

## ROYAL CANADIAN MINT PRECIOUS METALS RECONCILIATION

### FREQUENTLY ASKED QUESTIONS

#### **Q1. Is there gold missing from the Royal Canadian Mint?**

It is not clear at this stage whether any physical gold is missing from the Mint's inventory. All individual customer holdings and metal deposits entrusted with the Royal Canadian Mint are secure and have been fully accounted for. The issue at stake is the reconciliation of the Mint's rolling inventory (an accounting calculation initially based upon a series of estimates) to the physical precious metal count done at 2008 year-end. It is common for businesses which carry work-in-process inventories to do similar reconciliations as initial inventory estimates are unlikely to ever be identical to a physical count.

#### **Q2. If there isn't gold missing, why call in the RCMP?**

All possible explanations for the inventory difference need to be investigated. The involvement of the RCMP is indeed consistent with the Deloitte and Touche report, which recommended a more in-depth review of systems security and an assessment of potential inappropriate activity by both internal and/or external parties.

#### **Q3. What could explain the "unaccounted differences"?**

The Deloitte and Touche report has identified "other areas for consideration" which include:

- a) **A technical review of operations** – As the Mint applies scientific processes and formulae to various aspects of refining, such as process losses, the Mint may wish to review and update its benchmarks and/or third party studies regarding such technical processes and formulae.
- b) **An accounting review of prior periods** - Precious metal reconciliations have been performed by the Mint twice annually in prior years. Although, in theory, revisiting prior period reconciliations could explain the difference, it would be difficult to complete such a review due to the passage of time, the availability of supporting documentation and the turnover of Mint staff.
- c) **Security reviews** - A more in-depth review of systems security and an assessment of potential inappropriate activity by both internal and/or external parties.

#### **Q4. How could a review of "prior reporting periods" explain the 2008 differences?**

At the end of every financial year, inventories at the Mint are reconciled, by comparing the accounting records with the physical count of precious metals on hand as of that same date. Accounting conventions require that any difference between the two be reconciled by adjusting the accounting records to the physical count, i.e., the count is presumed to be accurate. Once adjusted, the accounting balance at the end of the year becomes the opening balance for the subsequent period and, in effect, is the starting point for the following year's inventory calculations. In practical terms, this means that the 2008 inventory results rely importantly on the accuracy of the 2007 inventory and, indeed, prior year inventory calculations.

For this reason, the Deloitte and Touche report suggests that the accounting records of prior periods could be assessed, although it acknowledges the difficulty of such a review “due to the passage of time, availability of supporting documentation, and the turnover of RCM staff...”.

#### **Q5. When will the Mint release its 2008 Annual Report and Financial Statements?**

##### **(Updated July 29, 2009)**

The Audit Committee of the Board of Directors met in late July to discuss the status of the Mint’s 2008 financial statements and to review additional work that was recommended by Deloitte and Touche in their recent report on the precious metals reconciliation, specifically:

- A review of the Mint’s technical processes,
- A review of prior accounting periods, and
- A review of the Mint’s security processes and procedures.

Work has been initiated in all three areas with completion expected in the fall. As such, the Audit Committee has concluded that the results of these additional reviews must be considered before the 2008 financial statements can be finalized.

Until the 2008 financial statements are closed and approved, the Mint cannot pay further bonuses to employees as these payments must be based on the Corporation’s final audited financial statements.

The Board and Management approved, in good faith, an interim payment to union employees and the majority of non-union staff before the books were closed. This payment was based on the Mint attaining 104 percent of its 2008 Corporate Plan profitability target. Once the financial statements are reviewed and approved, bonuses will be adjusted as appropriate. 2008 bonuses for Senior Executives remain frozen.

The Mint’s 2008 Annual Report will be published once the 2008 financial statements are final.