



Royal Canadian Mint

Special review and assessment of
unaccounted for differences – Prior
years reviews

Private and Confidential

November 3, 2009

Executive Summary

Background

In prior years, the Royal Canadian Mint (“RCM”) performed a count of stock containing precious metals twice annually. A precious metals count and related reconciliation (“reconciliation”) related to the 2008 year indicates that the total gold on hand was less than the total gold per the stockkeeping records by approximately 17,500 troy ounces of gold as at October 2008.

Deloitte was retained to conduct a special review and assessment of the unaccounted difference. Specifically, we assessed whether the difference was the result of an accounting and/or transaction recording error. In our report dated June 23, 2009, Deloitte concluded that the unaccounted for difference in gold does not appear to relate to an accounting error in the reconciliation process, an accounting error in the physical stock count schedules, or an accounting error in the recordkeeping of transactions during the 2008 year.

Our report also identified other areas for RCM consideration, including technical reviews, accounting reviews of prior periods and security reviews. RCM has created a committee to oversee the completion of some and/or all of these reviews and other related procedures.

Deloitte Engagement, Findings and Conclusion – Prior Periods

In consideration of our findings of June 23, 2009, Deloitte was subsequently retained to review and assess whether the precious metal difference identified by RCM in the period to October 2008 may relate, in whole or in part, to a period before 2008. Specifically, we were asked to examine the precious metal reconciliations for the periods ended October 2007, October 2006 and October 2005.

We previously reported that it would be difficult to complete such a review due to the passage of time, availability of supporting documentation, and the turnover of RCM staff who participated in recording the transactions and carrying out the stock counts. In addition to these limitations, upon further examination under this review, we determined that the RCM file documentation supporting the prior years reconciliations was much less robust than what is maintained currently by RCM, and was examined by Deloitte, for the 2008 reconciliation.

Our approach to this prior period review was as follows:

- i. Perform critical reviews of the logic inherent in prior period reconciliations,
- ii. Compile, sort and analyze data extracted from the RCM systems, trace totals to the prior year refinery reconciliations, and investigate, on an exception basis, whether reconciling items are appropriately identified and captured within the reconciliation,
- iii. Reviewed gross and fine weights of the stock included in refinery inventory count documentation, and
- iv. Assess appropriateness of accounting for unusual transactions and transactions known to cause reconciliation difficulties.

Our approach has been to focus on the prior period Refinery – Gold Statements, since a refinery difference appears to be the source and driver of the October 2008 unaccounted for difference, and also to consider the prior year period-end reconciliation of third party and RCM ownership accounts.

Based on our procedures performed to date, we have identified refinery stock transactions and calculations in the cumulative amount of 6,653 t.oz. that cause us to question the accuracy of prior period reconciliations. These prior period transactions and calculations together with bookkeeping discrepancies identified by RCM staff relating to the global reconciliation indicate precious metal differences that existed before the October 2008 reconciliation and that would influence or impact the calculation that resulted in the October 2008 unaccounted for difference.

For each of the prior year stock counts, RCM's count procedures did not involve the use of inventory count tags. This lack of documentation limits the extent of examination procedures that we could undertake in respect of the closing stock balances. The opportunity for count errors was higher in prior years than it is currently, due to improved count procedures undertaken by RCM.

The exact quantum of potential prior year differences is difficult to assess currently and, in our opinion, due to the limitations created by the passage of time, additional review and investigation is not likely to allow an exact quantum to be determined.

Table of contents

- Executive Summary i
- 1 Prior Year Reconciliations 1
 - 1.1 Summary of Prior Year Reconciliations 1
- 2 Metal Stock Counts 3
 - 2.1 Introduction..... 3
 - 2.2 Refinery products onsite 4
 - 2.3 Byproducts Onsite and Offsite 8
 - 2.4 Mint Office Finished goods onsite 9
 - 2.5 Assay Department..... 9
 - 2.6 Finished goods at consignment 10
- 3 Metal Receipts and Disbursements from Customers 11
 - 3.1 Receipts - Rough deposits and final settlements..... 11
 - 3.2 Receipts - Direct Deposits..... 11
 - 3.3 Receipts – Transfers from RCM Storage..... 12
 - 3.4 Disbursements - Shipped to RCM Customers 12
 - 3.5 Byproducts and slag settled and sold 12
- 4 Metal Receipts and Disbursements from RCM Production 14
 - 4.1 Receipts from Production..... 14
 - 4.2 Disbursements to Production 14
- 5 Global Precious Metals Reconciliation 16
 - 5.1 Reconciliation - General..... 17
 - 5.2 Third Party Pool Ownership Accounts 17
 - 5.3 RCM Ownership Account..... 18
- 6 Restriction on use of report 20

1 Prior Year Reconciliations

1.1 Summary of Prior Year Reconciliations

We were asked to review and assess whether the precious metal differences identified by RCM in the period to October 2008 may relate, in whole or in part, to a period before 2008. Specifically, we were asked to examine the reconciliations for the 2007, 2006 and 2005 years.

Based on the results of our procedures performed, the following table summarizes the transactions and calculations that cause us to question the accuracy of the prior period reconciliations. These prior period transactions and calculations together with bookkeeping discrepancies identified by RCM staff relating to the global reconciliation indicate precious metal differences that existed before the October 2008 reconciliation and that would influence or impact the calculation that resulted in the October 2008 unaccounted for difference.

DIFFERENCES IDENTIFIED BY DELOITTE					
	Report Ref.	2007 (t oz.)	2006 (t oz.)	2005 (t oz.)	
Refinery - Gold statement	Opening stock count	[1]	1,867	564	
	Closing stock count	[2]		66	
	Premelt Deposits	2.2.1		(1,291)	
	Silver Sand	2.2.3		61	
	AgCu Chloride Mould ("Slag")	2.2.6	2,526	95	
	Byproducts	2.3	(275)	(732)	
	RCM identified Count errors	[3]	811	(251)	
	Transactional				
	Gain/Loss on byproducts	3.5	521	(492)	
	Retention on byproducts	3.5	-	26	
	Transactional error - internal receipt	4.1	(9,246)		
	<i>Annual Total</i>		<u>(3,796)</u>	<u>(2,020)</u>	<u>(837)</u>
	<i>Cumulative Total</i>		<u>(6,653)</u>	<u>(2,857)</u>	<u>(837)</u>

NOTES:

[1] Opening 2005 balance not reviewed by Deloitte.

[2] Closing stock count differences would also impact RCM ownership position as calculated in the Global Precious Metals Reconciliation.

[3] RCM identified count errors - represent adjustments made by RCM to the opening stock count in the Refinery - Gold Statement. For continuity between years, Deloitte has applied the adjustment back to the year in which the adjustment relates.

The identified differences in the closing stock count schedules may impact the calculation of RCM's ownership position, as calculated in the Global Precious Metals Reconciliation.

The transactional differences, while not direct inputs to RCM's ownership position, may be indicators that the year end stock counts were not entirely accurate or complete.

2 Metal Stock Counts

2.1 Introduction

RCM counted the gross weight and calculated the fine closing gold stock count as follows and as included in the refinery gold statement.

Gold Stock Count Summary				
	Report Ref.	Oct 27, 2007	Oct 27, 2006	Oct 28, 2005
		(t oz.)	(t oz.)	(t oz.)
Metal Onsite				
<i>Refinery products onsite</i>				
Gold Premelt Deposits	2.2.1	86,962	67,028	42,188
Gold content in Silver Premelt Deposits	2.2.1	984	1,106	1
Work in Process				
Anodes	2.2.2	140,452	128,638	63,577
Silver Sand	2.2.3	2,484	1,763	41
TBRC Bars	2.2.4	2,231		-
Hydromet Feed	2.2.5	2,079	987	
AG/CU Chloride Moulds	2.2.6	9,253	11,774	4,499
Other	2.2.7	116,847	38,972	117,602
Required for Processing	2.2.8	12,595	12,845	10,679
Rough Deposits	2.2.9	1,842	2,238	-
Subtotal		375,727	265,352	238,589
<i>Byproducts onsite</i>				
Spent electrolyte	2.3	3,591	4,592	2,666
Other	2.3	2,836	3,557	1,190
Mint Office Finished goods onsite	2.4	105,907	61,866	67,963
Assay Department	2.5	3,989	1,304	1,879
Total Metal Onsite		492,050	336,671	312,287
Metal Offsite				
Byproducts offsite	2.3	15,867	17,859	1,664
Finished goods at consignment	2.6	17,550	9,323	8,592
Total Metal Offsite		33,417	27,181	10,257
Total Refinery Metal Stock		525,467	363,852	322,544

We performed procedures on each of the stock balances as described below. Our procedures have not included tracing count balances to source documents since, for each of these counts, RCM's procedures did not involve the use of inventory count tags.

We have performed comparative analysis from year to year on the gross weight and metal fineness of above items. However, as a result of the nature of the refining process, the timing of deposits received from customers, and the demand for finished goods products, it is reasonable to expect variation in the closing balances of particular stock items. When feasible, we have provided information relating to this comparative procedure below.

2.2 Refinery products onsite

Except where additionally noted below, our June 23, 2009 report outlines our understanding with respect to the nature of each stock item and the manner in which it is counted and converted to fine gold ounces.

2.2.1 Gold and silver premelt deposits

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.
4. For each deposit in the stock listing, compared the weight and assay in the final stock listing to the Deposit Master Listing's final settlement on deposit.

Results of Procedures:

Based on the procedures performed, we noted the following:

In both 2005 and 2006, RCM used the "After Melt Weight" when calculating the fine weight of gold. This resulted in the double counting of the premelt sample amount used to determine the gold fineness of the premelt deposit. The resulting difference appears to be an overstatement of fine gold in 2005 and 2006 of 667 t.oz and 1,291 t.oz, respectively.

We did not identify any other amounts that could potentially require adjustment in the metal reconciliations.

2.2.2 Work in process – Anodes

Deloitte procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of procedures:

Based on the procedures performed, we did not identify any amounts that could potentially require adjustment in the metal reconciliation.

2.2.3 Work in process – Silver Sand

Deloitte procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.

3. Agreed final stock listing to respective years Refinery Gold statement.

Results of procedures:

Silver sand barrels are identified using an alphanumeric sequence. Using this alphanumeric sequence, we noted that in 2006, there were 50 barrels in inventory labeled sequentially from HYD1 through to HYD52. It appears that there were no barrels labeled HYD13 and HYD38 in inventory at year end. In 2007, a barrel labeled HYD38 was included in the final inventory spreadsheet. According to the weight and assay factor this barrel contained 60.943 ounces of gold. It is possible that this barrel was missed in 2006 and represents an understatement of gold.

The average finenesses in 2005 were lower in relation to 2006 and 2007 as a result of the lower sample size. Due to the small quantity on hand, fineness increases would be negligible.

Based on the procedures performed, we did not identify any other amounts that could potentially require adjustment in the metal reconciliation.

2.2.4 Work in process – TBRC Bars

Introduction

We understand the following:

- TBRC bars are created in the silver refinery upon melting down the silver sand in the top blown rotary converter and pouring the melted product into a bar form.
- The silver refinery was commissioned in 2006. Prior to 2007, no TBRC bars were on hand.

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of Procedures:

Based on the procedures performed, we did not identify any amounts that could potentially require adjustment in the metal reconciliation.

2.2.5 Hydromet Feed

Introduction

We understand that Hydromet Feed is crushed slag that is input into the Hydromet process on-site.

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of Procedures:

Based on the procedures performed, we did not identify any amounts that required adjustment in the metal reconciliation.

2.2.6 Work in process – Ag/Cu Chloride Mould

Introduction:

We understand the following:

- Ag/Cu Chloride Moulds (“Slag”) are an outturn from early-stage refining processes. Slag is a heterogeneous product and therefore assay samples are not necessarily reliable as a fair representation of the precious metal content throughout the entire barrel.
- Slag can be further refined internally at RCM or externally, by outside refiners.

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.
4. To assess the reasonability of the fineness factors applied by RCM to the gross weight of slag on hand, compared the following:
 - i. RCM’s estimate of the fineness factor of slag balance on hand at each year end, and
 - ii. The fineness factor of slag on shipments sent to outside refiners after year end and settled with the outside refiner.

Results of Procedures:

The following schedule compares the gold content of slag year to year on a total basis.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gross Weight (kg)	19,645	22,549	11,100
Gold Content (toz.)	9,253	11,774	4,499
Gold as a percentage of gross weight	1.465%	1.624%	1.261%
Number of Barrels	51	65	31

It was not possible to compare gross weights and fineness on a barrel per barrel basis as a result of the following:

- i. In 2007, an average rate of 1.465% was used to calculate the gold content on all barrels. This rate appears to be based on assays taken by RCM of material shipped offsite during August 2006 to June 2007. There is no indication in the 2005 and 2006 stock take sheets what the basis for the estimated fineness factor was.
- ii. For 2005, there is a single line item in the stock take listing that indicates the total weight and fineness for all chloride moulds on hand. The individual detail is not available.

- iii. For 2006, barrels were grouped in sets of 2 to 6. As such, similar to 2005, the individual detail for each barrel was not provided.

Based on the procedures performed, the 2007 stock count appears to be understated by 2,526 t.oz. due to the fineness factor of 1.465 % having been estimated by RCM, and the actual settlements in 2009 having been in the range of 1.865%.

	Estimate of October 2007, at October 2007	Estimate of October 2007, at June 2009	Difference
Gross Weight (kg)	19,645	19,645	
Fineness factor	1.465%	1.865%	
Gold Content (toz.)	9,253	11,779	2,526

For 2006, the estimated rate of 1.624% is similar to the final settlement of 1.629% on material shipped offsite during August and September 2006. The 2006 stock count appears to be understated by 95 t.oz. due to the small differences.

We did not identify any other amounts that could potentially require adjustment in the metal reconciliation.

2.2.7 Work in process – Other

Introduction:

We understand that Work in Process – Other includes scarfed bars, rejected material, Gold scissel, silver grain, cathode, Kilo bars and cell slimes.

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of Procedures:

We noted considerable fluctuations in the balances of scarfed bars and scissel on hand year to year. Given the nature of the refining process, the timing of deposits received from customers and the demand for gold, the results may or may not be indicative of errors in the count process.

Based on the procedures performed, we did not identify any amounts that could potentially require adjustment in the metal reconciliation.

2.2.8 Required for Processing

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.

2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of Procedures:

Based on the procedures performed, we did not identify any amounts that could potentially require adjustment in the metal reconciliation.

2.2.9 Rough Deposits

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.
4. Prepared a continuity schedule of the rough deposit receipt numbers and performed a comparison to the stocktake documents to determine if a possible cut-off error may have occurred.

Results of Procedures:

Based on the procedures performed, we did not identify any amounts that could potentially require adjustment in the metal reconciliation.

2.3 Byproducts Onsite and Offsite

Introduction:

We understand the following:

- Byproducts represent a secondary metal or mineral product of economic value recovered in the refinery process. Byproducts include items such as spent electrolyte, sludge, jewelry waste, floor sweeps and crushed crucibles. There are two stages for which byproducts are classified:
 - i. Onsite – These are byproducts that as of the stocktake day remained onsite at RCM and had been prepared for shipment to outside refiners.
 - ii. Offsite – These are byproducts that as of the stocktake day had been shipped offsite to be refined for precious metals or had been refined and the resulting precious metals were available for settlement.

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

4. To assess the reasonability of the fineness factors applied by RCM to the gross weight of byproducts on hand, compared the following:
 - i. RCM's estimate of the fineness factor of byproduct balance on hand at each year end, and
 - ii. The fineness factor of byproduct on shipments sent to outside refiners after year end and settled with the outside refiner.

Results of Procedures:

Based on the procedures performed, the following differences were identified

- The 2007 refinery stock count is overstated by 275 t. oz.
- The 2006 refinery stock count is overstated by 732 t.oz.
- The 2005 refinery stock count is understated by 103 t.oz.

The differences arise due to the added precision afforded by the passage of time. Based on the subsequent processing of these byproducts after the stock counts and after RCM year end, a more accurate calculation of the precious metal content can be determined than was estimated in the Refinery – Gold Statement at the time. As such, our calculations today are more precise than what was possible at the time of RCM preparing the initial estimates.

Based on the procedures performed, we did not identify any other amounts that could potentially require adjustment in the metal reconciliation.

2.4 Mint Office Finished goods onsite

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of Procedures:

Based on the procedures performed, we did not identify any amounts that required adjustment in the metal reconciliation.

2.5 Assay Department

Introduction:

We understand the following:

- The Assay Department performs their counts independently of the other locations within RCM.
- Assay Department stock includes:
 - Assay samples from rough deposits (dips)

- Working materials to perform the assay sampling and for machine calibration
- The stock take process involves two computer linked scales that calculate a difference and allow the operator at each scale to see whether or not they are high, low or that the figure entered for any specific item on the list has a matching and acceptable weight before moving to the next material to weigh.

Deloitte Procedures:

1. Reviewed final stock listings for formula accuracy.
2. Reviewed final stock listings for unusual items in weight or fineness and compared weights and finenesses between years.
3. Agreed final stock listing to respective years Refinery Gold statement.

Results of Procedures:

We received one document for each of the three years under review (2005, 2006, and 2007). The count sheets provided for each year did not appear to contain any formula errors and reconciled to the amounts recorded in the reconciliation.

Based on the procedures performed, we did not identify any amounts that could potentially require adjustment in the metal reconciliation.

2.6 Finished goods at consignment

Deloitte Procedures:

1. Reconciled the weights recorded in the Mint Office reconciliation for each year to the amounts represented on the refinery Gold statement to ensure that amounts were transferred correctly.
2. Reviewed the Mint Office reconciliation/consignment roll forward for formula accuracy.

Results of Procedures:

Based on the procedures performed, we did not identify any amounts that required adjustment in the metal reconciliation.

3 Metal Receipts and Disbursements from Customers

3.1 Receipts - Rough deposits and final settlements

We understand that there are two types of precious metals receipts – rough deposits and direct deposits. The fine weight of material received by RCM, as agreed with the customer, is added to the customer's pool account.

Deloitte Procedures

1. Reconciled the sum all receipts recorded in the BPCS material management system to the sum of settled receipts in the pool accounts, at gross weight.
2. Reconciled fine weight of material recorded in the pool accounts to the received weights in the reconciliations.
3. Assessed appropriateness of cutoff based on receipt numbers and transaction dates. Ensured all receiving numbers around cutoff dates were captured in reconciliation either before or after count.

Results of Procedures

Based on the results of our procedures, we did not identify any transactions that could potentially require adjustment in the reconciliations.

3.2 Receipts - Direct Deposits

Deloitte Procedures

1. Reconciled the sum of all receipts recorded in the BPCS material management system to the sum of settled receipts in the pool accounts, at gross weight.
2. Reconciled fine weight of material recorded in the pool accounts to the received weights in the reconciliations.
3. Assessed appropriateness of cutoff based on receipt numbers and transaction dates. Ensured all receiving numbers around cutoff dates were captured in reconciliation either before or after count.
4. Reviewed the accounting for unusual transactions (Krugerand and Wafer transactions) within the pool accounts and within the reconciliation, in comparison to physical movements recorded in material management system (BPCS).
5. Reviewed material receipts intended for RCM storage to ensure amounts were not included as refinery receipts.

Results of Procedures:

Based on the results of our procedures, we did not identify any transactions that could potentially require adjustment in the reconciliations.

3.3 Receipts – Transfers from RCM Storage

Deloitte Procedures and Results of Procedures

Material that is removed from RCM allocated storage for shipment to a customer or for processing in the refinery is a metal receipt to the refinery. The 2006 Refinery – Gold statement includes an amount for such a receipt from storage.

With the data available in and extracted from RCM’s material management system, we are not able to validate whether the transactions occurring between the pool and storage accounts were accurately accounted for in the Refinery – Gold Statement reconciliation.

Our approach has not involved substantive procedures to trace each storage transaction to the related underlying source documentation that was created at the time between RCM and the storage customers. Customer’s storage account balances and the related stock on hand were tested as part of our procedures reported on June 23, 2009 and no adjustments to account balances or stock were identified.

3.4 Disbursements - Shipped to RCM Customers

Deloitte Procedures

1. Reconciled fine weight of material shipments recorded in the pool accounts to the shipped weights in the reconciliations.
2. Reconciled the sum of all shipments recorded in the BPCS material management system to the sum of shipments in the pool accounts, adjusting for material on hand at consignment warehouses.
3. Reviewed shipments reflected in BPCS for unusual non-standard item numbers. Ensured all item numbers were picked up in the reconciliation.
4. Ensured all shipments around cutoff date were captured in reconciliation either before or after count.

Results of procedures

Based on the results of our procedures, we did not identify any transactions that could potentially require adjustment in the reconciliations.

3.5 Byproducts and slag settled and sold

Precious metals disbursed by RCM by way of shipping to, and settling with, outside refiners is discussed along with the related stock amounts in Section 2.3 – Byproducts onsite and offsite.

Deloitte Procedures

1. Prepared a continuity schedule of all byproducts (including slag), whether onsite or offsite at the respective year ends, to ensure that:
 - i. retention amounts kept by the third party refiners were accurately recorded as refinery disbursements in the correct amount, and
 - ii. settlements or sales of gold kept at the refiners, once processed, were accurately recorded as refinery disbursements in the correct amount.
2. Removed the impact of gains and losses recorded by RCM in years

Results of procedures

In our testing of slag (Section 2.2.6) and byproducts (Section 2.3), we identified differences in the closing stock balances at the count dates. These differences had previously been accounted for by RCM as gains and losses in subsequent year Refinery – Gold Statements. For continuity between years, Deloitte has applied the adjustment back to the year in which the adjustment relates, with the following impact.

- For 2007, refinery gains are overstated by 521 t.oz.
- For 2006, refinery losses are overstated by 492 t.oz.
- For 2005, refinery losses are overstated by 22 t.oz.

Metal disbursements were understated by 26 t.oz in 2006 and 24 t.oz in 2005 due to errors in the amount of outside refiner retentions recorded in the Refinery – Gold Statement, for byproduct shipped offsite.

Based on the results of our procedures, we did not identify any other transactions that could potentially require adjustment in the reconciliations.

4 Metal Receipts and Disbursements from RCM Production

4.1 Receipts from Production

Introduction

We understand that the refinery manufactures rolling stock for RCM's use in the bullion and numismatic production. Precious metals in the form of rolling stock are physically transferred from the refinery area of RCM to the production area when it is produced. The accounting for this transaction results in the material being moved from the refinery RSS system to the production DAX system. The transfer represents a metal disbursement of the refinery and is accounted for on the refinery gold statement.

We further understand that gold and silver scissel and other reject material from the bullion and numismatic business is returned to the refinery for recasting. The accounting for this transaction results in the material being moved from the production DAX system to the refinery RSS system. The physical transfer of this material from the production area to the refinery represents a metal receipt of the refinery and is accounted for on the refinery gold statement.

Deloitte Procedures

1. Reconciled the sum all receipts recorded in the BPCS material management system to the received weights in the reconciliations.
2. Ensured all receipts around cutoff date were captured in reconciliation either before or after count. .
3. For 2007, reviewed RCM prepared reconciliation of receipts and shipments between refinery and production.

Results of Procedures

As a result of applying the above procedures, we identified that in 2007, the refinery systems reflect a receipt of scissel from RCM production of 9,246 t. oz that is not included as a receipt in the Refinery – Gold Statement. The RCM Production systems (DAX) reflect the amount as having been shipped to the Refinery. Documentation prepared by RCM at the time indicates that the amount was double received in BPCS, and therefore a receipt for 9,246 t. oz was left out of the reconciliation. We have not identified the second receipt that would justify the first receipt being excluded. Based on these procedures, the refinery receipts are understated by this amount.

4.2 Disbursements to Production

Deloitte Procedures

1. Reconciled the sum of all shipments recorded in the BPCS material management system to the shipped weights in the reconciliations.
2. Ensured all shipments around cutoff date were captured in reconciliation either before or after count. .
3. For 2007, reviewed RCM prepared reconciliation of receipts and shipments between refinery and production.

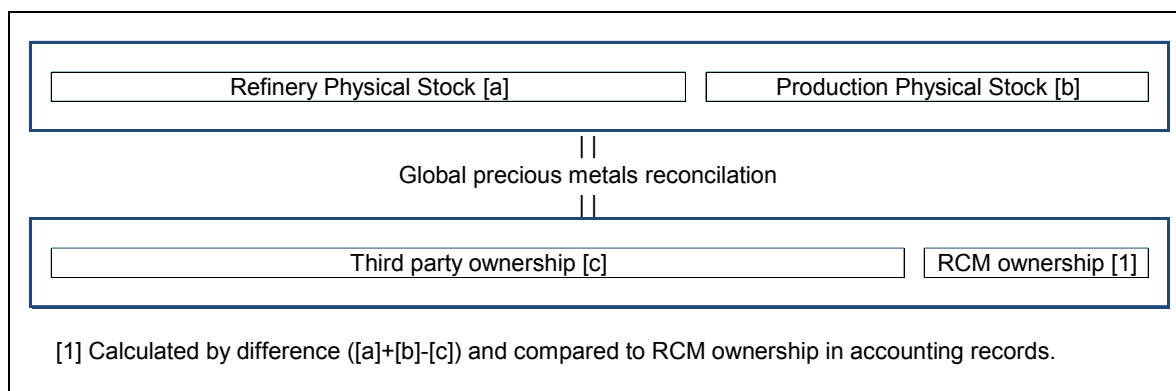
Results of Procedures

Based on the results of our procedures, we did not identify any transactions that could potentially require adjustment in the reconciliations.

5 Global Precious Metals Reconciliation

Introduction

In conjunction with the Refinery – Gold Statement, RCM reconciles the physical stock on hand to the ownership (pool) accounts, including their own ownership account. This process is called the “global precious metals reconciliation”. Annually, any net difference at the end of the reconciliation process is attributed and booked to the RCM ownership/pool account.



We noted in our June 23, 2009 report:

A separate reconciliation is performed on the Refinery, Operations, Mint Office and Assay controlled metals, as further described below. For the unaccounted for difference that we have been asked to investigate, there is a significant relationship between the unaccounted for difference of 17,514.21 troy ounces [global difference] and the unaccounted for difference of 16,494.09 troy ounces in the refinery statement. Therefore, if the reason for the refinery difference can be identified and explained, then the unaccounted for global precious metals reconciliation difference would also be significantly reduced, in an equal amount.

Based on this noted relationship, our prior period review has focused on the Refinery – Gold Statement. From our testing of the Refinery – Gold Statement, as described in the previous report sections, the closing stock differences identified for prior periods would also impact the global precious metal reconciliation. This report section describes the procedures performed on the prior year global precious metals reconciliation.

Global reconciliation - Complexities

For the 2005 and 2006, the physical stock of the Refinery and Production, as well as the pool accounts, was accounted for in the BPCS system. The global precious metal reconciliations were prepared based on the information in this BPCS system. For 2007, there were added complexities in preparing the global reconciliation, since the Production business had converted to a Microsoft DAX ERP system, which was implemented in the summer of 2007. The Refinery physical stock and pool accounts remained on the BPCS system. For the first time, the global reconciliation for 2007 was prepared based on information from both BPCS and DAX systems.

5.1 Reconciliation - General

Deloitte Procedures

1. Performed a critical review of the logic and mathematical accuracy of the annual Global Precious Metals Reconciliations.
2. Reviewed logic and consistency of reconciling items across the years.
3. Traced physical stock balances to supporting schedules, where available.

Results of Procedures

2005 global precious metals reconciliation - The documentation available for the period ended October 2005 global precious metals reconciliation was not sufficient to allow each of the above noted procedures to be performed.

Based on the results of our procedures for 2006 and 2007, we did not identify any amounts that could potentially require adjustment in the reconciliations, subject to the additional specific observations and testing as noted in the following reports sections 5.2 and 5.3.

5.2 Third Party Pool Ownership Accounts

Third party ownership accounts are accounted for in the BPCS RSS system. We understand that reconciliation adjusting entries may be necessary for bullion purchase and sale transactions that cross over the reconciliation date.

Deloitte Procedures

Pool Reconciliation

1. Performed a critical analysis of the logic and mathematical accuracy of the RCM Mint Office third party pool account roll forward (“Statement of Gold Ownership”) and period ended October position (“Gold reconciliation”) prepared by the RCM Mint Office. Traced inputs from Statement of Gold Ownership and Gold Reconciliation to Global Precious Metals Reconciliation.
2. Traced unadjusted balance to RSS reports. Traced adjusted balance to metals reconciliation (for third party pool accounts only). The RCM ownership is not assessed / adjusted by RCM in the Statement of Gold Ownership or Gold Reconciliation, except for byproduct sale transactions.

Pool adjustments - GML disbursements

3. Reviewed whether the bullion purchase and sale transactions that cross the reconciliation date were included in the reconciliation.

Results of Procedures

We have not reperformed the detailed testing required to identify and account for the bullion cut-off transactions, however, RCM appears to have identified and accounted for this “cut-off” reconciling item in each of the reconciliations.

Based on the results of our procedures, we did not identify any transactions that could potentially require adjustment in the reconciliations.

5.3 RCM Ownership Account

RCM ownership items include numismatics finished stock (lot control) plus RCM's virtual ownership interest (being the net of RCM precious metal purchases less precious metals converted to numismatic finished stock and giveaways/process losses)

5.3.1 Purchases

Deloitte Procedures

1. For 2007, reconciled metal purchases recorded in DAX ownership accounts 12000 to metal purchases recorded in RSS/BPCS, and verified cutoff of transactions for reconciliation purposes.
2. For 2005 and 2006, reviewed the transactions recorded in RSS/BPCS and verified cutoff of transactions for reconciliation purposes.
3. Verified accuracy and completeness of purchases based on supporting documentation.

Results of Procedures

Based on the results of our procedures, we did not identify any transactions that could potentially require adjustment in the reconciliations.

5.3.2 Numismatics

Introduction

The precious metal content of numismatic sales represents a disbursement of precious metals from RCM and affects RCM's ownership position of stock on hand.

In order to account for numismatic production, stock and ownership, we described in our June 23, 2009 report that RCM's total ownership position is comprised of both "virtual" ownership and numismatic packed stock ownership. For 2008, the RCM's calculated ownership is compared to the book ownership of both these components.

Deloitte Procedures

1. Reviewed the RCM methodology and consistency of recorded numismatic sales as a disbursement from the RCM ownership account.
2. Reviewed the RCM methodology and consistency of accounting for numismatics transactions within the global precious metals reconciliation.

Results of Procedures

Numismatic sales have historically been recorded as a disbursement to the RCM ownership account on an infrequent basis (approximately once annually). We have not been able to determine whether the RCM ownership account has been reduced in the appropriate amount for the periods 2005 to 2007. As such, our procedures have not identified specific transactions that could require adjustment in the reconciliations.

5.3.3 Other ownership adjustments

Accountable gains and losses

It appears that reconciling items for outside refiner retention, truncation gains and stack losses may not have been included in the 2007 global precious metals reconciliation, as would be expected, however with nominal impact (estimated less than 200 t.oz.)

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This report is based on our interviews conducted and review of the documents available to date. In the event that further documents or other information become available that could impact our findings, we reserve the right to review such records and reconsider and amend the findings set out in this report.

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