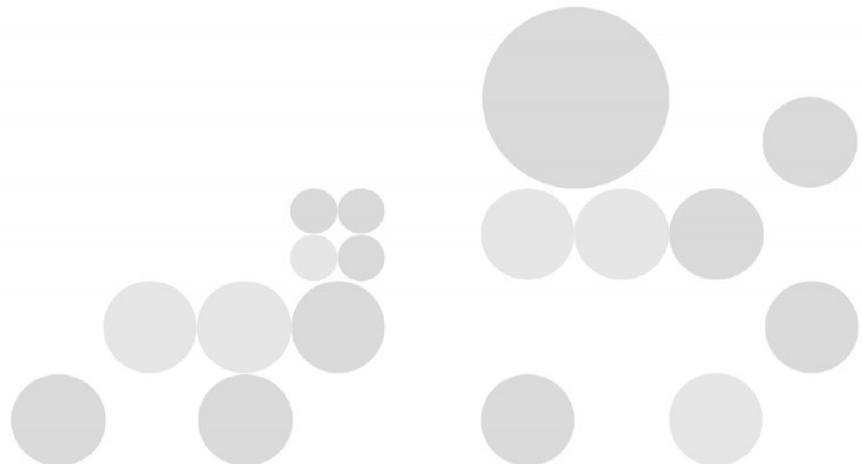




# THIRD QUARTER FINANCIAL REPORT

**FISCAL 2021**

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## NARRATIVE DISCUSSION

### **BASIS OF PRESENTATION**

The Royal Canadian Mint (the “Mint”) prepared this report as required by section 131.1 of the *Financial Administration Act*<sup>1</sup> using the standard issued by the Treasury Board of Canada Secretariat. This narrative should be read in conjunction with the unaudited condensed consolidated financial statements.

The Mint prepared these unaudited condensed consolidated financial statements for the 13 and 39 weeks ended October 2, 2021 and September 26, 2020 in compliance with International Financial Reporting Standards (IFRS). Although the Mint’s year-end of December 31 matches the calendar year end, the Mint’s quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Mint’s quarters contains 13 weeks. In 2021, the first 39 weeks included 275 days compared to 270 days in the first 39 weeks of 2020. Financial results reported in this narrative are presented in Canadian dollars and rounded to the nearest million, unless otherwise noted. The information in this narrative is current to November 17, 2021, unless otherwise noted.

### **MATERIALITY**

In assessing what information to provide in the narrative, management applies the materiality principle as guidance for disclosure. Management considers information material if its omission or misstatement could reasonably be expected to influence decisions that the primary users make based on the financial information included in this narrative.

### **FORWARD LOOKING STATEMENTS**

Readers are advised to refer to the cautionary language included at the end of this narrative when reading any forward-looking statements.

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<sup>1</sup> Financial Administration Act, R.S.C., 1985, c. F-11

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**OVERVIEW OF THE CORE MANDATE AND THE BUSINESS**

The Royal Canadian Mint is Canada's national mint and a global leader in Circulation and precious metals. As part of its core mandate, the Mint manages the circulation of Canada's coinage from its weekly forecasting and world-class production to eventual retirement. This end-to-end responsibility, along with oversight of inventories across the nation, enables the Mint to effectively deliver a reliable and inclusive payment option for Canadians. Integrating corporate social responsibility (CSR) as a foundation for its coin lifecycle management practices, the Mint recycles and re-distributes coins which reduces the need to produce more coins and extends the life span and usage of those coins already circulating.

On behalf of the Government of Canada, the Mint operates a Commemorative Coin Program (CCP) to celebrate Canada's history, diversity, culture and values. In addition to its core mandate, the Mint is also responsible for the Alloy Recovery Program (ARP) which removes older-composition Canadian coins from the coin pool system and replaces them with multi-ply plated steel (MPPS) coins that are more durable and secure.

The Foreign Circulation business produces and supplies finished coins, coin blanks and tokens to customers around the world, including central banks, mints, monetary authorities and finance ministries. The Mint also produces high technology dies for international customers allowing countries to strike their own coins. These contracts leverage the infrastructure and industry-leading expertise in the Mint's Winnipeg manufacturing facility.

The Bullion Products & Services business provides critical support to the essential Canadian mining and financial sectors through its market-leading precious metal investment coin and bar products, supported by integrated precious metal refining, storage and exchange traded receipts (ETR) capabilities. These products include the Maple Leaf family of gold and silver coins, as well as other precious metal products and services for investment and manufacturing purposes. As a market leader in the industry with bullion coins of the highest quality and security, the Mint is well positioned to capture a leading share of any increase in demand while sustaining volumes during softer markets. The Mint has, in the past, issued ETRs under its Canadian Gold Reserves (TSX: MNT/MNT.U) and Canadian Silver Reserves (TSX: MNS/MNS.U) programs, which provide retail and institutional investors direct legal title and beneficial ownership in physical bullion held in the custody of the Mint at its facilities on an unallocated basis. These programs contribute to the efficient operation of the Mint's production facilities.

The Numismatics business designs, manufactures and sells collectible coins to a loyal customer base in Canada and around the world. The medals division proudly provides medals to many Canadian public institutions to recognize and celebrate outstanding accomplishments of Canadians. The Mint's global leadership in the art and science of minting is consistently recognized around the world. This recognition is largely earned by innovative technology enhancements, such as glow in the dark paint, selective plating and the use of vibrant colour that allow the Mint to create unique and compelling products. The Mint principally sold numismatic

*(Unaudited)*

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products through its outbound sales and e-commerce platforms in the first 39 weeks of 2021, as well as through dealers and partners, both domestically and internationally. The Ottawa and Winnipeg boutiques closed temporarily based on recommendations from public health authorities but have since reopened with limited capacity. The Winnipeg boutique resumed tours of the facility as of August 9, 2021 while continuing to offer virtual tours of the facility with a focus on the history and storytelling that make the Mint a uniquely Canadian experience. Tours of the Ottawa facility remain on hold and will resume at a later date.

## **SIGNIFICANT CORPORATE EVENTS**

### **Memorandum of understanding (MOU) with the Department of Finance and Corporate Plan**

On November 1, 2021, the Mint signed a new MOU with the Department of Finance which is effective from January 1, 2022 to December 31, 2025. With the substantial conclusion of the MOU negotiations, on October 6, 2021, the Mint's Board of Directors approved the 2022-2026 Corporate Plan (which included the terms for the 2022-2025 MOU) for submission to the Minister of Finance.

### **Recognition Medal and new Mental Health Medal**

On June 29, 2020, the Mint launched the Recognition Medal to recognize essential workers and all those who worked to keep Canadians safe, healthy and connected during the COVID-19 pandemic. The Mint donated the net proceeds from the sale of each medal to Breakfast Club of Canada's emergency funding in support of children and families who are facing food insecurity, due to the repercussions of COVID-19. The initiative has now ended and the Mint has donated a total of \$0.7 million. The Recognition medal earned the International Association of Currency Affairs (IACA) special award for the Best Currency Initiative Implemented in Response to the Covid-19 Pandemic (Other Organization).

On November 9, 2021, the Mint launched a new Mental Health Medal which can be worn to signal your willingness to listen or given to show support for mental health. The net proceeds from this year's medal will be donated to the Kids Help Phone to help ensure young people in Canada have access to mental health support in any moment of crisis or need.

### **COVID-19 Pandemic**

The Mint continues to take all necessary precautions to safeguard employee health and safety, while prioritizing critical manufacturing operations to support trade and commerce, and the essential mining and financial sectors. The Ottawa and Winnipeg manufacturing facilities operated normally throughout the first 39 weeks of 2021.

**MANAGEMENT REPORT**

39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited)***OPERATING HIGHLIGHTS AND ANALYSIS OF RESULTS**

To achieve its objectives, the Mint strives to continually improve profitability through prudent financial management and efficient operations. The Mint measures its performance by using metrics meaningful to customers, business partners and employees. The measures below allow the Mint to monitor its capacity to improve performance and create value for its Shareholder and for Canada

	13 weeks ended				39 weeks ended			
	October 2, 2021	September 26, 2020	\$ Change	% Change	October 2, 2021	September 26, 2020	\$ Change	% Change
Revenue	\$ 811.6	\$ 795.4	16.2	2	\$ 2,667.9	\$ 1,823.3	844.6	46
Profit before income tax and other items <sup>1</sup>	\$ 18.8	\$ 10.5	8.3	79	\$ 69.9	\$ 18.7	51.2	274
Profit before income tax and other items margin	2.3 %	1.3%			2.6 %	1.0%		
Profit for the period	\$ 9.2	\$ 16.3	(7.1)	(44)	\$ 43.5	\$ 25.6	17.9	70

<sup>1</sup>A reconciliation from profit for the period to profit before income tax and other items is included on page 11.

Profit before income tax and other items for the 13 and 39 weeks ended October 2, 2021 increased \$8.3 million and \$ 51.2 million, respectively, compared to the same periods in 2020 which reflect tangible results of the success of the new strategy and the impact of returning to full production capacity compared to modified production in the first 26 weeks of 2020 due to the pandemic. The increase in profit for the quarter was primarily driven by higher revenue from the Foreign Circulation business which saw a 139% increase for the quarter due to higher volumes recognized. The increase in profit for the year was primarily driven by higher revenue from the Precious Metal businesses which saw a 46% increase year to date. This was primarily due to the Mint's continued focus on its production capacity to serve the mining and financial sectors in Canada and around the world as global market demand for gold and silver bullion products continued to strengthen in 2021, while there was also an increased focus on gold numismatic products. Foreign Circulation also contributed to the increase in profit for the year with a 166% increase in revenue driven by higher volumes recognized.

	As at			
	October 2, 2021	December 31, 2020	\$ Change	% Change
Cash and cash equivalents	\$ 106.2	\$ 67.3	38.9	58
Inventories	\$ 75.4	\$ 57.6	17.8	31
Capital assets	\$ 157.0	\$ 161.1	(4.1)	(3)
Total assets	\$ 449.3	\$ 379.4	69.9	18
Working capital	\$ 169.9	\$ 112.9	57.0	50

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited)*

Working capital remained strong having increased 50% from December 31, 2020. Cash and cash equivalents increased 58% from December 31, 2020 mainly due to strong cash flows from operations and timing of cash collected from customers, partially offset by higher inventory purchases.

**Revenue by program and business**

	13 weeks ended				39 weeks ended			
	October 2, 2021	September 26, 2020	\$ Change	% Change	October 2, 2021	September 26, 2020	\$ Change	% Change
Canadian Circulation program	\$ 22.1	\$ 22.9	(0.8)	(3)	\$ 64.5	\$ 65.2	(0.7)	(1)
Foreign Circulation business	31.6	13.2	18.4	139	88.0	33.1	54.9	166
Total Circulation	\$ 53.7	\$ 36.1	17.6	49	\$ 152.5	\$ 98.3	54.2	55
Bullion Products and Services business	\$ 733.0	\$ 737.3	(4.3)	(1)	\$ 2,434.2	\$ 1,669.5	764.7	46
Numismatics business	24.9	22.0	2.9	13	81.2	55.5	25.7	46
Total Precious Metals	\$ 757.9	\$ 759.3	(1.4)	-	\$ 2,515.4	\$ 1,725.0	790.4	46
Total revenue	\$ 811.6	\$ 795.4	16.2	2	\$ 2,667.9	\$ 1,823.3	844.6	46

The Mint takes an integrated and agile approach to managing the Circulation and Precious Metals businesses. This approach allows the Mint to allocate resources within these businesses in order to respond to customer and market demands.

**Canadian Circulation**

During the 13 and 39 weeks ended October 2, 2021, revenue from the Canadian Circulation program decreased by \$0.8 million and \$0.7 million, respectively, over the same periods in 2020. The decrease for the quarter was mainly due to lower coin volumes in 2021 while the decrease for the year was mainly due to lower Alloy Recovery program volumes in 2021.

On July 13<sup>th</sup>, 2021, the Mint issued a new \$2 circulation coin celebrating the 100<sup>th</sup> anniversary of the discovery of insulin.

On September 22<sup>nd</sup>, 2021, the Mint issued a new \$1 circulation coin commemorating the 125<sup>th</sup> anniversary of the Klondike gold discovery.

**MANAGEMENT REPORT**

39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited)***Coin supply**

<i>(in millions of coins)</i>	13 weeks ended				39 weeks ended			
	<b>October 2, 2021</b>	September 26, 2020	Change	% Change	<b>October 2, 2021</b>	September 26, 2020	Change	% Change
Financial institutions deposits	<b>356</b>	332	24	7	<b>979</b>	1,116	(137)	(12)
Recycled coins	<b>33</b>	19	14	74	<b>79</b>	70	9	13
New coins sold to financial institutions and others	<b>187</b>	192	(5)	(3)	<b>298</b>	279	19	7
<b>Total coin supply</b>	<b>576</b>	543	33	6	<b>1,356</b>	1,465	(109)	(7)
Coins redistributed across financial institutions	<b>99</b>	82	17	21	<b>342</b>	396	(54)	(14)

**Department of Finance Inventory**

<i>(in millions of dollars)</i>	As at			
	<b>October 2, 2021</b>	September 26, 2020	\$ Change	% Change
Opening inventory	<b>\$ 82.5</b>	\$ 102.0	(19.5)	(19)
New coins produced	<b>89.5</b>	63.5	26.0	41
New coins sold to financial institutions and others	<b>(127.4)</b>	(93.3)	(34.1)	37
<b>Ending inventory</b>	<b>\$ 44.6</b>	\$ 72.2	(27.6)	(38)

Demand is met through the three main sources of supply outlined in the table above and is subject to variability across regions of the country and seasonality depending on the time of the year. During the 13 weeks ended October 2, 2021, the supply for Canadian circulation coins increased 6% when compared to the same period in 2020. The increase in supply was partially attributed to consumers increased ability to spend in person as nationwide restrictions began to ease over the summer which is peak demand season. The supply for Canadian circulation coins decreased 7% for the 39 weeks ended October 2, 2021, when compared to the same period in 2020, due to the effects of the COVID-19 pandemic on the coin supply that were not present during the first 13 weeks of 2020. Consumers were actively using coins in the marketplace before restrictions on businesses were implemented. Coins sold to the financial institutions increased by 7% for the 39 weeks ended October 2, 2021 due to new coins making up a higher percentage of coins required to fulfill trade and commerce needs due to an overall decrease in supply relative to demand.

The Mint actively manages inventory levels in response to changes in demand, financial institution deposits and recycling volumes to ensure coinage demand is met throughout the year. The face value of the Department of Finance owned inventory at October 2, 2021 was \$44.6 million, which was within the inventory limit outlined in the Mint's memorandum of understanding

**MANAGEMENT REPORT**

39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited)*

with the Department of Finance, with no coin shortages during the 39 weeks ended October 2, 2021. To replenish inventories held on behalf of the Department of Finance, the Mint produced 38 million and 237 million coins in the 13 weeks and 39 weeks ended October 2, 2021, respectively, compared to 80 million and 158 million for the same periods in 2020.

**Foreign Circulation**

Revenue for the Foreign Circulation business increased 139% and 166% to \$31.6 million and \$88.0 million, respectively, during the 13 and 39 weeks ended October 2, 2021 compared to \$13.2 million and \$33.1 million in the same periods in 2020.

The increase for the 13 weeks ended October 2, 2021 reflected higher volumes and changes in the mix of contracts which consisted of shipments of 290 million (2020 – 98 million) coins and blanks to 3 (2020 – 7) countries. The increase for the 39 weeks ended October 2, 2021 reflected the shipment of 895 million (2020 – 555 million) coins and blanks to 8 (2020 – 10) countries, as well as the return to full production capacity in 2021 versus 2020 which had modified production capacity during the first 26 weeks of 2020. During the first 39 weeks of 2021, the Mint was awarded two new production contracts for an aggregate of 6.5 million coins.

**Bullion Products and Services**

	13 weeks ended				39 weeks ended			
	October 2, 2021	September 26, 2020	\$ Change	% Change	October 2, 2021	September 26, 2020	\$ Change	% Change
Gross revenue	\$ 1,129.0	\$ 1,127.1	1.9	-	\$ 3,761.8	\$ 2,472.6	1,289.2	52
Less: customer inventory deals	(396.0)	(389.8)	(6.2)	2	(1,327.6)	(803.1)	(524.5)	65
Net revenue	\$ 733.0	\$ 737.3	(4.3)	(1)	\$ 2,434.2	\$ 1,669.5	764.7	46

<i>(thousands of ounces)</i>	13 weeks ended				39 weeks ended			
	October 2, 2021	September 26, 2020	Change	% Change	October 2, 2021	September 26, 2020	Change	% Change
Gold	310.4	300.1	10.3	3	1,087.6	694.8	392.8	57
Silver	9,784.8	8,197.6	1,587.2	19	28,730.9	21,962.5	6,768.4	31
Gross ounces	10,095.2	8,497.7	1,597.5	19	29,818.5	22,657.3	7,161.2	32
Less: ounces from customer inventory deals	(1,376.8)	(1,127.5)	(249.3)	22	(4,662.4)	(3,665.3)	(997.1)	27
Net ounces	8,718.4	7,370.2	1,348.2	18	25,156.1	18,992.0	6,164.1	32

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Bullion Products and Services net revenue decreased 1% to \$733.0 million during the 13 weeks ended October 2, 2021 as compared to the same period of 2020 due to an increase in volume of customer inventory deals and lower precious metal prices which was offset by higher gold and silver volumes. During the 39 weeks ended October 2, 2021, Bullion Products and Services net revenue increased 46% to \$2,434.2 million as compared to the same period in 2020. The increase in revenue were mainly attributable to an increase in global market demand resulting in a 57% increase in gold bullion product volumes and a 31% increase in silver bullion product volumes, as well as a return to full production capacity compared to modified production capacity in the prior year due to the pandemic.

### Numismatics

Numismatics revenue increased 13% and 46%, respectively, to \$24.9 million and \$81.2 million during the 13 and 39 weeks ended October 2, 2021 as compared to the same periods of 2020. The increases in revenue were largely attributable to stronger sales of gold and silver products, as well as a return to full production capacity in 2021 after the suspension of numismatic coin production from mid-March to end of May 2020.

	13 weeks ended				39 weeks ended			
	October 2, 2021	September 26, 2020	\$ Change	% Change	October 2, 2021	September 26, 2020	\$ Change	% Change
Gold	\$ 11.2	\$ 8.9	2.3	26	\$ 33.0	\$ 21.2	11.8	56
Silver	10.8	11.4	(0.6)	(5)	38.5	27.3	11.2	41
Other revenue <sup>1</sup>	2.9	1.7	1.2	71	9.7	7.0	2.7	39
Total revenue	\$ 24.9	\$ 22.0	2.9	13	\$ 81.2	\$ 55.5	25.7	46

<sup>1</sup>Other revenue includes base metal coins, medals and other related revenue

### Expenses, other income and income tax

Expenses (income)	13 weeks ended				39 weeks ended			
	October 2, 2021	September 26, 2020	\$ Change	% Change	October 2, 2021	September 26, 2020	\$ Change	% Change
Cost of sales	\$ 776.2	\$ 749.7	26.5	4	\$ 2,534.7	\$ 1,724.8	809.9	47
Operating expenses:								
Marketing and sales	\$ 7.3	\$ 7.2	0.1	1	\$ 19.5	\$ 20.4	(0.9)	(4)
Administration	\$ 19.3	\$ 16.5	2.8	17	\$ 58.9	\$ 49.0	9.9	20
Net foreign exchange (gain) loss	\$ (3.8)	\$ 1.0	(4.8)		\$ (3.0)	\$ (3.5)	0.5	
Income tax expense	\$ 3.5	\$ 5.0	(1.5)		\$ 14.9	\$ 7.7	7.2	

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*(Unaudited)*

Cost of sales for the 13 and 39 weeks ended October 2, 2021 increased to \$776.2 million and \$2,534.7 million, respectively, compared to \$749.7 million and \$1,724.8 million during the same periods in fiscal year 2020. The overall increase in cost of sales for the 13 weeks ended October 2, 2021 was mainly due to a revaluation loss of \$22 million on our Face Value redemptions liability from lower silver market pricing, as well as higher Foreign Circulation volumes recognized as compared to the same period in 2020. During the 39 weeks ended October 2, 2021, the overall increase in cost of sales was mainly due to higher gold and silver bullion volumes sold, which increased 32%, combined with higher precious metal market pricing in 2021 and a revaluation loss of \$22 million on our Face Value redemptions liability from lower silver market pricing.

Overall, operating expenses for the 13 and 39 weeks ended October 2, 2021 increased \$2.9 million and \$9.0 million, respectively, compared to the same periods in 2020. Administration expenses increased 17% and 20%, respectively, mainly due to planned investments in support of the Mint's business transformation for employee compensation, contingent workforce, consulting and professional services expenses. For the 39 weeks ended October 2, 2021 marketing and sales expense decreased 4% compared to the same period in 2020, mainly due to lower travel, hospitality and conferences expenses as a result of the COVID-19 pandemic.

Net foreign exchange gain increased \$4.8 million for the 13 weeks ended October 2, 2021 when compared to the same periods in 2020. The net foreign exchange gain of \$3.8 million was mainly due to a weaker Canadian dollar in relation to the US dollar and the resulting positive impact on the translation of the Mint's US dollar balances.

Income tax expense increased \$7.2 million for the 39 weeks ended October 2, 2021 when compared to the same period in 2020, mainly due to an increase in taxable income as a result of higher operating income.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows

	13 weeks ended			39 weeks ended		
	October 2, 2021	September 26, 2020	\$ Change	October 2, 2021	September 26, 2020	\$ Change
Cash and cash equivalents, at the end of the period	\$ 106.2	\$ 91.1	15.1	\$ 106.2	\$ 91.1	15.1
Cash flow from operating activities	\$ 25.1	\$ 13.3	11.8	\$ 50.5	\$ 32.3	18.2
Cash flow used in investing activities	\$ (2.7)	\$ (1.7)	(1.0)	\$ (9.0)	\$ (5.9)	(3.1)
Cash flow used in financing activities	\$ (0.6)	\$ (0.6)	-	\$ (1.9)	\$ (2.4)	0.5

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39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited)*

Cash from operating activities for the 13 and 39 weeks ended October 2, 2021 increased \$11.8 million and \$18.2 million, respectively, compared to the same periods in 2020 primarily due to higher cash generated from operations and the timing of cash receipts from customers and payments to suppliers.

Cash used in investing activities increased \$1.0 million and \$3.1 million, respectively, for the 13 and 39 weeks ended October 2, 2021 mainly due to investments in production equipment for both Ottawa and Winnipeg plants and investments in digital transformation information technology projects.

### **Borrowing facilities**

See note 17 in the December 31, 2020 audited consolidated financial statements for details on the Mint's borrowing facilities. The Mint entered and closed the period with total outstanding long-term loans of \$6.0 million, which is within the Mint's approved borrowing limit as prescribed by the Royal Canadian Mint Act. The Mint entered the period with a long-term debt-to-equity ratio of 1:28 and closed the period with a long-term debt-to-equity ratio of 1:35.

### **RECONCILIATION FROM PROFIT FOR THE PERIOD TO PROFIT BEFORE INCOME TAX AND OTHER ITEMS**

A reconciliation from profit for the period to profit before income tax and other items was as follows:

	13 weeks ended			39 weeks ended		
	October 2, 2021	September 26, 2020	\$ Change	October 2, 2021	September 26, 2020	\$ Change
Profit for the period	\$ 9.2	\$ 16.3	(7.1)	\$ 43.5	\$ 25.6	\$ 17.9
Add (deduct):						
Income tax expense	3.5	5.0	(1.5)	14.9	7.7	7.2
Other income	-	-	-	(0.1)	-	(0.1)
Net foreign exchange (gain) loss <sup>1</sup>	(3.6)	1.3	(4.9)	1.0	(3.2)	4.2
Face Value revaluation loss (gain) <sup>2</sup>	9.7	(12.1)	21.8	10.6	(11.3)	21.9
Profit before income tax and other items	\$ 18.8	\$ 10.5	8.3	\$ 69.9	\$ 18.8	\$ 51.1

<sup>1</sup> Net foreign exchange (gain) loss for the 13 and 39 weeks ended October 2, 2021 excludes gains of \$0.2 and \$4.0 million related to the mitigation of the foreign exchange risk for a specific contract. The 13 and 39 weeks ended September 26, 2020 exclude \$0.3 million related to the mitigation of the foreign exchange risk for the same contract.

<sup>2</sup> Face Value revaluation loss (gain) is the non-cash impact of the change in the valuation of the precious metal component of the Face Value redemptions liability which excludes the impact of a foreign exchange gain of \$1.5 million (2020 - \$0.8 million loss) and a foreign exchange loss of \$0.3 million (2020 - \$1.7 million gain) for the 13 and 39 weeks ended October 2, 2021 respectively.

**RISKS TO PERFORMANCE**

Management considers risks and opportunities at all levels of decision-making. The Mint's performance is influenced by many factors, including: economic conditions, financial and commodity market volatility, and competitive pressures. Also, as a Crown corporation governed under a legislative framework, the Mint's performance could be impacted by changes to Shareholder objectives or to the directions given by governing bodies. Under the guidance of the Board of Directors, the Mint's enterprise risk management process is undertaken by the Mint's Leadership Team. It focuses on the identification, assessment and management, within the risk appetite of the Board of Directors, of the key risks, that could impact the achievement of the Mint's strategic objectives. As part of its oversight process, the Board of Directors approves risk appetite statements, reviews the Mint's corporate risk profile and has input into the broader risk management approach.

The Mint's enterprise risk management framework and practices are consistent with guidance issued by the Treasury Board and is subject to periodic review by its internal auditor. Guidance in relation to risk awareness and risk management is provided to staff where necessary. Appropriate risk management requirements are embedded in staff responsibilities.

A register of key corporate risks is maintained, together with a series of operational risk registers covering each of the Mint's business/support areas. These registers are updated regularly and evolve as new risks are identified and existing ones are mitigated.

The key corporate level risks that could materially impact the Mint's ability to achieve its strategy are identified in the Mint's 2020 Annual Report. Since the Annual Report was issued, one risk was added to the corporate risk profile in the second quarter of 2021: the risk that the Mint cannot source precious metal at competitive cost and adjust its pricing accordingly. Management is expanding the qualified suppliers list to mitigate this risk.

**CRITICAL ACCOUNTING ESTIMATES, ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING POLICY DEVELOPMENTS**

See note 3 in the audited consolidated financial statements for the year ended December 31, 2020 for a discussion of key sources of estimation uncertainty and critical judgements, as well as note 3 in the accompanying unaudited condensed consolidated financial statements for the 39 weeks ended October 2, 2021 for a discussion regarding the adoption of new accounting standards.

**OUTLOOK**

The financial goal for 2021, as approved in the Mint's 2021-2025 Corporate Plan, is a profit before tax and other items of \$47.6 million and the Mint is on track to exceed this target. Over the next twelve months, the Mint will evolve its circulation business by augmenting its world-leading

*(Unaudited)*

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domestic coin lifecycle management practices and will aim to seize the best foreign circulation opportunities. The Mint will also build its precious metals capacity, focus on its numismatic offerings, pursue operational efficiencies, create agility and continue to add value for Canada. The Mint is also making investments as it continues to add value for Canada and the implementation of its business transformation. The Mint closely monitors the impact of the evolving situation of the pandemic including the impact on its global supplier network and identifies contingency plans when required in order to support the business.

## Circulation businesses

### *Canadian circulation*

Financial institution (FI) demand for coins has started to trend upward over the summer as pandemic restrictions continue easing and more non-essential businesses open across the country. The supply of coins that traditionally re-circulate through the ecosystem (and subsequently used to fulfill FI demand) have been slow to return through the system as the pandemic continues to disrupt return channels. As a result of this disruption, a greater proportion of new coins were supplied by the Mint in order to meet FI demand.

As restrictions continue to lessen, it is expected that FI demand for coin will further increase as coin intensive venues such as sporting events, tourist attractions, bars, and restaurants will need more coin to support operations.

Despite the recent trends, a high degree of uncertainty still remains as there are many pandemic response variables that can quickly alter the coin ecosystem. A hybrid workplace, potential additional waves of the COVID pandemic, return of in-school learning in the Fall, vaccination requirements, along with other situations are being monitored closely as they all have different downstream impacts on the coin system.

The Mint and its coin distribution partners continue to closely monitor the situation and prepare for various scenarios. Accordingly, the Mint has taken steps to stock regional sites with coinage, and furnish the Winnipeg production facility with sufficient raw materials.

### *Foreign circulation*

The ongoing COVID-19 pandemic has created unpredictable coin demand in many countries, as retail and transit activities have been severely disrupted. Many Central Banks are delaying coin procurement or shipments under existing contracts as they await the resumption of normal economic activities. The Mint anticipates that as economies reopen, cash usage and coin demand in general will rebound in emerging economies, with a modest decrease due to the accelerated adoption of digital payment methods in more developed markets. The Mint will fully utilize production capacity for the remainder of 2021 and holds a strong contracted position until mid-2022. The Mint continues to identify coin technology trends, especially opportunities to

*(Unaudited)*

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convert low-denomination banknotes to more economical coin alternatives, and we are aligning our production capabilities accordingly. The Mint estimates that as a result of the unprecedented circumstances caused by the pandemic, the volume of coins and blanks tendered for over the next 12 months may be reduced from four billion to approximately three billion; however, renewed production infrastructure and ongoing cost-efficiency efforts should result in maintaining a strong competitive position.

Precious metals businesses

*Bullion products and services*

The Mint continues to monitor bullion coin market and supply conditions closely and will work to position itself to be able to profitably meet demand relating to continued strong market conditions for gold and silver bullion coins. The Mint continues to focus on customer and market strategies in support of its strong market share, including a renewed focus on gold refining and coin products, while selectively capturing additional storage opportunities and carefully managing operating costs to mitigate the impact of uncertainty in the global bullion coin market.

*Numismatics*

The Mint continues to prioritize being a customer-centric organization focused on enhancing the customer experience and improving the long-term performance of the Numismatics business. The smaller, more focused product plan for 2021 is in response to customer feedback. The Mint's direct sales, including e-commerce, are expected to continue to be consistent with e-commerce trends as the COVID-19 pandemic continues.

**FORWARD LOOKING STATEMENTS**

The unaudited condensed consolidated financial statements and the narrative, contain forward-looking statements that reflect management's expectations regarding the Mint's objectives, plans, strategies, future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as "plans", "anticipates", "expects", "believes", "estimates", "intends", and other similar expressions. These forward-looking statements are not facts, but only estimates regarding expected growth, results of operations, performance, business prospects and opportunities (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Mint expects. These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth above in the Risks to Performance, as well as in Note 9 – Financial Instruments and Financial Risk Management to the Mint's unaudited condensed consolidated financial statements.

*(Unaudited)*

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To the extent the Mint provides future-oriented financial information or a financial outlook, such as future growth and financial performance, the Mint is providing this information for the purpose of describing its expectations. Therefore, readers are cautioned that this information may not be appropriate for any other purpose. Furthermore, future-oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks.

Readers are urged to consider these factors carefully when evaluating these forward-looking statements. In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur. The Mint cannot assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in the unaudited condensed consolidated financial statements and narrative are made only as of November 17, 2021, and the Mint does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

### **Statement of Management Responsibility by Senior Officials**

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

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



Marie Lemay  
President and Chief Executive Officer

Ottawa, Canada

November 17, 2021



Jennifer Camelon, CPA, CA  
Senior Vice-President, Finance and  
Administration and Chief Financial Officer

**ROYAL CANADIAN MINT**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**Unaudited (CAD\$ thousands)**

	Notes	October 2, 2021	As at December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 106,238	\$ 67,306
Trade receivables, net and other receivables	5	33,397	20,749
Income tax receivable		-	3,584
Prepaid expenses		6,748	2,209
Inventories	6	75,384	57,617
Contract assets	7	34,451	31,116
Derivative financial assets	8	5,917	6,901
<b>Total current assets</b>		<b>262,135</b>	<b>189,482</b>
<b>Non-current assets</b>			
Trade receivables, net and other receivables	5	47	253
Prepaid expenses		239	412
Derivative financial assets	8	327	1,678
Deferred income tax assets		29,544	26,408
Property, plant and equipment	9	145,296	150,131
Investment property		236	236
Intangible assets	9	5,830	5,102
Right-of-use assets	10	5,635	5,648
<b>Total non-current assets</b>		<b>187,154</b>	<b>189,868</b>
<b>Total assets</b>		<b>\$ 449,289</b>	<b>\$ 379,350</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables, other payables and accrued liabilities	11	\$ 49,011	\$ 46,321
Provisions	12	1,937	3,183
Income tax payable		10,889	172
Face Value redemptions liability	13	524	527
Contract liabilities	7	21,123	17,156
Loan payable		3,005	3,005
Lease liabilities	10	1,646	2,268
Employee benefit obligations		4,103	3,905
Derivative financial liabilities	8	43	48
<b>Total current liabilities</b>		<b>92,281</b>	<b>76,585</b>
<b>Non-current liabilities</b>			
Trade payables, other payables and accrued liabilities	11	110	140
Provisions	12	1,018	1,151
Face Value redemptions liability	13	123,973	113,459
Loan payable		2,999	2,999
Lease liabilities	10	4,709	4,306
Employee benefit obligations		13,423	13,423
Derivative financial liabilities	8	53	117
<b>Total non-current liabilities</b>		<b>146,285</b>	<b>135,595</b>
<b>Total liabilities</b>		<b>238,566</b>	<b>212,180</b>
<b>Shareholder's equity</b>			
Share capital (authorized and issued 4,000 non-transferable shares)		40,000	40,000
Retained earnings		170,762	127,258
Accumulated other comprehensive loss		(39)	(88)
<b>Total shareholder's equity</b>		<b>210,723</b>	<b>167,170</b>
<b>Total liabilities and shareholder's equity</b>		<b>\$ 449,289</b>	<b>\$ 379,350</b>

Commitments, contingencies and guarantees (Note 22)

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

**ROYAL CANADIAN MINT**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
Unaudited (CAD\$ thousands)

	Notes	13 weeks ended		39 weeks ended	
		October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Revenue	15	\$ 811,573	\$ 795,407	\$ 2,667,946	\$ 1,823,323
Cost of sales	16,17	776,168	749,700	2,534,725	1,724,829
<b>Gross profit</b>		<b>35,405</b>	45,707	<b>133,221</b>	98,494
Marketing and sales expenses	16,17	7,335	7,213	19,479	20,420
Administration expenses	16,17,18	19,284	16,493	58,916	49,018
<b>Operating expenses</b>		<b>26,619</b>	23,706	<b>78,395</b>	69,438
Net foreign exchange gain (loss)		3,845	(1,010)	3,035	3,524
<b>Operating profit</b>		<b>12,631</b>	20,991	<b>57,861</b>	32,580
Finance income, net		48	243	464	717
Other income		1	1	80	3
<b>Profit before income tax</b>		<b>12,680</b>	21,235	<b>58,405</b>	33,300
Income tax expense	19	3,474	4,977	14,901	7,736
<b>Profit for the period</b>		<b>9,206</b>	16,258	<b>43,504</b>	25,564
Net unrealized gain (loss) on cash flow hedges		15	18	49	(132)
<b>Other comprehensive income (loss), net of tax</b>		<b>15</b>	18	<b>49</b>	(132)
<b>Total comprehensive income</b>		<b>\$ 9,221</b>	\$ 16,276	<b>\$ 43,553</b>	\$ 25,432

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

**ROYAL CANADIAN MINT**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Unaudited (CAD\$ thousands)**

**13 weeks ended October 2, 2021**

	Notes	Share capital	Retained earnings	Accumulated other comprehensive (loss) income (Net gains on cash flow hedges)	Total
Balance as at July 3, 2021		\$ 40,000	\$ 161,556	\$ (54)	\$ 201,502
Profit for the period		-	9,206	-	9,206
Other comprehensive income, net <sup>1</sup>		-	-	15	15
Balance as at October 2, 2021		\$40,000	\$ 170,762	\$ (39)	\$ 210,723

<sup>1</sup>Amounts are net of income tax

13 weeks ended September 26, 2020

	Notes	Share capital	Retained earnings	Accumulated other comprehensive (loss) income (Net gains on cash flow hedges)	Total
Balance as at June 29, 2020		\$ 40,000	\$ 119,485	\$ (123)	\$ 159,362
Profit for the period		-	16,258	-	16,258
Other comprehensive income, net <sup>1</sup>		-	-	18	18
Balance as at September 26, 2020		\$40,000	\$ 135,743	\$ (105)	\$ 175,638

<sup>1</sup>Amounts are net of income tax

**39 weeks ended October 2, 2021**

	Notes	Share capital	Retained earnings	Accumulated other comprehensive (loss) income (Net gains on cash flow hedges)	Total
Balance as at December 31, 2020		\$ 40,000	\$ 127,258	\$ (88)	\$ 167,170
Profit for the period		-	43,504	-	43,504
Other comprehensive income, net <sup>1</sup>		-	-	49	49
Balance as at October 2, 2021		\$ 40,000	\$ 170,762	\$ (39)	\$ 210,723

<sup>1</sup>Amounts are net of income tax

39 weeks ended September 26, 2020

	Notes	Share capital	Retained earnings	Accumulated other comprehensive income (loss) (Net gains on cash flow hedges)	Total
Balance as at December 31, 2019		\$ 40,000	\$ 110,179	\$ 27	\$ 150,206
Profit for the period		-	25,564	-	25,564
Other comprehensive loss, net <sup>1</sup>		-	-	(132)	(132)
Balance as at September 26, 2020		\$ 40,000	\$ 135,743	\$ (105)	\$ 175,638

<sup>1</sup>Amounts are net of income tax

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

**ROYAL CANADIAN MINT**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
Unaudited (CAD\$ thousands)

	Notes	13 weeks ended		39 weeks ended	
		October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<b>Cash flows from operating activities</b>					
Profit for the period		\$ 9,206	\$ 16,258	\$ 43,504	\$ 25,564
Adjustments to reconcile profit to cash flows from operating activities:					
Depreciation and amortization	16	5,128	5,131	15,366	15,446
Income tax expense	19	3,474	4,977	14,901	7,736
Finance income, net		(48)	(243)	(464)	(717)
Other income		(1)	(1)	(80)	(3)
Net foreign exchange loss (gain)		2,081	55	2,774	(6,882)
Adjustments to other (revenue) expenses, net	20	(16,163)	(4,381)	(32,306)	(17,126)
Changes in Face Value redemptions liability		9,590	(12,180)	10,245	(11,776)
Net changes in operating assets and liabilities	20	12,387	4,078	(944)	21,887
Cash from operating activities before interest and income tax		26,654	13,694	52,996	34,129
Income tax paid, net of income tax received	20	(699)	(365)	(3,834)	(2,959)
Interest received, net of interest paid	20	106	(58)	1,316	1,088
<b>Net cash from operating activities</b>		<b>25,061</b>	<b>13,271</b>	<b>50,478</b>	<b>32,258</b>
<b>Cash flows used in investing activities</b>					
Acquisition of property, plant and equipment		(1,403)	(1,048)	(6,366)	(4,563)
Acquisition of intangible assets		(1,318)	(627)	(2,637)	(1,292)
<b>Net cash used in investing activities</b>		<b>(2,721)</b>	<b>(1,675)</b>	<b>(9,003)</b>	<b>(5,855)</b>
<b>Cash flows used in financing activities</b>					
Lease principal payments	10	(618)	(556)	(1,853)	(2,353)
<b>Net cash used in financing activities</b>		<b>(618)</b>	<b>(556)</b>	<b>(1,853)</b>	<b>(2,353)</b>
Effect of changes in exchange rates on cash and cash equivalents		(42)	(522)	(690)	1,522
Increase in cash and cash equivalents		21,680	10,518	38,932	25,572
Cash and cash equivalents at the beginning of the period		84,558	80,560	67,306	65,506
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 106,238</b>	<b>\$ 91,078</b>	<b>\$ 106,238</b>	<b>\$ 91,078</b>

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

## **1. NATURE AND DESCRIPTION OF THE CORPORATION**

The Royal Canadian Mint (the Mint or the Corporation) was incorporated in 1969 by the *Royal Canadian Mint Act* to mint coins and carry out other related activities. The Corporation is an agent corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. It produces all of the circulation coins used in Canada and manages the Canadian circulation coin life cycle for the Government of Canada.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. The directive also requires the Corporation to report on the implementation of this directive in its Corporate Plan. The Corporation has complied with this directive, and has implemented all subsequent amendments to the Treasury Board's Directive on Travel, Hospitality, Conference and Event Expenditures.

The Corporation produces coins for Canadian trade and commerce, manages the country's coin system for optimum efficiency and cost, and is a world-renowned manufacturer of precious metals investment products and collectibles. It is also one of the largest gold refiners in the world. The addresses of its registered office and principal place of business are 320 Sussex Drive, Ottawa, Ontario, Canada, K1A 0G8 and 520 Lagimodière Blvd, Winnipeg, Manitoba, Canada, R2J 3E7.

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

While not subject to United States of America federal income taxes, the Corporation is subject in some states to state income taxes.

## **2. BASIS OF PRESENTATION**

### **2.1 Statement of Compliance**

These condensed consolidated financial statements were prepared in accordance with *IAS 34 Interim Financial Reporting ("IAS 34")* of the *International Financial Reporting Standards ("IFRS")* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. As permitted under these standards, these condensed consolidated financial statements do not include all of the disclosure requirements for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended December 31, 2020.

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

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

## **2.2 Basis of presentation**

These condensed consolidated financial statements were prepared in accordance with IFRS.

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

These condensed consolidated financial statements were approved for public release by the Board of Directors of the Corporation on November 17, 2021.

## **2.3 Consolidation**

These condensed consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary RCMH-MRCF Inc. The subsidiary adopted IFRS at the same time as the Corporation and its accounting policies are in line with those used by the Corporation. RCMH-MRCF Inc. has been operationally inactive since December 31, 2008. All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

## **2.4 Foreign currency translation**

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

## **3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS**

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

Actual results may differ significantly from the estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements and estimates as at October 2, 2021 were consistent with those disclosed in Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2020.

#### **4. APPLICATION OF NEW AND REVISED IFRS**

##### **4.1 New and revised IFRS pronouncements affecting amounts reported and/or disclosed in the condensed consolidated financial statements for the 39 weeks ended October 2, 2021.**

There were no new or revised accounting pronouncements that were issued and had mandatory effective dates of annual periods beginning on or after January 1, 2021.

In April 2021, the IFRS Interpretation Committee (IFRIC) issued an agenda decision on how a customer accounts for configuration or customization costs in cloud computing arrangements where an intangible asset is not recognized. This agenda decision may have a possible impact on the Mint's consolidated financial statements for the year ending December 31, 2021 and in the future.

##### **4.2 New and revised IFRS pronouncements issued, but not yet effective**

The Corporation reviewed the revised accounting pronouncements that have been issued, but are not yet effective. The adoption of the following IFRS pronouncements may have a possible impact on the Corporation's consolidated financial statements in the future. The Corporation will continue to assess the possible impact through the effective date of each pronouncement.

###### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the IASB issued amendments to IAS 12 – *Income Taxes*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023.

###### *Disclosure of Accounting Policies*

In February 2021, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* (IAS 1) and IFRS Practice Statement 2. The amendments require that an entity disclose only its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

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#### *Definition of Accounting Estimates*

In February 2021, the IASB issued amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates and clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after January 1, 2023.

#### *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. In June 2020, the IASB issued amendments to IFRS 17 targeted to address implementation concerns and challenges raised by stakeholders. IFRS 17 as amended is effective for annual periods beginning on or after January 1, 2023.

#### *Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* (IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023.

#### *Property, Plant and Equipment — Proceeds before Intended Use*

In May 2020, the IASB issued amendments to IAS 16 – *Property, Plant and Equipment* (IAS 16). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022.

#### *Onerous Contracts — Cost of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37). The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of

ROYAL CANADIAN MINT  
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 39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Annual Improvements to IFRS Standards 2018–2020*

In May 2020, the IASB issued the pronouncement that contains amendments to four IFRS Standards. The amendment to IFRS 9 – Financial Instruments clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The other three amendments were assessed as not having an impact on the Corporation’s consolidated financial statements. The amendment is effective for annual periods beginning on or after January 1, 2022

**5. TRADE RECEIVABLES, NET AND OTHER RECEIVABLES**

	As at	
	October 2, 2021	December 31, 2020
Receivables and accruals from contracts with customers	\$ 30,735	\$ 19,352
Receivables from contracts with related parties (Note 21)	2,031	237
Allowance for expected credit losses	(82)	(34)
Trade receivables, net	\$ 32,684	\$ 19,555
Lease receivables	273	266
Other current financial receivables	370	917
Other receivables	70	11
Total current trade receivables, net and other receivables	\$ 33,397	\$ 20,749
Non-current lease receivables	47	253
Total non-current trade receivables, net and other receivables	\$ 47	\$ 253
<b>Trade receivables, net and other receivables</b>	<b>\$ 33,444</b>	<b>\$ 21,002</b>

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

The following represents a reconciliation of the opening and closing balance of the lease receivable balance:

	As at	
	October 2, 2021	December 31, 2020
Opening balance	\$ 519	\$ 770
Interest income	11	22
Sublease payments received	(210)	(273)
Closing balance	\$ 320	\$ 519

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 39 WEEKS ENDED OCTOBER 2, 2021

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

Total cash inflow from leases included in lease receivables for the 13 weeks and 39 weeks ended October 2, 2021 was \$0.1 million (September 26, 2020 – \$0.1 million) and \$0.2 million (September 26, 2020 - \$0.2 million), respectively.

## 6. INVENTORIES

	As at	
	October 2, 2021	December 31, 2020
Total inventories	\$ 75,384	\$ 57,617

The Corporation recognized write-downs of inventory to net realizable value for the 13 weeks and 39 weeks ended October 2, 2021 of \$0.3 million (September 26, 2020 - \$1.4 million) and \$0.5 million (September 26, 2020 - \$2.4 million), respectively.

## 7. CONTRACT ASSETS AND LIABILITIES

The contract assets relate to the Corporation's rights to consideration for work completed, but not billed as at October 2, 2021. The Corporation reviewed its credit risk exposure related to contract assets as at October 2, 2021 and evaluated the risk to be minimal as each related contract is subject to a contract specific risk assessment process. The contract liabilities relate to the consideration received in advance from customers for which revenue has not yet been recognized and accrued expenses related to contract assets, as well as amounts relating to the customer loyalty program.

Significant changes in the contract asset and liability balances were as follows:

	As at October 2, 2021	
	Contract Assets	Contract Liabilities
Opening balance	\$ 31,116	\$ 17,156
Revenue recognized <sup>1</sup>	-	(4,370)
Cash received, excluding amounts recognized during the period	-	6,700
Transfers from contract liabilities to payables	-	(4,682)
Foreign exchange revaluation	(133)	(21)
Transfers from contract assets to receivables	(76,458)	-
Increases resulting from changes in the measure of progress <sup>1</sup>	79,926	6,340
Closing balance	\$ 34,451	\$ 21,123

<sup>1</sup> Revenue recognized includes \$1.1 million and increases resulting from changes in the measure of progress in contract liabilities includes \$1.0 million, both of which are related to the Corporation's memorandum of understanding with the Department of Finance (Note 21).

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(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

	As at December 31, 2020	
	Contract Assets	Contract Liabilities
Opening balance	\$ 11,778	\$ 64,294
Revenue recognized <sup>1</sup>	-	(58,037)
Cash received, excluding amounts recognized during the period	-	9,326
Transfers from contract liabilities to payables	-	(3,358)
Foreign exchange revaluation	(698)	72
Transfers from contract assets to receivables	(41,068)	-
Increases resulting from changes in the measure of progress <sup>1</sup>	61,104	4,859
Closing balance	\$ 31,116	\$ 17,156

<sup>1</sup> Revenue recognized includes \$1.5 million and increases resulting from changes in the measure of progress in contract liabilities includes \$1.0 million, both of which are related to the Corporation's memorandum of understanding with the Department of Finance (Note 21).

## 8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### 8.1 Capital risk management

The Corporation may borrow money from the Consolidated Revenue Fund, subject to the approval of the Minister of Finance with respect to the terms and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed \$75 million. For the 39 weeks ended October 2, 2021, approved short-term borrowings for working capital needs within this limit were not to exceed \$25 million (39 weeks ended September 26, 2020 - \$25 million) or the US dollar equivalent.

To support such short-term borrowings, as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates. No amounts were borrowed under these lines of credit as at October 2, 2021 or December 31, 2020.

The Corporation employs a dividend framework to calculate dividends payable to its shareholder. The calculated dividend amount represents projected excess year end cash over a pre-determined cash reserve requirement and is generally paid in the fourth quarter of each year. On November 17, 2021, the Corporation's Board of Directors approved a dividend ranging from \$63.5 million to \$79.0 million. The dividend amount will be finalized and paid before December 31, 2021.

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

## 8.2 Classification and fair value measurements of financial instruments

### 8.2.1 Carrying amount and fair value of financial instruments

The carrying amount and fair value of the Corporation's financial assets and financial liabilities are presented in the following table:

	As at			
	October 2, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 106,238	\$ 106,238	\$ 67,306	\$ 67,306
Trade receivables, net and other financial receivables	\$ 33,054	\$ 33,054	\$ 20,472	\$ 20,472
Derivative financial assets:				
Foreign currency forwards	\$ 6,244	\$ 6,244	\$ 8,579	\$ 8,579
<b>Financial Liabilities</b>				
<b>Amortized cost</b>				
Trade payables, other financial payables and accrued liabilities	\$ 48,977	\$ 48,977	\$ 44,452	\$ 44,452
Loan payable	\$ 6,004	\$ 6,000	\$ 6,004	\$ 6,000
Derivative financial liabilities:				
Foreign currency forwards	\$ 43	\$ 43	\$ 48	\$ 48
Interest rate swap	\$ 53	\$ 53	\$ 117	\$ 117

The Corporation did not have any held-to-maturity or available-for-sale financial assets at the end of the reporting periods presented.

### 8.2.2 Fair value hierarchy

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

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

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The fair value measurement of cash and cash equivalents were classified as Level 1 of the fair value hierarchy as at October 2, 2021 and December 31, 2020. The fair value measurements of all other financial instruments held by the Corporation were classified as Level 2 of the fair value hierarchy as at October 2, 2021 and December 31, 2020. There were no transfers of financial instruments between levels for the 39 weeks ended October 2, 2021.

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

The Corporation holds financial instruments in the form of cash and cash equivalents, trade receivables, net and other receivables, derivative assets, trade payables, other payables and accrued liabilities, loan payable and derivative liabilities.

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

- i) The carrying amounts of cash and cash equivalents, trade receivables, net and other receivables and trade payables, other payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.
- ii) The fair value of the loan payable is estimated based on a discounted cash flow approach using current market rates.
- iii) The fair values of the Corporation's foreign currency forward contracts and interest rate swaps are based on estimated credit-adjusted forward market prices. The Corporation takes counterparty credit risk and its own credit risk into consideration for the fair value of financial instruments.

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

	As at	
	October 2, 2021	December 31, 2020
<b>Derivative financial assets</b>		
Foreign currency forwards	\$ 6,244	\$ 8,579
	<b>\$ 6,244</b>	<b>\$ 8,579</b>
<b>Derivative financial liabilities</b>		
Foreign currency forwards	\$ 43	\$ 48
Interest rate swap	53	117
	<b>\$ 96</b>	<b>\$ 165</b>

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### **8.3 Financial risk management objectives and framework**

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

The Board of Directors has overall accountability for the establishment and oversight of the Corporation's financial risk management framework. The Audit Committee is mandated by the Board of Directors and is responsible for the review, approval and monitoring of the Corporation's financial risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

#### **8.3.1 Credit risk management**

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

The carrying amount of financial assets recorded in the condensed consolidated financial statements as at October 2, 2021 and December 31, 2020 represents the Corporation's maximum credit exposure.

##### **8.3.1.1 Credit risk management of receivables from customers**

The Corporation's exposure to credit risk associated with trade receivables, net and other financial receivables is influenced mainly by the individual characteristics of each customer, however the Corporation also considers the demographics of its customer base, including the risk associated with the type of customer and country in which the customer operates.

The Corporation manages this risk by monitoring the creditworthiness of customers and obtaining prepayment or other forms of payment security from customers with a high level of credit risk. The Corporation has established processes over contracting with foreign customers in order to manage the risk relating to these customers. The Corporation's management reviews the detailed trade receivable listing on a regular basis for changes in the factors that impact a customer's ability to pay outstanding receivable balances, including changes in a customer's business and the overall economy. An allowance for expected credit losses (ECL) is provided for customer accounts that could present collectability issues.

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The Corporation's maximum exposure to credit risk for trade receivables, net and other financial receivables by geographic regions was as follows:

	As at	
	October 2, 2021	December 31, 2020
Asia and Australia	\$ 20,809	\$ 12,302
Canada	7,073	6,825
Europe, Middle East and Africa	2,382	45
United States	1,798	688
Latin America and Caribbean	992	612
Trade receivables, net and other financial receivables	\$ 33,054	\$ 20,472

The maximum exposure to credit risk for trade receivables, net and other financial receivables by type of customer was as follows:

	As at	
	October 2, 2021	December 31, 2020
Central and institutional banks	\$ 23,543	\$ 14,141
Consumers, dealers and others	6,708	5,075
Governments (including governmental departments and agencies)	2,803	1,256
Trade receivables, net and other financial receivables	\$ 33,054	\$ 20,472

The Corporation established an allowance for ECLs based on a provision matrix that reflected the estimated impairment of trade receivables, net and other financial receivables at the end of the reporting period. The provision matrix was based on historical observed default rates and was adjusted for forward-looking estimates. The Corporation sets different payment terms depending on the customer and product, and excluding prepayments, the Corporation's standard payment terms are generally 30 days. As at October 2, 2021, the Corporation's rate of credit losses was less than 1% (2020 – less than 1%) of trade receivables, net and other financial receivables.

### 8.3.2 Liquidity risk

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

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### **8.3.3 Market risk**

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

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

#### **Foreign exchange risk**

The Corporation is exposed to foreign exchange risk on sales and purchase transactions and short-term cash management requirements that are denominated in foreign currencies, primarily in US dollars. The Corporation manages its exposure to exchange rate fluctuations between the foreign currency and the Canadian dollar by entering into foreign currency forward contracts. The Corporation also uses such contracts in managing its overall cash requirements

#### **Interest rate risk**

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash and cash equivalents. The Corporation's Bankers Acceptance interest rate swap loan instruments expose the Corporation to cash flow interest rate risk. The Corporation has fully hedged the exposure to fluctuations in interest rates related to the instrument by entering into a corresponding interest rate swap, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swap is designated as a hedging instrument under the cash flow hedge accounting model.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Corporation's interest rate swap exposes the Corporation to fair value interest rate risk.

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**Commodity price risk**

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

The Corporation is not exposed to precious metal price risk related to its bullion sales program because the purchase and sale of precious metals used in this program are completed on the same date, using the same price basis in the same currency. For numismatic sales the Corporation enters into short-term lease or fixed-price purchase commitments for precious and base metals to mitigate the commodity price risk (Note 22).

For contracts that are entered into for the purpose of procuring commodities to be used in production, the Corporation applies the normal purchases classification.

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

**9. PROPERTY, PLANT AND EQUIPMENT**

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

	As at	
	October 2, 2021	December 31, 2020
Cost	\$ 447,987	\$ 440,759
Accumulated depreciation and impairment	(302,691)	(290,628)
Net book value	\$ 145,296	\$ 150,131

**Net book value by asset class**

	As at	
	October 2, 2021	December 31, 2020
Land and land improvements	\$ 3,055	\$ 3,058
Buildings and building improvements	79,450	82,740
Equipment	57,945	63,302
Capital projects in process	4,846	1,031
Net book value	\$ 145,296	\$ 150,131

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During the 39 weeks ended October 2, 2021, the Corporation acquired \$7.4 million (39 weeks ended September 26, 2020 - \$3.3 million) worth of building and improvements and equipment. No capital assets were transferred to different categories within property, plant and equipment.

Included in property, plant and equipment additions for the 39 weeks ended October 2, 2021 is a total accrual of \$2.2 million (December 31, 2020 - \$1.1 million).

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

No asset is pledged as security for borrowings as at October 2, 2021.

### Intangible assets

	As at	
	October 2, 2021	December 31, 2020
Cost	\$ 39,935	\$ 37,477
Accumulated amortization and impairment	(34,105)	(32,375)
Net book value	\$ 5,830	\$ 5,102

During the 39 weeks ended October 2, 2021, the Corporation acquired \$2.5 million (39 weeks ended September 26, 2020 - \$1.3 million) worth of software. No capital assets were transferred to different categories within intangible assets.

Included in intangible asset additions for the 39 weeks ended October 2, 2021 is a total accrual of \$0.1 million (December 31, 2020 - \$0.2 million).

## 10. LEASES

### Right-of-use assets

The composition of the net book value of the Corporation's right-of-use assets, is presented in the following table:

	As at	
	October 2, 2021	December 31, 2020
Cost	\$ 9,753	\$ 9,753
Renewals	1,471	-
Accumulated depreciation	(5,589)	(4,105)
Net book value	\$ 5,635	\$ 5,648

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**Net book value by right-of-use asset class**

	As at	
	October 2, 2021	December 31, 2020
Buildings	\$ 4,853	\$ 4,127
Equipment	782	1,521
Net book value	\$ 5,635	\$ 5,648

**Lease liabilities**

The following represents a reconciliation of the opening and closing balance of the lease liability balance:

As at October 2, 2021

	Buildings	Equipment	Total
Opening balance, January 1, 2021	\$ 5,003	\$ 1,571	\$ 6,574
Interest expense	133	30	163
Lease payments	(987)	(866)	(1,853)
Renewal	1,392	79	1,471
Closing balance	\$ 5,541	\$ 814	\$ 6,355

As at December 31, 2020

	Buildings	Equipment	Total
Opening balance, January 1, 2020	\$ 6,952	\$ 2,646	\$ 9,598
Interest expense	204	72	276
Lease payments	(2,012)	(1,175)	(3,187)
De-recognition	(141)	-	(141)
Renewal	-	28	28
Closing balance	\$ 5,003	\$ 1,571	\$ 6,574

	As at	
	October 2, 2021	December 31, 2020
Buildings	\$ 1,256	\$ 1,159
Equipment	390	1,109
Current	\$ 1,646	\$ 2,268
Buildings	4,285	3,844
Equipment	424	462
Non-current	\$ 4,709	\$ 4,306
Total lease liabilities	\$ 6,355	\$ 6,574

Total cash outflow for leases included in lease liabilities for the 13 weeks and 39 weeks ended October 2, 2021 is \$0.6 million and \$1.9 million (13 weeks and 39 weeks ended September 26, 2020 was \$0.5 million and \$2.4 million, respectively).

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**11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES**

	As at	
	October 2, 2021	December 31, 2020
Trade payables	\$ 9,467	\$ 5,895
Employee compensation payables and accrued liabilities	24,167	24,616
Other current financial liabilities <sup>1</sup>	15,233	13,801
Other accounts payable and accrued liabilities	144	2,009
Total current trade payables, other payables and accrued liabilities	\$ 49,011	\$ 46,321
Other non-current financial liabilities <sup>1</sup>	110	140
Total non-current trade payables, other payables and accrued liabilities	\$ 110	\$ 140
Trade payables, other payables and accrued liabilities	\$ 49,121	\$ 46,461

<sup>1</sup> Other financial liabilities include payables that are not trade in nature, as well as various operating and capital accruals

**12. PROVISIONS**

The following table presents the changes in the provisions:

	As at	
	October 2, 2021	December 31, 2020
Opening balance	\$ 4,334	\$ 3,291
Additional provisions recognized	1,014	2,646
Payments	(438)	(499)
Derecognition of provisions	(2,167)	(870)
Foreign exchange revaluation	212	(234)
Closing balance	\$ 2,955	\$ 4,334

Provisions include the following:

	As at	
	October 2, 2021	December 31, 2020
Sales returns and warranty	\$ 2,188	\$ 3,548
Other provisions	767	786
Total provisions	\$ 2,955	\$ 4,334

	As at	
	October 2, 2021	December 31, 2020
Current portion	\$ 1,937	\$ 3,183
Non-current portion	1,018	1,151
Total provisions	\$ 2,955	\$ 4,334

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**13. FACE VALUE REDEMPTIONS LIABILITY**

	As at	
	October 2, 2021	December 31, 2020
Face Value redemptions liability	\$ 177,161	\$ 177,685
Precious metal recovery	(52,664)	(63,699)
Face Value redemptions liability, net	\$ 124,497	\$ 113,986
Less: Current portion	(524)	(527)
Non-current Face Value redemptions liability, net	\$ 123,973	\$ 113,459

	As at	
	October 2, 2021	December 31, 2020
Opening balance	\$ 13,986	\$ 134,115
Redemptions, net	(350)	(658)
Revaluation	10,861	(19,471)
Closing balance	\$ 124,497	\$ 113,986

As at October 2, 2021, the Corporation determined that it continues to be unable to reliably estimate the redemptions of Face Value coins.

The Face Value redemptions liability represents the expected cash outflows if all Face Value coins are redeemed, including the costs of redemptions offset by the precious metal content that will be reclaimed by the Corporation when the coins are redeemed. The precious metal recovery component of the liability is based on the market value of silver as at the end of each reporting period. The impact of the revaluation of the precious metal component of the liability was a increase of \$8.2 million and an increase of \$10.9 million, respectively, for the 13 and 39 weeks ended October 2, 2021 (13 and 39 weeks ended September 26, 2020 – decreases of \$11.2 million and \$13.0 million).

The current portion of the Face Value redemptions liability is based on the redemptions for the last 12 months, as the Corporation determined that it continues to be unlikely that all outstanding Face Value coins will be redeemed in the next 12 months as Face Value coins are widely held and the redemption process takes time to complete.

The Corporation continues to monitor the redemption levels of Face Value coins to ensure requisite funding for future redemptions is maintained.

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**14. EMPLOYEE BENEFITS**

**Pension benefits**

Substantially all of the employees of the Corporation are covered by the Public Service Pension plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. The Corporation made total contributions of \$2.3 million and \$8.3 for the 13 and 39 weeks ended October 2, 2021 (13 weeks and 39 weeks ended September 26, 2020 was \$2.5 and \$7.8 million, respectively).

See Note 18 in the audited consolidated financial statements for the year ended December 31, 2020 for details on the Corporation's pension and other post-employment benefit plans, including the sensitivity analysis of the impact of changes in the discount rate on the employee benefits liabilities.

**15. REVENUE**

**15.1 Revenue by performance obligation**

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<b>Performance obligations satisfied at a point in time</b>				
Sale of goods	\$ 746,883	\$ 748,015	\$ 2,475,565	\$ 1,695,807
Rendering of services	11,036	10,291	34,760	23,182
Total revenue recognized at a point in time	\$ 757,919	\$ 758,306	\$ 2,510,325	\$ 1,718,989
<b>Performance obligations satisfied over time</b>				
Sale of goods	\$ 27,894	\$ 11,342	\$ 79,927	\$ 30,292
Rendering of services	25,760	25,759	77,694	74,042
Total revenue recognized over time	\$ 53,654	\$ 37,101	\$ 157,621	\$ 104,334
Total revenue	\$ 811,573	\$ 795,407	\$ 2,667,946	\$ 1,823,323

Revenue from the sale of goods is presented net of cost of sales in cases where the Corporation is not the principal in the transaction ("Customer inventory deals"). The following is a reconciliation of the gross revenue from the sale of goods and the net revenue presented:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Gross revenue from the sale of goods	\$ 1,170,730	\$ 1,149,118	\$ 3,883,111	\$ 2,529,173
Less: Customer inventory deals	(395,954)	(389,761)	(1,327,619)	(803,074)
Net revenue from the sale of goods	\$ 774,776	\$ 759,357	\$ 2,555,492	\$ 1,726,099

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## 15.2 Disaggregation of Revenue

The following table shows revenue disaggregated by primary geographical region and program or business:

Primary Geographic Regions	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
North America	\$ 671,058	\$ 563,794	\$ 1,932,068	\$ 1,174,328
Europe, Middle East and Africa	100,912	167,413	581,180	506,361
Asia and Australia	39,316	62,756	153,978	138,063
Latin America and Caribbean	287	1,444	720	4,571
Total revenue	\$ 811,573	\$ 795,407	\$ 2,667,946	\$ 1,823,323

Programs and Businesses	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Canadian Circulation program	\$ 22,081	\$ 22,941	\$ 64,539	\$ 65,237
Foreign Circulation	31,564	13,175	88,030	33,133
Total Circulation	53,645	36,116	152,569	98,370
Bullion Products and Services	733,052	737,258	2,434,187	1,669,437
Numismatics	24,876	22,033	81,190	55,516
Total Precious Metals	757,928	759,291	2,515,377	1,724,953
Total revenue	\$ 811,573	\$ 795,407	\$ 2,667,946	\$ 1,823,323

For the 13 weeks and 39 weeks ended October 2, 2021, three and four (13 and 39 weeks ended September 26, 2020 – two and four) customers each respectively, made up 42% and 48% (13 and 39 weeks ended September 26, 2020 – 31% and 54%) of the Corporation's revenue.

The revenue earned from significant customers is reported in the primary geographic region of North America for the 13 weeks ended October 2, 2021, North America and Europe, Middle East and Africa for the 39 weeks ended October 2, 2021 (13 and 39 weeks ended September 26, 2020 – North America and Europe, Middle East and Africa). This revenue was reported in the Precious Metals segment for the 13 weeks and 39 weeks ended October 2, 2021 (13 and 39 weeks ended September 26, 2020 – Precious Metals).

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**15.3 Transaction price allocated to the remaining performance obligations**

The following table includes revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as at October 2, 2021:

	2021	2022	2023	2024	2025	Total
<b>Total revenue</b>	<b>\$ 49,167</b>	<b>\$ 117,641</b>	<b>\$ 64,491</b>	<b>\$ 61,118</b>	<b>\$ 60,431</b>	<b>\$ 352,848</b>

The Corporation has other contracts with terms longer than 12 months that include unsatisfied performance obligations that are dependent on volumes. These contracts, as well as any volume dependent components in other contracts, are excluded from the table above as the Corporation cannot reliably measure the unsatisfied performance obligations. Under these contracts, customers have the option to increase or decrease the volume over the terms of their respective contracts and therefore, the unsatisfied performance obligation, would be impacted by this decision.

**16. DEPRECIATION AND AMORTIZATION EXPENSE**

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Depreciation of property, plant and equipment	\$ 4,042	\$ 3,798	\$ 12,152	\$ 11,297
Amortization of intangible assets	589	837	1,730	2,626
Depreciation of right-of-use assets	497	496	1,484	1,523
<b>Total depreciation and amortization expense</b>	<b>\$ 5,128</b>	<b>\$ 5,131</b>	<b>\$ 15,366</b>	<b>\$ 15,446</b>

Depreciation and amortization expense were allocated to the following expense categories:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cost of sales	\$ 3,362	\$ 3,082	\$ 10,101	\$ 9,280
Marketing and sales expenses	632	744	1,884	2,226
Administration expenses	1,134	1,305	3,381	3,940
<b>Total depreciation and amortization expense</b>	<b>\$ 5,128</b>	<b>\$ 5,131</b>	<b>\$ 15,366</b>	<b>\$ 15,446</b>

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**17. EMPLOYEE COMPENSATION EXPENSES**

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<b>Included in cost of sales:</b>				
Salaries and wages including short term employee benefits	\$ 8,297	\$ 7,113	\$ 24,071	\$ 21,596
Pension costs	1,326	1,186	4,254	3,925
Other long term employee and post-employment benefits	649	615	2,033	1,824
Termination benefits	-	-	5	-
<b>Included in marketing and sales expenses:</b>				
Salaries and wages including short term employee benefits	3,419	3,276	9,994	10,011
Pension costs	313	318	1,133	1,131
Other long term employee and post-employment benefits	119	122	368	377
Termination benefits	-	40	-	287
<b>Included in administration expenses:</b>				
Salaries and wages including short term employee benefits	10,469	8,857	30,792	26,562
Pension costs	907	797	3,179	2,833
Other long term employee and post-employment benefits	423	407	1,351	1,238
Termination benefits	-	-	22	168
Total employee compensation and benefits expense	\$ 25,922	\$ 22,731	\$ 77,202	\$ 69,952

**18. SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT EXPENSES (SRED), NET**

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Scientific research and experimental development expenses	\$ 1,047	\$ 1,159	\$ 3,520	\$ 3,654
Scientific research and experimental development investment tax credit	(88)	(63)	(350)	(317)
Scientific research and experimental development expenses, net	\$ 959	\$ 1,096	\$ 3,170	\$ 3,337

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

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**19. INCOME TAXES**

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Current income tax expense	\$ 6,071	\$ 2,197	\$ 18,054	\$ 4,997
Deferred income tax (recovery) expense	(2,597)	2,780	(3,153)	2,739
Income tax expense	\$ 3,474	\$ 4,977	\$ 14,901	\$ 7,736

The Corporation's effective income tax expense on profit before income tax differs from the amount that would be computed by applying the federal statutory income tax rate of 25% (2020 – 25%). The difference in the tax expense is due to temporary differences between accounting and taxable income.

**20. SUPPLEMENTAL CASH FLOW INFORMATION**

Adjustments to other (revenue) expenses, net, were comprised of the following:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Expenses				
Employee benefits expenses	\$ 2,547	\$ 2,302	\$ 8,566	\$ 7,875
Employee benefits paid	(2,342)	(2,458)	(8,320)	(8,073)
Inventory obsolescence adjustment	(375)	304	(728)	(1,023)
Prepaid expenses	-	(465)	-	(1,381)
Provisions	393	969	(1,380)	1,082
Loss on disposal of assets	-	-	130	-
Other non-cash expenses, net	(133)	485	(302)	376
Revenue				
Foreign circulation revenue	(13,409)	(2,811)	(22,104)	(7,797)
Bullion service revenue	(2,844)	(2,707)	(8,168)	(8,185)
Adjustments to other (revenue) expenses, net	\$ (16,163)	\$ (4,381)	\$ (32,306)	\$ (17,126)

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The net change in operating assets and liabilities shown in the condensed consolidated statement of cash flow was comprised of the following:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Trade receivables, net and other receivables	\$ 20,541	\$ 16,709	\$ 63,576	\$ 49,275
Inventories	(11,039)	(12,067)	(64,305)	(30,613)
Prepaid expenses	546	1,384	(4,366)	903
Trade payables, other payables and accrued liabilities	4,670	882	(2,111)	(3,952)
Contract liabilities	(2,331)	(3,038)	6,700	6,055
Provisions	-	208	(438)	219
Net change in operating assets and liabilities	\$ 12,387	\$ 4,078	\$ (944)	\$ 21,887

Income tax paid, net of income tax received was comprised of the following:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Income tax paid	\$ (759)	\$ (365)	\$ (4,174)	\$ (2,959)
Income tax received	60	-	340	-
Income tax paid, net of income tax received	\$ (699)	\$ (365)	\$ (3,834)	\$ (2,959)

Interest received, net of interest paid was comprised of the following:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Interest received	\$ 138	\$ 53	\$ 1,409	\$ 1,431
Interest paid	(32)	(111)	(93)	(343)
Interest received, net of interest paid	\$ 106	\$ (58)	\$ 1,316	\$ 1,088

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

## 21. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada owned entities. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. In accordance with the disclosure exemption regarding “government related entities”, the Corporation is exempt from certain disclosure requirements of *IAS 24 – Related Party Disclosures* relating to its transactions and outstanding balances with:

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

Transactions with related parties that are considered to be individually or collectively significant, include transactions with the Government of Canada, and departments thereof and all federal Crown corporations.

The majority of transactions with the Government of Canada were with the Department of Finance related to the production, management and delivery of Canadian circulation coins which are governed by the terms outlined in the memorandum of understanding which is effective from January 1, 2018 to December 31, 2021. On November 1, 2021, a new memorandum of understanding was signed and will be effective from January 1, 2022 to December 31, 2025.

The transactions with the Department of Finance were as follows:

	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Revenue	\$ 21,424	\$ 22,200	\$ 62,173	\$ 61,034

	As at	
	October 2, 2021	December 31, 2020
Trade receivable (Note 5)	\$ 2,031	\$ 237
Contract liability (Note 7)	\$ 135	\$ 174

During the 39 weeks ended October 2, 2021 and September 26, 2020, the majority of transactions with Crown corporations were for the sale of numismatic products.

*(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)*

## **22. COMMITMENTS, CONTINGENCIES AND GUARANTEES**

### **22.1 Precious metal commitments**

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments, as well as precious metal leases. As at October 2, 2021, the Corporation had \$25.1 million in outstanding precious metal purchase commitments (December 31, 2020 – \$21.0 million).

The Corporation had entered into precious metal leases as follows:

<i>Ounces</i>	As at	
	<b>October 2, 2021</b>	December 31, 2020
Gold	<b>540,880</b>	397,030
Silver	<b>8,270,568</b>	7,202,296
Platinum	<b>32,751</b>	9,211

The fees for these leases are based on the market value. The precious metal lease payments expensed for the 13 and 39 weeks ended October 2, 2021 were \$3.2 million (September 26, 2020 - \$2.5 million) and \$8.7 million (September 26, 2020 - \$5.6 million), respectively. The value of the metals under these leases is not reflected in the Corporation's condensed consolidated financial statements as stated in note 3.2.5 of the audited consolidated financial statements for the year ended December 31, 2020.

### **22.2 Trade finance bonds and bank guarantees**

The Corporation has various outstanding bank guarantees and trade finance bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments that might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As at October 2, 2021, under the guarantees and bid bonds, the maximum potential amount of future payments was \$20.3 million (December 31, 2020 - \$16.3 million).

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**22.3 Other commitments and contingencies**

As at October 2, 2021, the total estimated minimum remaining future commitments were as follows:

	2021	2022	2023	2024	2025	2026 and thereafter	Total
Other commitments	\$ 36,293	\$ 12,525	\$ 3,591	\$ 1,447	\$ 1,080	\$ 935	\$ 55,871
Base metal commitments	10,044	9,270	-	-	-	-	19,314
Capital commitments	3,894	1,760	44	7	-	-	5,705
Total	\$ 50,231	\$ 23,555	\$ 3,635	\$ 1,454	\$ 1,080	\$ 935	\$ 80,890

Other commitments include firm contracts with suppliers for goods and services, excluding precious metals commitments, as well as the non-lease components of leases of right-of-use assets.

Base metal commitments are firm fixed-price purchase commitments that are entered into in order to facilitate the production of circulation and non-circulation coins for Canada and other countries, and to manage the risks associated with changes in metal prices.

The Corporation committed to spend approximately \$5.7 million as at October 2, 2021 (December 31, 2020 - \$4.3 million) over the next three years on capital projects.

In addition, there are various legal claims against the Corporation. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's condensed consolidated financial statements. A \$0.8 million provision for potential legal obligations was included in other provisions (Note 12) as at October 2, 2021 (December 31, 2020 - \$0.8 million). The amount and timing of the settlement of the provision is uncertain.

Other than the changes noted above, there have been no other material changes to the Corporation's commitments, contingencies and guarantees since December 31, 2020.