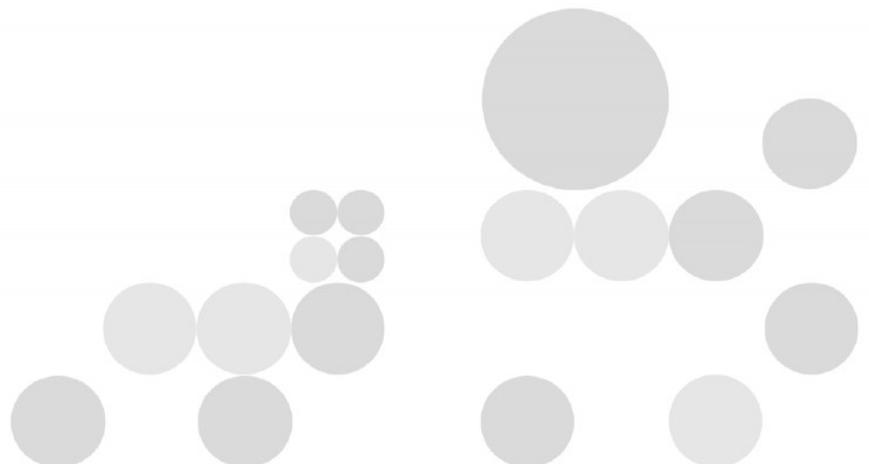




# THIRD QUARTER FINANCIAL REPORT

**FISCAL 2022**

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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 1, 2022 and October 2, 2021 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 2022, the first 39 weeks included 274 days compared to 275 days in the first 39 weeks of 2021. 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 16, 2022, unless otherwise noted.

### **MATERIALITY**

In assessing what information to provide in this 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

## **NON-GAAP FINANCIAL MEASURES**

This narrative includes non-GAAP financial measures which are clearly denoted where presented. Non-GAAP financial measures are not standardized under IFRS and might not be comparable to similar financial measures disclosed by other corporations reporting under IFRS.

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

The Royal Canadian Mint is Canada's national mint and a global leader in circulation coinage 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 environmental, social and corporate governance (ESG) 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.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

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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, the Opulence line, hybrid and premium bullion products and the use of vibrant colour that allow the Mint to create unique and compelling products. The Mint principally sold numismatic products through its outbound sales and e-commerce platforms, as well as through dealers and partners, both domestically and internationally until the Mint's boutiques were re-opened in late February 2022.

## **SIGNIFICANT CORPORATE EVENTS**

### **Queen Elizabeth II**

The Mint joins our fellow Canadians, citizens of the Commonwealth, and others around the world in mourning the loss of Queen Elizabeth II. Mint officials are awaiting a decision on the design of Canadian coins.

### **Truth and Reconciliation Keepsake**

On September 22, 2022, the Mint launched the Truth and Reconciliation Keepsake to recognize the National Day for Truth and Reconciliation. The net cash received from the sales of this Keepsake will support the National Centre for Truth and Reconciliation Na-mi-quai-ni-mak Community Support Fund (*I remember them*) assisting survivors and their communities in carrying out healing and commemoration activities.

### **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 2022. With the continuing pandemic, the Mint's boutiques in Ottawa and Winnipeg were closed from the beginning of January to late February 2022 when both boutiques were re-opened to the public. Guided tours in Ottawa and Winnipeg resumed in June 2022 and have continued uninterrupted ever since.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(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 its Shareholder, 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 1, 2022	October 2, 2021	\$ Change	% Change	October 1, 2022	October 2, 2021	\$ Change	% Change
Revenue	\$ 728.7	\$ 811.6	(82.9)	(10)	\$ 2,435.6	\$ 2,667.9	(232.3)	(9)
Profit for the period	\$ 7.8	\$ 9.2	(1.4)	(15)	\$ 24.7	\$ 43.5	(18.8)	(43)
Profit before income tax and other items <sup>1</sup>	\$ 12.2	\$ 18.8	(6.6)	(35)	\$ 42.5	\$ 69.9	(27.4)	(39)
Profit before income tax and other items margin <sup>2</sup>	1.7%	2.3%			1.7%	2.6%		

<sup>1</sup>Profit before income tax and other items is a non-GAAP financial measure. A reconciliation from profit for the period to profit before income tax and other items is included on page 11.

<sup>2</sup>Profit before income tax and other items margin is a non-GAAP financial measure and its calculation is based on profit before income tax and other items

Profit for the period and profit before income tax and other items decreased for the 13 weeks and 39 weeks ended October 1, 2022 as expected, given the exceptional performance seen in 2021, and planned operational maintenance in 2022. Volumes of bullion and foreign circulation products, in particular, were below 2021 levels impacting profitability combined with a planned higher level of operating expenses to support the Mint's on-going operations, foundational governance and business transformation initiatives.

	As at			
	October 1, 2022	December 31, 2021	\$ Change	% Change
Cash	\$ 95.6	\$ 69.3	26.3	38
Inventories	\$ 57.7	\$ 86.5	(28.8)	(33)
Capital assets	\$ 156.1	\$ 154.2	1.9	1
Total assets	\$ 423.5	\$ 405.5	18.0	4
Working capital	\$ 147.7	\$ 122.5	25.2	21

Cash increased 38% from December 31, 2021 due to strong cash flows from operations and lower precious metal purchases, partially offset by expected income tax payments of \$29.8 million.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

**Revenue by program and business**

	13 weeks ended				39 weeks ended			
	October 1, 2022	October 2, 2021	\$ Change	% Change	October 1, 2022	October 2, 2021	\$ Change	% Change
Canadian Circulation	\$ 28.1	\$ 22.1	6.0	27	\$ 74.3	\$ 64.5	9.8	15
Foreign Circulation	13.4	31.6	(18.2)	(58)	55.1	88.0	(32.9)	(37)
Total Circulation	\$ 41.5	\$ 53.7	(12.2)	(23)	\$ 129.4	\$ 152.5	(23.1)	(15)
Bullion Products and Services	\$ 662.8	\$ 733.0	(70.2)	(10)	\$ 2,219.6	\$ 2,434.2	(214.6)	(9)
Numismatics	24.4	24.9	(0.5)	(2)	86.6	81.2	5.4	7
Total Precious Metals	\$ 687.2	\$ 757.9	(70.7)	(9)	\$ 2,306.2	\$ 2,515.4	(209.2)	(8)
Total revenue	\$ 728.7	\$ 811.6	(82.9)	(10)	\$ 2,435.6	\$ 2,667.9	(232.3)	(9)

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 1, 2022, revenue from the Canadian Circulation Program increased by \$6.0 million and \$9.8 million, respectively, over the same periods in 2021. The increases were mainly due to a higher volume of circulation coins sold in preparation for the first in-person holiday season in two years.

On August 15, 2022 the Mint issued a new \$1 commemorative circulation coin celebrating the life and artistic legacy of Canada's own Oscar Peterson.

On September 28, 2022 the Mint issued a new \$2 commemorative circulation coin celebrating fifty years to the day since the 1972 Summit game was played in an epic clash between hockey superpowers celebrating the triumph of Team Canada over the Union of Soviet Socialist Republics (Team USSR). To add to the meaning of this celebration, the net amount of cash received from the sale of specific collector products will be donated to the Ukrainian Humanitarian Appeal.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

### Coin supply

<i>(in millions of coins)</i>	13 weeks ended				39 weeks ended			
	October 1, 2022	October 2, 2021 <sup>1</sup>	Change	% Change	October 1, 2022	October 2, 2021 <sup>1</sup>	Change	% Change
Financial institutions deposits	400	358	42	12	1,156	987	169	17
Recycled coins	39	33	6	18	101	79	22	28
Total market supply	439	391	48	12	1,257	1,066	191	18
New coins sold to financial institutions and others	162	185	(23)	(12)	265	299	(34)	(11)
Total supply (coins under management)	601	576	25	4	1,522	1,365	157	12

<sup>1</sup>Restated to correspond with the Mint's quarter end dates as opposed to calendar year quarters.

Demand is met through the three main sources of supply outlined in the above table and is subject to variability across regions of the country and seasonality depending on the time of the year. In the 13 week and 39 week periods ended October 1, 2022, demand increased 4% and increased 12%, respectively, compared to the same periods in 2021.

Financial institutions deposits are the primary coin supply channel that fulfills coin demand. During the pandemic, financial institutions deposits (which are typically made up of coins from transit, parking, vending, etc.) have been slow to re-circulate back to the ecosystem. During the 39 week period ended October 1, 2022 supply was 12% higher than the same period last year but still lower when compared to pre-pandemic levels.

### Department of Finance Inventory

<i>(in millions of dollars)</i>	As at			
	October 1, 2022	October 2, 2021	\$ Change	% Change
Opening inventory	\$ 84.9	\$ 82.5	2.4	3
New coins produced and sold to Department of Finance	125.7	89.5	36.2	40
New coins sold to financial institutions and others	(110.8)	(127.4)	16.6	(13)
Ending inventory	\$ 99.8	\$ 44.6	55.2	124

The Mint actively manages inventory supply levels from financial institutions deposits, recycled coins and new coin production to ensure coinage demand is met efficiently and cost effectively throughout the year. The face value of the Department of Finance owned inventory at October 1, 2022 was \$99.8 million, which was within the inventory limit outlined in the Mint's memorandum of understanding with the Department of Finance.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

### Foreign Circulation

Revenue from the Foreign Circulation business decreased 58% and 37% to \$13.4 million and \$55.1 million, respectively, for the 13 and 39 weeks ended October 1, 2022 compared to \$31.6 million and \$88.0 million in the same periods in 2021. Foreign circulation contract opportunities have been limited in 2022 due to the slower than expected re-opening of foreign economies following the COVID-19 pandemic and the impact of the on-going Russia-Ukraine conflict on the global economy. For the 13 weeks ended October 1, 2022, this resulted in a 51% decrease in volumes and changes in the mix of contracts quarter over quarter, while during the first 39 weeks of 2022, there was a decrease of 27% in volumes year over year.

### Bullion Products and Services

	13 weeks ended				39 weeks ended			
	October 1, 2022	October 2, 2021	\$ Change	% Change	October 1, 2022	October 2, 2021	\$ Change	% Change
Gross revenue	\$ 1,162.6	\$ 1,129.0	33.6	3	\$ 3,671.4	\$ 3,761.8	90.4	2
Less: customer inventory deals	(499.8)	(396.0)	(103.8)	26	(1,451.9)	(1,327.6)	(124.3)	9
Net revenue	\$ 662.8	\$ 733.0	(70.2)	(10)	\$ 2,219.6	\$ 2,434.2	(214.6)	(9)

	13 weeks ended				39 weeks ended			
	October 1, 2022	October 2, 2021	Change	% Change	October 1, 2022	October 2, 2021	Change	% Change
<i>(thousands of ounces)</i>								
Gold	354.3	310.4	43.9	14	1,078.2	1,087.6	(9.4)	(1)
Less: ounces from customer inventory deals	(206.4)	(158.4)	(48)	30	(571.7)	(530.3)	(41.4)	8
Net gold ounces	147.9	152.0	(4.1)	(3)	506.5	557.3	(50.8)	(9)
Silver	9,612.2	9,784.8	(172.6)	(2)	28,180.1	28,730.9	(550.8)	(2)
Less: ounces from customer inventory deals	(1,296.2)	(1,218.4)	(77.8)	6	(3,973.0)	(4,132.1)	159.1	4
Net silver ounces	8,316.0	8,566.4	(250.4)	(3)	24,207.1	24,598.8	(391.7)	(2)

Bullion Products and Services net revenue decreased 10% and 9% during the 13 and 39 weeks ended October 1, 2022 respectively. The decreases for the 13 and 39 weeks were mainly due to lower volumes of silver products sold, lower gold and silver pricing and an increase in customer inventory deals.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

**Numismatics**

Numismatics revenue of \$24.4 million during the 13 weeks ended October 1, 2022 was fairly consistent with revenue from the same period in 2021 of \$24.9 million. For the 39 weeks ended October 1, 2022, revenue increased 7% to \$86.6 million from \$81.2 million during the same period in 2021. The increase for the 39 weeks was largely attributable to sales related to the Mint's new Opulence coin collection, as well as higher sales of international resale coins and premium bullion products.

	13 weeks ended				39 weeks ended			
	October 1, 2022	October 2, 2021	\$ Change	% Change	October 1, 2022	October 2, 2021	\$ Change	% Change
Gold	\$ 11.2	\$ 11.2	-	-	\$ 39.3	\$ 33.0	6.3	19
Silver	11.4	10.8	0.6	6	39.5	38.5	1.0	3
Other revenue <sup>1</sup>	1.8	2.9	(1.1)	(38)	7.8	9.7	(1.9)	(20)
<b>Total revenue</b>	<b>\$ 24.4</b>	<b>\$ 24.9</b>	<b>(0.5)</b>	<b>(2)</b>	<b>\$ 86.6</b>	<b>\$ 81.2</b>	<b>5.4</b>	<b>7</b>

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

**Expenses, other income and income tax**

<b>Expenses (income)</b>	13 weeks ended				39 weeks ended			
	October 1, 2022	October 2, 2021	\$ Change	% Change	October 1, 2022	October 2, 2021	\$ Change	% Change
Cost of sales	\$ 688.0	\$ 776.2	(88.2)	(11)	\$ 2,315.7	\$ 2,534.7	(219)	(9)
Operating expenses:								
Marketing and sales	\$ 8.4	\$ 7.3	1.1	15	\$ 20.6	\$ 19.5	1.1	6
Administration	22.2	19.3	2.9	15	67.3	58.9	8.4	14
Total operating expenses	\$ 30.6	\$ 26.6	4.0	15	\$ 87.9	\$ 78.4	9.5	12
Net foreign exchange gain	\$ -	\$ (3.8)	3.8		\$ (0.4)	\$ (3.0)	2.6	
Income tax expense	\$ 2.6	\$ 3.5	(0.9)		\$ 8.1	\$ 14.9	(6.8)	

Cost of sales for the 13 and 39 weeks ended October 1, 2022 decreased to \$688.0 million and \$2,315.7 million, respectively, compared to \$776.2 million and \$2,534.7 million during the same periods in 2021. The overall decreases in cost of sales were in line with decreases of 10% and 9% in the same periods in overall revenue, excluding increases of \$7.9 million and \$0.7 million in the 13 weeks and 39 weeks ended October 1, 2022, respectively, in the revaluation loss on the Face Value redemptions liability which is recognized in cost of sales as well as the increases of \$2.6 million and \$5.7 million, respectively, in precious metal lease costs.

Overall, operating expenses for the 13 and 39 weeks ended October 1, 2022 increased to \$30.6 million and \$87.9 million compared to \$26.6 million and \$78.4 million in the same periods in 2021.

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(Unaudited)

Administration expenses increased 15% and 14% respectively, consistent with planned temporary increases in consulting and contingent labour expenses to support the digital program and business transformation, as well as planned non-temporary increases in employee compensation to support our normal operations and increased travel for board meetings and to reconnect with the Mint's customers around the world. The increase in marketing and sales expenses in both periods was due to the timing of marketing campaigns year over year.

Net foreign exchange gain decreased \$3.8 million and \$2.6 million for the 13 and 39 weeks ended October 1, 2022 when compared to the same periods in 2021. The lower net foreign exchange gain was mainly due to the impact of losses on the settlement of foreign currency forwards in 2021, partially offset by the positive impact of a stronger US dollar on the Mint's US dollar balances.

Income tax expense for the 13 and 39 weeks ended October 1, 2022 decreased \$0.9 million and \$6.8 million, when compared to the same period in 2021, mainly due to a decrease in taxable income as a result of lower operating income.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows

	13 weeks ended			39 weeks ended		
	October 1, 2022	October 2, 2021	\$ Change	October 1, 2022	October 2, 2021	\$ Change
Cash and cash equivalents, at the end of the period	\$ 95.6	\$ 106.2	(10.6)	\$ 95.6	\$ 106.2	(10.6)
Cash flow from operating activities	\$ 13.8	\$ 25.1	(11.3)	\$ 42.3	\$ 50.5	(8.2)
Cash flow used in investing activities	\$ (4.4)	\$ (2.7)	(1.7)	\$ (14.7)	\$ (9.0)	(5.7)
Cash flow used in financing activities	\$ (0.9)	\$ (0.6)	(0.3)	\$ (1.7)	\$ (1.9)	0.2

Cash from operating activities decreased \$11.3 million and \$8.2 million for the 13 weeks and 39 weeks ended October 1, 2022 compared to the same periods in 2021 primarily due to timing of collections and invoices for foreign circulation customers and higher income tax instalment payments due to higher net income in 2021 partially offset by lower precious metal purchases.

Cash used in investing activities increased \$1.7 million and \$5.7 million for the 13 and 39 weeks ended October 1, 2022, as compared to the same period in 2021, mainly due to investments in production equipment for the Winnipeg and Ottawa plants, the Ottawa building and investments in digital program information technology projects.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

**Borrowing facilities**

See note 17 in the December 31, 2021 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 \$33 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 1:04 and closed the period with a long-term debt-to-equity ratio of 1:05.

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

Profit before income tax and other items is a non-GAAP financial measure used by management and other stakeholders to compare the Mint's financial results before the impact of non-cash changes in valuations, taxes and other items. A reconciliation from profit for the period to profit before income tax and other items is as follows:

	13 weeks ended			39 weeks ended		
	October 1, 2022	October 2, 2021	\$ Change	October 1, 2022	October 2, 2021	\$ Change
Profit for the period	\$ 7.8	\$ 9.2	(1.4)	\$ 24.6	\$ 43.5	\$ (18.9)
Add (deduct):						
Income tax expense	2.6	3.5	(0.9)	8.1	14.9	(6.8)
Other income	-	-	-	-	(0.1)	0.1
Net foreign exchange (gain) loss <sup>1</sup>	-	(3.6)	3.6	(0.1)	1.0	(1.1)
Face Value revaluation <sup>2</sup>	1.8	9.7	(7.9)	9.9	10.6	(0.7)
<b>Profit before income tax and other items</b>	<b>\$ 12.2</b>	<b>\$ 18.8</b>	<b>(6.6)</b>	<b>\$ 42.5</b>	<b>\$ 69.9</b>	<b>\$ (27.4)</b>

<sup>1</sup> Net foreign exchange (gain) loss for the 13 and 39 weeks ended October 1, 2022 excludes a gain of \$nil million (2021 - \$0.2 million gain) and \$0.1 million (2021 - \$4.0 million gain) respectively, related to the mitigation of the foreign exchange risk for a specific contract.

<sup>2</sup> Face Value revaluation 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 foreign exchange gains of \$3.0 million (2021 - \$1.5 million gain) and \$3.9 million (2021 - \$0.3 million loss) for the 13 and 39 weeks ended October 1, 2022 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 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 corporate objectives are identified in the Mint's 2021 Annual Report. There have been no material changes to the key corporate level risks since the filing of the 2021 Annual Report.

### **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, 2021 for a discussion of critical accounting estimates, as well as note 3 in the accompanying unaudited condensed financial statements for the 39 weeks ended October 1, 2022 for a discussion regarding the adoption of new accounting standards and accounting policy developments.

### **OUTLOOK**

The financial goal for 2022 is a profit before tax and other items of \$38.6 million, revised from \$46.6 million as approved in the Mint's 2022-2026 Corporate Plan to reflect the application of the IFRS Interpretation Committee (IFRIC) agenda decision issued in April 2021 relating to the accounting for configuration and customization costs for software as a service and platforms as a service arrangements.

Continuing with the implementation of its One Mint Strategy which was approved in 2020, in 2022, the Mint continues to evolve its domestic circulation coin lifecycle management practices and aims to seize the best foreign circulation opportunities. The Mint is continuing to build its precious metals capacity, focus on its numismatic offerings, and pursue operational efficiencies. The Mint is also making investments in its people, digital capabilities and ESG initiatives and continuing to build its agility and resiliency as it continues to add value for Canada. The Mint is closely monitoring the impact of the evolving situation of the pandemic, inflation, as well as other external events around the globe, on its global supplier network and its costs, and identifies contingency plans when required in order to support the business.

## Circulation businesses

### *Canadian circulation*

As 2022 progresses, coin activity continues to increase. It now sits at roughly 70 per cent of pre-pandemic levels.

There are a number of drivers acting upon merchant and consumer coin usage today that make forecasting the next 12 months a challenge. Although consumer spending is expected to continue increasing as pandemic-related restrictions have eased, other factors, including inflationary pressures, may cause Canadians to alter their spending habits in the months ahead.

In either event, the Mint and its distribution system partners are prepared. Transactions across every region are closely monitored, inventories are being maintained at prudent levels, and the system continues to operate without incident. Regular consumer pulse surveys are helping the Mint gauge how coin usage may be influenced by the above mentioned trends.

### *Foreign circulation*

The world is emerging from the COVID-19 pandemic, however, the global economic impacts from it, as well as the Russia – Ukraine conflict continue to create unstable conditions in many economies. Many emerging economies are experiencing extremely high inflation along with currency devaluations, and those Central Banks are largely prioritizing economic risk mitigation strategies, as opposed to undertaking new currency initiatives. Central Banks tendered for approximately 2 billion coins and blanks in the first three quarters of 2022. The Mint anticipates that cash usage and coin demand will rebound as economies continue to reopen and stabilize.

## 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 meet demand relating to continued strong market conditions for gold and silver bullion coins. The Mint also continues to review the pricing of bullion products as costs and market conditions evolve. In the next twelve months, 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 and selective storage opportunities, while 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 Mint continues to implement and pursue product strategies intended to reach new customers in new and emerging markets.

### **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 assumptions regarding expected growth, results of operations, performance, business prospects and opportunities. While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These assumptions 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 in this narrative, as well as in Note 8 – Financial Instruments and Financial Risk Management to the Mint's unaudited condensed consolidated financial statements.

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 16, 2022, 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.

ROYAL CANADIAN MINT  
**MANAGEMENT REPORT**

39 weeks ended October 1, 2022  
(Unaudited)

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**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's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports* 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.

Based on 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



Francis Mensah, MBA, CFA, CPA, CMA  
Vice-President, Finance and Administration  
and Chief Financial Officer



Jana Fritz, CPA, CA  
Senior Director, Finance and Chief  
Accountant

Ottawa, Canada

November 16, 2022

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

	Notes	October 1, 2022	As at December 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 95,562	\$ 69,303
Trade receivables, net and other receivables	5	36,241	19,152
Income tax receivable		2,070	-
Prepaid expenses		3,523	3,677
Inventories	6	57,683	86,530
Contract assets	7	36,865	40,631
Derivative financial assets	8	68	2,611
<b>Total current assets</b>		<b>232,012</b>	<b>221,904</b>
<b>Non-current assets</b>			
Prepaid expenses		203	178
Derivative financial assets	8	6	-
Deferred income tax assets		35,173	29,250
Property, plant and equipment	9	143,567	144,040
Investment property		236	236
Intangible assets	9	5,054	4,738
Right-of-use assets	10	7,280	5,136
<b>Total non-current assets</b>		<b>191,519</b>	<b>183,578</b>
<b>Total assets</b>		<b>\$ 423,531</b>	<b>\$ 405,482</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables, other payables and accrued liabilities	11	\$ 43,663	\$ 56,300
Provisions	12	3,138	2,043
Income tax payable		435	13,978
Face Value redemptions liability	13	433	434
Contract liabilities	7	17,185	12,894
Loan payable		9,196	9,042
Lease liabilities	10	1,643	1,388
Employee benefit obligations		3,771	3,302
Derivative financial liabilities	8	4,815	23
<b>Total current liabilities</b>		<b>84,279</b>	<b>99,404</b>
<b>Non-current liabilities</b>			
Trade payables, other payables and accrued liabilities	11	51	95
Provisions	12	1,020	966
Face Value redemptions liability	13	127,133	121,472
Loan payable		24,000	24,000
Lease liabilities	10	6,026	4,394
Employee benefit obligations		12,653	12,653
Derivative financial liabilities	8	1,192	-
<b>Total non-current liabilities</b>		<b>172,075</b>	<b>163,580</b>
<b>Total liabilities</b>		<b>256,354</b>	<b>262,984</b>
<b>Shareholder's equity</b>			
Share capital (authorized and issued 4,000 non-transferable shares)		40,000	40,000
Retained earnings		127,165	102,515
Accumulated other comprehensive income (loss)		12	(17)
<b>Total shareholder's equity</b>		<b>167,177</b>	<b>142,498</b>
<b>Total liabilities and shareholder's equity</b>		<b>\$ 423,531</b>	<b>\$ 405,482</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 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Revenue	15	\$ 728,660	\$ 811,573	\$ 2,435,564	\$ 2,667,946
Cost of sales	16,17,18	687,962	776,168	2,315,719	2,534,725
<b>Gross profit</b>		<b>40,698</b>	<b>35,405</b>	<b>119,845</b>	<b>133,221</b>
Marketing and sales expenses	16,17	8,415	7,335	20,647	19,479
Administration expenses	16,17,18	22,178	19,284	67,251	58,916
<b>Operating expenses</b>		<b>30,593</b>	<b>26,619</b>	<b>87,898</b>	<b>78,395</b>
Net foreign exchange gain		39	3,845	406	3,035
<b>Operating profit</b>		<b>10,144</b>	<b>12,631</b>	<b>32,353</b>	<b>57,861</b>
Finance income, net		304	48	406	464
Other income, net		2	1	44	80
<b>Profit before income tax</b>		<b>10,450</b>	<b>12,680</b>	<b>32,803</b>	<b>58,405</b>
Income tax expense	19	2,631	3,474	8,153	14,901
<b>Profit for the period</b>		<b>7,819</b>	<b>9,206</b>	<b>24,650</b>	<b>43,504</b>
Net unrealized gain on cash flow hedges		-	15	29	49
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>15</b>	<b>29</b>	<b>49</b>
<b>Total comprehensive income</b>		<b>\$ 7,819</b>	<b>\$ 9,221</b>	<b>\$ 24,679</b>	<b>\$ 43,553</b>

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 1, 2022**

	Notes	Share capital	Retained earnings	Accumulated other comprehensive income (Net gains on cash flow hedges)	Total
Balance as at July 2, 2022		\$ 40,000	\$ 119,346	\$ 12	\$ 159,358
Profit for the period		-	7,819	-	7,819
Other comprehensive gain, net <sup>1</sup>		-	-	-	-
Balance as at October 1, 2022		\$ 40,000	\$ 127,165	\$ 12	\$ 167,177

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

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 gain, 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

**39 weeks ended October 1, 2022**

	Notes	Share capital	Retained earnings	Accumulated other comprehensive (loss) income (Net gains on cash flow hedges)	Total
Balance as at December 31, 2021		\$ 40,000	\$ 102,515	\$ (17)	\$ 142,498
Profit for the period		-	24,650	-	24,650
Other comprehensive gain, net <sup>1</sup>		-	-	29	29
Balance as at October 1, 2022		\$ 40,000	\$ 127,165	\$ 12	\$ 167,177

<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 gain, 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

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 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
<b>Cash flows from operating activities</b>					
Profit for the period		\$ 7,819	\$ 9,206	\$ 24,650	\$ 43,504
Adjustments to reconcile profit to cash flows from operating activities:					
Depreciation and amortization	16	5,271	5,128	14,762	15,366
Income tax expense	19	2,631	3,474	8,153	14,901
Finance income, net		(304)	(48)	(406)	(464)
Other income, net		(2)	(1)	(44)	(80)
Net foreign exchange (gain) loss		(733)	2,081	1,177	2,774
Adjustments to other (revenue) expenses, net	20	(2,274)	(16,163)	(14,120)	(32,306)
Changes in Face Value redemptions liability		1,662	9,590	9,555	10,245
Net changes in operating assets and liabilities	20	4,330	12,387	27,860	(944)
Cash from operating activities before interest and income tax		18,400	25,654	71,587	52,996
Income tax paid, net of income tax received	20	(5,059)	(699)	(29,799)	(3,834)
Interest received, net of interest paid	20	484	106	494	1,316
<b>Net cash from operating activities</b>		<b>13,825</b>	<b>25,061</b>	<b>42,282</b>	<b>50,478</b>
<b>Cash flows used in investing activities</b>					
Acquisition of property, plant and equipment		(4,217)	(1,403)	(12,913)	(6,366)
Acquisition of intangible assets		(173)	(1,318)	(1,790)	(2,637)
<b>Net cash used in investing activities</b>		<b>(4,390)</b>	<b>(2,721)</b>	<b>(14,703)</b>	<b>(9,003)</b>
<b>Cash flows used in financing activities</b>					
Lease principal payments	10	(925)	(618)	(1,735)	(1,853)
<b>Net cash used in financing activities</b>		<b>(925)</b>	<b>(618)</b>	<b>(1,735)</b>	<b>(1,853)</b>
Effect of changes in exchange rates on cash		442	(42)	415	(690)
<b>Increase in cash</b>		<b>8,952</b>	<b>21,680</b>	<b>26,259</b>	<b>38,932</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>86,610</b>	<b>84,558</b>	<b>69,303</b>	<b>67,306</b>
<b>Cash at the end of the period</b>		<b>\$ 95,562</b>	<b>\$ 106,238</b>	<b>\$ 95,562</b>	<b>\$ 106,238</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 His 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 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 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.

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 *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports* 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, 2021.

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 16, 2022

## **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.

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

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Significant judgements and estimates as at October 1, 2022 were consistent with those disclosed in Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2021.

#### **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 1, 2022.**

The Corporation reviewed the new and revised accounting pronouncements that were issued and had mandatory effective dates of annual periods beginning on or after January 1, 2022. The following amendments were adopted by the Corporation on January 1, 2022 and did not have an impact on the consolidated financial statements.

###### *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 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.

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

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#### **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 an 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.

##### *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.

ROYAL CANADIAN MINT  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 39 WEEKS ENDED OCTOBER 1, 2022

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

*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.

In November 2021, the IASB published the Exposure Draft *Non current Liabilities with Covenants (proposed amendments to IAS 1)*. The Exposure Draft aimed to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions, in addition to addressing concerns about the classification of such a liability as current or non current.

In June 2022, the IASB tentatively decided to defer the effective date of the 2020 amendments to align it with the effective date of the proposed amendments. The amendments from 2020 and 2021 are both effective for annual periods beginning on or after January 1, 2024.

*Sale and Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 – *Leases*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024.

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

	As at	
	October 1, 2022	December 31, 2021
Receivables and accruals from contracts with customers	\$ 31,193	\$ 18,065
Receivables from contracts with related parties (Note 21)	4,493	403
Allowance for expected credit losses	(1)	(3)
Trade receivables, net	\$ 35,685	\$ 18,465
Lease receivables	46	253
Other current financial receivables	461	388
Other receivables	49	46
<b>Trade trade receivables, net and other receivables</b>	<b>\$ 36,241</b>	<b>\$ 19,152</b>

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

ROYAL CANADIAN MINT  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 39 WEEKS ENDED OCTOBER 1, 2022

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

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

	As at	
	October 1, 2022	December 31, 2021
Opening balance	\$ 253	\$ 519
Interest income	4	14
Sublease payments received	(211)	(280)
Closing balance	\$ 46	\$ 253

Total cash inflow from leases included in lease receivables for the 13 weeks and 39 weeks ended October 1, 2022 was \$0.1 million (October 2, 2021 – \$0.1 million) and \$0.2 million (October 2, 2021 - \$0.2 million), respectively.

## 6. INVENTORIES

	As at	
	October 1, 2022	December 31, 2021
Total inventories	\$ 57,683	\$ 86,530

The Corporation recognized write-downs of inventory to net realizable value for the 13 weeks and 39 weeks ended October 1, 2022 of \$2.0 million (October 2, 2021 - \$0.3 million) and \$2.4 million (October 2, 2021 - \$0.5 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 1, 2022. The Corporation reviewed its credit risk exposure related to contract assets as at October 1, 2022 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 customer loyalty programs.

ROYAL CANADIAN MINT  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 39 WEEKS ENDED OCTOBER 1, 2022

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

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

	As at October 1, 2022	
	Contract Assets	Contract Liabilities
Opening balance	\$ 40,631	\$ 12,894
Revenue recognized <sup>1</sup>	-	(1,001)
Cash received, excluding amounts recognized during the period	-	4,006
Transfers from contract liabilities to payables	-	(3,809)
Foreign exchange revaluation	3,468	324
Transfers from contract assets to receivables	(60,562)	-
Increases resulting from changes in the measure of progress	53,328	4,771
Closing balance	\$ 36,865	\$ 17,185

	As at December 31, 2021	
	Contract Assets	Contract Liabilities
Opening balance	\$ 31,116	\$ 17,156
Revenue recognized <sup>1</sup>	-	(7,315)
Cash received, excluding amounts recognized during the period	-	528
Transfers from contract liabilities to payables	-	(6,054)
Foreign exchange revaluation	(139)	(3)
Transfers from contract assets to receivables	(85,414)	-
Increases resulting from changes in the measure of progress <sup>1</sup>	95,068	8,582
Closing balance	\$ 40,631	\$ 12,894

<sup>1</sup> Revenue recognized includes \$1.8 million and increases resulting from changes in the measure of progress in contract liabilities includes \$2.1 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 time and term 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 1, 2022 and October 2, 2021, approved short-term borrowings for working capital needs within this limit were not to exceed \$25 million or its US dollar equivalent. From time to time, the Corporation may seek approval for new long-term borrowings. As at October 1, 2022, the Corporation had no approval for any new long-term

ROYAL CANADIAN MINT  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 39 WEEKS ENDED OCTOBER 1, 2022

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

borrowings for the current fiscal year. The Corporation's long-term borrowings are described in note 17 of its audited consolidated financial statements for the year ended December 31, 2021.

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 1, 2022 or December 31, 2021.

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 16, 2022, the Corporation's Board of Directors approved a dividend ranging from \$25.6 million to \$42.8 million. The dividend amount will be finalized and paid before December 31, 2022.

## 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 1, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	\$ 95,562	\$ 95,562	\$ 69,303	\$ 69,303
Trade receivables, net and other receivables	\$ 36,146	\$ 36,146	\$ 18,853	\$ 18,853
Derivative financial assets:				
Foreign currency forwards	\$ 58	\$ 58	\$ 2,611	\$ 2,611
Interest rate swap	\$ 16	\$ 16	\$ -	\$ -
<b>Financial Liabilities</b>				
<b>Amortized cost</b>				
Trade payables, other payables and accrued liabilities	\$ 42,833	\$ 42,833	\$ 55,918	\$ 55,918
Loan payable	\$ 33,196	\$ 32,359	\$ 33,042	\$ 33,931
Derivative financial liabilities:				
Foreign currency forwards	\$ 6,007	\$ 6,007	\$ -	\$ -
Interest rate swap	\$ -	\$ -	\$ 23	\$ 23

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

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### **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).

The fair value measurement of cash is classified as Level 1 of the fair value hierarchy as at October 1, 2022 and December 31, 2021. 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 1, 2022 and December 31, 2021. There were no transfers of financial instruments between levels for the 39 weeks ended October 1, 2022.

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

The Corporation holds financial instruments in the form of cash, 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, 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.

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

	As at	
	October 1, 2022	December 31, 2021
<b>Derivative financial assets</b>		
Foreign currency forwards	\$ 58	\$ 2,611
Interest rate swap	16	-
	<b>\$ 74</b>	<b>\$ 2,611</b>
<b>Derivative financial liabilities</b>		
Foreign currency forwards	\$ 6,007	\$ -
Interest rate swap	-	23
	<b>\$ 6,007</b>	<b>\$ 23</b>

### 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 responsibility 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 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 1, 2022 and December 31, 2021 represents the Corporation's maximum credit exposure.

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**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 business and the overall economy. An allowance for expected credit losses (ECL) is provided for customer accounts that could present collectability issues

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

	As at	
	October 1, 2022	December 31, 2021
Asia and Australia	\$ 18,699	\$ 10,787
Canada	12,236	5,424
Europe, Middle East and Africa	3,748	1,882
United States	873	422
Latin America and Caribbean	590	338
Trade receivables, net and other financial receivables	\$ 36,146	\$ 18,853

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

	As at	
	October 1, 2022	December 31, 2021
Central and institutional banks	\$ 23,698	\$ 13,528
Consumers, dealers and others	6,472	3,761
Governments (including governmental departments and agencies)	5,976	1,564
Trade receivables, net and other financial receivables	\$ 36,146	\$ 18,853

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

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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 1, 2022, the Corporation's rate of credit losses was less than 1% (2021 – 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.

### **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. 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

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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.

### 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 1, 2022	December 31, 2021
Cost	\$ 457,826	\$ 446,935
Accumulated depreciation and impairment	(314,259)	(302,895)
Net book value	\$ 143,567	\$ 144,040

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**Net book value by asset class**

	As at	
	October 1, 2022	December 31, 2021
Land and land improvements	\$ 3,141	\$ 3,135
Buildings and building improvements	75,137	78,194
Equipment	54,853	57,252
Capital projects in process	10,436	5,459
Net book value	\$ 143,567	\$ 144,040

During the 39 weeks ended October 1, 2022, the Corporation acquired \$11.8 million (39 weeks ended October 2, 2021 - \$7.4 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 1, 2022 is a total accrual of \$0.8 million (December 31, 2021 - \$1.9 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 1, 2022.

**Intangible assets**

	As at	
	October 1, 2022	December 31, 2021
Cost	\$ 40,759	\$ 38,846
Accumulated amortization and impairment	(35,705)	(34,108)
Net book value	\$ 5,054	\$ 4,738

During the 39 weeks ended October 1, 2022, the Corporation acquired \$1.9 million (39 weeks ended October 2, 2021 - \$2.5 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 1, 2022 is a total accrual of \$0.2 million (December 31, 2021 - \$0.1 million).

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**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 1, 2022	December 31, 2021
Cost	\$ 11,224	\$ 11,224
Renewals	3,433	-
Accumulated depreciation	(7,377)	(6,088)
Net book value	\$ 7,280	\$ 5,136

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

	As at	
	October 1, 2022	December 31, 2021
Buildings	\$ 3,960	\$ 4,630
Equipment	3,320	506
Net book value	\$ 7,280	\$ 5,136

**Lease liabilities**

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

As at October 1, 2022

	Buildings	Equipment	Total
Opening balance, January 1, 2022	\$ 5,253	\$ 529	\$ 5,782
Interest expense	109	80	189
Lease payments	(1,088)	(647)	(1,735)
Renewal	-	3,433	3,433
Closing balance	\$ 4,274	\$ 3,395	\$ 7,669

As at December 31, 2021

	Buildings	Equipment	Total
Opening balance, January 1, 2021	\$ 5,003	\$ 1,571	\$ 6,574
Interest expense	174	37	211
Lease payments	(1,316)	(1,158)	(2,474)
Renewal	1,392	79	1,471
Closing balance	\$ 5,253	\$ 529	\$ 5,782

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	As at	
	October 1, 2022	December 31, 2021
Buildings	\$ 873	\$ 1,252
Equipment	770	136
Current	\$ 1,643	\$ 1,388
Buildings	3,401	4,001
Equipment	2,625	393
Non-current	\$ 6,026	\$ 4,394
Total lease liabilities	\$ 7,669	\$ 5,782

Total cash outflow for leases included in lease liabilities for the 13 weeks and 39 weeks ended October 1, 2022 is \$0.9 million and \$1.7 million (13 weeks and 39 weeks ended October 2, 2021 was \$0.6 million and \$1.9 million, respectively).

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

	As at	
	October 1, 2022	December 31, 2021
Trade payables	\$ 7,339	\$ 8,925
Employee compensation payables and accrued liabilities	20,906	30,948
Other current financial liabilities <sup>1</sup>	14,537	15,950
Other accounts payable and accrued liabilities	881	477
Total current trade payables, other payables and accrued liabilities	\$ 43,663	\$ 56,300
Other non-current financial liabilities <sup>1</sup>	51	95
Total non-current trade payables, other payables and accrued liabilities	\$ 51	\$ 95
Trade payables, other payables and accrued liabilities	\$ 43,714	\$ 56,395

<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 1, 2022	December 31, 2021
Opening balance	\$ 3,009	\$ 4,334
Additional provisions recognized	1,851	1,290
Payments	(197)	(503)
De-recognition of provisions	(606)	(2,312)
Foreign exchange revaluation	101	200
Closing balance	\$ 4,158	\$ 3,009

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Provisions include the following:

	As at	
	October 1, 2022	December 31, 2021
Sales returns and warranty	\$ 2,522	\$ 2,241
Employee compensation	915	-
Other provisions	721	768
<b>Total provisions</b>	<b>\$ 4,158</b>	<b>\$ 3,009</b>

	As at	
	October 1, 2022	December 31, 2021
Current portion	\$ 3,138	\$ 2,043
Non-current portion	1,020	966
<b>Total provisions</b>	<b>\$ 4,158</b>	<b>\$ 3,009</b>

### 13. FACE VALUE REDEMPTIONS LIABILITY

	As at	
	October 1, 2022	December 31, 2021
Face Value redemptions liability	\$ 176,494	\$ 176,980
Precious metal recovery	(48,928)	(55,074)
Face Value redemptions liability, net	\$ 127,566	\$ 121,906
Less: Current portion	(433)	(434)
<b>Non-current Face Value redemptions liability, net</b>	<b>\$ 127,133</b>	<b>\$ 121,472</b>

	As at	
	October 1, 2022	December 31, 2021
Opening balance	\$ 121,906	\$ 113,986
Redemptions, net	(344)	(476)
Revaluation	6,004	8,396
<b>Closing balance</b>	<b>\$ 127,566</b>	<b>\$ 121,906</b>

As at October 1, 2022, 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

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period. The impact of the revaluation of the precious metal component of the liability was a decrease of \$1.2 million and an increase of \$6.0 million, respectively, for the 13 and 39 weeks ended October 1, 2022 (13 and 39 weeks ended October 2, 2021 – increases of \$8.2 million and \$10.9 million, respectively). Based on the Face Value redemptions liability as at October 1, 2022, and assuming that all other variables remain constant, a hypothetical 10% appreciation in the market value of silver in Canadian dollars would increase profit for the year by \$4.9 million (October 2, 2021 - \$5.3 million). A hypothetical 10% weakening in the market value of silver in Canadian dollars would have an equal, but opposite effect.

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.

#### **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 \$2.4 million and \$9.1 million in the 13 and 39 weeks ended October 1, 2022 (13 and 39 weeks ended October 2, 2021 was \$2.3 million and \$8.3 million).

See Note 18 in the audited consolidated financial statements for the year ended December 31, 2021 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.

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## 15. REVENUE

### 15.1 Revenue by performance obligation

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
<b>Performance obligations satisfied at a point in time</b>				
Sale of goods	\$ 678,172	\$ 746,883	\$ 2,275,439	\$ 2,475,565
Rendering of services	13,827	11,036	37,693	34,760
<b>Total revenue recognized at a point in time</b>	<b>\$ 691,999</b>	<b>\$ 757,919</b>	<b>\$ 2,313,132</b>	<b>\$ 2,510,325</b>
<b>Performance obligations satisfied over time</b>				
Sale of goods	\$ 13,311	\$ 27,894	\$ 53,328	\$ 79,927
Rendering of services	23,350	25,760	69,104	77,694
<b>Total revenue recognized over time</b>	<b>\$ 36,661</b>	<b>\$ 53,654</b>	<b>\$ 122,432</b>	<b>\$ 157,621</b>
<b>Total revenue</b>	<b>\$ 728,660</b>	<b>\$ 811,573</b>	<b>\$ 2,435,564</b>	<b>\$ 2,667,946</b>

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 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Gross revenue from the sale of goods	\$ 1,191,285	\$ 1,170,730	\$ 3,780,642	\$ 3,883,111
Less: Customer inventory deals	(499,802)	(395,954)	(1,451,875)	(1,327,619)
<b>Net revenue from the sale of goods</b>	<b>\$ 691,483</b>	<b>\$ 774,776</b>	<b>\$ 2,328,767</b>	<b>\$ 2,555,492</b>

### 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 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
North America	\$ 568,973	\$ 671,058	\$ 1,787,421	\$ 1,932,068
Europe, Middle East and Africa	119,168	100,912	563,442	581,180
Asia and Australia	37,768	39,316	81,065	153,978
Latin America and Caribbean	2,751	287	3,636	720
<b>Total revenue</b>	<b>\$ 728,660</b>	<b>\$ 811,573</b>	<b>\$ 2,435,564</b>	<b>\$ 2,667,946</b>

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<b>Programs and Businesses</b>	13 weeks ended		39 weeks ended	
	<b>October 1, 2022</b>	October 2, 2021	<b>October 1, 2022</b>	October 2, 2021
Canadian Circulation program	\$ 28,111	\$ 22,081	\$ 74,284	\$ 64,539
Foreign Circulation	13,365	31,564	55,093	88,030
Total Circulation	41,476	53,645	129,377	152,569
Bullion Products and Services	662,814	733,052	2,219,547	2,434,187
Numismatics	24,370	24,876	86,640	81,190
Total Precious Metals	687,184	757,928	2,306,187	2,515,377
Total revenue	\$ 728,660	\$ 811,573	\$ 2,435,564	\$ 2,667,946

For the 13 weeks and 39 weeks ended October 1, 2022, two and three (13 and 39 weeks ended October 2, 2021 – three and four) customers each respectively, made up 26% and 35% (13 and 39 weeks ended October 2, 2021 – 42% and 48%) of the Corporation's revenue.

The revenue earned from significant customers was reported in the Precious Metals business and primary geographic regions of North America and Europe, Middle East and Africa for the 13 and 39 weeks ended October 1, 2022 (In the primary region of North America for the 13 weeks ended October 2, 2021 and North America and Europe, Middle East and Africa for the 39 weeks ended October 2, 2021).

### 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 1, 2022:

	2022	2023	2024	2025	Total
<b>Total revenue</b>	<b>\$ 37,072</b>	<b>\$ 64,656</b>	<b>\$ 61,118</b>	<b>\$ 60,431</b>	<b>\$ 223,277</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.

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**16. DEPRECIATION AND AMORTIZATION EXPENSE**

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Depreciation of property, plant and equipment	\$ 3,953	\$ 4,042	\$ 11,875	\$ 12,152
Amortization of intangible assets	549	589	1,598	1,730
Depreciation of right-of-use assets	769	497	1,289	1,484
Total depreciation and amortization expense	\$ 5,271	\$ 5,128	\$ 14,762	\$ 15,366

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

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of sales	\$ 3,584	\$ 3,362	\$ 9,800	\$ 10,101
Marketing and sales expenses	447	632	1,320	1,884
Administration expenses	1,240	1,134	3,642	3,381
Total depreciation and amortization expense	\$ 5,271	\$ 5,128	\$ 14,762	\$ 15,366

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**17. EMPLOYEE COMPENSATION EXPENSES**

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
<b>Included in cost of sales:</b>				
Salaries and wages including short term employee benefits	\$ 8,425	\$ 8,297	\$ 24,488	\$ 24,071
Pension costs	1,265	1,326	4,320	4,254
Other long term employee and post-employment benefits	703	649	2,157	2,033
Termination benefits	-	-	-	5
<b>Included in marketing and sales expenses:</b>				
Salaries and wages including short term employee benefits	3,510	3,419	10,432	9,994
Pension costs	350	313	1,324	1,133
Other long term employee and post-employment benefits	129	119	371	368
<b>Included in administration expenses:</b>				
Salaries and wages including short term employee benefits	10,988	10,469	32,679	30,792
Pension costs	1,043	907	3,780	3,179
Other long term employee and post-employment benefits	454	423	1,456	1,351
Termination benefits	79	-	90	22
Total employee compensation and benefits expense	\$ 26,946	\$ 25,922	\$ 81,097	\$ 77,202

**18. SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT EXPENSES, NET**

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Scientific research and experimental development expenses	\$ 1,313	\$ 1,047	\$ 3,874	\$ 3,520
Scientific research and experimental development investment tax credit	(125)	(88)	(569)	(350)
Scientific research and experimental development expenses, net	\$ 1,188	\$ 959	\$ 3,305	\$ 3,170

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The net expenses of scientific research and experimental development were allocated to the following expense categories:

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of sales	\$ 539	\$ -	\$ 1,507	\$ -
Administration expenses	649	959	1,798	3,170
Scientific research and experimental development expenses, net	\$ 1,188	\$ 959	\$ 3,305	\$ 3,170

## 19. INCOME TAXES

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Current income tax expense	\$ 4,409	\$ 6,071	\$ 14,086	\$ 18,054
Deferred income tax recovery	(1,778)	(2,597)	(5,933)	(3,153)
Income tax expense	\$ 2,631	\$ 3,474	\$ 8,153	\$ 14,901

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% (2021 – 25%). The difference in the tax expense is due to temporary differences between accounting and taxable income, mainly due to the Face Value redemptions liability and the movement of the net derivative position.

## 20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Expenses				
Employee benefits expenses	\$ 2,662	\$ 2,547	\$ 9,313	\$ 8,566
Employee benefits paid	(2,444)	(2,342)	(9,070)	(8,320)
Inventory write downs (reversals)	1,118	(375)	915	(728)
Provisions	710	393	1,149	(1,380)
Loss on disposal of assets	-	-	406	130
Other non-cash revenues, net	(127)	(133)	(571)	(302)
Revenue				
Foreign circulation revenue	(1,611)	(13,409)	(9,035)	(22,104)
Bullion service revenue	(2,582)	(2,844)	(7,227)	(8,168)
Adjustments to other (revenue) expenses, net	\$ (2,274)	\$ (16,163)	\$ (14,120)	\$ (32,306)

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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 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Trade receivables, net and other receivables	\$ (15,105)	\$ 20,541	\$ 8,541	\$ 63,576
Inventories	16,345	(11,039)	30,012	(64,305)
Prepaid expenses	1,054	546	129	(4,366)
Trade payables, other payables and accrued liabilities	602	4,670	(14,631)	(2,111)
Contract liabilities	1,434	(2,331)	4,006	6,700
Provisions	-	-	(197)	(438)
Net change in operating assets and liabilities	\$ 4,330	\$ 12,387	\$ 27,860	\$ (944)

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

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Income tax paid	\$ (5,102)	\$ (759)	\$ (29,842)	\$ (4,174)
Income tax received	43	60	43	340
Income tax paid, net of income tax received	\$ (5,059)	\$ (699)	\$ (29,799)	\$ (3,834)

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

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Interest received	\$ 503	\$ 138	\$ 861	\$ 1,409
Interest paid	(19)	(32)	(367)	(93)
Interest received, net of interest paid	\$ 484	\$ 106	\$ 494	\$ 1,316

## 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

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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, 2022 to December 31, 2025 (2021 – January 1, 2018 to December 31, 2021)

The transactions with the Department of Finance were as follows:

	13 weeks ended		39 weeks ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Revenue	\$ 26,965	\$ 21,424	\$ 69,529	\$ 62,173

	As at	
	October 1, 2022	December 31, 2021
Trade receivable (Note 5)	\$ 4,493	\$ 403
Contract liability (Note 7)	\$ -	\$ 456

During the 39 weeks ended October 1, 2022 and October 2, 2021, the majority of transactions with Crown corporations were for the sale of numismatic products.

## 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 and supply arrangements for precious metal bullion products. As at October 1, 2022, the Corporation had \$31.3 million in outstanding firm fixed-price precious metal purchase commitments and firm commitments for precious metal bullion product supply arrangements (December 31, 2021 – \$24.7 million).

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The Corporation had entered into precious metal leases as follows:

Ounces	As at	
	October 1, 2022	December 31, 2021
Gold	440,530	591,186
Silver	18,135,826	10,470,977
Platinum	17,634	22,076

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 1, 2022 were \$5.8 million and \$14.4 million (October 2, 2021 - \$3.2 million and \$8.7 million), respectively. The value of the precious 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, 2021.

## 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 two years depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than six 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 1, 2022, under the guarantees and bid bonds, the maximum potential amount of future payments was \$16.0 million (December 31, 2021 - \$19.8 million).

## 22.3 Other commitments and contingencies

As at October 1, 2022, the total estimated minimum remaining future commitments were as follows:

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Other commitments	\$ 35,471	\$ 14,109	\$ 3,224	\$ 2,281	\$ 806	\$ 241	\$ 56,132
Base metal commitments	6,302	6,104	-	-	-	-	12,406
Capital commitments	12,761	7,522	1,295	-	-	-	21,578
Total	\$ 54,534	\$ 27,735	\$ 4,519	\$ 2,281	\$ 806	\$ 241	\$ 90,116

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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 \$21.6 million as at October 1, 2022 (December 31, 2021 - \$4.9 million) in 2022 and 2023 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 \$0.7 million provision for potential legal obligations was included in other provisions (Note 12) as at October 1, 2022 (December 31, 2021 - \$0.6 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, 2021.