Royal Canadian Mint

Summary of the 2016-2020 Corporate Plan & 2016 Capital Budget

1. FULLFILLING THE MANDATE

1.1 Executive Overview

The 2016-2020 Corporate Plan of the Royal Canadian Mint (RCM) has been developed to guide the Corporation in fulfilling its mandate over the next five-year planning period.

Significant Changes from the 2015-2019 Corporate Plan

<u>Strategy Review</u>

The Royal Canadian Mint enters the 2016-2020 planning period with the RCM leadership having completed a strategic exercise aimed to identify the best path forward to fulfill its mandate and add value to Canada and Canadians. Continuing out of the exercise, business lines and supporting functions have developed and articulated their respective strategies as an integrated set of choices that link together explicit goals with clear views on where each business line will play and how it will win. One outcome of the review is that the RCM tightened its workforce plan in the fall of 2015 as well as continuing to tighten its expense management practices in line with revised strategy.

<u>Ongoing Review Asset Impairment</u>

The market dynamics have adjusted significantly in both the circulation (Canadian and Foreign) and refinery businesses where there is increased supply and downward pressure on prices. This, combined with revenues being significantly below plan for these areas, has resulted in the RCM completing an asset impairment review at the end of the third quarter and recording an impairment charge.

Planning Assumptions

There have been some significant variances in planning assumptions from the development of the 2015-2019 Corporate Plan. As the actual values for the major planning assumptions are based on the global financial markets, there is inherent risk in the RCM's financial results over the long term.

The RCM successfully executed the sale of the assets of Mint Chip through an open and transparent divestiture process. The consideration was $5 million cash on closing and an $11 million note due in 7 years with interest payable semi-annually at 4 %. The Mint will recognize the $5 million in 2015 and will recognize the interest and loan repayment either when cash is received or when certainty about the repayment of the note is high.

Summary of Programs and Business Lines

With the exception of Numismatics, the RCM's businesses are largely price takers, not market makers. As a result, business lines have varying structural attractiveness.

For the **Canadian Circulation** Program, the RCM will focus on producing secure and high quality coins and the development of next generation coin technologies for domestic use. In light of the non-profit dimension of its relationship with the Government of Canada, it will continue to exercise prudent financial management to deliver a cost-effective program for Canadians.

The **Circulation Products & Solutions** business line operates in a price-sensitive market. The existing cost structure puts additional pressure on the RCM being price-competitive. It will focus on driving down overall cost and price, and maximize efficiency.

The **Numismatics** business line has the most potential for growth for the RCM through increased customer acquisition, share of wallet and retention. However, the RCM needs to evolve to a customer-led, data-driven business to align more closely with the customer needs.

The **Bullion Products & Services** business line has been a key driver in the RCM's profitability in recent years due to high precious metal demand and a favourable USD exchange rate. In the longer term, given the volatility of the commodities markets, this business should be prepared for weaker market conditions and should optimize the variables it controls.

In line with its refined strategy choices, the RCM has also updated its vision to:

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

This vision is now supported by three updated strategic objectives:

Customer-driven…

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

With talented people…

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

To add value to Canada and Canadians

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

With a refreshed strategy, vision and objectives, the RCM enters its 2016-2020 corporate planning period confident that it can fulfill its mandate through promoting Canadian heritage and values while maximizing profit from non-Canadian circulation business lines, thus providing good commercial return and cost efficiency to Canadian taxpayers.

1.2 Public Policy Relevance

The RCM and Government of Canada Priorities

In addition to fulfilling its own mandate, the RCM contributes to the following Government of Canada priorities:

Economic affairs

A Strong Economy:

In support of the domestic currency system, the RCM is responsible for the production and distribution of circulation coinage to meet the needs of Canadians. The RCM also enhances the efficiency of the distribution system with its partnership in coin recycling across Canada. The RCM provides advice to the Minister of Finance on all coinage matters and ensures continuous coinage availability across Canada to meet the needs of trade and commerce. In doing so, the RCM also manages important government initiatives such as the phase out of the penny.

Social Affairs

A vibrant Canadian Culture and heritage:

The RCM celebrates the culture and events of Canada through its coins and medals. Its commemorative coin and numismatic programs continue to celebrate Canada’s history, culture and values and allow Canadians to connect to their past by delivering compelling themes. In January 2015 the RCM launched a multi-year commemorative circulation coin program to celebrate Canada's upcoming 150th anniversary in 2017.

International Affairs

A prosperous Canada through international commerce:

The RCM competes in global markets. The RCM has the leading market share for gold bullion coins and offers the second most popular silver bullion coin globally. In addition the RCM produces circulation and numismatic coins, blanks, medals, medallions, tokens and related services for customers around the world.

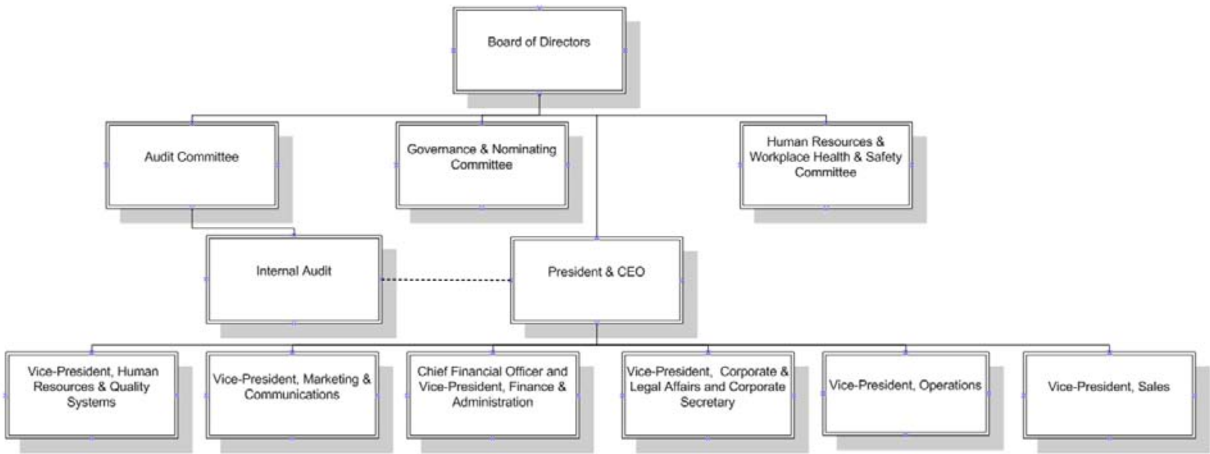
Employment

Providing high quality jobs:

The RCM provides high quality jobs to over 1,000 Canadians in its Ottawa and Winnipeg locations while delivering strong levels of profitability for its shareholder. In addition, the RCM commissions creative work from many Canadian artists each year.

1.3 The Role of RCM's Board of Directors

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



The Board of Directors

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

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

Board of Directors Meetings

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

With the exception of the President and CEO, all directors are independent of the RCM's senior management. At each regular meeting, the Board holds an in camera session with the President and CEO as well as a separate in camera session without. The Chair of the Board is an ex officio voting member on all committees; the President and CEO is also an ex officio voting member of all standing committees with the exception of the Audit Committee, which she attends as an observer. All members of the Board serve on at least one committee.

Standing Board Committees

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

Board Education and Evaluations

New Board directors are oriented to the RCM and its businesses through comprehensive briefings by senior management as well as tours of the Ottawa and Winnipeg facilities. Regular updates on the RCM's activities are also provided at Board meetings as part of ongoing education on the RCM's activities. Board members are also encouraged to participate in ongoing professional development activities.

Changes during 2015

There were a number of appointments made in 2015. Carman Joynt was appointed as Chair of the Board of Directors and Sandra L. Hanington as the RCM's new President and CEO. Both were appointed to five-year terms. Ghislain Harvey was reappointed to the RCM's Board for a three-year term. The Honourable Carol Skelton and N. William C. Ross were appointed to the RCM's Board of Directors for four-year terms. In senior management, Jennifer Camelon joined as the Chief Financial Officer and Vice-President of Finance and Administration with Simon Kamel appointed Vice-President, Corporate and Legal Affairs and Corporate Secretary. Following a recent departure, the RCM is currently staffing the role of Vice-President, Marketing & Communications.

1.4 Communications with Stakeholders / Outreach Activities

The RCM uses a variety of methods to promote transparency, accountability and accessibility.

These include:

- Quarterly meetings with Department of Finance officials as well as quarterly reports;
- Chairing meetings of the National Coin Committee (composed of representatives from Canadian financial institutions, armoured car carriers and the Canadian Bankers Association) to ensure economic demand for circulation coins is being met and that stakeholder concerns are considered when developing new technologies;
- Meeting annually with numismatic and bullion dealers and distributors—and with foreign representatives—to inform them about RCM products and activities and gather feedback to help shape marketing and product strategies;
- Participating in the Canadian and American Numismatic Association trade shows, the World Money Fair, and the Mint Directors' Conference—all attended by many RCM customers, dealers and distributors;
- Inviting the public and customers to attend circulation coin launches;
- Seeking customer and public feedback through annual satisfaction surveys, focus group testing, public opinion research and regular market research;
- Providing general feedback mechanisms through its website, Facebook and Twitter and 1-800 call centre; and
- Making publicly available the RCM's annual report, which contains consolidated financial statements that have been audited by the RCM's external auditor, and corporate plan summary, which outlines the RCM's objectives and strategic priorities. These documents (and others) are accessible through the RCM's website.

The Corporation held its sixth annual public meeting in December 2015. The annual public meeting provides for transparent disclosure and an opportunity for the general public to learn more about the RCM's activities.

1.5 Mission

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

The Mint regards its mission in alignment with the *Royal Canadian Mint Act* that notes "*The objects of the Mint are to mint coins in anticipation of profit and to carry out other related activities*" while the RCM "*shall not anticipate profit with respect to the provision of any goods or services to Her Majesty in right of Canada, including the minting of circulation coins.*"

1.6 Vision and Values

Vision

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

Values

Honesty, Respect, Passion and Pride are defined as the RCM's values.

1.7 RCM Major Strategic Objectives

The RCM's vision is a corporate philosophy that underlies all of the operations and activities of the RCM and is supported by three major strategic objectives.

Customer-driven…

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

With talented people…

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

To add value to Canada and Canadians

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

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

1.8 Return to Shareholder, Profitability and Dividends

Return to Shareholder and Profitability

Financial Benefit to Canada - Previous 5 Years in millions ($MM)

	2010	2011	2012	2013	2014	Total
Income Taxes Paid	$19.8	$10.8	$7.5	$7.8	$16.9	$62.8
Dividends Paid	$7.0	$10.0	$10.0	$10.0	$10.0	$47.0
Paid to Shareholder	**$26.8**	**$20.8**	**$17.5**	**$17.8**	**$26.9**	**$109.8**

The RCM is a fully commercial Crown corporation. Since its incorporation in 1969, the RCM has earned over $635 MM in pre-tax profits as of the end of 2014. The RCM is a prescribed federal Crown corporation for tax purposes and is subject to federal income taxes under the *Income Tax Act.* Since it became taxable in 1991, the RCM has paid over $110 MM in income taxes to the Government of Canada. Since 1969, the RCM has returned close to $220 MM in dividends and equity to the shareholder.

Memorandum of Understanding

The Department of Finance and the RCM have a Memorandum of Understanding (MOU) that governs the production, promotion, distribution and management of Canadian circulation coinage. A three-year agreement was signed in 2015 reflecting the recently amended *Royal Canadian Mint Act* that eliminated the anticipation of profit with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins.

Criteria for Issuance of Dividend

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

With the new approach to dividend issuance, here are the forecasted financial benefits to Canada for the planning period.

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

	2015	2016	2017	2018	2019	2020	Total
Income Taxes Paid	17.7	13.8	15.1	17.3	18.9	20.6	103.4
Dividends Paid	53.0	31.0	15.0	102.0	15.0	101.0	317.0
Paid to Shareholder	**70.7**	**44.8**	**30.1**	**119.3**	**33.9**	**121.6**	**420.4**

At this time, the Department of Finance is reviewing a Crown corporation capital and dividend policy framework. The objectives of the review are: to ensure that the financial Crown corporations have appropriate methodologies in place to determine their capital adequacy requirements; that they effectively manage their capital in relation to risk; and, that dividends are paid to the shareholder when capital is in excess of levels required to deliver on their objectives. Upon finalization of the results of this initiative the RCM will review it to ensure consistency with Government policy.

2. CORPORATE PROFILE

2.1 History and Legislative Powers

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

<u>Legislative Powers</u>

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

The *Royal Canadian Mint Act* prescribes the general objective for the RCM, which is to mint coins in anticipation of profit and to carry out other related activities. The *Royal Canadian Act* was amended in December 2014, to eliminate the anticipation of profit by the RCM with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins.

To fulfill its mandate, the RCM possesses the rights, powers, privileges and capacity of a natural person and may, in particular:

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

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

The RCM is designated a Schedule III – Part II Crown corporation under the *Financial Administration Act*.

2.2 Product and Service Descriptions

2.2.1 Canadian Circulation Program

The Canadian Circulation Program operates without anticipation of profit per the MOU with the Department of Finance. It delivers value to Canadians in delivering secure, high-quality and cost-effective coinage in support of Canadian trade and commerce. In addition to coin production, the RCM manages a sophisticated forecasting and distribution system that ensures the availability of coins across the country in an economical and fiscally prudent manner. The efficiency and effectiveness of its distribution system allowed the RCM to successfully remove the penny from circulation on a timely, cost effective basis.

While overall demand for Canadian coin has remained relatively flat at 4.5 billion pieces annually, the majority of demand is met through the RCM's management of the Canadian circulation distribution system and recycling initiatives. The balance is satisfied through coins produced at Winnipeg's high speed production facility. While over the long term it is expected that electronic payments will reduce overall reliance on physical currency, affecting Canadian circulation volumes, based on current trends this planning period assumes continued stable demand. This assumption will be monitored going forward.

In chairing the National Coin Committee, the RCM works collaboratively with the financial institutions, armoured car companies and other stakeholders to ensure that Canada does not experience any coin shortages and that inventories are maintained at appropriate levels. The RCM serves a key role as an advisor to the Government of Canada on coin matters by providing insight and feedback on issues involving the nation's coinage.

Further enhancing the efficiency of the distribution system is the RCM's partnership in coin recycling across Canada which reduces the overall costs of coin production and creates a vehicle for Canadians to return their coins. In addition, the RCM utilizes a proprietary non-cyanide multi-ply plated steel (MPPS) technology in the production of its coins which has saved the Government of Canada approximately $360 MM since its introduction through reduced reliance on expensive alloys.

The RCM is regarded as a global leader in the production and management of circulation coin products. It is renowned for its progressive and innovative approach to security features which have resulted in Canadian coins being amongst the most secure in the world. The RCM will continue to be pro-active in developing new security features and next-generation coin technologies to ensure that the integrity of Canada's monetary supply is maintained. It will also continue to work, through its R&D initiatives, to reduce overall production costs.

The Canadian Circulation Program takes pride in celebrating Canadian heritage and values on its coins through its special commemorative programs.

In January 2015, the RCM launched the Canada 150 circulation coin program developed to celebrate Canada's 150th anniversary of confederation. Coins will be issued in the lead up to 2017. In 2015, a two-dollar coin commemorating the 200th birthday of Sir John A. Macdonald, a 25-cent coin marking the 50th anniversary of the Canadian Flag, a 25-cent poppy coin and a two-dollar coin to commemorate the 100th anniversary of the writing of Lieutenant Colonel John McCrae's iconic poem *In Flanders Fields* will have been released.

In celebration of Canada's upcoming 150th anniversary of Confederation, the RCM received over 10,000 entries from Canadians who participated in a Canada-wide contest launched in March 2015 to design the 2017 circulation coin series. The public voting phase will occur during September and October of 2015.

2.2.2 Circulation Products & Solutions Business Line

Overview

Circulation Products & Solutions (CP&S) produces and supplies finished coins, tokens and coin blanks to customers around the world, including central banks, mints, monetary authorities and finance ministries. In addition, the business line leverages the RCM's advances in products and processes to provide technical consulting services to select customers, where the provision of those services directly benefits the business line's sales. Domestically, CP&S is responsible for operation of the Alloy Recovery Program (ARP), whereby older-composition Canadian coins are removed from circulation and replaced by MPPS versions, which are more durable and secure. This systematic replacement of old alloy coins also ensures that there is consistency in the market, which helps to streamline automated coin acceptance transactions.

2.2.3 Numismatics Business Line

Overview

The Numismatics Business Line produces and sells collectible coins and medals to customers in Canada and around the world. Innovative technology enhancements like holograms, selective plating and colour create unique and compelling products that attract new customers and differentiate the RCM's product against competition.

2.2.4 Bullion Products & Services Business Line

Overview

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

3. ANALYSIS OF THE EXTERNAL ENVIRONMENT

3.1 Economic Trends

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

Economic Growth and Inflation	2015 Corporate Plan	2015 Forecast	2016 Corporate Plan
Canada - Growth	2.40%	1.10%	2.30%
Canada - Inflation	2.00%	1.10%	2.00%
USA - Growth	3.10%	2.30%	2.80%
Global - Growth	3.60%	3.10%	3.60%
China - Growth	7.00%	6.80%	6.60%
Japan - Growth	1.20%	0.80%	1.20%
India - Growth	6.60%	7.30%	7.50%
Europe – Growth	1.40%	1.20%	1.30%
Emerging Markets / Developing Countries	5.00%	4.30%	5.00%

Forecasts from the Bank of Canada Monetary Policy Report July 15, 2015. Emerging Markets forecasts from the IMF World Economic Outlook Update July 9, 2015

Over the planning period and principally in the short term, the Bank of Canada expects the global economic expansion will strengthen from 3.1% in 2015 to 3.6% in 2016. The United States will lead major advanced economies with growth of 2.8 % for 2016 with continuing slow growth in Europe and in Japan. Canadian growth is expected to expand by 2.3% in 2016. The forecast also calls for continued strength in major emerging economies with China at 6.6%.

With modest growth forecast for Canada in 2016, it continues to provide adequate market conditions for numismatics which are regarded as discretionary purchases. Growth in the United States will support the Numismatics Business Line although there is a weaker outlook for its smaller European market.

With continued global growth, it is anticipated there may be less momentum for investors to purchase bullion. In its recent history, the RCM has seen bullion sales levels increase in relation to economic uncertainty. Broad-based and long-term economic stability can lead to lower demand for precious metal holdings. Should investors sell their Gold Maple Leaf and Silver Maple Leaf products, this would directly lower the demand for newly minted bullion coins.

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

3.2 Gold and Silver Trends

In 2015, gold and silver forecasts in USD have eased from the 2015 Corporate Plan levels. The 2016 Corporate Plan anticipates both metals to approximate in USD 2015 forecast levels. The strong US dollar is expected to support high CAD values of both metals in 2016 compared to the 2015 forecast.

Gold Maple Leaf coins are primarily (90%) sold with a fixed premium in US funds, with a small proportion sold as a percentage of metal price. Consequently, the impact experienced by the RCM from a change in the Canadian-US exchange is more significant than a change in the price of gold.

Silver Maple Leaf coins are sold in US funds at a fixed premium and not as a percentage of the metal price.

For the refinery, declining gold and silver value is an unfavourable development. Metals retained from the customer after the refining process form part of the RCM revenue base, which correspondingly decreases as precious metal prices decline. A weaker Canadian dollar will mitigate this effect. While lower, historically high precious metals prices will keep mines operating. Refining requirements for scrap material tends to be more dependent on increasing prices.

Annually, the RCM hedges its numismatics gold and silver requirements, a key component of the cost of goods sold.

3.3 Base Metal Price Trends

In 2015, base metals in USD have eased significantly from the 2015 Corporate Plan levels. The 2016 Corporate Plan anticipates base metals to increase in USD from 2015 forecast levels. The strong US dollar is expected to support high CAD values of base metals in 2016 compared to the 2015 forecast.

While nickel has trended down from its record high prices in 2007, the diminishing price differential between nickel/copper alloys and steel provides a less compelling financial justification for customers to consider the use of the RCM's cost-effective MPPS versus traditional alloy coins. Reduced nickel prices have a direct and unfavourable impact on ARP program revenues.

To ensure stable revenue and cost flows, the RCM annually hedges or secures planned base metal transactions for its Canadian Circulation Program and Circulation Products & Solutions Business Line.

3.4 Exchange rate

In 2015, the Canadian dollar in USD has weakened significantly from the 2015 Corporate Plan levels. The 2016 Corporate Plan anticipates the Canadian dollar to be slightly weaker than the 2015 forecast level.

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

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

4. ANALYSIS OF THE INTERNAL ENVIRONMENT

4.1 Internal Capabilities and Processes

4.1.1 Finance, Treasury, Strategic Planning and Analysis

In 2015, the RCM implemented new financial processes to provide fully absorbed profit by business line and introduced a four-quarter forecasting process in order to provide better business insights.

The RCM has been focused on reviewing its controls over financial reporting as well as streamlining and improving the quality of its corporate plan, annual report and quarterly financial reports to improve transparency and accountability to its key stakeholders.

In the corporate planning period, the finance and treasury teams will be focused on modernizing their processes, using the RCM's Enterprise Resource Planning (ERP) software more completely to improve its workflows and internal controls, as well as implementing a corporate performance management tool to support business planning, forecasting and analysis.

4.1.2 Supply Chain and Procurement

In early 2015, the RCM consolidated its Supply Chain and Procurement functions in order to best meet its business requirements. As part of this consolidation, the RCM implemented a strategic sourcing focus for key areas such as metals, packaging, printing and improvements to its procurement. These activities are expected to support the business line needs – reductions in time-to-market, enabling product differentiation or achieving low cost requirements.

The RCM expects to implement all the supply chain and procurement recommendations from the Auditor General's Special Examination Report by early 2016.

4.1.3 Information Technology and Information Systems Security

The Information Technology (IT) and Information Systems Security (ISS) teams have supported a significant growth in applications and services to support the RCM's business over the last few years. On a go-forward basis, the RCM will be looking at driving down complexity and customization by adopting industry-standard processes to simplify our business system solutions and integrations.

For the planning period, the IT and ISS teams will be focused on:

- Providing the systems and tools necessary to support the execution of the corporate strategy;
- Leveraging the existing tools and ensuring that related processes are simple and user friendly;
- Developing a cyber security plan to meet business requirements and executing on the plan; and
- Implementing business continuity plans and related testing in response to the Auditor General's Special Examination Report.

4.1.4 Enterprise Risk Management

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

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

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

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

4.1.5 Marketing and Communications

The Marketing and Communications division ensures that the RCM's brand promotes Canadian heritage and values, and aligns to the corporate vision of delivering excellence. In doing so, the division strives to maximize commercial return by raising the profile of the RCM and driving sales results through targeted campaigns both domestically and internationally. The division serves all business lines and corporate interests, with a primary emphasis to support the Numismatic Business Line to achieve its growth objectives. In order to do this, the division's marketing service will evolve to a customer-led, data-driven function and align more closely with customer needs, while building up capabilities to achieve our anticipated growth.

4.1.6 Corporate and Legal Affairs

The Corporate and Legal Affairs (CLA) division of the RCM is composed of four sections: the Office of the General Counsel (OGC), Corporate Affairs, Linguistic Services and Official Languages, and the Compliance group.

The OGC is responsible for providing and coordinating all legal counsel and advice with respect to the RCM's legal matters. The role of the OGC is to protect the interests of the RCM by providing a full range of legal services to the RCM's leadership team and employees including strategic legal advice.

The Corporate Affairs section is responsible for providing secretariat support to the RCM's Board of Directors, managing the administration of the *Access to Information Act* and *Privacy Act*, and general activities related to new coin design submissions and intellectual property requests. The Linguistic Services and Official Languages section provides linguistic services (translation, adaptation, editing, proofreading, consecutive sign and simultaneous interpretation, linguistic advice and bilingual writing) to the RCM thereby supporting the bilingual internal and national operations of the Corporation as well as its multilingual international business. The section also monitors the application of and compliance with Canada's *Official Languages Act*.

Finally, the fourth section falling under the CLA umbrella is the Compliance group (Responsible Metals, Anti-Corruption & Anti-Bribery and Anti-Money Laundering/Anti-Terrorist Financing). The Compliance group is responsible for the development and oversight of the RCM's regulatory compliance programs, ensuring that the RCM is in full compliance with all related laws and regulations, and has appropriate measures in place to protect its brand and products from criminal exploitation. The Compliance section is a centralized function responsible for promoting risk awareness, identifying potential vulnerabilities, and working with all affected areas of business to respond to the risk of criminal exploitation in a comprehensive and consistent manner.

CLA's key strategic priorities continue to focus on improving its customer service levels and providing responsive support that helps internal stakeholders achieve the RCM's business objectives in a manner that complies with and upholds applicable legal and ethical standards. CLA will continue to actively monitor and identify risks under its purview, in addition to providing risk analysis, management and mitigation strategies in conjunction with internal stakeholders.

4.1.7 Human Resources

The Human Resources and Quality Systems division (HR) is composed of four areas: Human Resources, Health, Safety and Environment, Quality Systems and Physical Security.

In 2015, the HR team focused on the development and rollout of a comprehensive and modern leadership training program to enhance the effectiveness of its managerial capabilities. It also successfully rolled out a more robust workforce planning process including a workforce plan module in its Human Resources Management Information System. For the planning period, the team will be focused on continued leadership training, talent acquisition and development and succession planning to provide the capabilities to meet the needs of the business. The Health Safety and Environment teams will be focused on the introduction of a comprehensive mental health strategy, continue its hazard identification initiatives and complete the deployment of the environmental management system and policies.

The Quality Systems team is focused on supporting the business to implement an external supplier management program focusing on meeting quality requirements in the RCM supply chain that customers will pay for.

The RCM's security organization will continue to review and improve its processes and ensure it adopts the best practices that are relevant to RCM in the field of personnel security and physical asset protection. Both the Security and Health and Safety teams will be working on the development of an emergency preparedness plan.

4.1.8 RCM Operations

As part of its strategic review process completed in 2015, the RCM completed an assessment of its operational effectiveness in both Ottawa and Winnipeg.

Ottawa Operations

The Ottawa operation is well positioned to meet the production volume requirements for the Numismatics and Bullion business lines over the planning period.

The growth in both numismatics and bullion sales in the past three to five years has been driven from an increase in product portfolio which has added significant complexity to the RCM's operations. To help ensure efficient operations, RCM will be focused on:

- Enhancing its sophistication in product, operations and sales planning – to provide a clearer picture on the operational impact of product mix shifts, costs and inventory strategies for different product launches;
- Ensuring the right mix of in-sourcing as opposed to contracting of skills and services through insight-based decision making;
- Developing strategies to reduce lead time in developing numismatics products to allow for the ability to apply customer insight to our product portfolio on a timely basis; and
- Reviewing alternatives for warehousing, pick, pack and shipping to meet market expectations for average order lifecycle.

Winnipeg Operations

There has been significant change in the circulation environment over the past five years in both Canadian Circulation and Circulation Products & Solutions.

In 2015, the RCM will reduce costs for its coining operation. In addition, as a result of a streamlined product mix and a reduced volume of small customers, the RCM will reduce costs through more efficient asset utilization and reduction in costs for production trials, die sets and tooling.

4.1.9 RCMH – MRCF Inc.

In 2001, the RCM set up RCMH-MRCF to support a specific joint venture. The TGM joint venture was wound down in 2009. There is no activity being undertaken by RCMH-MRCF Inc. at this point in time, nor is there any planned activity for the planning period.

5. CORPORATE OBJECTIVES, STRATEGIES AND PERFORMANCE INDICATORS

The RCM's corporate vision is:

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

This vision is supported by three strategic objectives, supporting strategies and performance indicators. The 2017-2021 Corporate Plan will include an update on progress towards the achievement of these 2016 performance indicators.

5.1 Corporate Objective 1: Customer-Driven…

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

5.2 Corporate Objective 2: With Talented People…

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

- Provide employees with training, development and performance management programs to enhance their abilities and help them achieve their potential:

- Create a safe, healthy and productive workplace by adopting practices which promote engagement and inspire people to excel:

- Deploy effective talent acquisition strategies and hiring practices to compete for the best talent who share the RCM's values:

5.3 Corporate Objective 3: To Add Value to Canada and Canadians…

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

- Exercise prudent financial management:
    - Program costs for Canadian circulation program at or below budget.

- Ensure an efficient management of the production, storage and distribution of Canadian coins:
  - No shortages in circulation coinage.

- Maximize returns to the Government of Canada in form of retained profits, dividends and income taxes:
  - Achieve corporate plan target for profit and dividend in 2016.

- Excel in the delivery of our service to Canada:
  - Produce high quality secure coins for Canada and maintain inventory supply levels as required and;
  - Promote Canadian heritage and values through our commemorative and numismatic coin programs,

6. OPERATING POSITION, FINANCES AND BORROWING PLAN

6.1 Comparison of 2015 Consolidated Corporate Plan to Forecast

This section reviews 2015 forecast against the plan included in the 2015-2019 Corporate Plan.

	2015 Corporate Plan[2] $MM	2015 Forecast $MM
Revenues	2,024.6	2,977.4
Operating Costs	1,977.5	2,915.2
Impairment	-	65.5
Profit (loss) before income taxes	**47.1**	**(3.3)**
Income tax	11.8	(0.5)
Profit (loss)	**35.3**	**(2.8)**
Other comprehensive income, (losses) net of tax	(1.4)	(4.7)
Total Comprehensive Income (Loss)	**33.9**	**(7.5)**
Capital Expenditures	**33.0**	**17.4**

Canadian Circulation Program

- The overall demand for Canadian coins has decreased slightly to 4.2 billion for the year. It is anticipated there will be no shortages of circulation coins in 2015.
- Recycling volumes of 0.6 billion are slightly below target of 0.70 billion with new coin demand of 0.4 billion coins.

Circulation Products & Solutions

- The Circulation Products & Solutions Business Line did not meet its revenue target due to aggressive competition. Costs have been tightly controlled to mitigate the impact to the RCM.

Numismatics Business Line

- The Numismatics Business Line marginally surpassed its 2015 revenue target by refocusing its marketing and sales efforts.

Bullion Products & Services

- The Bullion Business Line exceeded target capitalizing on strong demand for bullion and a favourable USD exchange rate.

Net income before taxes for the year prior to impairment is $62.2 MM compared to a target of $47.1MM.

Other Key Performance Indicators

- On-time delivery targets for CP&S and BP&S customer commitments have been met.
- On-time delivery targets for Numismatics have been met.
- Returns of product related to quality are below the target of 0.5%.
- Injury frequency and severity rates in both Ottawa and Winnipeg plants are above target.
- Sick leave per employee is above target.
- Training spend is less than plan due to the decision to prioritize spend on leadership training in 2015.

6.2 Five-Year Key Planning Assumptions

Planning Assumptions	2016
Inflation [1]	2%

Income Taxes	2016
Effective income tax rate	25%

1) The Bank of Canada Monetary Policy Report - July 15, 2015.

6.3 Generally Accepted Accounting Principles ("GAAP")

Basis of reporting

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010. A complete reconciliation of Canadian GAAP to IFRS was presented in the notes to the RCM's 2011 Audited Consolidated Financial Statements.

Quarterly Financial Reporting

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report within 60 days after the end of the fiscal quarter to which the report relates. This standard is issued by the Treasury Board Secretariat.

New and revised IFRS in issue but not yet effective

a) The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The adoption of the following amendments is not expected to have a material 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.

Annual improvements to IFRSs 2012-2014

In September 2014, the International Accounting Standards Board (IASB) issued annual improvements during the 2012-2014 cycle. The standards covered by the amendments are: IFRS 5 "Non-current assets held for sale and discontinued operations" which provides guidance on the methods of disposal; IFRS 7 "Financial Instruments: Disclosures" which provides guidance on servicing contracts and the applicability of the amendments to IFRS 7 to condensed interim financial statements. IFRS 19 "Employee benefits" which clarifies how the discount rate is to be determined in a regional market using the same currency; and IAS 34 "Interim Financial Reporting" which discusses disclosures of information elsewhere in the interim financial report. These annual improvements are to be applied for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

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

IAS 1 Presentation of Financial Statements (“IAS 1”)

In December 2014, IASB issued amendments to IAS 1 which clarified the existing presentation and disclosure requirements including the presentation of line items, subtotals and notes and provided guidance to assist in applying judgement in determining what information to disclose and how that information is presented in financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

IFRS 9 Financial Instruments (“IFRS 9”)

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

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

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

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

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

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

IFRS 16 Leases

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

6.4 Borrowing Plan

6.4.1 Borrowing Authority

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

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

In accordance with subsections 20(3) of the *Royal Canadian Mint Act* and 127(3) of the *Financial Administration Act*, RCM requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. The borrowing plan that will be submitted to the Minister of Finance for approval is described in sections 6.4.2 and 6.4.3.

6.4.2 Short-Term Borrowings to be undertaken in 2016.

The RCM anticipates minimal, if any, short-term borrowings in 2016. Access to short-term funding facilities is needed, however, to address potential working capital requirements and to mitigate potential bank overdraft positions that could stem from inaccurate cash forecasts and delays in receiving large value payments from customers. The amount of short-term borrowings outstanding at any time will not exceed $25MM (Canadian or equivalent US Dollar).

6.4.3 Long-Term Borrowings to be undertaken in 2016

No long-term borrowing will be undertaken in 2016.

6.4.4 Total Borrowings – New and Outstanding

Short-term borrowings reflect actual U.S. Dollar bank overdrafts in 2013, 2014 and 2015 YTD and projections for 2016 and beyond allow for minimal use of short-term funding facilities.

6.5 2016 Capital Budget and 2017-2020 Capital Plan

Capital Budget 2016 and Capital Expenditure Plan 2017-2020

The Capital Budget for 2016 and the Capital Expenditure Plan for 2017-2020 represent the investments required to maintain our reliability, flexibility and capability of equipment as well as to protect employee health and safety and environment. Major investments are planned in equipment, facilities and technology which will protect the RCM's productivity and customer service, and enhance growth opportunities.

The RCM manages its capital budget in total and in light of the nature of its capital projects and within-year prioritization of capital investments, it is possible that the spend by asset category can vary from that presented in the 2016 Capital Budget and 2017-2020 Capital Expenditure Plan.

In 2015 capital investment governance at the RCM was enhanced with the establishment of a capital investment governance committee and capital working team. This structure was to ensure effective capital investment in areas that benefit the organization to meet its corporate goals and financial objectives and ensure our capital allocation model drives value for our shareholder. Key elements of governance include business case based decision making, transparency and alignment, progress tracking, post-implementation monitoring, communication, timeliness and tools and processes.

The capital investment governance committee's key responsibilities include overseeing the preparation of the capital investment plan, business case approvals and the reallocation of funds where necessary.

Prior to proceeding, significant capital projects will be carefully evaluated and analyzed by having solid business cases prepared in support of the projects and submitted for final approval of the Board of Directors, ensuring major projects meet planned return on investment and payback objectives. Projects relating to health and safety receive priority consideration.

The 2016 capital is higher than in future years as a result of carry forward items from 2015. Note the 2015 forecast capital spend is $17.4 MM, $15.6 million below the 2015 budget of $33 MM.

Capital Budget 2016 and
Capital Expenditure Plan 2017-2020
$MM

	2016	2017	2018	2019	2020
Total	26.4	21.0	20.2	19.5	19.4

6.6. Financial Tables

The RCM's ability to generate a gross profit is a key measure of its overall effectiveness as an enterprise. The outlook for the RCM during the planning period, as represented in the following financial statements, indicates a reasonable level of profitability within its legislative mandate.

6.6.1 Consolidated Statement of Comprehensive Income

Actual 2014 and six year forecast through 2020
$MM

	Actual 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
Revenues	2,443.4	2,977.4	2,256.8	2,283.5	2,295.5	2,314.5	2,335.9
Operating Costs	2,387.3	2,915.2	2,201.8	2,223.1	2,226.4	2,238.9	2,253.4
Impairment	-	65.5	-	-	-	-	-
Profit (loss) before income tax	56.1	-3.3	55.0	60.4	69.1	75.6	82.5
Income tax	14.8	-0.5	13.7	15.0	17.3	18.9	20.6
Profit (loss)	**41.3**	**-2.8**	**41.3**	**45.4**	**51.8**	**56.7**	**61.9**
Other comprehensive income, (losses) net of tax	-0.6	-4.7	6.8	-	-	-	-
Total comprehensive income (loss)	**40.7**	**-7.5**	**48.1**	**45.4**	**51.8**	**56.7**	**61.9**

6.6.2 Consolidated Statement of Changes in Equity

Actual 2014 and six year forecast through 2020 $MM

	Share Capital	Retained Earnings	AOCI*	Total
Balance, beginning of 2014	40.0	264.9	-1.8	303.1
Profit for the year		41.3		41.3
Other comprehensive income (losses)		-0.8	0.2	-0.6
Dividend **		-10.0		-10.0
Balance, end of year 2014	40.0	295.4	-1.6	333.8
Balance, beginning of 2015	40.0	295.4	-1.6	333.8
Profit for the year		-2.8		-2.8
Other comprehensive income (losses)		0.5	-5.2	-4.7
Dividend **		-53.0		-53.0
Balance, end of year 2015	40.0	240.1	-6.8	273.3
Balance, beginning of year 2016	40.0	240.1	-6.8	273.3
Profit for the year		41.3		41.3
Other comprehensive income (losses)			6.8	6.8
Dividend **		-31.0		-31.0
Balance, end of year 2016	40.0	250.4		290.4
Balance, beginning of year 2017	40.0	250.4		290.4
Profit for the year		45.4		45.4
Other comprehensive income (losses)				
Dividend **		-15.0		-15.0
Balance, end of year 2017	40.0	280.8		320.8
Balance, beginning of year 2018	40.0	280.8		320.8
Profit for the year		51.8		51.8
Other comprehensive income (losses)				
Dividend **		-102.0		-102.0
Balance, end of year 2018	40.0	230.6		270.6
Balance, beginning of year 2019	40.0	230.6		270.6
Profit for the year		56.7		56.7
Other comprehensive income (losses)				
Dividend **		-15.0		-15.0
Balance, end of year 2019	40.0	272.3		312.3
Balance, beginning of year 2020	40.0	272.3		312.3
Profit for the year		61.9		61.9
Other comprehensive income (losses)				
Dividend **		-101.0		-101.0
Balance, end of year 2020	40.0	233.2		273.2

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

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

6.6.3 Consolidated Statement of Financial Position

Actual 2014 and six year forecast through 2020
$MM

	Actual 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
Assets							
Current assets							
Cash	104.2	140.8	144.6	171.3	119.2	164.9	130.9
Accounts receivable	27.4	24.5	25.0	25.0	25.0	25.0	25.0
Prepaid expenses and other	11.1	9.2	9.0	9.0	9.0	9.0	9.0
Inventories	89.0	79.9	80.0	80.0	80.0	80.0	80.0
	231.7	254.4	258.6	285.3	233.2	278.9	244.9
Investment property	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Property, plant and equipment	409.0	407.4	429.0	445.5	461.7	477.9	494.2
Accumulated depreciation	-167.3	-236.9	-256.5	-276.7	-297.1	-318.1	-339.7
Intangible assets and other	17.5	15.2	16.1	16.0	14.6	12.4	9.6
	259.4	185.9	188.8	185.0	179.4	172.4	164.3
Total assets	491.1	440.3	447.4	470.3	412.6	451.3	409.2
Liabilities and Equity							
Liabilities							
Current liabilities							
Accounts payable, accrued liabilities, other	83.4	112.6	110.0	110.0	110.0	110.0	110.0
Loans payable	7.5	7.5	7.5	7.5	3.0	3.0	3.0
Deferred revenues	1.2	9.4	9.0	9.0	9.0	9.0	9.0
	92.1	129.5	126.5	126.5	122.0	122.0	122.0
Loans and other payables	36.4	27.0	19.5	12.0	9.0	6.0	3.0
Deferred tax liabilities	18.2	-	-	-	-	-	-
Employee benefits	10.6	10.5	11.0	11.0	11.0	11.0	11.0
	65.2	37.5	30.5	23.0	20.0	17.0	14.0
Shareholder's equity							
Share capital	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Retained earnings	295.4	240.1	250.4	280.8	230.6	272.3	233.2
Accumulated other comprehensive income	-1.6	-6.8	-	-	-	-	-
	333.8	273.3	290.4	320.8	270.6	312.3	273.2
Total liabilities and shareholder's equity	491.1	440.3	447.4	470.3	412.6	451.3	409.2

6.6.4 Consolidated Statement of Cash Flows

Actual 2014 and six year forecast through 2020

$MM

	Actual 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
Cash flows from operating activities							
Receipts from customers / net proceeds from derivative contracts	1,845.5	2,987.3	2,256.0	2,283.5	2,295.5	2,314.5	2,335.9
Payments to suppliers and employees	-1,739.5	-2,855.0	-2,173.1	-2,198.0	-2,200.6	-2,212.6	-2,226.1
Interest paid	-1.1	-0.9	-0.8	-0.6	-0.4	-0.2	-0.2
Income taxes paid	-16.9	-17.7	-13.8	-15.1	-17.3	-18.9	-20.6
	88.0	113.7	68.3	69.8	77.2	82.8	89.0
Cash flows from investing activities							
Interest received	0.5	0.8	0.4	0.4	0.4	0.4	0.4
Payments to acquire property, plant and equipment and intangible assets and other	-30.3	-17.4	-26.4	-21.0	-20.2	-19.5	-19.4
	-29.8	-16.6	-26.0	-20.6	-19.8	-19.1	-19.0
Cash flows from financing activities							
Dividend paid *	-10.0	-53.0	-31.0	-15.0	-102.0	-15.0	-101.0
Repayment of loans and other payables	-7.5	-7.5	-7.5	-7.5	-7.5	-3.0	-3.0
	-17.5	-60.5	-38.5	-22.5	-109.5	-18.0	-104.0
Net increase (decrease) in cash	40.7	36.6	3.8	26.7	-52.1	45.7	-34.0
Cash at the beginning of the year	63.2	104.2	140.8	144.6	171.3	119.2	164.9
Effects of exchange rate changes on cash held in foreign currencies	0.3	-	-	-	-	-	-
Cash at the end of the year	104.2	140.8	144.6	171.3	119.2	164.9	130.9

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

7. RISK AND VOLATILITY ANALYSIS

7.1 Risk

The RCM actively manages risks that can impact its business. For the planning period, the following key risks are identified:

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

Precious metal investment demand
The demand for precious metal investment products, including bullion, is largely determined by market forces beyond the RCM's control. The downside risk is managed through active monitoring of market conditions to quickly and efficiently align operations and capacity.

Competition in Circulation Products & Solutions
The last two to three years have seen increased supply for the production of foreign circulation coins as more mints have pursued foreign circulation business. The increase in supply has contributed to commoditization in this market where price is the key differentiator. In the event volumes decline, the RCM will actively manage sales and operations costs to ensure losses do not occur within the business line.

Competition in Precious Metal Businesses – Bullion Products & Services and Numismatics
The precious metal business lines (Bullion Products & Services and Numismatics) operate in competitive environments where competitor actions such as channel, sourcing or licensing tactics can impact the RCM's ability to achieve business objectives. Management regularly assesses the competitive environment and adjusts business strategies and tactics as necessary

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

hedging policy, long-term trends in metal prices may impact sales opportunities, margins and overall profitability.

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

Foreign exchange risk

A significant portion of revenues and costs is denominated in foreign currencies, which exposes the RCM to foreign exchange risk. The RCM mitigates this risk through natural currency hedges and financial instrument hedges. Currency hedging contributes to managing volatility in foreign exchange rates; however the longer-term currency trends can impact results. On balance, a stronger Canadian dollar will have a negative impact on RCM profitability as it reduces revenues from bullion products and reduces margin on other products sold in US funds.

Health, safety and the environment

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

Precious Metals – Physical Security and Reconciliation

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

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

Cyber threats

Cyber threats and security of corporate data present a risk for all organizations. The RCM had an assessment completed in mid 2015 with recommendations made to focus on its incident response management and cyber security governance to meet its cyber risk objectives of being secure, vigilant and resilient. The resourcing and focus will be provided to execute on these objectives over the next 12 to 18 months.

7.2 Volatility Analysis

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

Evidence of these markets' volatility includes:

Gold Prices

- Between 2005 and 2014, the price of gold fluctuated from a low of $411 US in 2005 to a high of $1,895 US in 2011, while averaging $1,070 US over the 10 year period.
- At the time of writing in 2015, gold has averaged $1,178 US after opening the year at $1,251 US and reaching a high of $1,295 US in January.

Foreign Exchange rates:

- Over the past 10 years, the Canadian dollar averaged $1.08/$1.00 US, with a high of $1.33/$1.00 US in 2015 and a low of $0.92/$1.00 US in 2007.
- At the time of writing in 2015, the Canadian dollar has averaged $1.25/$1.00 US against an RCM planning estimate of $1.12/$1.00 US.

8. POLICY UPDATES FOR THE PLANNING PERIOD

8.1 Operating Budget Freeze

The mandate of the RCM directs it to be financially self-supporting. The majority of costs at the RCM are spent to achieve profits, which in recent years have been significant. In fact, over the past eight years the RCM has:

- Generated over $380 MM of after-tax profits, which is greater than the previous 38 years' results – since the RCM became a Crown Corporation in 1969; and
- Remitted close to $100 MM in income taxes and paid $54 MM in dividends as well as an additional $43 MM special dividend to be paid in 2015.

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

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

8.2 Special Examination of the Auditor General of Canada

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

All recommendations contained in the Auditor General of Canada 2014 special examination report of the RCM have been accepted. The majority of recommendations were implemented by year-end 2015 and the remainder will be implemented by the end of Q2 2017.

The full 2014 Special Examination Report is posted on the RCM's website.