receivables | **2,068** | 3,618 |
| Total accounts receivable | **$ 27,174** | $ 38,741 |

Accounts receivable by type of customer was as follows:

| *(CAD$ thousands)* | As at<br>**September 27, 2014** | December 31, 2013 |
|---|---|---|
| Governments (including governmental departments and agencies) | **$ 9,441** | 20,263 |
| Consumers, dealers and others | **9,692** | $ 8,349 |
| Central and institutional banks | **8,041** | 10,129 |
| Total accounts receivable | **$ 27,174** | $ 38,741 |

Accounts receivables are classified as loans and receivables and are measured at amortized cost.

The Corporation does not hold any collateral in respect of trade and other receivables.

## 6. INVENTORIES

| | As at | |
|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | December 31, 2013 |
| Raw materials and supplies | **$ 29,431** | $ 8,663 |
| Work in process | **16,087** | 17,853 |
| Finished goods | **48,271** | 71,470 |
| Total inventories | **$ 93,789** | $ 97,986 |

The amount of inventories recognized as cost of goods sold for the 39 weeks ended September 27, 2014 is $1.6 billion (39 weeks ended September 28, 2013 - $2.5 billion).

The cost of inventories recognized as cost of goods sold for the 39 weeks ended September 27, 2014 includes $3.0 million write-downs of inventory to net realisable value (39 weeks ended September 28, 2013 - $1.6 million).

There is no pledged collateral in respect of inventory.

## 7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### 7.1 Classification and fair value measurements of financial instruments

### 7.1.1 Classification and fair value techniques of financial instruments

The Corporation holds financial instruments in the form of cash, accounts receivable, derivative assets, accounts payable and accrued liabilities, loans payable and derivative liabilities.

The Corporation has estimated the fair values of its financial instruments as follows:

i) The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.

ii) The fair values of loans payables have been estimated based on a discounted cash flow approach using current market rates appropriate as at the respective date presented.

iii) The fair values of the Corporation's foreign currency forward contracts, commodity swap and forward contracts and other derivative instruments are based on estimated credit-adjusted forward market prices. The Corporation takes counterparty risk and its own risk into consideration for the fair value of financial instruments.

The table below details the types of derivative financial instruments carried at fair value:

| | As at | |
|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | December 31, 2013 |
| **Derivative financial assets** | | |
| Foreign currency forwards | **$ 522** | $ 366 |
| Commodity swaps | **522** | 13 |
| Interest rate swaps | **264** | 772 |
| | **$ 1,308** | $ 1,151 |
| **Derivative financial liabilities** | | |
| Foreign currency forwards | **$ 2,511** | $ 2,407 |
| Commodity swaps | **291** | 6 |
| Interest rate swaps | **136** | 136 |
| | **$ 2,938** | $ 2,549 |

### 7.1.2 Fair value hierarchy

Financial instruments, other than those that are not subsequently measured at fair value and for which fair value approximates carrying value, whether or not they are carried at fair value in the consolidated statement of financial position, must disclose their fair value and be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of cash and equivalents is classified as level 1 of the fair value hierarchy as at September 27, 2014 and December 31, 2013. The fair value measurements of all other financial instruments held by the Corporation are classified as level 2 of the fair value hierarchy as at September 27, 2014 and December 31, 2013. There were no transfers of financial instruments between levels for the 39 weeks ended September 27, 2014.

### 7.2 Financial risk management objectives and framework

The Corporation is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Audit Committee assists the Board of Directors and is responsible for review, approval and monitoring the Corporation's risk management policies including the development of an Enterprise Risk Management program which 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. The Audit Committee reports regularly to the Board of Directors on its activities.

### 7.2.1 Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers, cash and derivative instruments. The Corporation has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The carrying amount of financial assets recorded in the interim condensed consolidated financial statements represents the maximum credit exposure.

### 7.2.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by continuously monitoring actual and forecasted cash flows to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

### 7.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or commodity price changes will affect the Corporation's income or the fair value of its financial instruments.

The Corporation uses derivative instruments, such as foreign currency forward contracts, interest rate exchange agreements and commodity swap and forward contracts to manage the Corporation's exposure to fluctuations in cash flows resulting from foreign exchange risk, interest rate risk and commodity price risk. The Corporation buys and sells derivatives in the ordinary course of business and all such transactions are carried out within the guidelines set out in established policies. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

#### Foreign exchange risk

The Corporation is exposed to foreign exchange risk on sales and purchase transactions that are denominated in foreign currencies primarily including US 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 and by applying hedge accounting to certain qualifying contracts to minimize the volatility to profit or loss. The Corporation also uses such contracts in the process of managing its overall cash requirements.

### Interest rate risk

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash as there are no short-term investments as at the dates presented. The Corporation's Bankers Acceptance interest rate swap loan instruments expose the Corporation to cash flow interest rate risk. The Corporation has hedged 100% of the exposure to fluctuations in interest rates related to these instruments by entering into corresponding interest rate swaps, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swaps are designated as hedging instruments under the cash flow hedge accounting model.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Corporation does not account for its fixed rate debt instruments as held for trading; therefore, a change in interest rates at the reporting date would not affect profit or loss with respect to these fixed rate instruments. The Corporation's interest rate swaps expose the Corporation to fair value interest rate risk.

### Commodity price risk

The Corporation is exposed to commodity price risk on its purchase and sale of precious metals including gold, silver, platinum and palladium and base metals including nickel, copper and steel.

The Corporation is not exposed to precious metal price risk related to the bullion sales program because the purchase and sale of precious metals used in this program are completed on the same date, using the same price basis in the same currency.

The Corporation manages its exposure to commodity price fluctuations by entering into sales or purchase commitments or by entering into commodity swap and forward contracts that fix the future commodity price.

Hedge accounting may be applied to the derivative contracts to minimize the volatility to profit or loss. For contracts that are entered into for the purpose of procuring commodities to be used in production the Corporation applies the normal purchases classification.

The impact of commodity price risk fluctuation on the consolidated financial statements is not significant because the Corporation's un-hedged commodity price risk is not significant.

## 8. CAPITAL ASSETS

### 8.1 Property, plant and equipment

The composition of the net book value of the Corporation's property, plant and equipment, is presented in the following tables:

| | As at | |
|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | December 31, 2013 |
| Cost | **$ 401,265** | $ 389,797 |
| Accumulated depreciation | **(164,085)** | (151,582) |
| Net book value | **$ 237,180** | $ 238,215 |

| | | |
|---|---|---|
| **Net book value by asset class** | | |
| Land and land improvements | **$ 3,139** | $ 3,143 |
| Buildings and improvements | **130,136** | 129,033 |
| Equipment | **93,195** | 94,998 |
| In process capital projects | **10,710** | 11,041 |
| Net book value | **$ 237,180** | $ 238,215 |

Reconciliation of the opening and closing balances of property, plant and equipment for September 27, 2014:

| *(CAD$ thousands)* | Land and land improvements | Buildings and improvements | Equipment | Capital projects in process | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at December 31, 2012 | $ 4,094 | $ 78,124 | $ 211,659 | $ 55,337 | $ 349,214 |
| Additions | - | 19,698 | 12,337 | 9,327 | 41,362 |
| Transfers | - | 43,298 | 10,325 | (53,623) | - |
| Disposals | - | - | (779) | - | (779) |
| Balance at December 31, 2013 | 4,094 | 141,120 | 233,542 | 11,041 | 389,797 |
| **Additions** | **-** | **3,291** | **3,171** | **5,967** | **12,429** |
| **Transfers** | **-** | **2,177** | **4,121** | **(6,298)** | **-** |
| **Disposals** | **-** | **(422)** | **(539)** | **-** | **(961)** |
| **Balance at September 27, 2014** | **$ 4,094** | **$ 146,166** | **$ 240,295** | **$ 10,710** | **$ 401,265** |
| **Accumulated depreciation** | | | | | |
| Balance at December 31, 2012 | $ 924 | $ 8,138 | $ 128,261 | $ - | $ 137,323 |
| Depreciation | 27 | 3,949 | 11,054 | - | 15,030 |
| Disposals | - | - | (771) | - | (771) |
| Balance at December 31, 2013 | 951 | 12,087 | 138,544 | - | 151,582 |
| **Depreciation** | **4** | **3,978** | **9,089** | **-** | **13,071** |
| **Disposals** | **-** | **(35)** | **(533)** | **-** | **(568)** |
| **Balance at September 27, 2014** | **$ 955** | **$ 16,030** | **$ 147,100** | **$ -** | **$ 164,085** |
| **Net book value at September 27, 2014** | **$ 3,139** | **$ 130,136** | **$ 93,195** | **$ 10,710** | **$ 237,180** |

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

No indicators of impairment were found for property, plant and equipment as at September 27, 2014.

No asset is pledged as security for borrowings as at September 27, 2014.

### 8.2 Intangible assets

The Corporation's intangible assets contain mainly software for internal use or for providing services to customers.

Reconciliation of the opening and closing balances of intangibles for September 27, 2014:

| *(CAD$ thousands)* | **Software** | **Capital projects in process** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| Balance at December 31, 2012 | $ 21,486 | $ 9,345 | $ 30,831 |
| Additions | 1,264 | 5,656 | 6,920 |
| Transfers | 1,745 | (1,745) | - |
| Balance at December 31, 2013 | 24,495 | 13,256 | 37,751 |
| **Additions** | **2,448** | **492** | **2,940** |
| **Transfers** | **12,706** | **(12,706)** | **-** |
| **Balance at September 27, 2014** | **$ 39,649** | **$ 1,042** | **$ 40,691** |
| **Accumulated amortization** | | | |
| Balance at December 31, 2012 | $ 18,946 | $ - | $ 18,946 |
| Depreciation | 1,619 | - | 1,619 |
| Balance at December 31, 2013 | 20,565 | - | 20,565 |
| **Amortization** | **2,457** | **-** | **2,457** |
| **Balance at September 27, 2014** | **$ 23,022** | **$ -** | **$ 23,022** |
| **Net book value at September 27, 2014** | **$ 16,627** | **$ 1,042** | **$ 17,669** |
| Net book value at December 31, 2013 | $ 3,930 | $ 13,256 | $ 17,186 |

No indicators of impairment were found for intangible assets as at September 27, 2014.

## 9. EMPLOYEE BENEFITS

### 9.1 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. Total contributions of $8.7 million were recognized as an expense in the 39 weeks ended September 27, 2014 (39 weeks ended September 28, 2013 - $8.2 million).

### 9.2 Other post-employment benefits

The Corporation provides severance benefits to its employees and also provides supplementary retirement benefits including post-retirement benefits and post retirement insurance benefits to certain employees. The benefits are accrued as the employees render the services necessary to earn them. These benefits plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

There was no settlement losses recognized in the 39 weeks ended September 27, 2014 or September 28, 2013. There were no past service costs or curtailments in the 39 weeks ended September 27, 2014 or September 28, 2013.

### 9.3 Other long-term employee benefits

The Corporation's other long-term benefits include benefits for employees in receipt of long-term disability benefits, sick leave and special leave benefits and worker's compensation benefits. These benefits plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

## 10. REVENUE

| | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| Revenue from the sale of goods | **$ 496,812** | $ 673,859 | **$ 1,728,452** | $ 2,580,165 |
| Revenue from the rendering of services | **3,687** | 4,401 | **11,149** | 11,897 |
| Total Revenue | **$ 500,499** | $ 678,260 | **$ 1,739,601** | $ 2,592,062 |

## 11. DEPRECIATION AND AMORTIZATION EXPENSES

| | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| Depreciation of property, plant and equipment | **$ 4,462** | $ 4,115 | **$ 13,071** | $ 11,075 |
| Amortization of intangible assets | **1,088** | 524 | **2,456** | 1,387 |
| Total depreciation and amortization expenses | **$ 5,550** | $ 4,639 | **$ 15,527** | $ 12,462 |

Depreciation and amortization expenses were reclassed to other operating expenses as follows:

| | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| Cost of goods sold | **$ 3,789** | $ 3,488 | **$ 10,973** | $ 9,195 |
| Marketing and sales expenses | **704** | 460 | **2,174** | 1,307 |
| Administration expenses | **1,057** | 691 | **2,380** | 1,960 |
| Total depreciation and amortization expenses | **$ 5,550** | $ 4,639 | **$ 15,527** | $ 12,462 |

## 12. SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT EXPENSES, NET

| | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| Research and development expenses | **$ 1,518** | $ 3,119 | **$ 6,382** | $ 7,324 |
| Scientific research and development investment tax credit | **(122)** | (100) | **(522)** | (706) |
| Research and development expenses, net | **$ 1,396** | $ 3,019 | **$ 5,860** | $ 6,618 |

The net expenses of research and development are included in the administration expenses in the consolidated statement of comprehensive income.

## 13. 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. In accordance with disclosure exemption regarding "government related entities", the Corporation is exempt from certain disclosure requirements of IAS 24 relating to its transactions and outstanding balances with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Based on this exemption, as the Corporation has not entered into any transactions with these related parties which are considered to be individually or collectively significant, the Corporation has not disclosed any details of its transactions with:

- The Government of Canada, and departments thereof
- All federal Crown corporations

Transactions with the Department of Finance ("DOF") related to the production, management and delivery of Canadian circulation coins are negotiated and measured at fair value under a three year Memorandum of Understanding, where pricing is agreed annually in the normal course of operations.

The revenues related to the transactions with Department of Finance are as follows:

| | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| *(CAD$ thousands)* | **September 27, 2014** | September 28, 2013 | **September 27, 2014** | September 28, 2013 |
| Revenue from DOF | **$ 27,348** | $ 28,164 | **$ 78,469** | $ 76,350 |

Due to the retrospective application of IAS 16 at the date of transition to IFRS on January 1st, 2010, depreciation expenses that have been charged under Canadian GAAP to the Department of Finance at a rate in excess of actual depreciation expenses incurred under IAS 16 have been adjusted by the amount of $8.2 million at that time. This amount was included in accounts payable and accrued liabilities on the consolidated statement of financial position since it could be reimbursable on demand to DOF. Starting in 2011, the Corporation began reducing the billing to the Department of Finance by $0.5 million annually and the remainder of $6.7 million as at September 27, 2014 (December 31, 2013 - $6.7 million) will be deducted in future billings over the next 13 years.

## 14. COMMITMENTS, CONTINGENCIES AND GUARANTEES

### 14.1 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 September 27, 2014 the Corporation had $30.1 million outstanding precious metal purchase commitments (December 31, 2013 – $41.4 million). At the end of the period, the Corporation had entered into precious metal leases as follows:

| | As at | |
|---|---|---|
| *Ounces* | **September 27, 2014** | December 31, 2013 |
| Gold | **-** | 21,062 |
| Silver | **6,014,828** | 5,084,108 |
| Platinum | **11,896** | 16,001 |
| Palladium | **300** | - |

The fees for these leases are based on market value. The precious metal lease payment expensed for the 39 weeks ended September 27, 2014 is $1.8 million (39 weeks ended September 28, 2013 - $2.2 million). The value of the metals under these leases 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.

### 14.2 Base metal commitments

In order to facilitate the production of circulation and non-circulation coins (for Canada and other countries) and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments. As at September 27, 2014, the Corporation had $ 22.2 million (December 31, 2013 - $34.2 million) in purchase commitments outstanding.

### 14.3 Trade finance bonds and bank guarantees

The Corporation has various outstanding bank guarantees and trade finance bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and 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 September 27, 2014, under the guarantees and bid bonds, the maximum potential amount of future payments is $7.9million (December 31, 2013 - $9.5 million).

### 14.4 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 39 weeks ended September 27, 2014, approved short-term borrowings for working capital within this limit, were not to exceed $25.0 million (September 28, 2013 - $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 as at September 27, 2014 or September 28, 2013.

The Corporation has committed as at September 27, 2014 to spend approximately $ 12.1 million (December 31, 2013 - $8.3 million) on capital projects.

The Corporation has other various lease and contractual purchase obligations for goods and services. As of September 27, 2014 these future commitments are $23.20 million in total (December 31, 2013 - $34.0 million). These commitments will be completed by November 2018 (2014 - $17.6 million, 2015 - $2.1 million, 2016 - $0.1 million, 2017 - $0.2 million, 2018 - $0.2 million).

There are various legal claims against the Corporation. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's consolidated financial statements. There is no contingent liability as of September 27, 2014 or December 31, 2013.

There have been no other material changes to the Corporation's commitments, contingencies and guarantees since December 31, 2013.