



ROYAL CANADIAN MINT

**SUMMARY OF THE CORPORATE PLAN 2008-2012
AND THE CAPITAL BUDGET 2008**



ROYAL CANADIAN MINT
MONNAIE ROYALE CANADIENNE

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Executive Summary

As Canada's national mint, the Royal Canadian Mint (RCM) is mandated to produce circulation coinage and manage the coinage-distribution system for Canada. A highly integrated, multi-product corporation that strives to be progressive, the RCM is ever mindful of the requirements of existing and potential customers, and the importance of growth and profitability.

The RCM is on track to achieve a record year of profitability in 2007 and its prospects for long-term success are extremely promising due to the Vancouver 2010 Olympic coin program, the opportunities in foreign coinage and the Alloy Recovery Program (ARP). The RCM will reinvest profits to position the corporation for sustainable profitability.

Canadian Circulation is the core business line of the RCM. With a healthy economy and increasing demand for coinage, production levels for Canadian circulation coins are at record levels. The RCM, however, will closely monitor industry trends to gauge the impact of e-payments on coinage demand.

Numismatics faces unique challenges during the planning period. Collectables, which accounts for the majority of revenues for this business line, is in decline. As a result, the RCM will focus its efforts on advanced technology products to stimulate demand among collectors. Key strategic initiatives for this business line will be to leverage demand stemming from the Olympic coin program and retain customers beyond 2010. The RCM will also develop a strategy to penetrate the Canadian gift market.

Foreign Coinage is projected to achieve significant growth from 2008–2012. The current volatility in the base-metals market is forecast to continue, which will keep prices significantly above traditional levels. As a result, RCM's patented low-cost, high-quality multi-ply plating product will continue to be extremely attractive to international customers. The RCM will also use its strategic partnerships to secure international contracts.

Bullion and Refinery operates in a challenging environment as a result of global uncertainties and the unpredictable rise in the prices of precious metals. The RCM is responding to these challenges by proactively reviewing operations and examining innovative business opportunities in the secondary and non-physical bullion markets. This activity will ensure that the corporation generates an acceptable return on investment within the planning period.

Through this Corporate Plan, the RCM recognizes that it will face manageable challenges and risks during the 2008–2012 planning period. The key strategic thrusts of the Corporate Plan are designed to ensure the RCM remains a viable and profitable corporation for years to come. As a national institution, the RCM, through its programs, will also continue to promote the culture, diversity and heritage of all Canadians; it will remain competitive in the global marketplace; and it will continue to be fully accountable and transparent to its shareholder, the Government of Canada.

Corporate Profile

Legislative Powers

The RCM operates pursuant to the *Royal Canadian Mint Act*. The act prescribes the overarching objective of the RCM: “to mint coins in anticipation of profit and to carry out other related activities.” To fulfil this mandate, the RCM possesses the rights, powers, privileges and capacity of a natural person and may:

- (a) procure the incorporation, dissolution or amalgamation of subsidiaries, and acquire and dispose of any shares in them;
- (b) acquire and dispose of any interest in any entity by any means; and
- (c) generally do all things that are incidental or conducive to the exercise of its powers with respect to:
 - i. coins of the currency of Canada;
 - ii. coins of the currency of countries other than Canada;
 - iii. gold, silver and other metals; and
 - iv. 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 to determine the characteristics (including designs) of circulation and non-circulation coins, as well as the structure and process to issue these coins.

The RCM is a Schedule III–Part II Crown Corporation under the *Financial Administration Act*. The RCM operates under the general direction of its board of directors. The Governor in Council appoints the RCM’s chairperson and president; other board members are appointed by the minister responsible for the RCM, with the approval of the Governor in Council. The RCM reports to Parliament through the Minister of Transport, Infrastructure and Communities.

Mandate

The RCM's mandate is to produce circulation and non-circulation coins (for Canada and other countries), manage the domestic coinage system and provide advice to the Minister of Finance on all matters related to coinage. This mandate includes production and marketing of bullion and related refinery products and services for profit. With respect to profit, the *Royal Canadian Mint Act* is clear: the RCM is to conduct its businesses "in anticipation of profit". This fundamental objective has shaped the history of the corporation and is reflected in this Corporate Plan.

Vision

Canadian to the core, the RCM is a world-class brand that exceeds expectations through outstanding products and services.

Mission

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

Values

The RCM is committed to and will attain its vision through the development of the following cultural values:

- customer focus,
- excellence,
- innovation,
- being Canadian,
- integrity, and
- people.

Corporate Profile

Major Strategic Objectives

The major strategic objectives of the RCM are:

- 1 Maintain the RCM as a world-class brand that is recognized for quality, innovation and meeting or exceeding customers' expectations.
- 2 Ensure that Canadian circulation products and services are cost-effective, accessible and relevant, and inspire Canadians to celebrate their history, culture and values.
- 3 Ensure that foreign coinage, bullion and refinery services, collectible and other related products and services lead in their respective markets and are profitable.
- 4 Maintain the long-term profitability of the corporation through an ongoing commitment to customer satisfaction, growth and efficiency.
- 5 Provide an environment in which all employees embrace the corporation's values and celebrate successes.
- 6 Ensure that health, safety and the environment are paramount considerations in establishing an ideal workplace.

Return to Shareholder and Profitability

The RCM is a fully commercial Crown Corporation that operates for profit. From its incorporation in 1969 to 2006, the RCM earned profits of \$239 million and returned 69 percent of these funds to the federal government in cash and dividends. The RCM paid dividends of \$3 million over the past three years.

Since 1986, the RCM has generated more than \$1.8 billion in seigniorage to the Government of Canada. Seigniorage is the difference between a coin's face value and its cost of production, marketing and distribution. Over the years, the RCM has partnered with the Government of Canada to maximize seigniorage revenues. Notable examples of this partnership include a change to steel-based coinage, introduction of the one-dollar and two-dollar circulation coins and design and development of commemorative circulation-coin programs. In 2006, seigniorage was \$93 million.

As noted, the RCM operates in a volatile environment and is subject to a multitude of economic factors, such as exchange rates, precious- and base-metal prices and intense foreign competition in the minting field. These factors—manageable to some extent—can impact planning assumptions and anticipated profit. The RCM anticipates a profit for 2007 and expects to contribute \$91 million in seigniorage to the Government of Canada. The RCM plans on sustaining profitability not only in 2008, but also throughout the 2008–2012 planning period. In addition, the RCM and Finance Canada are reviewing the corporation's dividend policy.

Planning Environment

During the 2008–2012 planning period, the RCM anticipates that the external environment will support its goals of growth, profitability and continued provision of seigniorage to the Government of Canada.

Assessment of 2006 Actual Results and 2006 Forecast

This section compares actual results of the year ended December 31, 2006 with forecasted financial results contained in the 2007–2011 Corporate Plan.

Comparison of Consolidated 2006 Actual Results to the 2006 Forecast

| | 2006 Forecast | 2006 Actual | Difference |
|--|---------------|---------------|------------|
| | \$(000) | \$(000) | |
| Revenues | 540,718 | 493,934 | -9% |
| Cost of goods sold | 447,564 | 403,168 | -10% |
| Gross profit | 93,154 | 90,766 | -3% |
| Business line costs | 47,474 | 46,248 | -3% |
| Business line operating profit | 45,680 | 44,518 | -3% |
| Corporate expenses | 30,629 | 27,394 | -11% |
| Income before interest, foreign exchange and taxes | 15,051 | 17,124 | 14% |
| Interest expense (income)/foreign exchange | 1,420 | 1,083 | -24% |
| Income before income taxes | 13,631 | 16,041 | 18% |
| Income tax | 4,802 | 4,874 | 1% |
| Net income | 8,829 | 11,167 | 26% |
| Capital expenditures | 21,002 | 19,853 | -5% |

Canadian circulation volumes reached an unprecedented 2.2 billion in 2006. A strong economy and an expanding retail sector have driven the need for coinage.

2006 was a challenging year for Bullion and Refinery. Gross profit was 62 percent below forecast and Gold Maple Leaf (GML) bullion coin sales were below target.

Although Numismatics enjoyed 12 sold-out products in 2006, the overall decline in the collectibles market affected sales of core collector products in 2006 and resulted in a year-end gross profit figure three percent below forecast.

Foreign Coinage experienced a difficult year, with a gross profit 93 percent below forecast. This disappointing level of gross profit was due to an increased demand for Canadian circulation coins, which limited the RCM's ability to execute foreign contracts.

Many governments also delayed, cancelled or significantly revised their demand for alloy coinage because of the rapid and significant increase in base-metal prices in 2006. With some metals increasing in price more than 160 percent, the market underwent a substantial change, with both negative and positive impacts. The negative consequences were primarily short-term: a downturn in the demand for coinage, which impacted the RCM's bottom line. This price increase, however, drove many central banks and governments to examine less expensive alternatives for their coinage systems, increasing sales of the RCM's cost-effective multi-ply product line.

In 2006, the RCM made a substantial investment in information technology by investing in a modern Enterprise Resource Planning (ERP) system based on the Microsoft Dynamics AX platform. The new system will enhance transparency, facilitate decision-making, improve customer service and increase operational and manufacturing efficiency.

Comparison of 2007 Consolidated Corporate Plan to Current Forecast

This section provides a revised forecast of 2007 results against the forecast included in the 2007–2011 Corporate Plan.

Comparison of Consolidated 2007 Corporate Plan to the Current Forecast

| | 2007 Corporate Plan \$(000) | 2007 Current Forecast \$(000) | Difference |
|--|--|--|-------------------|
| Revenues | 706,533 | 586,866 | -17% |
| Cost of goods sold | 576,445 | 457,591 | -21% |
| Gross profit | 130,088 | 129,275 | -1% |
| Business line costs | 57,474 | 55,581 | -3% |
| Business line operating profit | 72,614 | 73,694 | 1% |
| Corporate expenses | 37,249 | 35,914 | -4% |
| Income before interest, foreign exchange and taxes | 35,365 | 37,780 | 7% |
| Interest expense (income)/foreign exchange | 1,602 | 4,233 | 164% |
| Income before income taxes | 33,763 | 33,547 | -1% |
| Income tax | 11,795 | 10,944 | -7% |
| Net income | 21,968 | 22,603 | 3% |
| Capital expenditures | 27,624 | 25,304 | -8% |

The RCM is on track to meet its 2007 net-income targets and achieve a record year of profitability. Demand for Canadian circulation coinage continues to be strong. Increased volumes in recycling and the ARP will contribute to this business line's strong gross profits.

Planning Environment

In 2007, the RCM launched its Olympic Multi-Year Program. This new program, which features sports-themed coins, will be in place until the 2010 Winter Olympic and Paralympic Games in Vancouver.

In May 2007, the RCM introduced two exciting new products to the international bullion market: the world's first 100 kilogram, 99.999 gold bullion coin with a face value of \$1 million, and a 99.999 pure one-ounce Gold Maple Leaf coin with a face value of \$200. The RCM was also able to secure from the International Olympic Committee, for the first time ever, approval for bullion Olympic products. However, the over-abundance of coins in the secondary gold bullion market, the strong Canadian dollar and delays in making the RCM silver refinery fully operational have contributed to reduced volumes of those two coins.

Numismatics continues to face challenging market conditions. Gross profits are below the 2007–2011 Corporate Plan forecast, a result that reflects the competitive giftables market and shrinking collectibles market.

Foreign Coinage volumes are expected to be slightly below forecast, resulting in a reduced gross profit. In 2007, the RCM struck coinage for 12 countries (Bahamas, Barbados, Chile, Ethiopia, Ghana, New Zealand, Oman, Panama, Papua New Guinea, Thailand, Uganda and United Arab Emirates) compared to 11 in 2006.

Other initiatives included expansion of the Winnipeg plating plant, addition of new high-speed presses in Winnipeg to increase throughput and productivity, and implementation of the ERP system.

Business Lines

RCM operations consist of four business lines:

- Canadian Circulation,
- Numismatics,
- Foreign Coinage, and
- Bullion and Refinery.

This section describes the performance of the business lines and the major issues faced by each one.

Canadian Circulation

Overview

Canadian Circulation is the RCM's core business line, responsible for fulfilling the corporation's primary mandate: providing high-quality, cost-effective coinage that meets the trade and commerce needs of Canadians. An additional part of the RCM's mandate is management of a comprehensive distribution system that ensures coins are readily available across the country.

Current Status

The strong Canadian economy and rapidly growing retail sector are driving the demand for coinage to record levels. Big-box retailers, grocery stores, quick-service restaurants and other retail establishments are expanding their operations, which increases the need for coinage to perform transactions.

Another factor driving demand levels higher is the transition in the coinage cycle. As new payment mechanisms are offered to Canadian consumers and as traditionally coin-intensive businesses introduce card technologies, sources of coinage deposits are being eliminated for industries—vending, public transit and telephone—that depend on readily available coinage.

In 2006, demand for coinage surpassed the annual average of 1 billion pieces and reached an unprecedented 2 billion pieces. The latest 2007 forecast also projects demand in excess of 2 billion pieces.

With a healthy economy and increasing use of coins, there is a vital need for an efficient coin forecasting and distribution system. The duties of forecasting demand, optimal inventory allocation, and distribution of coins are performed for each of the RCM's 12 coin pool sites. Meetings are held each fiscal quarter to ensure the system is evolving and benefiting from the expertise of the National Coin Committee (composed of the RCM, financial institutions and armoured car companies).

Business Lines

The innovative designs of the Multi-Year Circulation Coin Program have generated substantial public interest and positive response, as demonstrated by the 2007 Olympic program. The RCM partnered with RBC Royal Bank and Petro Canada for exclusive distribution of this program.

Expansion of the Winnipeg plating facility, combined with a licensing agreement with Jarden Zinc Products Incorporated, has increased production capacity for the RCM's multi-ply plating technology. Rising demand for coinage in Canada and abroad, along with skilful marketing, has more nations recognizing the cost savings, durability and longer wear resistance associated with the RCM's multi-ply products. As a result, additional capacity will be needed to meet the growing demand.

Based on the recovery of highly valued nickel, the ARP has become an important revenue stream. However, the current value of nickel is not sustainable and is projected to decrease throughout the 2008–2012 planning period. A recycling program, which complements the ARP, recovers coins that might otherwise go underutilized.

Numismatics

Overview

Numismatics contains two product lines: collectibles and giftables. While collectibles requires the development of innovative products for a limited niche market and accounts for the majority of revenues, giftables features low-cost products for a broad spectrum of customers and is increasingly important to the overall strategy of this business line.

Current Status

The Olympics provides the RCM with an ideal opportunity to develop its customer base, increase awareness of RCM giftables and expand distribution and supplier networks through strategic partnerships with other Olympic partners. For the Olympics to provide a long-term platform for growth, however, the RCM must capitalize on the brand awareness and contacts generated by the Olympics and convert new customers into long-term RCM clients.

A giftables strategy is critical to achieve Corporate Plan targets. The Canadian gift market amounts to \$18 billion annually and presents an enormous opportunity for the RCM. Despite the RCM's strong brand and reputation for quality and craftsmanship, there is still a lack of awareness of the RCM's gift line, which is compounded by the corporation's limited retail presence. To achieve the volume of sales necessary for a successful gift business, it is imperative that the RCM expand existing partnerships and distribution networks.

Reasonable growth prospects in Canada and the USA in 2008 continue to impact favourably on Numismatics with some degree of concern in its smaller markets of Europe and Japan.

Foreign Coinage

Overview

Foreign Coinage is the RCM's primary contact with the world. Through this business line, the RCM liaises with foreign central banks, monetary authorities and finance ministries to secure contracts to produce foreign circulation and numismatic coins and blanks. This business line also manages many of the RCM's foreign partnerships and uses its global sales and marketing team to assist other business lines.

Current Status

The base-metals market remains volatile. Prices are still far higher than historic levels, putting more current and potential customers in a negative seigniorage position and encouraging greater fiscal prudence in many countries. The significant growth in currency demand in the global market (both in coinage and notes) is due in part to developing markets beginning to develop a vending industry. This factor has caused an increase in demand for low-cost, high-quality, high-security coinage and also made it clear that the RCM could expand its multi-ply plating capacity profitably.

Bullion and Refinery

Overview

Bullion and Refinery has a long history at the RCM. The corporation established its first gold refinery in 1911. The RCM opened its silver refinery in 2006. Items of remarkable purity, ranging from the famed Maple Leaf branded bullion coins to 99.99 and 99.999 purity precious-metal products for commercial and industrial applications, have become known internationally as representative of the RCM's bullion products. To certify their quality and reliability, RCM bullion products bear the RCM hallmark.

Current Status

The launch of the 99.999 GML was well received; sales of this coin achieved market-share growth in the second and third quarters of 2007. The current forecast of 99.99 GML sales is projected to achieve 50 percent of the plan. The strong secondary market has eroded new-coin sales and premiums. The economy plays a key role in secondary market levels.

Market research consistently shows high satisfaction ratings from the RCM's customer base, a key to increasing market share in the planning period. The RCM will also leverage its strong corporate and consumer relations to form new strategic partnerships.

The greatest challenge facing this business line is one that lies largely out of the RCM's control: a rise in the prices of precious metals. An increase in the price of gold bullion has produced a spike in the secondary market, which has affected the profitability of all mints.

RCMH – MRCF Inc.

Overview

In 2001, the RCM's board of directors approved a business-development strategy that calls on the RCM to pursue new business opportunities and diversify products and services to broaden the corporation's revenue base. The strategy also outlines the objectives, criteria and focus areas for business development and related process and planning elements.

Four specific areas of focus were identified in the strategy: potential joint ventures for the distribution of collectibles; strategic vertical integration; direct marketing and e-commerce; and products and services that require a high-security environment.

In 2002, the RCM entered a joint venture with Travelway Group International Inc. (TGI), through the corporation's wholly owned subsidiary, RCMH-MRCF Inc. TGM Specialty Services Inc. (TGM)—the product of this joint venture—was created to pursue new business opportunities in collectibles and e-commerce, and strengthen vertical integration. Under the joint-venture agreement, the RCMH-MRCF Inc. owns 50 percent of TGM.

Current Status

2007 was a transition year in the relationship between the RCM and TGM. Both the RCM and one of its key customers, Canada Post, re-examined their retail strategies and streamlined product offerings to focus on popular themes such as sports and the Olympics.

Lean initiatives at the RCM resulted in a restructuring of packaging and assembly activities, and a reorganization of responsibilities in Numismatics. Both of these activities reduced TGM activity as new market and product strategies were considered and deployed.

Major Strategic Objectives

This section addresses activities related to the six strategic objectives of the RCM.

Strategic Objective #1: Maintain the RCM as a world-class brand that is recognized for quality, innovation and meeting or exceeding customer expectations.

- Increase awareness of the vision, values and brand of the RCM.
- Pursue multi-year circulation-coin programs that use the RCM's advanced technology and feature innovative characteristics.
- Invest in research and development.
- Provide advice to the Government of Canada on coin-related issues and optimal denomination structure.
- Communicate and celebrate Canadian history (including the centennial of the RCM), culture and values through innovative coin designs.
- Continue to develop and promote unique products and services.

Strategic Objective #2: Ensure that Canadian circulation products and services are cost-effective, accessible and relevant, and inspire Canadians to celebrate their history, culture and values.

- Conduct research and development activities on the security, quality, innovative characteristics and cost-effectiveness of Canadian circulation coinage.
- Build on the successes of the Multi-year Canadian Circulation Coin Program by communicating Canadian history, culture and values through relevant and timely coin designs.
- Use key partnerships to provide Canadians with better and easier access to RCM products and services.

Major Strategic Objectives

Strategic Objective #3: Ensure that foreign, bullion and refinery, collectible, giftables and other related products and services are profitable and lead in their respective markets.

- Ensure profitable, sustainable and viable return on investments for all initiatives undertaken by the corporation's business lines.
- Leverage existing and new strategic partnerships.
- Expand the RCM's customer base and enhance and leverage current relationships with customers.
- Monitor customer satisfaction at all points of contact through regular research and develop detailed action plans that address identified shortcomings.

Strategic Objective #4: Generate a profit and maintain long-term viability of the corporation through an ongoing commitment to customer satisfaction, growth and efficiency.

- Work with suppliers to ensure high-quality materials are obtained at competitive prices.
- Communicate numismatic programs in a targeted and proactive manner to maximize awareness and sales.
- Streamline product offerings to ensure optimal customer satisfaction and profitability for the RCM.
- Develop an Enterprise Risk Management framework for the RCM.
- Safeguard, protect and generate revenues from the RCM's intellectual property.
- Invest in capital in the Ottawa and Winnipeg facilities.

Strategic Objective #5: Create an environment in which all employees demonstrate the corporation's values and celebrate success.

- Maintain RCM status as a best employer.
- Conclude collective agreements with the RCM's two unions.
- Communicate to employees in a timely fashion the strategic directions, successes and shortcomings of the RCM.
- Develop a Corporate Social Responsibility Policy to apply the best practices of corporate social responsibility.

Strategic Objective #6: Ensure that health, safety and the environment are paramount considerations in establishing an ideal workplace.

- Ensure appropriate health and safety policies and programs are developed, implemented and maintained across business lines.
- Continue to comply with and exceed health and safety standards set out in municipal, provincial and federal regulations.
- Develop continuous improvement tools that promote workplace health and safety.
- Ensure RCM business operations do not adversely impact the natural environment and the health and safety of employees and Canadians.

Performance Management

A major strategic thrust of the RCM during the 2008–2012 planning period will be to improve the corporation's performance-measurement system. To achieve this goal, the RCM must coordinate several key initiatives:

- Phase II of the Enterprise Resource Planning project,
- development of an Enterprise Risk Management program, and
- reviews of the RCM's strategic objectives, Corporate Plan process and ISO-based performance measures.

Major Risks for the Planning Period

Although there are number of important risks that may impact certain areas of the RCM, only those risks that affect the organization as a whole within the 2008–2012 planning period are listed below.

Canadian and Foreign Currency

A high Canadian dollar may impact the RCM's cost competitiveness and ability to take advantage of new business opportunities. Volatility in foreign currency markets, especially shifts in the value of the US dollar, affects product margins and corporate profitability for the RCM because all business lines have revenue streams and costs that are denominated in US dollars. To mitigate risks associated with foreign exchange, the RCM will use natural-currency and financial-instrument hedges.

People Challenge

During the 2008–2012 planning period, the RCM must have a succession plan in place to meet the challenges that result from the retirement of key personnel. To mitigate this risk, an annual succession plan has been developed.

Growth

To meet the growth objectives outlined in the Corporate Plan, the RCM must ensure that employees possess the skills required to flawlessly execute the corporation's agenda. At the same time, the RCM must guard against overworking employees. To mitigate these risks, the RCM will develop a resource-allocation model that is aligned to the corporation's strategic goals.

Canadian and Foreign Coinage

Demand for Canadian circulation coinage and plated products could surpass the RCM's capacity and may cause delays in delivery. To mitigate risks associated with fluctuating demand, the RCM will closely monitor coin-usage trends and demand for plated products.

Productivity Improvements

Cost savings must not only be maintained, but also improved for the RCM to meet Corporate Plan profitability targets, ensure proper capacity and assign appropriate resources to growth initiatives. To realize cost savings and improve productivity, the RCM will establish joint business-line and business-transformation accountability for lean and continuous improvement projects.

Financial Management

This section provides an overview of the RCM's five-year pro-forma financial statements. The five-year financial plan is based on the economic assumptions and planning premises listed below:

- Wages will increase at prevailing rates, while fixed, general and administrative expenses will rise at the current rate of inflation.
- Productivity gains achieved in 2007 will be carried through the planning period by Lean and other initiatives.
- The US exchange rate will be C\$I.
- Precious-metal prices per ounce in Canadian dollars for the planning period will be \$700 for gold, \$1,330 for platinum and \$14 for silver.
- Base-metal prices per kilogram in Canadian dollars for the planning period will be \$30 for nickel, \$7.50 for copper, \$3.50 for zinc and \$1 for steel.
- The RCM will secure a portion of its capital requirements with long-term debt financing.
- Loan interest will be calculated on the basis of outstanding loans at the end of each year.
- Net income from the RCM's wholly owned subsidiary, RCMH-MRCF Inc., will be included in consolidated results.
- Dividend income will be received from the RCM's wholly owned subsidiary, RCMH-MRCF Inc., beginning in 2009.
- Spending for the 2008 capital budget will be \$30 million.
- The RCM will pay income taxes and dividends in the planning period.

Financial Statements

Consolidated Statement of Operations

Actual 2006 and six-year forecast through 2012 \$(000s)

| | Actual 2006 | Forecast 2007 | Forecast 2008 | Forecast 2009 | Forecast 2010 | Forecast 2011 | Forecast 2012 |
|----------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | 493,934 | 586,866 | 661,951 | 667,902 | 636,912 | 686,873 | 738,806 |
| Operating costs | 477,893 | 553,319 | 625,621 | 628,427 | 599,251 | 646,101 | 695,964 |
| Income before income taxes | 16,041 | 33,547 | 36,330 | 39,475 | 37,661 | 40,772 | 42,842 |
| Income tax | 4,874 | 10,944 | 11,815 | 12,898 | 12,307 | 13,317 | 14,021 |
| Net income | 11,167 | 22,603 | 24,515 | 26,577 | 25,354 | 27,455 | 28,821 |

Segmented Information

Actual 2006 and six year forecast through 2012 \$(000)

| | Actual 2006 | Forecast 2007 | Forecast 2008 | Forecast 2009 | Forecast 2010 | Forecast 2011 | Forecast 2012 |
|-----------------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | | | |
| Royal Canadian Mint | 491,807 | 585,913 | 660,360 | 666,401 | 635,301 | 685,151 | 737,072 |
| RCMH-MRCF Inc. | 2,127 | 953 | 1,591 | 1,501 | 1,611 | 1,722 | 1,734 |
| Operating costs | | | | | | | |
| Royal Canadian Mint | 475,840 | 552,240 | 624,107 | 627,011 | 597,744 | 644,500 | 694,373 |
| RCMH-MRCF Inc. | 2,053 | 1,079 | 1,514 | 1,416 | 1,507 | 1,601 | 1,591 |
| Income before income taxes | | | | | | | |
| Royal Canadian Mint | 15,967 | 33,673 | 36,253 | 39,390 | 37,557 | 40,651 | 42,699 |
| RCMH-MRCF Inc. | 74 | -126 | 77 | 85 | 104 | 121 | 143 |
| Income taxes | | | | | | | |
| Royal Canadian Mint | 4,860 | 10,971 | 11,796 | 12,877 | 12,281 | 13,287 | 13,985 |
| RCMH-MRCF Inc. | 14 | -27 | 19 | 21 | 26 | 30 | 36 |
| Net income | | | | | | | |
| Royal Canadian Mint | 11,107 | 22,702 | 24,457 | 26,513 | 25,276 | 27,364 | 28,714 |
| RCMH-MRCF Inc. | 60 | -99 | 58 | 64 | 78 | 91 | 107 |
| Assets | | | | | | | |
| Royal Canadian Mint | 208,376 | 262,478 | 265,800 | 282,780 | 302,759 | 334,285 | 355,950 |
| RCMH-MRCF Inc. | 1,294 | 1,067 | 1,108 | 1,001 | 848 | 815 | 625 |
| Liabilities | | | | | | | |
| Royal Canadian Mint | 95,020 | 127,420 | 107,285 | 98,551 | 94,055 | 99,016 | 92,666 |
| RCMH-MRCF Inc. | 243 | 115 | 98 | 128 | 96 | 173 | 177 |

Financial Management

Consolidated Balance Sheet

Actual 2006 and six-year forecast through 2012 \$(000)

| | Actual 2006 | Forecast 2007 | Forecast 2008 | Forecast 2009 | Forecast 2010 | Forecast 2011 | Forecast 2012 |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | | | |
| Current | | | | | | | |
| Cash and cash equivalents | 4,222 | 25,420 | 7,214 | 12,313 | 11,880 | 11,606 | 10,483 |
| Accounts receivable | 30,256 | 38,096 | 40,099 | 44,100 | 58,404 | 77,104 | 88,806 |
| Prepaid expenses | 742 | 303 | 301 | 301 | 301 | 301 | 301 |
| Inventories | 40,341 | 56,999 | 65,136 | 70,306 | 74,023 | 86,033 | 96,323 |
| | 75,561 | 120,818 | 112,750 | 127,020 | 144,608 | 175,044 | 195,913 |
| Long-term | | | | | | | |
| Deferred charges | 418 | 100 | 100 | 100 | 100 | 100 | 100 |
| Property, plant and equipment | 236,335 | 261,639 | 291,665 | 313,693 | 335,725 | 357,759 | 379,797 |
| Accumulated depreciation | (116,497) | (130,557) | (146,845) | (163,962) | (181,448) | (200,118) | (219,235) |
| Intangibles | 13,853 | 11,545 | 9,238 | 6,930 | 4,622 | 2,315 | - |
| | 134,109 | 142,727 | 154,158 | 156,761 | 158,999 | 160,056 | 160,662 |
| | 209,670 | 263,545 | 266,908 | 283,781 | 303,607 | 335,100 | 356,575 |
| Liabilities | | | | | | | |
| Current | | | | | | | |
| Accounts payable and accrued liabilities | 41,464 | 42,017 | 44,899 | 45,914 | 46,369 | 47,929 | 48,921 |
| Current portion of loans | 21,640 | 8,664 | 10,093 | 7,335 | 3,855 | 14,533 | 3,500 |
| Deferred revenues | 3,203 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| | 66,307 | 52,681 | 56,992 | 55,249 | 52,224 | 64,462 | 54,421 |
| Long-term | | | | | | | |
| Deferred revenues | 843 | 34,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| Loans | 15,849 | 27,819 | 33,158 | 26,000 | 24,300 | 16,900 | 20,400 |
| Future tax liabilities | 3,196 | 3,835 | 3,833 | 3,830 | 3,827 | 3,827 | 3,822 |
| Employee future benefits | 9,068 | 9,200 | 9,400 | 9,600 | 9,800 | 10,000 | 10,200 |
| | 28,956 | 74,854 | 50,391 | 43,430 | 41,927 | 34,727 | 38,422 |
| Shareholder's equity | | | | | | | |
| Share capital | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Retained earnings | 74,407 | 96,010 | 119,525 | 145,102 | 169,456 | 195,911 | 223,732 |
| | 114,407 | 136,010 | 159,525 | 185,102 | 209,456 | 235,911 | 263,732 |
| | 209,670 | 263,545 | 266,908 | 283,781 | 303,607 | 335,100 | 356,575 |

Consolidated Cash Flow Statement

Actual 2006 and six year forecast through 2012 \$(000)

| | Actual 2006 | Forecast 2007 | Forecast 2008 | Forecast 2009 | Forecast 2010 | Forecast 2011 | Forecast 2012 |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash flows from operating activities | | | | | | | |
| Net income | 11,167 | 22,603 | 24,515 | 26,577 | 25,354 | 27,455 | 28,821 |
| Reconciliation of net income to net cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | 12,471 | 16,368 | 18,595 | 19,425 | 19,794 | 20,977 | 21,432 |
| Deferred income taxes | 294 | 639 | (2) | (3) | (3) | - | (5) |
| Deferred employee benefits | 723 | 132 | 200 | 200 | 200 | 200 | 200 |
| Changes in operating assets and liabilities: | | | | | | | |
| Accounts receivable | 18,616 | (7,841) | (2,003) | (4,001) | (14,304) | (18,700) | (11,702) |
| Inventory | (7,315) | (16,658) | (8,137) | (5,170) | (3,717) | (12,010) | (10,290) |
| Accounts payable | 244 | 554 | 2,882 | 1,015 | 455 | 1,560 | 992 |
| Deferred revenues | 565 | 31,954 | (30,000) | - | - | - | - |
| Other assets and liabilities | (82) | 670 | (211) | (261) | (22) | (21) | (133) |
| | 36,683 | 48,421 | 5,839 | 37,782 | 27,757 | 19,461 | 29,315 |
| Cash flows from investment activities | | | | | | | |
| Purchase of intangibles | (15,000) | - | - | - | - | - | - |
| Purchase of capital assets | (19,853) | (25,304) | (30,026) | (22,029) | (22,032) | (22,035) | (22,038) |
| | (34,853) | (25,304) | (30,026) | (22,029) | (22,032) | (22,035) | (22,038) |
| Cash flows from financing activities | | | | | | | |
| New loans | 26,450 | 20,000 | 15,000 | - | 2,000 | 7,000 | 7,000 |
| Dividend paid to shareholder* | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| Repayment of loans | (4,100) | (20,919) | (8,019) | (9,654) | (7,158) | (3,700) | (14,400) |
| | 21,350 | (1,919) | 5,981 | (10,654) | (6,158) | 2,300 | (8,400) |
| Net increase (decrease) in cash and equivalents | 23,180 | 21,198 | (18,206) | 5,099 | (433) | (274) | (1,123) |
| Cash and cash equivalents at the beginning of the year | (18,958) | 4,222 | 25,420 | 7,214 | 12,313 | 11,880 | 11,606 |
| Cash and cash equivalents at the end of the year | 4,222 | 25,420 | 7,214 | 12,313 | 11,880 | 11,606 | 10,483 |

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

Financial Management

Borrowing Plan

In accordance with the *Royal Canadian Mint Act*, the RCM may borrow money from the Consolidated Revenue Fund or any other source, but the aggregate of the amounts loaned to the RCM and outstanding at any time may not exceed \$75 million. The Minister of Finance approves terms and conditions of all borrowings.

Currently, the RCM has four long-term loans:

- In 1997, \$10 million was borrowed from a financial institution in the form of a 10-year amortized loan, with semi-annual interest at 5.84 percent.
- In 1998, the RCM borrowed \$31 million from a commercial financial institution to fund the corporation's plating facility. A private placement bond was issued, providing equal annual principal repayments and semi-annual interest payments over a 10-year period, beginning in 2000.
- In 2006, the RCM secured a non-interest-bearing long-term loan payable in the amount of \$15 million, with principal repayments beginning in 2006.
- In 2007, the RCM secured a five-year long-term loan of \$20 million, with principal repayments beginning in 2008.

During the planning period, the RCM plans to secure a portion of its capital requirements through long-term debt financing. Principal repayments on all long-term financing are projected as follows:

- \$8 million in 2008,
- \$9.7 million in 2009,
- \$7.1 million in 2010,
- \$3.7 million in 2011, and
- \$14.4 million in 2012.

The RCM also uses short-term loans to support the corporation's business activities. The amount and uses of short-term borrowing, to a maximum of \$25 million, are determined on an ongoing, as-required basis.

Capital Plan

2008 Capital Budget and 2009–2012 Capital Expenditure Plan

The Capital Budget for 2008 and the Capital Expenditure Plan for 2009–2012 represent the investments required by the RCM to maintain the reliability, flexibility and capability of equipment, protect the environment and ensure employee health and safety. The investments also support growth initiatives identified by the RCM's business lines. In addition, major investments are planned in equipment and technology, which will protect the RCM's productivity and customer service, and enhance growth opportunities.

When the capital plan and capital expenditure plans are developed and projects are prioritized, the RCM takes into consideration factors such as business-line growth rates, business investment requirements, competitive benchmarking, new product and technology research and development, information-technology maintenance and enhancement, and return on investments.

Other essential projects include replacing aging equipment, fulfilling health and safety requirements, enhancing reliability, improving production throughput, improving building maintenance, and undertaking road and property repairs.

Capital Budget 2008 and Capital Expenditure Plan 2009–2012

\$(000)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|--------|--------|--------|--------|--------|
| Information technology, growth and technological innovation and regular sustaining capital | 30,026 | 22,029 | 22,032 | 22,035 | 22,038 |