MAKING HISTORY

1908–2008

Annual Report 2008

Royal Canadian Mint
Monnaie royale canadienne

On the cover: The Royal Canadian Mint stands ready to begin operations in November 1907. Deputy Mint Master Dr. James Bonar insisted on waiting, however, until the perimeter security fence was constructed—so the Mint's first century of coinmaking commenced instead on January 2, 1908.

Above: Opened in 1976, the Winnipeg facility's considerable production capacity has contributed directly to the Royal Canadian Mint's reputation as a reliable supplier of coins to the international market.

MAKING HISTORY

CONTENTS

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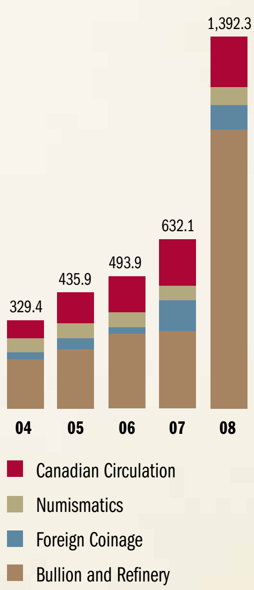
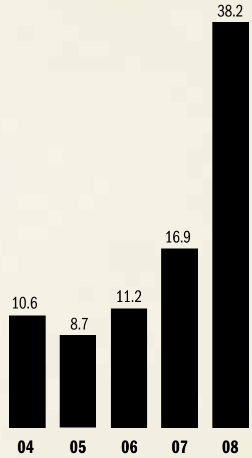
FINANCIAL AND OPERATING HIGHLIGHTS

	2008	2007	% change
Key financial highlights (in millions of dollars)			
Revenue	**1,392.3**	632.1	120.3
Income before income tax	**55.3**	23.8	132.4
Net income	**38.2**	16.9	126.0
Total assets	**326.9**	282.3	15.8
Capital expenditures	**27.4**	21.5	27.4
Cash flow from operating activities	**6.9**	35.1	(80.3)
Key operating highlights			
Canadian circulation coins produced (in millions of pieces)	**2,001.8**	1,937.5	3.3
Gold bullion sales (in thousands of ounces)	**896.7**	278.6	221.9
Number of employees (at December 31)	**865**	779	11.0
Gross profit	**177.3**	138.6	27.9
Pre-tax return on equity	**29.8%**	17.2%	12.6
Debt to equity ratio	**0.76:1**	1.04:1	(26.9)
Shareholder's equity	**185.7**	138.2	34.4
Total production (millions of pieces)	**3,740.0**	4,177.5	(10.5)

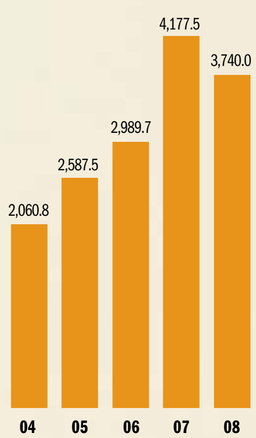
Revenue (segmented)
($ in millions)



Net income (loss)
($ in millions)



Total production
(millions of pieces)



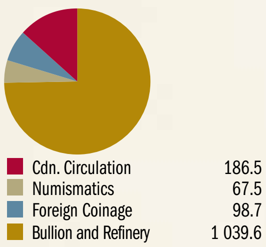
THE MINT AT A GLANCE

Business Line	2008 results	

Royal Canadian Mint

The Royal Canadian Mint is a commercial Crown corporation producing circulation, numismatic and bullion coins for the domestic and international markets in anticipation of profit. It also operates full-service gold and silver refineries.

Revenue by segment

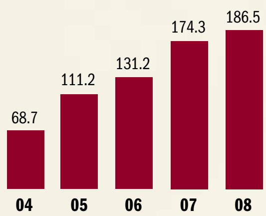


In 2008, the Mint achieved another record year of net income: $38.2 million in 2008 compared to $16.9 million in 2007. As a result, the Corporation intends to raise its dividend to the shareholder from $1 million to $5 million for 2009.

Canadian Circulation

The Mint's core mandate is to produce and manage the distribution of Canada's circulation coinage and provide advice to the Government of Canada on matters related to coinage. Special multi-year coins carry designs that celebrate Canada's history, culture and values.

Revenue ($ in millions)

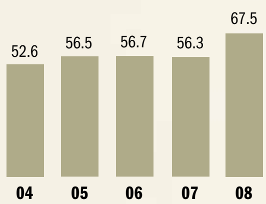


Revenue from Canadian circulation coins increased to $186.5 million from $174.3 million in 2007, driven primarily by strong growth in the Alloy Recovery Program (ARP). The volume of new coins produced remained stable, despite weakening demand as the economy slipped into recession during the last quarter of the year.

Numismatics

The Mint is renowned for the impeccable craftsmanship inherent in its numismatic coins, particularly the development of special effects, such as the use of embedded crystals to enhance a coin's beauty and value. The Mint also produces a line of consumer gifts.

Revenue ($ in millions)

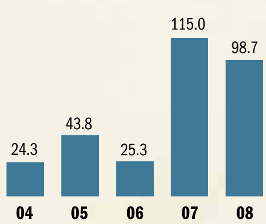


Numismatic revenues increased 19.9% to $67.5 million from $56.3 million in 2007, achieved by expanding the Mint's international dealer network and launching new products and sales strategies in the retail market. Sales of giftable products increased 29.7% to $4.8 million from $3.7 million in 2007.

Foreign Coinage

The Mint designs and produces circulation and numismatic coins, ready-to-strike blanks, medals, medallions and tokens for international markets. It also licenses technologies that have made it one of the most modern and innovative in the world. These technologies include multi-ply plating and numismatic die coating technologies.

Revenue ($ in millions)

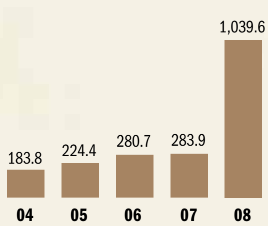


The Mint produced 1.7 billion coins for 16 countries compared to 2.2 billion coins for 12 countries in 2007. Although revenues declined 14.2% to $98.7 million, operating margins and income increased significantly as 12 countries chose the plated product over traditional alloy coinage in order to improve the cost effectiveness of their coinage.

Bullion and Refinery

The Mint produces and markets a family of gold and silver bullion coins as well as high purity precious metals products such as granules for industrial applications. It operates refineries that provide customers with a range of services from gold and silver refining to assaying and secure storage.

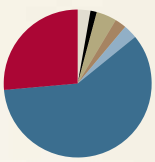
Revenue ($ in millions)



Bullion and refinery revenues increased 266% to $1.04 billion from $283.9 million in 2007, driven by strong demand for Gold Maple Leaf (GML) coins, wafers and bars. Gold bullion sales increased 222% to 896,701 ounces from 278,616 ounces in 2007. Sales of Silver Maple Leaf (SML) coins increased 151% to 8.8 million ounces from 3.5 million ounces in 2007. The volume of precious metals refined increased by 28% to 6.9 million gross ounces from 5.4 million ounces in 2007.

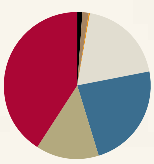
2008 performance

Revenue by region ($ in millions)



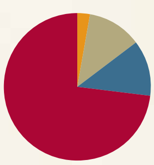
Canada	369.4
US	827.7
Asia	40.7
Middle East	38.0
Europe	61.0
Latin America	20.6
Africa	34.9

Production (millions of pieces)



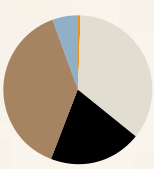
1 cent	820.4
5 cent	278.5
10 cent	467.5
25 cent	387.2
50 cent	0.2
$1	29.6
$2	18.4

Revenue (% by region)



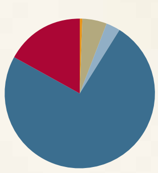
Canada	73.3
US	12.2
Europe	11.8
Other	2.7

Revenue (% by region)



Asia	5.7
Middle East	38.5
Latin America	20.2
Africa	35.3
Other	0.3

Revenue (% by region)



Canada	17.1
US	74.5
Asia	3.1
Europe	5.1
Other	0.2

2009 outlook

The years 2009 and 2010 could prove to be the most challenging of this generation with the Mint's performance affected by the deteriorating health of the Canadian, U.S. and global economies. This could reduce demand for the Mint's circulation and numismatic products while increasing demand for bullion. Despite the challenges, the Mint is convinced that improved productivity, expanded capacity and established global partnerships will sustain its profitability.

A prolonged weakness in Canada's economy could cause demand for new coins to decline, while the volume of coins returned to the Mint through the recycling program continues to increase. The Mint will remain vigilant, monitoring the coin flow in Canada and flexible in the management of its production capacity.

While demand for premium products is expected to remain strong, the Mint's ability to achieve its targets will depend on its ability to produce innovative and relevant products that capture the consumer's imagination.

The worldwide economic crisis could cause global demand for coinage to weaken. However, the weaker Canadian dollar enhances the Mint's competitiveness in the global market while the advantages of the Mint's multi-ply plating technology is attracting wide interest from governments seeking a superior coinage and reduced exposure to volatile metal prices in the future.

The Mint expects demand for precious metals to remain strong and the Canadian dollar weak. Since the price of bullion is set in U.S. dollars, a weak Canadian dollar amplifies the increase in revenue in Canadian currency. It also enhances the refinery's competitiveness in global markets.

1908–1938

In the Beginning

The Ottawa Mint's refinery opened in January, 1911, three years after the Mint was established as a branch of the Royal Mint. At that time, gold bars were delivered with an average of 77.5 per cent gold, 12.5 percent silver and 10 percent base metals and it was the task of the refinery to bring them up to the new standard purity of 99.5 percent. Since that time, the Mint has continually pushed the standard higher. The 999 gold Maple Leaf (GML) coin was introduced in 1979 as an investment product. By 1982, the refinery had attained purity of 9999 in commercial gold processing, and today is the only mint in the world to have achieved 99999 purity in bullion coins.

Figure 1: During the Mint's opening ceremonies on January 2, 1908, Governor General Earl Grey activated the presses that produced Canada's first coin: this silver 50-cent piece featuring His Majesty King Edward VII.

Figure 2: These engraving tools belonged to artist, sculptor, modeler and Mint Chief Engraver Thomas Shingles. The role of steel engraving in coinmaking was eventually replaced by the technology of the reducing lathe.

RECORD SALES

The Royal Canadian Mint posted record sales of Silver Maple Leaf coins in 2008, and near-record sales of Gold Maple Leaf coins. Its competitive advantage: the Mint's onsite refinery, which enabled the Corporation to boost output as demand spiked in response to financial market volatility. Newly signed collective agreements were also pivotal, providing the Mint workforce with the flexibility to meet customer needs. By year-end, weekly gold outputs almost doubled over the previous year.

Figure 3: At the far left in the photograph is the small refinery that was built to support the production of gold ounces at the Mint.

In 1912, after gold was discovered in northern Ontario, the Canadian gold mining industry underwent a period of phenomenal growth. To increase capacity, in 1928 the Ottawa Mint constructed a new building to house a workshop for chlorination, which would accelerate the electrolysis process to be used in the final stage of refining.

Emanuel Hahn created the plaster models selected for Canadian circulation coins in 1936. His schooner design was chosen for the 10-cent coin, his caribou for the 25-cent coin and the voyageur, which was Canada's first circulation silver dollar.

Figure 4: Under commission to the Jubilee committee in 1934, German-born Canadian sculptor and renowned coin designer Emanuel Hahn designed Canada's first circulation silver dollar.

CELEBRATION

1939–1950

Sacrifice and Honour

Since WWII, the Mint has produced Canadian military medals in honour of those who have served the country. During the 1940s, a total of 650,000 Canadian Volunteer Service Medals were awarded to citizens who had completed 60 days of service overseas. Canada's War Medal was given to 700,000 Armed Forces officers and men and 4,450 merchant navy members for service of 28 days or more. A total of 461,223 Defence Medals were also awarded in recognition of bravery.

Figure 1: September 10, 1939: The first Canadian troops embark for England. Demand for coins grew during the war, requiring the Mint to add machinery and extend shifts.

Figure 2: The Governor General's medal—produced by the Mint since the 1940s. This was the first, presented to Viscount Alexander.

Photo: courtesy of Hockey Canada, 2008 (Leon Switzer)

TRIBUTE

For decades, the Royal Canadian Mint has produced medals and medallions celebrating the remarkable feats of exemplary Canadians. In 2008, the Corporation earned recognition from the Governor General of Canada for its role in producing the historic Victoria Cross military medal – issued to Canadian Forces members for highest acts of valour, self-sacrifice and extreme devotion to duty. During the year, the Mint also crafted medallions for the HBC Run for Canada and medals for the World Junior Hockey Championships in Ottawa – creating anticipation for the medals it will provide for the Vancouver 2010 Olympic and Paralympic Winter Games.

Figure 3: The Mint created significant volumes of medals during the war years, including more than 300,000 stars for six months' service and 650,000 Canadian Volunteer Service medals for citizens who gave their time overseas.

Beginning in 1946, the Mint was invited to design and strike the Governor General's medal – first awarded to Viscount Alexander, who served as Governor General from 1946 to 1952.

The Mint produced gold, silver and bronze athlete medals for the 1976 Montreal Summer Olympic Games. It will once again have that honour for the Vancouver 2010 Olympic and Paralympic Winter Games.

Figure 4: The 1976 10-dollar Olympic coin was based on a drawing by Anthony Mann and engraved by Patrick Brindley, then Master Engraver of the Mint.

PARTNERSHIP

1951–1975

A Profit-Making Enterprise

In 1963, demand among collectors for sets of uncirculated coins skyrocketed. Orders reached 673,000 that year and 1,653,000 the year following – up from 18,000 in 1958. Each set of six denominations – one-cent, five-cent, ten-cent, 25-cent, 50-cent and one dollar coins – retailed for $3.

Figure 1: Under Gordon W. Hunter, the Mint entered into many new contracts for foreign coin production.

On April 1, 1969, the Mint was legally established as a Crown corporation – a profit-making organization with its own Board of Directors, represented in Parliament at that time by the Minister of Supply and Services. This gave the Mint freedom to produce coins for countries

Figure 2: Since 1953, all new coins in Canada have featured a portrait of Queen Elizabeth II on the obverse—updated in 1965, 1990 and 2003 to capture her likeness accurately.

REACH

Partnerships have always been central to the Royal Canadian Mint's success. Last year the Corporation increased its access to consumers of Mint gift products by establishing channel relationships with Jean Coutu and London Drugs and expanding its partnerships with Shoppers Drug Mart, HBC, Petro-Canada, RBC and Canada Post. In all, the Mint is now present in 5,000 stores across the country. Alliances with supply chain partners such as Jarden Zinc Products remained critical as well, allowing the Mint to fulfill contracts in Asia and meet global demand for foreign coinage.

other than Canada. Gordon Hunter created the Mint's foreign coinage division in 1970. Formerly Chairman of the Board, Hunter served as Master of the Mint from 1970 to 1975.

A contract to produce commemorative 10-dollar coins in Sterling silver for the Bank of Jamaica was among the Mint's first foreign contracts.

Figure 3: Foreign demand for numismatic products spiked in the 1970s. The Mint produced millions of coins for a number of countries in the Caribbean and the Middle East, including these silver wedding anniversary issues for Bermuda (left) and the Isle of Man (right).

Figure 4: Designed by Mint Chief Engraver Patrick Brindley, these gold and silver 20-dollar coins marked the 10th anniversary of Jamaican independence in 1972.

1976–1990

An Era of Modernization

In 1976, to keep pace with increasing demand for Canadian circulation coins, the Mint opened its Winnipeg plant. Between then and 1982, Winnipeg minted almost four billion coins in foreign denominations and kept pace with ongoing spikes in Canadian circulation coin demand. Capacity has since grown tremendously: in 2008, the Winnipeg facility minted 2 billion domestic circulation coins and 1.7 billion foreign circulation coins.

In the 1980s, the Mint modernized its plant and offices on Sussex Drive in Ottawa. The renovation included a doubling of usable space and restoration of the building's

Figure 1: The voyageur design originally selected for the Canadian dollar's reverse side in 1986 was replaced by a loon. The coin has forever after been known as the "Loonie."

Figure 2: Built on 100 acres southeast of the city, the Mint's Winnipeg plant makes a distinct architectural impression, contrasting open public areas with closed operational spaces.

EXPANSION

The Royal Canadian Mint is committed to reinvesting its profits in the Corporation. In 2008, the Mint made significant capital investments, installing a high-speed blanking press and seven new coin presses in Winnipeg. The roll and wrap operation at that facility concluded its first, successful year, delivering important production line efficiencies. Enhancements to the Enterprise Resource Planning (ERP) system were made as well, further streamlining the supply chain. With this sophisticated infrastructure in place, the Mint is well positioned for volume production of coins in the years ahead.

Figure 3: The Mint's expanded and modernized Ottawa facility opened officially in November, 1986.

original façade. Copper medals were struck for the reopening ceremony, which took place November 18, 1986.

The one-dollar coin, or the Loonie as it became known, was introduced in June 1987 as a replacement for Canada's dollar banknote. The eleven-sided coin weighed two grams more than the quarter and was 3 mm wider. To ensure broad accessibility, the design was approved by key industry stakeholders as well as two associations representing the visually impaired.

Figure 4: The multi-ply steel production line in Winnipeg, circa 2000. The plant grew to 59,000 square feet to accommodate the new operations.

1991–2007

A Mint for the People

In 1996, the Bank of Canada sought to replace Canada's two-dollar banknote with a two-dollar coin as a cost-saving measure. Before introducing the Toonie, as it came to be known, the Mint commissioned a public survey to help determine what should appear on the coin's reverse. Sixty-five percent of respondents chose flora or fauna as the preferred theme, and the polar bear as the favourite animal.

In 1998, the Mint held a design competition for a series of 24 25-cent coins to commemorate the turn of the century. Canadians were invited to submit drawings that embodied national values. A total

Figure 1: The Toonie replaced the two-dollar note in 1995. The polar bear image on the coin was designed by Ontario artist Brent Townsend.

Figure 2: Art and design students from colleges across the country judged "Create a Centsation!" entries for Canada's Millennium coin set. Almost one-third of the 66,000 drawings were submitted by children.

INNOVATION

The Royal Canadian Mint's latest technological invention came to life in 2008: a sophisticated and unique coloured process that uses the latest robotics and vision systems to orient coins with precision. The technology was used in fulfillment of the Mint's first foreign coloured circulation coin contract. The 50 Toea coins made for Papua New Guinea were manufactured using the Mint's patented multi-ply plated steel (MPPS) process.

66,000 designs were submitted, one-third of those by children. The resulting coins were tremendously popular: over the two years of 1999 and 2000, the Mint produced close to 700 million 25-cent Millennium coins for circulation.

In 2004, the Mint produced the world's first coloured circulation coin – a commemorative 25-cent coin paying tribute to the thousands of Canadians who have served our country in battle. Featuring the red poppy that is the official emblem of Canada's veterans, this coin designed by the Mint's Master Engraver, Cosme Saffioti, was reissued in 2008 to mark the 90th anniversary of the end of the First World War.

Figure 3: The Mint produced 11 million coloured poppy coins when this popular 25-cent piece commemorating Canadian veterans was reissued in October, 2008.

Figure 4: Unveiled in May, 2007, the million-dollar coin has the highest face value of any in the world, containing 100 kg. of 99999 gold.

2008 and Beyond

Heritage Treasures

Figure 1: The 100th anniversary coin and stamp set included a double-dated sterling silver proof replica of the 1908 50-cent piece.

The Mint issued a series of special centennial commemorative coins in 2008 to mark its 100th anniversary. Five-ounce gold and five-ounce silver coins feature the majestic architecture of the Ottawa Mint's historic building. With a face value of $500, the gold coin was limited to a mintage of 250.

Figure 2: Five-ounce gold and five-ounce silver commemorative centennial coins

PRIDE

In 2008, the Royal Canadian Mint celebrated its centennial – in style. Current and past employees poured into special events in Ottawa and Winnipeg, joining former Mint presidents and VIP guests including Her Excellency the Right Honourable Michaëlle Jean, Governor General of Canada. As part of the festivities, employees filled a time capsule with items representative of the centennial year; it was installed in the wall of the Sussex Drive building.

Figure 3: The Mint is producing 17 commemorative circulation coins and a series of collector coins in anticipation of the Vancouver 2010 Olympic and Paralympic Winter Games in Vancouver.

The special edition proof silver dollar features two iconic symbols of Canada: a maple leaf and common loon. Selective gold plating was used on the reverse and edge for stunning effect.

The sellout centennial coin and stamp set included a sterling silver proof replica of the 1908 fifty-cent piece – the first coin ever produced at the Mint – along with a companion Canada Post stamp depicting the original reverse of the coin.

Figure 4: Forming a stylized '100', the three pennies in the Mint's centennial logo playfully represent the institution's heritage, recalling the first one-cent coin struck in January, 1908.

MESSAGE FROM THE PRESIDENT AND CEO

A centennial is an exceptional milestone. The 100th anniversary of the Royal Canadian Mint in 2008 provided the opportunity for our organization to reflect on its evolution against the backdrop of this country's history.

It was an occasion to celebrate the innovation, partnership and entrepreneurial spirit that have driven our progress and become hallmarks of our Corporation.

By the end of the year, we had even more to be proud of, posting record profits beyond those of 2007. Our income before taxes target at the outset of 2008 was $36.3 million; by year-end we had surpassed the target by $19.0 million, with sales revenues of $1.4 billion.

Every business line surpassed its annual targets. Bullion exceeded all expectations due to the swell in demand for gold and silver products. Alone, it amassed revenues of $1.04 billion. The volumes were staggering. The foreign business line also achieved record profitability last year – and secured its first contract for foreign coloured circulation coins.

To keep pace, we needed to increase our staffing level, and by year-end had reached the highest number of employees in our history: 865.

The numismatic line was profitable as well, due in part to important cost control measures adopted during the year. It also issued a number of exceptional coin products, nine of which were sell-outs.

At its Winnipeg facility, the Mint reinvested profits from previous years in capital equipment to modernize its production lines. The Corporation released several significant circulation coins: four from its popular Vancouver 2010 collection, a new issue of the popular 25-cent coloured poppy, and a special two-dollar coin celebrating the 400th anniversary of Québec.

Following our pledge in 2007, we increased our spending on research and development and created an R&D Centre of Excellence to explore innovative coin technologies and related opportunities for the Mint. At the same time, we redesigned our website (mint.ca), creating an improved browsing and shopping experience.

Québec artist Geneviève Bertrand designed this two-dollar circulation coin to commemorate the 400th anniversary of Québec City. Depicting the arrival of Samuel de Champlain's ship on the banks of the St. Lawrence, six million of these coins were issued in May, 2008.

While making these investments, we remained committed to cost control and responsible management, and ended our year with costs below forecasts.

In 2008, we successfully concluded collective bargaining with our two unions, the Amalgamated Transit Union (ATU) and the Public Service Alliance of Canada (PSAC). Both agreements incorporated unique profit-sharing models that tie employee compensation to profitability, productivity and customer service.

We believe in the importance of acknowledging employees for their contributions to the success of the Corporation – and in sharing the rewards. We will continue to work together to share ideas and maintain open communication.

As a way to focus our collective effort, last year we undertook a corporate visioning exercise to clearly articulate the Mint's vision. The result was one simple yet compelling phrase: to be the best Mint in the world. This vision will guide us as we pursue immediate opportunities such as those associated with our Olympic program in partnership with VANOC – for which we have already issued nine circulation coins and four bullion coins. It will also lead us to new opportunities over the longer term. To track our progress, we will establish benchmarks for ongoing performance measurement based on industry best practices.

In closing, I would like to thank Max Lewis, our outgoing Chairman, for his strategic guidance and wise perspective, and welcome James Love to the position of Chair.

Sincerely,

Ian E. Bennett
President and CEO

MESSAGE FROM THE CHAIR

2008 was momentous for the Corporation—being not only the year of its centennial but also one of truly remarkable profitability. I thank our employees for their exceptional teamwork and dedication, and applaud the individual business lines and the Mint executive for outstanding performance and effective growth management.

With our corporate planning process, we adopted a leaner approach in conjunction with the visioning exercise led by the Mint's President and CEO. Corporate plan targets and the annual operational plan were aligned with the key performance indicators identified by management. We will continue with this approach in the coming year, maintaining a strong focus on performance measurement.

Another important initiative at the Board level was the creation of a committee to study and evaluate options to meet Canada's future needs for a system for making small payments in addition to or as an alternative to coins.

In tandem with that study, the Board has engaged more actively with our shareholder, the Government of Canada, maintaining ongoing direct communication with the Minister responsible for the Mint and other senior government officials. In 2008, we organized ministerial visits to both our Ottawa and Winnipeg facilities to provide a view inside Mint business and operations.

Finally, I extend sincerest thanks to our outgoing Chairman, Max Lewis, for his significant contributions these last three years. Under his leadership, management and the Board worked collaboratively to strengthen succession planning, refine its approach to corporate planning and enhance governance practices. I also thank departing board member, Darcia Schirr, for her active involvement with the Governance and Nominating Committee as well as the Human Resources Committee. I welcome our newest director, Bonnie Staples-Lyon, from Winnipeg, whose experience in both business and communications will be an asset to the Corporation.

I am delighted to be part of this dynamic Canadian institution so rich in history, and I look forward to playing an active role in its next chapter.

Sincerely,

James B. Love, Q.C.
Chair

CORPORATE GOVERNANCE

In November 2008, Mr. Max C. Lewis ended his three-year term as Chairman of the Board, leaving a legacy of strong governance following a renewal process that began six years ago which focused on strengthening accountability, promoting transparency and improving profitability at the Mint. At the time of his departure, the Board created the position of Vice-Chairman. The Vice-Chairman will fulfill the responsibilities of the Chairman in his absence or, if the position is vacant, until a new Chairman is appointed by the government. Mr. James B. Love – who also serves as Chair of the Governance and Nominating Committee – was appointed to the role, and was subsequently appointed as Chair by the Government of Canada on April 23, 2009. Under his guidance, the Mint will concentrate on developing a governance framework over the next few years. This framework will formalize governance measures and strategies, and will systematize the review of those measures against identified best practices. The Mint will continue to adopt and implement best governance practices from the government and public and private sectors.

THE BOARD OF DIRECTORS

The Board consists of a range of nine to 11 Directors including the Chairman of the Board and the President and CEO. With the exception of the President and CEO, all Directors are independent of management. The Chairman is an ex-officio member on all committees. The President and CEO is an ex-officio member of all committees with the exception of the Audit Committee.

Both the Chairman and the President and CEO of the Mint are Governor in Council appointees. The other Directors are appointed by the Minister of Transport, Infrastructure and Communities and approved by the Governor in Council. Directors are appointed for terms of up to four years, subject to renewal and extension.

In addition to the Chairman, three other Directors' terms expired in 2008. One was replaced and the others continue to serve pending their reappointment or the naming of their replacements. The position of Chairman remained vacant at the end of the year and a recruitment process is underway to fill the position.

All members of the Board serve on at least one committee. In 2008, the Board held 12 meetings and the committees held a combined total of 23 meetings.

The Mint's two crystal snowflake coins issued in 2008 sold out within months. Made with amethyst and sapphire CRYSTALLIZED™ Swarovski Elements, each intricate work reflects the uniqueness of the snowflake in nature.

Board Mandate

The Board of Directors is responsible for overseeing the management of the Mint with a view to both the best interests of the Mint and the long-term interests of its sole Shareholder, the Government of Canada – as represented by the Minister of Transport, Infrastructure and Communities. Pursuant to Part X of the Financial Administration Act, the Board is responsible for the management of the businesses, activities and other affairs of the Mint. The Board of Directors holds management accountable for the Mint's performance and achievement of its objectives. It establishes the Mint's strategic direction through a five-year business plan, and also reviews and approves major strategies and initiatives. The Board exercises its due diligence duty by assessing risks and opportunities, monitoring financial management, and ensuring the integrity of financial results.

The Board may hire independent counsel and advisors as necessary to discharge its powers and responsibilities. To streamline processes, the Board has delegated the same authority to its committees.

Board Orientation and Continuing Education Program

The Mint's comprehensive orientation and continuing education program ensures that new and seasoned Directors understand clearly their roles and responsibilities and, more particularly, the Mint's unique business and operating environment. This enables the Directors to contribute effectively to debates and discussions at Board and committee meetings.

In addition to receiving written briefing materials, Directors are invited to attend a two-day in-depth briefing session with senior management and to tour the Ottawa and Winnipeg facilities. They are also periodically invited to special educational sessions related to the Mint's environment and business activities. As part of the orientation program, all new Directors may attend one meeting of each committee before being appointed as a member of any.

Directors may also attend select national and international trade shows and conferences. Participation in these events allows them to interact with the Mint's stakeholders, deepening their understanding of the Mint's role.

Board Outreach Activities

The Board plays an advocacy and education role. Its advocacy is directed toward building the necessary constituency across Canada to allow the Mint to achieve its objectives. Board members spearhead educational efforts to inform the public

For 100 years, the world has been captivated by *Anne of Green Gables*, L.M. Montgomery's most famous novel. The irrepressible Anne Shirley was brought to life in brilliant colour on this 25-cent nickel finish plated steel coin.

about the Mint and promote its activities. The Mint maintains a collection of communications and promotional materials to support Board members during speaking engagements. In 2008, Directors addressed members of a coin club show, community Chambers of Commerce, Kiwanis, Rotary and other community clubs, and the Board of Directors of a private corporation.

Board and Director Self-Evaluation

Over the past 10 years, the Board of Directors' self-evaluation has evolved from informal, in-camera discussions to a more formal process. Members now complete a written questionnaire to assess the Board's annual performance on key performance indicators. The results are summarized without attribution and used to engage all Directors in an open, frank and constructive discussion of the Board's practices and level of satisfaction with the information and support provided by management. The Chairman provides feedback to management and a brief summary of the discussions is shared with the Minister responsible for the Mint.

Following the lead of the Audit Committee, which has been conducting a self-assessment since 2004, the Governance and Nominating Committee and the Human Resources Committee also began a self-evaluation process of their performance.

The first assessment of individual Directors' performance was conducted in 2007. The process was led by the Chairman and included the completion of a written questionnaire and one-on-one meetings with each Director – who in turn had the opportunity to evaluate the Chairman's performance. The results of these discussions remained confidential between the Chairman and the Director; however, the information was used by the Chairman to determine committee membership, individual and overall training needs, and to establish an action plan for improving the performance of the Board. Given the overlap in some areas between the individual Director and overall Board performance evaluations, members determined that these should be conducted in alternate years to preserve a dedicated focus for what are the two distinct types of evaluations.

Board Integrity and Transparency

The Board adheres to the government's Conflict of Interest and Post-Employment Code for Public Office Holders and the Mint's Code of Conduct. Each year, Directors are required to sign the Directors' Declaration of Conflict of Interest Statement of the Mint to confirm their understanding of their obligations and to declare any conflicts of interest. They must also declare any such conflicts that may arise during the year, and withdraw from Board or committee discussions as appropriate.

Disclosure and transparency are fundamental principles promoted widely across the Corporation. To uphold them – and as part of its role – the Board works to ensure that the Corporation's annual report provides the information necessary for the Mint's stakeholders to understand the Corporation's values, goals and financial results.

Board Remuneration

The Governor in Council sets the annual retainers and per diems of independent Directors. The salary range for the Chairman is from $10,500 to $12,400, and for Directors from $5,300 to $6,200. All Directors are paid a per diem in the range of $410 to $485 for attendance at meetings, events or trade shows and the like.

The Mint also reimburses the Directors for travel and other expenses incurred in attending meetings or carrying out the business of the Mint. The Internal Auditor conducts a quarterly review of the travel and hospitality expenses of the President and CEO and the Board of Directors and reports the findings to the Audit Committee. The governance review in 2005 resulted in a new approval process for Directors' expenses. Expenses for all Directors, including the President and CEO, are reviewed by the Chief Financial Officer and submitted for approval. The Chairman approves the expenses of all Directors, and the Chair of the Audit Committee approves the expenses of the Chairman. In 2007, to promote transparency, the Mint began posting quarterly summaries of the travel and hospitality expenses of Directors and senior management on the Mint's website.

Board Meetings

The Board holds its meetings with the Mint's Vice-Presidents and Internal Auditor in attendance to build trust and a sense of partnership between the Board and management. Beginning in 2009, committee meetings will be held, where reasonably possible, at the same geographic location on either the day before or after Board meetings to reduce costs and travel time. In 2008, the Board adopted a 'Consent Agenda' format for its meetings. Now all routine matters, including reports of committee activities and items not requiring discussion are adopted by block resolution at the beginning of the meeting. This expedites the approval process and allows the Board to focus more time on strategic initiatives.

At all regular Board meetings an in-camera discussion is held, initially with the President and CEO in attendance and then with the remaining Directors only. The Chairman debriefs the President and CEO and the Corporate Secretary following the in-camera discussion.

In 2007, the Board adopted a paperless policy allowing members to access meeting and other materials via a secure web portal. Last year, the Mint began allowing Directors who were unable to physically attend meetings to participate via Live Meeting.

New France's historic 'playing card money' was revived in 2008 with the Mint's first rectangular coins—a pair of $15 sterling silver issues featuring the Jack of Hearts and Queen of Spades.

BOARD COMMITTEES

Much of the detailed, preparatory work of the Board is conducted through the Board's four standing Committees: Audit, Governance and Nominating, Human Resources and Strategic Planning. Committee mandates are reviewed and updated every three years or as required and detailed three-year workplans are approved each year.

The Audit Committee

The Audit Committee assists the Board with oversight of all material aspects of the Corporation's reporting, control and audit functions. The Committee's role includes monitoring of the qualitative aspects of financial reporting to the Shareholder and of the Corporation's processes for management of business/financial risk and compliance with significant applicable legal, ethical and regulatory requirements. The Audit Committee reviews and monitors important capital and administrative expenditures, weighs the implications of new accounting guidelines and analyzes internal and external audit results. The Committee assesses the Corporation's financial performance against its Corporate Plan and the annual operational plan to evaluate financial and non-financial performance. Performance against the Corporate Plan is also reviewed at the Board level. The Audit Committee also reviews and assesses new business initiatives and strategies and monitors the Mint's risk management framework. The Auditor General of Canada is the external auditor of the Corporation and is invited to attend all Committee meetings.

All members of the Committee are independent of management and financially literate, with one member having a professional accounting designation. The Internal Auditor position reports directly to the Audit Committee.

As a matter of best practice, the Committee holds an in-camera discussion at all regular meetings, undertaken in three steps: 1) initially in the presence of the internal auditor and the external auditors, excluding any management of the Corporation; 2) then with the external auditors only; 3) and finally with the remaining Committee members only.

The Audit Committee, chaired by Ms. Susan Dujmovic, met eight times during the year.

Canada's identity has been shaped in part by the country's technological achievements—such as the invention of IMAX, which offers a spectacular cinematic experience. The sterling silver edition of the Canadian Achievements coin series celebrates IMAX with a shark and spectator image.

The Governance and Nominating Committee

The Governance and Nominating Committee assists the Board of Directors by providing guidance on corporate governance. It develops Committee and Board three-year workplans and annual calendars of meetings. It also reviews the mandates of Committees and the orientation and education programs for Directors. The Committee oversees the performance evaluation process of the Board and other Committees, and reviews corporate policies and other policy documents. With respect to the appointment and reappointment of Directors, the Committee reviews the profiles for Board, Chairman and Director positions and makes recommendations on necessary skills and experience.

The Governance and Nominating Committee met three times under the chairmanship of Mr. Louis Proulx and once under the new Committee chair, Mr. James B. Love.

The Human Resources Committee

The Human Resources Committee assists the Board of Directors by reviewing human resources and compensation matters including the terms and conditions of all employee contracts as well as that of the President and CEO. It sets the CEO's performance objectives and assessment strategy, and monitors the Mint's succession plans: for senior management, other key positions and emergency situations. The Committee also reviews development, recruitment and retention policies and other significant human resources and labour relations issues.

The Human Resources Committee, chaired by Mr. Ghislain Harvey, met six times during the year.

The Strategic Planning Steering Committee

The Strategic Planning Steering Committee is led by the Chairman and comprised of all the Chairs of other Committees and the President and CEO. It assists the Board by defining and overseeing the annual process for developing, reviewing and approving ongoing corporate strategies and initiatives, including the corporate plan and the annual operational plan.

The Strategic Planning Steering Committee, led by Mr. Max C. Lewis, met three times during the year.

Ad Hoc Committees

From time to time, the Board of Directors establishes special committees to examine particular issues of interest. These are dissolved once they have fulfilled their mandate.

The image on the Mint's first-ever triangle coin was recalls a simpler time when milk was delivered to the front door. Finished in translucent green enamel, this coin features two well-known symbols of the dairy trade: a Holstein cow and a milk bottle.

In 2008, the Board struck an Ad Hoc Committee on the Future of Money to examine the coin denomination structure and the evolving role of the Mint in the context of the emergence of e-cash and e-payment transactions. The Ad Hoc Committee on the Future of Money, led by Mr. Carman Joynt, met once in 2008.

Having completed its mandate in the spring of 2008, the Board dissolved an Ad Hoc Committee that had been struck to examine an investment opportunity. This Ad Hoc Committee, led by Mr. Max C. Lewis, met once in 2008.

2008 ATTENDANCE SUMMARY

		Standing Committees				Ad Hoc Committees	
Members	Board of Directors (12)	Audit (8)	Governance and Nominating (4)	Human Resources (6)	Strategic Planning Steering (3)	Future of Money (1)	Investment Opp. (1)
Lewis, Max C. (1) Chairman	11/11	7/7	4/4	6/6	3/3	1/1	1/1
Love, James B. Chair	11/12	6/6	4/4	–	1/1	1/1	1/1
Bennett, Ian E. (2) President and CEO	12/12	8/8	4/4	6/6	3/3	1/1	1/1
Bennett, Claude	11/12	–	3/4	5/6	–	–	–
Dujmovic, Susan	11/12	8/8	–	–	3/3	1/1	–
Harvey, Ghislain	11/12	–	–	6/6	3/3	–	–
Joynt, Carman	12/12	8/8	2/3	–	1/1	1/1	1/1
MacRae, Kirk	12/12	5/6	–	5/6	–	1/1	0/1
Meagher, Keith E.	12/12	8/8	4/4	–	–	–	–
Proulx, Louis	11/12	–	3/4	5/6	2/3	–	–
Schirr, Darcia G. (3)	6/7	–	2/2	3/3	–	–	–
Staples-Lyon, Bonnie (4)	4/5	1/1	–	–	–	–	–

For Committee meetings, this chart reflects attendance by Directors who are Committee members only.

(1) Lewis, Max C.: Term ended on November 20, 2008.
(2) Bennett, Ian E.: Attends Audit Committee meetings by invitation.
(3) Schirr, Darcia G.: Ceased to be a member on July 29, 2008.
(4) Staples-Lyon, Bonnie: Appointed to the Board of Directors on July 30, 2008.

PERFORMANCE AGAINST OBJECTIVES

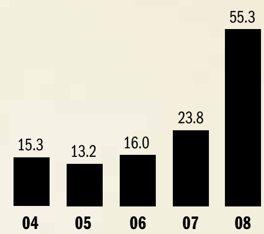
Business line	2008 strategic objectives
 **Royal Canadian Mint** "As we move into our second century in business, we will continue to use our profits wisely, investing in the infrastructure and people that support both our domestic and foreign businesses." Ian E. Bennett, President and CEO	1. To meet or exceed customers' expectations for quality, service and value. 2. To achieve or enhance employee satisfaction, engagement and well being. 3. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while meeting shareholder and stakeholder expectations. 4. To generate a commercial return on capital employed today and invest in people, R&D and equipment necessary to ensure the long-term profitability of the Mint.
 **Canadian Circulation** "The Mint continues to build awareness and pride in Canadian heritage and values by producing coins, such as those in the Vancouver 2010 Olympic and Paralympic Winter Games coin collection, that capture Canadians' imagination." Paul Lefebvre, Executive Director	1. Pursue multi-year circulation coin programs using the Mint's advanced technology. 2. Develop e-payment strategies and further promote the Mint's multi-ply coinage capacity by expanding key business partnerships. 3. Increase investment in R&D to develop the next generation of circulation coins.
 **Numismatics** "The Mint's position as a leader in the industry is consistently recognized by prestigious international awards for innovation, inspiration and technological brilliance." Manon Laplante, Executive Director	1. Develop strategic partnerships to expand the Mint's market reach. 2. Introduce coins with innovative designs that feature the Mint's cutting-edge technologies. 3. Develop new products and sales strategies to grow profitable sales of giftable products.
 **Foreign Coinage** "Growing appreciation for our patented multi-ply plating technology allows the Mint to deliver compelling value to international customers while enhancing profitability." Peter J. Ho, Executive Director	1. Aggressively pursue multi-ply plating contracts with foreign governments to reduce their coin costs and maximize the Mint's bottom line. 2. Develop profitable strategic and licensing partnerships to increase foreign coinage capacity and capitalize on the Mint's proprietary technology and processes. 3. Leverage the international sales force to sell the Mint's expertise as well as its products and manufacturing capacity.
 **Bullion and Refinery** "Our state-of-the-art refineries are a distinguishing strength. Combined with our vertically integrated bullion operation, they have given us the ability to capture an increasing share of the unprecedented demand for bullion products." John Moore, Executive Director	1. Implement operating enhancements to the refinery in order to develop world-class capabilities. 2. Develop a more efficient system for tracking and reconciling the location of precious metals throughout the refinery's complex processes. 3. Meet and maintain the Mint's refining requirements for its own products.

2008 performance

- Income before income tax increased 132.4% to $55.3 million from $23.8 million in 2007.
- Pre-tax return on equity increased to 29.8% from 17.2% in 2007. Gross profit as a percentage of revenue decreased to 12.7% from 21.9% in 2007.
- Expanded global presence by continuing to build upon existing relationships with Jarden Zinc Products, Inc., the India Government Mint and Teer Coatings Limited while establishing new partnerships.
- Redesigned mint.ca, creating an improved and enhanced customer shopping experience.
- Recognized as one of Canada's Top 100 Employers of the Year by *MacLean's* magazine for the third consecutive year.

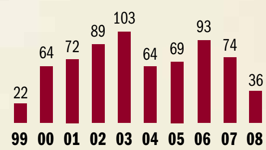
Key performance measures

Income before income tax



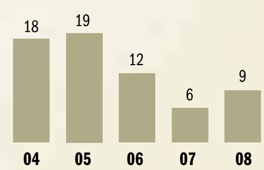
- Increased revenue by 7.0% to $186.5 million from $174.3 million in 2007.
- Seigniorage decreased by 51% to $36.4 million from $74.3 million in 2007.
- Established the Research and Development Centre of Excellence to develop unique products and technologies.
- Installed seven high-speed presses in the Winnipeg facility, increasing capacity by 15%.
- Issued four coins commemorating the Vancouver 2010 Olympic and Paralympic Winter Games.

Seigniorage ($ in millions)
per Government of Canada year end



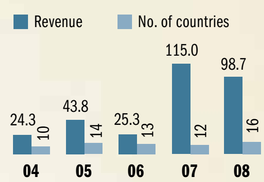
- Numismatic revenue increased by 19.9% to $67.5 million from $56.3 million in 2007. Sales of giftable products increased 29.7% to $4.8 million from $3.7 million in 2007.
- Issued 85 new numismatic products in 2008 compared to 62 in 2007. Nine coins sold out throughout the year.
- Developed new technologies including the ability to orient a colour design on a coin.
- Issued 33 numismatic products and giftables to commemorate the Vancouver 2010 Olympic and Paralympic Winter Games.
- Expanded retail partnerships to be present in 5,000 stores across Canada.
- Further enhanced the benefits received by Masters Club members, an exclusive program to reward the Mint's most loyal customers.

Numismatic sell outs



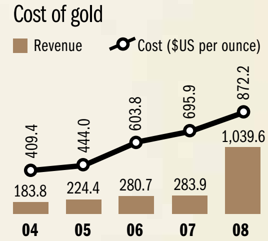
- Revenue declined 14.2% to $98.7 million from $115.0 million in 2007.
- Produced 1.7 billion coins for 16 countries compared to 2.2 billion pieces for 12 countries in 2007.
- Increased the proportion of foreign clients that selected multi-ply plated technology rather than traditional alloy coinage, despite the decline in base metal prices.
- Continued negotiations to expand capacity through partnerships and licensing agreements with strategic international partners.

Revenue ($ in millions) /
Number of countries served



- Increased revenues by 266% to $1.04 billion from $283.9 million in 2007.
- Increased sales of gold bullion products by 222% to 896,701 ounces from 278,616 ounces in 2007 and sales of Silver Maple Leaf (SML) coins by 151% to 8.8 million ounces from 3.5 million ounces in 2007.
- Increased the volume of precious metal refined by 28% to 6.9 million gross ounces from 5.4 million ounces in 2007.
- Expanded silver refining capacity from 2 million to 5 million ounces.

Bullion revenue ($ in millions) /
Cost of gold



DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

James B. Love, Q. C.
Partner, Love & Whalen
Toronto, Ontario
Chair of the Board
Chair, Governance and Nominating Committee

Louis Proulx
Chairman of the Board
GPL Proulx Assurances inc.
Laval, Québec

Ghislain Harvey
Executive Vice President and General Manager of Promotion Saguenay Inc.
Saguenay, Québec
Chair, Human Resources Committee

Susan Dujmovic
Assistant Vice-President of Credit Risk
HSBC Bank Canada
Vancouver, British Columbia
Chair, Audit Committee

Keith E. Meagher
Retired
St. Albert, Alberta

Claude Bennett
Retired
Ottawa, Ontario

Kirk MacRae
President
R.K.M. Investments
Sydney, Nova Scotia

Carman Joynt
Retired
Ottawa, Ontario
Chair, AD HOC Committee Future of Money

Bonnie Staples-Lyon
President
Staples-Lyon Consulting Inc.
Winnipeg, Manitoba

EXECUTIVE OFFICERS

Ian E. Bennett
President &
Chief Executive Officer

Marguerite F. Nadeau, Q.C.
Vice-President of Corporate and Legal Affairs, General Counsel and Corporate Secretary

Beverley A. Lepine, CA
Chief Operating Officer

J. Marc Brûlé, CA
Vice-President of Finance and Administration and Chief Financial Officer

Diane Plouffe Reardon
Vice-President of Marketing and Communications

Craig Szelestowski
Vice-President of Human Resources and Business Transformation

MANAGEMENT'S DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

The Royal Canadian Mint is a Crown Corporation mandated by legislation to produce and manage the distribution of circulation coins in anticipation of profit and to provide advice to the Government of Canada on matters related to coinage.

The Mint designs, produces and markets numismatic coins and gift products and also manufactures coins and blanks for countries around the world. The Mint operates full-service gold and silver refineries, offers storage services to Canadian and international customers and produces precious metal products for the investment community.

Strategic objectives

Over the past two years, the Mint conducted a comprehensive review of its performance management system to ensure its vision and major strategic objectives continue to be relevant and aligned with the Corporation's long-term goals. This led to the establishment of a bold new vision in 2008 *to be the best mint in the world* and a refinement of the Mint's major strategic objectives:

- To meet or exceed customers' expectations for quality, service and value;
- To achieve or enhance employee satisfaction, engagement and well being;
- To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while meeting shareholder and stakeholder expectations;
- To generate a commercial return on capital employed today and invest in people, R&D and equipment necessary to ensure the long-term profitability of the Mint.

These four major strategic objectives will focus the Mint's efforts on delivering value to customers, employees, stakeholders and its shareholder, the Government of Canada, while generating a profit.

Performance indicators

To achieve its objectives, the Mint strives to continually improve profitability through prudent financial management, regional and national marketing campaigns, and continuously improving the quality of its products and efficiency of its operations. The Mint measures its performance by using metrics meaningful to the shareholder, customers, business partners and employees. The measures below allow the Mint to monitor its capacity to improve performance and create value.

PERFORMANCE

2008 Consolidated Performance

Consolidated results and financial performance
(In $ million)

	2008	2007	% change	2006
Revenue	**1,392.3**	632.1	120.3%	493.9
Income before tax	**55.3**	23.8	132.4%	16.0
Net income (loss)	**38.2**	16.9	126.0%	11.2
Total assets	**326.9**	282.3	15.8%	209.7
Shareholder's equity	**185.7**	138.2	34.4%	114.4
Working capital	**95.0**	37.1	156.1%	40.3

Consolidated financial performance

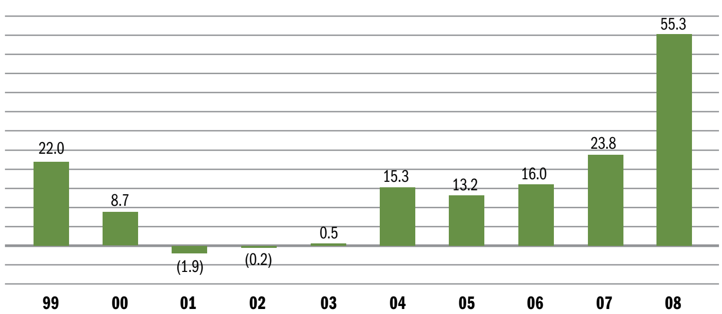
After a record year of profitability in 2007, extraordinary demand for bullion products and strong growth in the Alloy Recovery Program (ARP) have allowed the Mint to achieve another record year of profitability – $55.3 million income before income tax compared to $23.8 million in 2007. The key financial factors driving 2008's income include:

- Revenue increased 120% to $1,392.3 million from $632.1 million in 2007. Strong revenue growth was achieved in three business lines: Bullion and Refinery (266%), Canadian Circulation (7.0%) and Numismatics (19.9%), while Foreign Coinage revenue declined;
- Operating costs, including the cost of goods sold, increased 122.5% to $1,327.1 million from $596.4 million in 2007. The cost of goods sold, which represents 91.6% of total operating costs, increased 146.2% to $1,215.0 million from $493.5 million in 2007, reflecting the substantial increase in the volume of bullion products sold along with higher precious metals prices;
- Administrative costs increased by 2.4% to $34.4 million from $33.6 million in 2007, with administrative costs as a percentage of revenue decreasing to 2.5% from 5.3% in 2007;
- Gross profit margin decreased to 12.7% from 21.9% in 2007 reflecting the surge in bullion sales.

There were several major operating factors influencing the Mint's financial performance in 2008:

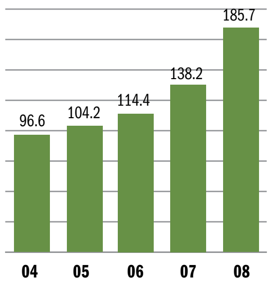
- The Mint is one of the few mints in the world with a vertically integrated operation from refining of precious metals to striking bullion coins. As a result, it was able to adjust the mix of products rapidly and capture a substantial share of the unprecedented growth in global demand for bullion products. Investors seeking a safe haven from the deepening global economic crisis caused revenue from bullion sales to jump 266% to $1.04 billion from $283.9 million in 2007;
- The Alloy Recovery Program (ARP) and coin recycling continued to enjoy profitable growth. Revenues from the ARP were $55.4 million in 2008 compared to $36.8 million in 2007, partially driven by a 133% increase in the volume of coins delivered to the Mint for recycling. The Mint's revenues from ARP were protected from plummeting base metal prices by a strategic hedging program established in 2007;
- Although the volume of foreign coins minted decreased by 23%, 12 of the 16 countries for which the Mint produced coins chose the multi-ply product over the traditional alloy coinage. Although revenue declined, operating margins and profit increased. At the same time, the Mint delivered more cost-effective coinage to its customers;
- The Mint produced 2,001.8 million Canadian circulation coins, including four special multi-year circulation coins issued as part of the Vancouver 2010 coin program. Although demand by financial institutions for newly minted coins softened and recycling increased in the later part of the year due to economic conditions, production volume of Canadian circulation coins remained reasonably stable due to the minting of 593 million coins required to replace alloy coins.

10-year income (loss) before taxes
($ in millions)



CAPABILITIES TO DELIVER PERFORMANCE

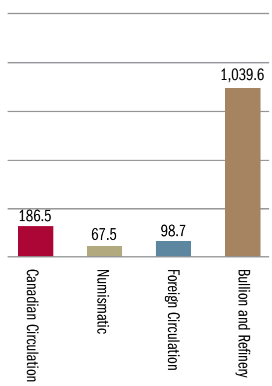
Shareholder's equity
($ in millions)



The Mint's ability to sustain its performance rests upon four core capabilities:

- Global leadership in the art and science of minting. The Mint's position as a leader in its industry is consistently recognized with international awards. It also continues to build upon its licensing agreement with Teer Coatings Limited for the development of Physical Vapour Deposition (PVD) technology and process. Applied to numismatic coin dies, PVD coating improves die durability and enables production of a lasting mirror finish during striking. In 2008, the Mint also explored this application for circulation coin dies for the purpose of increasing die life and coin quality. Both applications in numismatic and circulation coin dies have been well received at other customer mints in South Africa and Australia, who purchased and installed Teer/Royal Canadian Mint PVD coating technology;
- A manufacturing facility in Ottawa, where it produces the finest handcrafted collector and bullion coins, as well as a high-tech high-volume manufacturing facility in Winnipeg that produces alloy and multi-ply circulation coins and blanks for Canada and other countries around the world;
- A sophisticated distribution network and inventory management system that ensures efficient trade and commerce across the country;
- A vertically integrated bullion operation from refining to blanking and minting as well as the ability to produce grains, wafers, bars and coins in a variety of sizes and of the highest purity.

Gross operating revenue
by business segment
($ in millions)



PERFORMANCE BY BUSINESS LINE

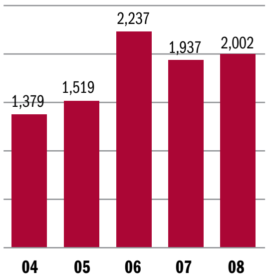
Canadian Circulation

Revenue from the Canadian Circulation business line increased by 7.0% to $186.5 million compared to $174.3 million in 2007. The volume of Canadian coins produced was relatively stable at approximately 2 billion pieces.

This production stability reflects steady demand from the Canadian economy during the first nine months of the year, before the impact of a waning Canadian economy softened year-end retail transactions, coupled with a 133% increase in the volume of coins processed through the ARP. Hedges put in place prior to the decline in nickel prices protected approximately 75% of the metal sold by the Mint into the metals market.

Coin recycling enhances the efficiency of Canada's coinage system by reducing the volume of new coins that must be produced. Further efficiencies have been achieved through improvements made in the management of coin inventories.

Canadian circulation coin production
(millions of pieces)



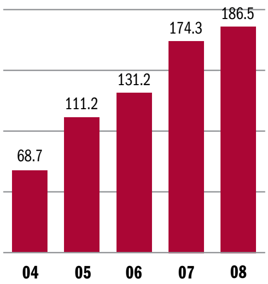
In 2008, the Mint launched four circulation coins to commemorate the Vancouver 2010 Olympic and Paralympic Winter Games, including three 25-cent coins celebrating the sports of snowboarding, freestyle skiing and figure skating and a one-dollar Lucky Loonie coin in celebration of the Beijing 2008 Olympic and Paralympic Games. This coin program earned runner-up distinction in the Best New Coin Award category of the 2008 Excellence in Currency Awards hosted by the International Association of Currency Affairs (IACA). This honour acknowledges high standards of technical expertise and innovation to deliver practical, eye-catching and cost effective currency products.

It also produced a two-dollar coin commemorating the 400th anniversary of the founding of Québec and a coloured 25-cent poppy coin to commemorate the 90th anniversary of the end of the First World War.

To maintain its ability to meet changes in demand while improving efficiency, during 2008 the Mint:

- Installed seven high-speed coining presses and one high-speed blanking press at its Winnipeg facility. This increased production capacity while improving reliability and speed without compromising quality;
- Invested in technology that orients coloured designs on circulation coins, which expands the Mint's reputation as an innovator and its ability to compete in the international marketplace. This technology was first used on circulation coins for Papua New Guinea in late 2008 and will be used on future multi-year coin programs in Canada as well as on foreign circulation coins;
- Invested $877,000 to upgrade the plating facility, resulting in annual savings of $1.2 million through reduced downtime and materials costs;
- Achieved substantial efficiencies in the coin distribution system through enhancements in its forecasting capability and inventory management.

Canadian circulation coin revenue
($ in millions)



Outlook

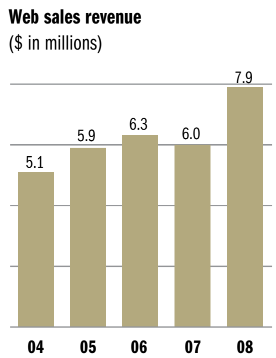
Although it is difficult to forecast the magnitude of the impact of the economic crisis on demand for coins in 2009, the Mint expects demand for new coins to continue to decline, while the volume of coins returned to the Mint through the recycling program is expected to increase. To protect itself from further declines in base metal prices, the Mint has hedged most of the nickel it expects to recover in 2009 through the ARP. The Mint will remain vigilant in its monitoring of coin flow in Canada and flexible in the management of its production capacity.

Numismatics

The Mint is renowned for its ability to merge the art and science of minting to create coins of extraordinary beauty and impeccable craftsmanship. Made primarily of precious metals, several of the Mint's numismatic coins are also enhanced with special effects such as holograms, enameling, lasering and embedded crystals.

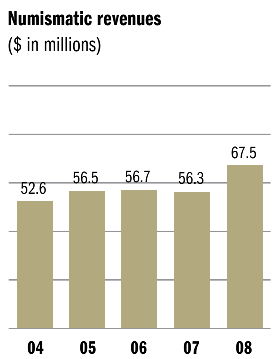
Complementing the Mint's numismatic business is a line of consumer gifts, primarily coins packaged to celebrate personal occasions and special events. The Mint also produces medals, medallions and tokens.

Numismatics revenue increased 19.9% to $67.5 million from $56.3 million in 2007. During the year, nine of 85 coins minted sold out compared to six of 62 coins minted in 2007. Sales of giftable products increased 29.7% to $4.8 million from $3.7 million in 2007.



Despite the continued softening of the collector market, the Mint was able to increase numismatic revenue by expanding its international dealer network and approaching the retail market place with new products and sales strategies. Critical to the successful turnaround in the division, however, were the Mint's numismatic products, particularly the premium coins:

- The Mint issued two one-kilo 9999 gold coins – Toward Confedera-tio n and Surviving the Flood – in very low mintages. Both sold out within hours of their issue;
- For the third year in a row, the Mint released two 99.99% pure silver Crystal Snowflake coins embedded with CRYSTALLIZED™ Swarovski elements. Although the mintage was increased to 15,000 from 10,000 in 2007, both coins sold out within three months of issue;
- The Mint released its third irregularly shaped coin, a triangle-shaped coin enhanced with a translucent enamel effect. Dubbed the "milk token" coin, it is reminiscent of dairy tokens used to pay for milk delivered to the door by uniformed milkmen;
- Also new to the Mint's product line was the first of two coins in the Playing Card Money series – the Jack of Hearts and Queen of Spades. These coins recall the use of playing cards as money in 17th century New France;
- The second year of the Vancouver 2010 Olympic and Paralympic Winter Games program was launched with five $25 silver hologram coins, a $300 gold coin, three $75 gold coloured coins, Vancouver 2010 mascot gift products and special edition uncirculated sets.



In recognition of its extraordinary minting capabilities, the Mint continues to garner international recognition. During 2008, it received three awards in the Krause Publications Coin of the Year Awards: Most Innovative Coin and Coin of the Year for the laser-etched $50 Palladium Big Bear and Little Bear constellation coin series; and, the Most Inspirational Coin for the colourized $5 Fine Silver Pink Ribbon coin. This breast cancer coin also received the award for the Most Technologically Advanced Circulation Coin at the Mint Directors Conference in Korea.

The Mint received the Print Excellence and Knowledge (PEAK) Award from *PrintSolutions Magazine* for the innovative use of lenticular printing on coins. This exceptional application is found on the Mint's series of 50-cent holiday lenticular collector coins introduced in 2007. Lenticular printing is used to produce images with an illusion of depth as well as change or movement as the image is viewed from different angles. In 2008, the Mint used this technology to simulate the movement of a snowman's arms and upper body in an oversized brass-plated 50-cent collector coin.

Throughout the year, the Mint produced a number of medals for notable occasions including the countrywide HBC Run for Canada and the IIHF World Junior Hockey Championships in Ottawa. The Mint was also involved in the production of Canada's own Victoria Cross medal, which is the highest military decoration awarded for valour, which increased awareness of the Mint's capabilities.

The quality of the Mint's gift products, particularly those celebrating the Vancouver 2010 Olympic and Paralympic Winter Games and the Canadian teams in the National Hockey League, has piqued international interest in Canadian coins. This has allowed the Mint to expand its network of dealers, particularly in the U.S., Russia and Poland.

Outlook

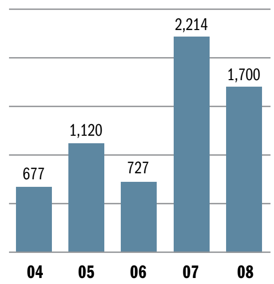
Although the economic crisis did not affect the Numismatics business line in 2008, the division is poised to adjust its product line quickly to react to changing demand and expectations in the market place. While demand for premium products is expected to remain strong, the Mint's ability to achieve the aggressive revenue and profit targets established for Numismatics leading up to the Vancouver 2010 Olympic and Paralympic Winter Games will continue to depend on its ability to bring innovative and relevant products that capture the consumer's imagination.

Foreign Coinage

The Mint produces circulation and numismatic coins, ready-to-strike blanks, medals, medallions and tokens for customers around the world. It also licenses its patented plating technology, manages the Mint's foreign partnerships and opens new markets to the Mint's products and consulting services.

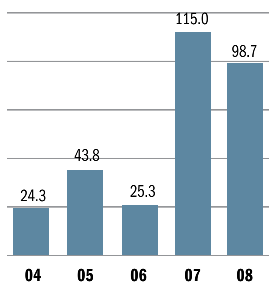
In 2008, the Mint produced 1.7 billion coins and blanks for 16 countries compared to 2.2 billion coins for 12 countries in 2007. Revenues declined 14.2% to $98.7 million from $115.0 million in 2007. During 2008, the Mint also secured contracts to produce close to 500 million coins in 2009 and 2010. These contracts are usually priced in U.S. dollars, creating an exchange risk that the Mint hedges in accordance with its foreign currency hedging policy.

Foreign circulation coins sold
(millions of pieces)



Explanation of results: Although global demand for coinage was relatively stable throughout most of the year, the Mint achieved wider acceptance for its multi-ply plating technology. Not only did the Mint expand the number of countries for which it is minting coinage, 12 of the 16 countries for which the Mint produced coins chose the more cost effective multi-ply manufacturing process over the traditional – and historically more expensive – alloy coinage. As a result, although revenue declined, gross profit increased by 28% for the year.

Foreign circulation revenue
($ in millions)

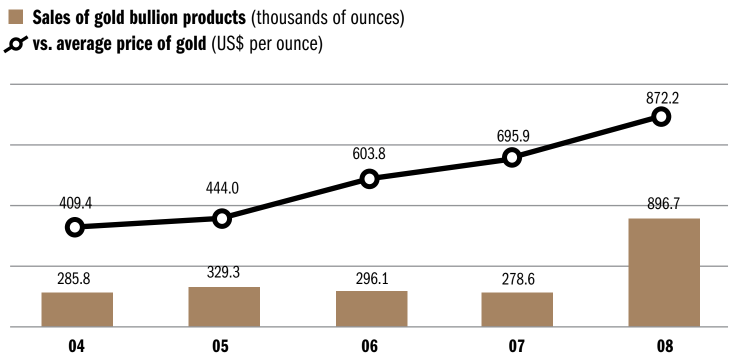


Base metal prices were particularly volatile throughout most of 2008, with the price of copper ranging from US$2,770 to US$8,985 per tonne, zinc prices US$1,042 to US$2,825.50 per tonne and nickel prices US$8,810 to US$33,300 per tonne. To sustain the momentum in revenue for this business line, the Mint:

- Continued to pursue alloy and multi-ply contracts with foreign governments. The Mint has the technical expertise and capacity to meet a country's coinage requirements whether it is for a coin with unique features demanding leading-edge technology or the most cost-effective coinage possible.
- Continued to negotiate strategic plating, production and striking partnerships located in proximity to target markets.

Outlook

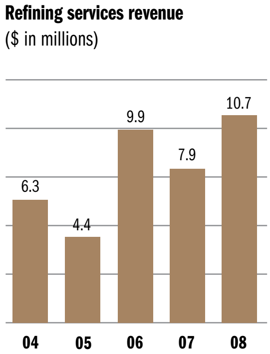
The many advantages of the Mint's multi-ply coinage continue to attract the interest of governments seeking superior coinage and reduced exposure to volatile metal prices in the future. In 2009, the Mint will continue to be aggressive in distinguishing the technological superiority of its products, courting new partnerships, using existing partners to secure international contracts and building its relationships with existing customers.



Bullion and Refinery

The Mint produces and markets a family of high purity .9999 and .99999 gold and silver Maple Leaf bullion coins, wafers and kilo bars as well as gold and silver granules for the jewellery industry and industrial applications. The Mint also offers Canadian and foreign customers an integrated solution to gold and silver processing from refining and assaying to secure storage.

Bullion and refinery revenues increased 266% to $1.04 billion from $283.9 million in 2007. The increase was driven by strong demand for Gold Maple Leaf (GML) coins, wafers and bars driving gold bullion sales up 222% to 896,701 ounces from 278,616 ounces in 2007. Sales of Silver Maple Leaf (SML) coins increased 151% to 8.8 million ounces compared to 3.5 million ounces in 2007. The volume of precious metals refined increased by 28% to 6.9 million gross ounces from 5.4 million ounces in 2007, with the Mint's silver refinery operating at full capacity throughout the year.



We rose to the challenge of meeting unprecedented demand for gold and silver bullion, while creatively delivering multiple numismatic products from the same facility.

This additional stress on our operations has created significant inventory reconciliation challenges. The precious metal count and reconciliation process is a complex procedure which takes several months to complete due to various process streams, the different forms of metal and the wide range and concentrations of by-products. The 2008 accounts were kept open until the gold content of a significant amount of refining byproducts could be accurately determined through third party refining and until the following third party reviews of our operations be completed:

- Security and computer systems reviews;
- A technical/engineering review of operations; and
- An accounting review of prior periods.

These activities are now complete and the 2008 accounts reflect the results of the precious metal reconciliation and the 2007 accounts charged with the impact of prior period errors (see note 4 to the consolidated financial statements). A separate document entitled "Precious Metals Reconciliation Report – December 2009" is available on www.mint.ca.

Explanation of results: The bullion and refinery business delivered strong performance in 2008 as the magnitude of the credit crisis and resulting economic collapse in the U.S. reverberated around the world. Many investors shifted their investments into tangible assets, driving the price of both gold and silver up dramatically. Over the year, the gold price fluctuated between a high of US$1,023.50 and a low of US$692.50, closing the year at US$865.00. Mirroring activity in the gold market, the silver price fluctuated between US$8.88 an ounce and a high of US$20.92.

With the sustained flight to safety by investors, the secondary bullion market evaporated, escalating the demand for new coins. Ownership of its own refineries and blanking capabilities provided the Mint with the unique flexibility to rapidly increase production of bullion coins and sustain a leading market share throughout most of the year. The volume of precious metals refined increased 28% to 6.9 million gross ounces from 5.4 million ounces in 2007, primarily to meet the demand for bullion products. Volumes from primary producers was stable while the volume of scrap material delivered to the Mint for refining continued to increase steadily to exceed the record volumes established in 2007.

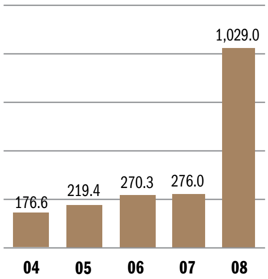
The volume of precious metal stored by the Mint also increased, primarily driven by increased institutional demand. In response, the Mint has expanded vaulting capacity for gold and established a new tracking system to increase storage capacity for silver.

To meet demand and improve performance, the Mint implemented two major capital projects:

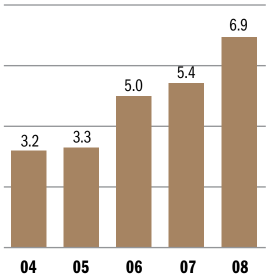
- Expansion of silver refining capacity from 2 million to 5 million ounces;
- Acquisition of a $50,000 continuous casting furnace.

The Mint continues to make capital investments aimed at enhancing the Mint's self-sufficiency in precious metals while generating additional revenue from new bullion products, reducing costs and improving inventory management.

Bullion product revenue
($ in millions)



Refining services
(gross weight received
in millions of troy ounces)
* includes all metals



Outlook

The Mint expects demand for precious metals and precious metal prices to remain strong and the Canadian dollar weak, which will create a mixed impact on the Mint’s revenue and net income. Since the price of bullion is set in U.S. dollars, a weakening Canadian dollar magnifies the increase in revenue in Canadian currency.

For the refinery, higher priced precious metals encourage producers to open new or suspended mines and increases the volume of scrap material brought to the Mint for refining. Metals retained from customer deposits form part of the Mint’s revenue base, which increases as precious metal prices rise. A weaker Canadian dollar enhances the refineries’ competitiveness, since Canadian labour costs will decrease compared to labour costs at U.S. refineries.

The Mint is capturing the opportunity to continue growing its business by leveraging existing relationships in the industry, exploring new strategic partnerships to expand its global presence and delivering a comprehensive suite of value-added products and services to customers. It is also exploring innovative business opportunities in non-physical bullion markets.

IN SUPPORT OF THE BUSINESS STRATEGIES

Research and development

To maintain the Mint’s global leadership in innovation and technology, the Mint established the Research and Development Centre of Excellence in 2008. This Centre supports the Mint’s business lines by developing unique products and cutting-edge technologies.

Enterprise Resource Planning

Phase II of the Enterprise Resource Planning (ERP) system was launched with the implementation of a series of individual projects including improvements to the product life cycle management (PLM) processes and the integration of warehouse management and distribution into a new and more efficient shipping system in Ottawa.

A business intelligence platform was developed and is being refined in order to ensure that the information collected for analysis will provide performance measures that are tightly aligned with the Corporation’s strategic objectives. This system will provide the Mint’s managers with better visibility into the business in real time along with ongoing performance transparency and management.

Integrating the refinery and assay systems into the Mint's ERP system covers two functions: managing the manufacturing operations of the refinery and developing a more efficient system for tracking and reconciling the location of precious metals throughout the refinery's many complex processes. During 2008, the objectives, broad requirements and scope of the project were determined and partnerships with a system development specialist and a process manufacturing company established. The project is expected to start in 2009, but it is recognized that this multi-stage custom development project will require several years to complete.

Continuous Improvement

The Mint remains committed to Continuous Improvement (CI), implementing *Lean Enterprise* initiatives that created $1.3 million in productivity improvements.

CI initiatives cover both manufacturing facilities in Ottawa and Winnipeg as well as all business lines. The initiatives are anchored in Lean principles and serve to solidify the Mint's position as a leader in the minting industry.

Marketing and Communications

The Marketing and Communications division is responsible for driving brand awareness, conducting market research, managing the Mint's web and e-marketing strategies and conducting advertising campaigns.

In 2008, the Olympic and Paralympic coin program was refined to launch circulation coins on a revised schedule to allow them to ride the wave of excitement and emotions created by world caliber sporting events. The Mint continued to measure the success of the program through ongoing coin sampling and research and applied key learnings from these initiatives to marketing strategies with the goal of improving awareness and encouraging more Canadians to collect special circulation coins.

The Mint also launched a marketing strategy to increase awareness of the Mint and its products in various regions in Canada. During 2008, a campaign designed with these two objectives was launched in Quebec with the celebration of milestone events, such as the 400th anniversary of the founding of Québec. The Mint also established a relationship with the Montreal Canadiens to develop a program to celebrate their centennial in 2009. Awareness of the Mint and its capabilities was also enhanced by the display of its one-million dollar gold coin at the Musée de la Civilization's "Or des Amériques" exhibit in Québec, which was visited by 620,000 people throughout 2008. The Mint will be using the results of this campaign to refine its campaigns in other regions of the country.

E-Commerce

Now more than ever, the web is a vital part of the Mint's integrated communications, marketing and sales strategy. In early 2008, a comprehensive E-Commerce strategy was approved by the executive team and after a thorough evaluation of customer and internal stakeholder needs, a complete mint.ca re-design project was initiated. The new mint.ca was designed with a focus on navigation, improving accessibility and alignment with the Mint's brand identity. The new site also incorporates new features such as personalization and an improved search function – key elements for enhancing the buying experience for new and existing customers.

After a successful launch in early December 2008, performance for the month improved over the same period in 2007 on every significant metric: online orders jumped 20%; sales increased 45% and visits to the website increased 105%. For the fiscal year 2008, visitors to the web increased by 14%, online orders increased 45%, and sales increased by 31%, reversing a decline experienced in 2007 after four consecutive years of solid sales growth.

The website continues to offer information on the Mint, including facts about circulation coin production, features on the advanced technologies for which the Mint is renowned, an online catalogue and a new 'Meet our people' section that provides an inside look at the Mint through profiles of its employees. In 2009, further enhancements to the website will include the ability to publish product reviews, a media portal, and support for international shipping.

Human Resources

For the third consecutive year, the Mint was named one of Canada's Top 100 Employers of the Year by *Maclean's* magazine. The Mint was selected for this award for several reasons, including: health and family-friendly benefits such as exceptional parental leave top-up payments; physical workplace advantages, including onsite fitness facilities; a comprehensive training and skills development program; and competitive financial benefits and compensation which include an attractive pension plan. The Mint was also once again identified as one of the Top 15 Employers in the National Capital Region and one of Canada's Top 20 Family Friendly Employers by *Today's Parent* magazine.

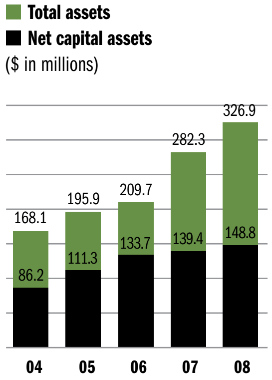
In 2008, the Mint successfully concluded three-year collective bargaining agreements with the two unions representing its workforce – the Amalgamated Transit Union (ATU) and the Public Service Alliance of Canada (PSAC). These agreements feature progressive profit-sharing based on profitability, productivity and customer service. They also provide the Mint and both unions with workforce stability through the 2010 Winter Games period.

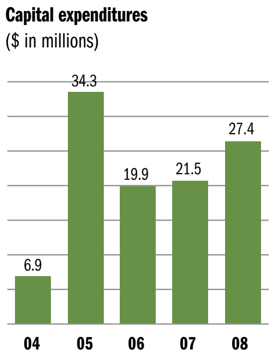
Employment at the Mint increased to 865 permanent and temporary employees at the end of 2008 from 779 employees at the end of 2007.

During 2008, training at the Mint focused on continuous improvement, the new ERP system, customer service, teamwork, coaching and wellness. The Mint spent 2.01% of its payroll on these training initiatives, representing over $960,000, a slight decrease from 2007 given the operational requirements.

Health, safety, security and environment
Protection of people and the environment is a core value of the Mint and the responsibility of every employee.

In Winnipeg, lost-time injuries declined to 15 from 25 in 2007 and lost-time days declined to 72 from 165 in 2007. In Ottawa, the number of lost-time injuries increased to 15 from 10 in 2007 while lost-time days jumped to 48 from 25 in 2007. The substantial improvement in Winnipeg reflects the employment of a full-time Occupational Health Nurse in late 2007. The presence of health care professionals along with more vigorous training to promote health and safety awareness and the implementation of close to 50 recommendations developed during a review of processes at both facilities, heightened awareness of the need to prevent injuries and illness. The increase in incidents in Ottawa despite the presence of a full-time nurse in this facility reflects the extraordinary demand on the facility to meet orders for bullion products. Processes and procedures in the plant are being reviewed to ensure the Mint can respond to increases in production without compromising the safety of its employees.





Liquidity and capital resources

The aggressive growth continues to increase the Mint's working capital requirements, due in part to an increase in inventory to $80.9 million from $60.0 million, a $7.5 million debt repayment as well as 2008 capital spending of $27.4 million. Accounts receivable at December 31, 2008 increased slightly to $58.5 million from $52.0 million at the end of 2007.

Financing: In late 2008, the Mint secured $15 million of long-term borrowings to partially finance its aggressive capital renewal program. At the end of 2008, total outstanding long-term loans increased to $34.3 million and the Mint's debt-to-equity ratio decreased to 0.76:1 from 1.04:1 at the end of 2007. Timely accounts receivable collections and practical credit policies will ensure working capital management continues to support the financial requirements of the Mint.

Capital expenditures: Net capital expenditures increased to $27.4 million in 2008 compared to $21.5 million in 2007. The most significant projects included:

- The acquisition and installation of new coining presses ($6.9 million) and a new blanking press ($3 million) in Winnipeg;
- Completion of Phase II of the ERP system, including the implementation of a new shipping system in Ottawa (approximately $800,000) and the implementation of a disaster recovery system ($375,000). The completion of Phase II did not include the launch of the refinery ERP system;
- Implementation of technology to orient colour on circulation coinage (approximately $300,000);
- Further investment in equipment to manage the rapid expansion in the ARP and recycling programs ($3.7 million);
- Expansion of the silver refinery from 2 million ounces to 5 million ounces ($1.12 million).

Risks to performance

The current national and global economic crisis has exacerbated the potential impact of existing risks and created several new risks to the Mint's performance. In response, the Mint has developed strategies to mitigate those risks and, where possible, capture opportunities created by the volatile environment.

Precious metal prices: The Mint purchases four precious metals – gold, silver, platinum and palladium. These metals are used in the Maple Leaf and numismatic coins. The Mint is protected from price risk as a result of a change in price in the metals used for the bullion coins and wafers because the purchase and sale of metals used in these products are completed on the same date, using the same price in the same currency. For numismatic products, risk is mitigated through a precious metal risk management hedging program involving forward contracts.

Base metal risk: The Mint purchases a wide range of alloys made from a handful of base metals for the production of domestic and foreign circulation coins. The most significant of these base metals are nickel, copper and steel, for which the market continues to be volatile. The Mint has developed relationships with strategic vendors to secure supplies and manage costs in these difficult market conditions. Locking in the metal value only when a contract is awarded reduces the Mint's exposure to metal price fluctuation. When risk cannot be transferred to the customer, the Mint uses hedging strategies to protect its margins. The Mint also uses hedging strategies to fix a significant portion of the revenue generated from the alloys recovered from ARP.

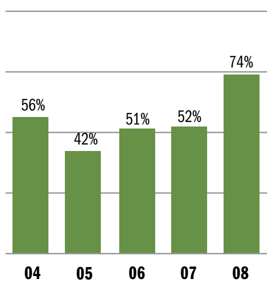
Foreign exchange risk: A substantial portion of the Mint's revenue arises from exports. At the same time, its expanding network of partnerships is increasing the share of costs denominated in foreign currencies. The Mint mitigates foreign exchange rate risk by pricing contracts in the same currency as the expenses to be incurred and through currency and financial instrument hedges.

Working capital requirements: The Mint's growth plans will require significant capital expenditures and working capital. Aggressive cash flow and asset management will be critical to meet the Mint's operating and capital needs.

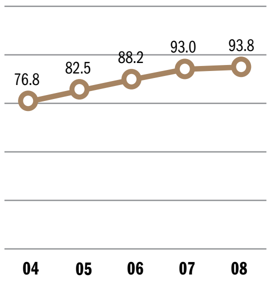
Outlook
The years 2009 and 2010 could prove to be the most challenging of our generation, with unpredictable changes in demand, currency exchange rates and metals prices. After 17 years of uninterrupted growth, Canada will probably experience significant slower growth along with the slowdown in the U.S. and global economies. As a result, the Mint anticipates a decline in profitability from recent record highs driven by a variety of factors, potentially including:

- Reduced demand for both foreign and domestic coins due to reduced economic activity and recycling volumes;
- Reduced ARP profits arising on the portion that is not hedged;
- The depressed and potential further decline in metal prices that could make the Mint's plated product less compelling;
- Depressed sales of gifts and numismatic products as the consumers' discretionary spending declines.

Export sales as a percentage of total revenue



Value of CDN$ vs US$ (percent)



On the other hand, the opportunities created by the current economic crisis include:

- Increased demand for precious metals bullion products;
- Improved competitiveness in the international market, resulting from a weakened Canadian dollar. It also benefits gross profit, particularly on GML and SML sales;
- Reduced costs for metal, including steel, copper and nickel.

Despite the challenges, profitability should remain significantly higher than historic norms. The Mint has reinvested its profits of the past few years in research and development as well as strategic initiatives that that have improved productivity, expanded capacity and established partnerships around the world that will be the foundation for profitability in the future.

It is not known when the economy and capital markets will begin to recover, but the Mint is convinced that it will remain competitive in the global market while fulfilling its mandate to provide Canadians with sufficient coinage and an efficient distribution system. At the same time, it will continue to promote the culture, diversity and heritage of all Canadians.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

In 2006 the Accounting Standards Board (AcSB) of Canada announced its intention to adopt International Financial Reporting Standards (IFRS) as Canadian GAAP for publicly accountable entities. In early 2008, the AcSB announced that the changeover date for full adoption of IFRS will be January 1, 2011.

To be compliant with IFRS standards, we will be required to prepare an opening balance sheet as at January 1, 2010, as well as 2010 IFRS comparatives. We are currently assessing the impact to our financial statements of adopting IFRS.

In February 2008, the AcSB confirmed that publicly accountable entities will be required to adopt IFRS in place of Generally Accepted Accounting Principles ("GAAP") for fiscal years beginning on or after January 1, 2011.

Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS.

The Corporation will report under IFRS in its financial statements for the year ending December 31, 2011. The Corporation has developed and implemented an IFRS changeover plan to support the transition from Canadian GAAP to IFRS in the 2011 financial statements.

The IFRS transition plan is currently being finalized. A formal project governance structure has been established which includes an executive IFRS steering committee. In addition, an external advisor has been engaged to provide advice and oversight during the various phases of the project.

The Corporation has chosen to approach the conversion in five phases: Diagnostic Assessment, Design and Planning, Solutions Development, Implementation, and Post Implementation Review. During 2008, the diagnostic assessment phase was completed. The Design and Planning phase was also completed now. Covering detailed evaluations for each financial reporting area and implementation of the new standards, has commenced and will continue through 2009 and 2010. The impact on the Corporation's financial results has not yet been determined.

The Corporation will continue to monitor standards development as issued by the International Accounting Standards Board and the CICA AcSB. Such developments could affect the timing, nature or disclosure of the adoption of IFRS. As the project progresses or further changes in regulation or economic conditions occur, changes to the transition plan may be required.

STATISTICS

TABLE 1 – CANADIAN CIRCULATION COINAGE

Production in 2006, 2007 and 2008 [1]

	2008 Total Pieces	2007 Total Pieces	2006 Total Pieces
Coinage dated 2005			
$2	–	–	–
$1	–	–	90,000
50¢	–	–	–
25¢	–	–	–
10¢	–	–	275,000
5¢	–	–	
1¢	–	–	39,600,000
Coinage dated 2006			
$2	–	5,040,000	30,279,000
$1	–	1,621,000	39,140,000
50¢	–	0	98,000
25¢	–	155,991,000	473,027,000
10¢	–	19,800,000	311,847,000
5¢	–	2,558,000	182,316,000
1¢	–	101,475,000	1,160,408,000
Coinage dated 2007			
$2	**1,260,000**	33,917,000	–
$1	**180,000**	36,424,000	-
50¢	**61,000**	250,000	–
25¢	**3,360,000**	230,772,000	–
10¢	**6,325,000**	284,310,000	–
5¢	**6,888,000**	218,914,000	–
1¢	**32,725,000**	846,420,000	–
Coinage dated 2008			
$2	**17,140,000**	–	–
$1	**29,381,000**	–	–
50¢	**150,000**	–	–
25¢	**383,862,000**	–	–
10¢	**461,170,000**	–	–
5¢	**271,642,000**	–	–
1¢	**787,625,000**	–	–
Total (all dates)			
$2	**18,400,000**	38,957,000	30,279,000
$1	**29,561,000**	38,045,000	39,230,000
50¢	**211,000**	250,000	98,000
25¢	**387,222,000**	386,763,000	473,027,000
10¢	**467,495,000**	304,110,000	312,122,000
5¢	**278,530,000**	221,472,000	182,316,000
1¢	**820,350,000**	947,895,000	1,200,008,000
Total	**2,001,769,000**	1,937,492,000	2,237,080,000

[1] Figures are rounded to the nearest thousand pieces.

TABLE 2 – CANADIAN CIRCULATION COINAGE

Cumulative production up to December 31, 2008 [1] [2]

	2008	2007	2006	2005	2004
$2	**17,140,000**	35,177,000	35,319,000	38,317,000	12,908,000
$1	**29,381,000**	36,604,000	49,111,000	44,375,000	10,894,000
50¢	**150,000**	311,000	98,000	200,000	–
25¢	**383,862,000**	234,132,000	629,018,000	269,586,000	210,047,000
10¢	**461,170,000**	290,635,000	331,647,000	211,350,000	213,025,000
5¢	**271,642,000**	225,802,000	184,874,000	148,082,000	123,925,000
1¢	**787,625,000**	879,145,000	1,261,883,000	767,425,000	842,486,000

(1) Total coins of each date and denomination, regardless of the calendar year in which they were produced.

(2) Figures are rounded to the nearest thousand pieces.

TABLE 3 – CANADIAN CIRCULATION COINAGE

Coinage issued in 2008 [1] Geographic distribution [2]

Province City [3]	**$2**	**$1**	**50¢**	**25¢**	**10¢**	**5¢**	**1¢**
Newfoundland and Labrador							
St. John's	339,000	1,015,000	–	2,086,000	4,857,000	1,922,000	11,227,000
New Brunswick							
Saint John	2,245,000	1,430,000	–	4,200,000	5,135,000	3,818,000	17,348,000
Nova Scotia							
Halifax	74,000	194,000	–	3,500,000	11,585,000	2,070,000	44,277,000
Quebec							
Montreal	3,208,000	1,261,000	–	10,218,000	8,763,000	3,822,000	23,923,000
Quebec City	2,677,000	2,370,000	–	17,224,000	40,253,000	14,202,000	56,440,000
Ontario							
Ottawa	1,309,000	3,348,000	–	7,374,000	24,597,000	15,500,000	72,147,000
Toronto	10,799,000	11,083,000	–	19,294,000	66,392,000	39,176,000	283,303,000
Manitoba							
Winnipeg	355,000	3,280,000	–	5,044,000	7,290,000	5,410,000	40,140,000
Saskatchewan							
Regina	1,270,000	1,669,000	–	4,712,000	8,592,000	5,344,000	27,082,000
Alberta							
Calgary	975,000	3,631,000	–	6,198,000	10,840,000	6,610,000	40,243,000
Edmonton	3,406,000	5,337,000	–	19,028,000	33,233,000	18,396,000	83,318,000
British Columbia							
Vancouver	5,509,000	4,177,000	–	22,230,000	31,698,000	23,354,000	129,565,000
Sundry persons[4]	124,000	443,000	226,000	25,693,000	293,000	564,000	1,315,000
Total	**32,290,000**	**39,238,000**	**226,000**	**146,801,000**	**253,528,000**	**140,188,000**	**830,328,000**

(1) Figures are rounded to the nearest thousand pieces.

(2) The dates on the coins are not always the same as the calendar year in which they were issued.

(3) The coins were issued to financial institutions in these cities.

(4) The figures for Sundry persons do not include numismatic coinage purchases.

TABLE 4 – NUMISMATIC COINAGE

Issued as of December 31, 2008 bearing the dates 2007 and 2008 (1)

	2008 Quantity sold
1/4 oz Gold Coin (2007)	49
100th Anniversary of the Royal Canadian Mint 5 oz Gold Coin	237
100th Anniversary of the Royal Canadian Mint 5 oz Silver Coin	1,873
100th Anniversary of the Royal Canadian Mint 50-cent 1908 Replica Coin	3,248
125th Anniversary of the First International Polar Year $20 Sterling Silver Coin	812
1923 Shinplaster $300 Gold Coin	8
200th Anniversary of Descending the Fraser River $100 14-Karat Gold Coin	3,072
20th Anniversary 1 oz Gold-Plated Silver Maple Leaf Coin	7,822
25-cent Canada Day Coloured Coin and Activity Set	18,682
4 Season Moon $300 14-Karat Gold Coin	236
90th anniversary of the end of the First World War Commemorative Set	9,323
Agriculture Trade $20 Fine Silver Coin	5,346
Agriculture Trade $200 22-Karat Gold Coin	1,929
Alberta Provincial Coat of Arms $300 Gold Coin	300
Anne of Green Gables 25-cent Coloured Coin	30,613
Baby Coin Set	762
Baby Commemorative Coin Set (2008)	29,636
Baby Commemorative Coin Set (2007)	126
Baby Keepsake Tin and Silver Dollar (2007)	23
Baby Keepsake Tin and Silver Dollar (2008)	1,822
Baby Lullabies CD and Silver Coin (2007)	29
Baby Lullabies CD and Silver Dollar Set	4,700
Baby Premium Coin Set	1,117
Baby Wafer 1 oz Silver	3,139
Beijing Olympics Series II 6 Piece Gold Coin Set	181
Beijing Olympics Series II 6 Piece Silver and Gold Coin Set	4
Birthday Coin Set	876
Birthday Gift Set (2008)	11,366
Brigantine $20 Silver Hologram	445
Brilliant Uncirculated Dollar	343
Canada Day 25-cent Coin	447
Canadian Small 1 oz Gold Coloured Coin	1,648
Celebrating Thayendanegea - Enamel	421
Celebrating Thayendanegea - Proof Silver Dollar	613
Celebration of Arts Special Edition Proof Silver Dollar	238
Congratulations Gift Set (2007)	761
Congratulations Gift Set (2008)	6,821
Crystal Raindrop $20 Fine Silver Coin	10,854
Crystal Snowflake $20 Sterling Silver Coin - Blue	3,556
Crystal Snowflake $20 Sterling Silver Coin - White	3,576
Crystal Snowflake $20 Fine Silver Coin - Sapphire	7,716
Crystal Snowflake $20 Fine Silver Coin - Amethyst	6,974
De Havilland Beaver 1/25 oz Gold Coin	12,744
Downy Woodpecker 25-cent Coloured Coin	13,508

Table 4 – Numismatic coinage *(continued)*	2008 Quantity sold
Festive Snowmen Lenticular 50-cent Coin	19,638
Fine Silver Chinese $8 Coin	42
Fishing Trade $200 22-Karat Gold Coin	10
Gold Louis $1 Fine Gold Coin (2007)	566
Gold Louis $1 Fine Gold Coin (2008)	2,758
Forget-Me-Not Sterling Silver Coin	650
Holiday Carols $20 Fine Silver Coin (2007)	763
Holiday Carols $20 Fine Silver Coin (2008)	4,445
Holiday Gift Set (2008)	41,936
Hummingbird 25-cent Coloured Coin	916
IMAX $30 Sterling Silver Coin	3,538
IMAX $300 Gold Coin	222
Jack of Hearts $15 Sterling Silver Coin	10,881
King Edward VII $15 Sterling Silver Coin	5,317
King George V $15 Sterling Silver Coin	1,826
Limited Edition Poppy Proof Silver Dollar	4,963
Lunar Series Rat Coin	9,177
Maple of Long Life 8$ Fine Silver Coin	803
Newfoundland and Labrador Provincial Coat of Arms $300 Gold Coin	472
Northern Cardinal 25-cent Coloured Coin	11,604
Oh Canada Commemorative Coin Set	30,567
Oh! Canada! Coin Set (2007)	514
Panoramic Photography in Canada: Niagara Falls $30 Sterling Silver Soin	521
Panoramic Photography in Canada: Rocky Mountains $300 Sterling Silver Soin	40
Parasaurolophus $4 Silver Coin (2007)	1,936
Premium Baby Coin Collection (2007)	11
Premium Wedding Coin Collection (2007)	34
Proof Set (2007)	2,800
Proof Set (2008)	38,264
Purple Saxifraga Flower .99999 Gold Coin	1,186
Purple Violet .99999 Gold Coin (2007)	221
Queen of Spades $15 Sterling Silver Coin	8,191
Queen Victoria $15 Sterling Silver Coin	3,286
Red-Breasted Nuthatch 25-cent Coloured Coin	1,328
Royal Canadian Mint Boutique Token	6,791
Scimitar Cat 1 oz Platinum Coin	187
Specimen Set (2007)	2,437
Specimen Set (2008)	21,227
Royal Canadian Mint's Centennial Proof Silver Dollar	13,417
Queen's 60th Anniversary 25-cent Coloured Coin	1,971
Queen's 60th Anniversary 5 oz Silver Coin	12
Royal Hudson $20 Fine Silver Coin	6,544
Milk Delivery Triangle 50-cent Coin	24,124
Triceratops $4 Silver Coin	12,076
Uncirculated Set (2007)	2,054
Uncirculated Set (2008)	42,355
Vimy Memorial $30 Sterling Silver Coin	145

Table 4 – Numismatic coinage *(continued)*	2008 Quantity sold
Wedding Coin Set (2007)	369
Wedding Commemorative Coin Set	7,404
Wedding Premium Coin Set	507
Wedding Wafer 1 oz Silver	2,372
Winter Scenes of Canada Holiday Ornament Set	2,326
Wolf 1/25 oz Gold Coin	1,186
Wooly Mammoth 1 oz Platinum	97
Year of the Pig Lunar Cameo 18-Karat Gold Hologram Coin	8
Year of the Rat Lunar Cameo 18-Karat Gold Hologram Coin	577
$1 NHL Hockey Puck	
Calgary Flames	1,143
Edmonton Oilers	480
Montreal Canadiens	1,588
Montreal Canadiens - French	174
Ottawa Senators	758
Toronto Maple Leafs	1,237
Vancouver Canucks	503
NHL Gift Pack	
Calgary Flames (2007)	314
Ottawa Senators (2007)	431
Toronto Maple Leafs (2007)	835
Vancouver Canucks (2007)	802
NHL Gift Set	
Calgary Flames (2006/2007)	250
Edmonton Oilers (2006/2007)	1
Montreal Canadiens	687
Montreal Canadiens (2006/2007)	1,139
Ottawa Senators (2006/2007)	840
Toronto Maple Leafs (2006/2007)	1,838
Vancouver Canucks (2006/2007)	262
Olympic products	
14-Karat Gold Coloured Coin	
Athletes' Pride	1,381
Canada Geese	1,469
Four Host First Nations	3,807
Home of the 2010 Olympic Winter Games	3,180
Inukshuk	3,057
RCMP	1,702
$25 Sterling Silver Hologram Coin	
Athletes' Pride	5,252
Biathlon	1,201
Curling	1,765
Figure Skating	10,509
Freestyle Skiing	6,757
Home of the 2010 Olympics	6,145
Snowboarding	13,458

Table 4 – Numismatic coinage *(continued)*	2008 Quantity sold
25-cent Coloured Coin	
Miga Mascot	9,003
Quatchi Mascot	8,942
Sumi Mascot	8,934
Bookmark and Lapel Pin	
Alpine Skiing (2007)	1,523
Curling (2007)	1,455
Figure Skating	1,858
Ice Hockey	2,072
Snowboarding	1,481
Circulation Coin Roll	
$1 Lucky Loonie	3,112
25-cent Alpine Skiing	529
25-cent Biathlon	379
25-cent Curling	253
25-cent Figure Skating	670
25-cent Freestyle Skiing	1,611
25-cent Ice Hockey	594
25-cent Snowboarding	1,528
25-cent Wheelchair Curling	336
Circulation First Day Cover	
Alpine Skiing	213
Biathlon	117
Bobsleigh	16
Curling	121
Figure Skating	230
Freestyle Skiing	771
Ice Hockey	180
Lucky Loonie	3,461
Snowboarding	767
Wheelchair Curling	83
Circulation Coin Collection	
Inuksuk	22,185
Skier	6,326
Vancouver City	1,628
Hockey Puck	
Lucky Loonie	15,227
Miga Mascot	961
Quatchi Mascot	1,078
Sumi Mascot	842

Table 4 – Numismatic coinage *(continued)*	2008 Quantity sold
Magnetic Pin and Coin	
Alpine Skiing	645
Curling	654
Figure Skating	677
Freestyling Skiing	593
Ice Hockey	612
Snowboard	728
Mascot Collector Card	
Alpine Skiing Mascot	241
Bobsleigh Mascot	259
Figure Skating Mascot	923
Freestyle Skiing Mascot	267
Freestyle Skiing Mascot	3,485
Miga Mascot Ice Hockey	882
Parallel Giant Slalom Mascot	231
Quatchi Mascot Ice Hockey	875
Skeleton Mascot	216
Snowboarding Cross Mascot	222
Speed Skating Mascot	187
Sumi Alpine Mascot	187
Sumi Mascot Sledge Hockey	798
Sports Card	
Biathlon Olympic	321
Curling	581
Figure Skating	16,166
Freestyle Skiing	35,291
Ice Hockey	839
Snowboarding	40,448
Wheelchair Curling	552
Others	
Alpine Skiing Olympic Sports Card, Vancouver 2010 (2007)	919
Magnetic Pin and Coin Set, Vancouver 2010 (2007)	804
Olympic 1 oz Silver Wafer	26
Olympic Games Coin Collector Card	38,479
Olympic Lucky Loonie Coloured Sterling Silver Coin	14,125
Olympic Winter Games Coin Collection, Vancouver 2010	30,969
Special Edition Olympic Uncirculated Set	16,253
Special Edition Olympic Uncirculated Set (2007)	1,667
Sterling Silver Lucky Loonie	50,088
Total	**997,269**

(1) Coins reported as issued are not necessarily all delivered in the same calendar year and therefore do not correspond to reported sales.

TABLE 5 – MAPLE LEAF COINAGE

Sales in ounces for 2007 and 2008

	2008	2007
Gold Maple Leaf Coinage		
$1,000,000 (99999 Au)	**6,430**	6,430
$200 (99999 Au)	**27,476**	30,848
$50 (9999 Au)	**710,718**	189,462
$20 (9999 Au)	**14,391**	6,738
$10 (9999 Au)	**8,592**	4,251
$5 (9999 Au)	**3,851**	2,130
$1 (9999 Au)	**767**	895
Olympic GML	**75,876**	
Total (ounces)	**848,101**	240,754
Silver Maple Leaf Coinage		
$5 (9999 Ag)	**7,909,161**	3,526,052
Olympic SML	**937,839**	
Total (ounces)	**8,847,000**	3,526,052
Palladium Maple Leaf Coinage		
$50 (9995 Pd)	**9,694**	15,415
Total (ounces)	**9,694**	15,415

TABLE 6 – REFINERY OPERATIONS

For 2007 and 2008

	Gross Weight (Troy ounces) [1]	
	2008	2007
Rough Gold Deposits	**4,383,594**	3,683,622
Rough Silver Deposits	**1,468,176**	1,036,715
Direct Deposits	**948,997**	646,328
Total [2]	**6,800,767**	5,366,665

(1) Expressed in terms of Troy ounces of rough gold or silver.

(2) Total does not include internal production returns processed through the refinery.

TABLE 7 – CANADIAN CIRCULATION COINAGE

Commemorative/regular designs and plated/non-plated coins production in 2005-2008

	2008	2007	2006	2005
1 Cent (CPZ)	**–**	9,625,000	1,062,275,000	759,658,000
1 Cent (CPS)	**820,350,000**	938,270,000	137,733,000	30,525,000
5 Cent (N)	**–**	–	43,008,000	–
5 cent (P)	**278,530,000**	221,472,000	139,308,000	89,664,000
5 Cent – Victory	**–**	–	–	59,258,000
10 Cent (N)	**–**	–	–	–
10 Cent (P)	**467,495,000**	304,110,000	312,122,000	212,175,000
25 Cent – Caribou (N)	**–**	–	–	–
25 Cent – Caribou (P)	**286,322,000**	274,763,000	423,189,000	206,346,000
25 Cent Poppy	**–**	–	–	472,000
25 Cent L'Acadie	**–**	–	–	–
25 Cent Alberta	**–**	–	–	20,640,000
25 Cent Saskatchewan	**–**	–	–	19,290,000
25 Cent Veteran	**–**	–	–	29,390,000
25 Cent Breast Cancer	**–**	–	29,798,000	–
25 Cent Medal of Bravery	**–**	–	20,040,000	–
25 Cent Olympic – Curling	**–**	22,400,000	–	–
25 Cent Olympic – Ice Hockey	**–**	22,400,000	–	–
25 Cent Olympic – Wheelchair Curling	**–**	22,400,000	–	–
25 Cent Olympic – Biathlon	**–**	22,400,000	–	–
25 Cent Olympic – Alpine Skiing	**–**	22,400,000	–	–
25 Cent Olympic – Snowboarding	**22,400,000**	–	–	–
25 Cent Olympic – Freestyle Skiing	**22,400,000**	–	–	–
25 Cent Olympic – Figure Skating	**22,400,000**	–	–	–
25 Cent Olympic – X-Country Skiing	**22,400,000**	–	–	–
25 Cent Poppy	**11,300,000**	–	–	–
One Dollar	**18,710,000**	38,045,000	37,085,000	32,336,000
One Dollar - Lucky Loon	**10,851,000**	–	2,145,000	8,350,000
One Dollar - Terry Fox	**–**	–	–	12,909,000
Two Dollar	**12,390,000**	38,957,000	25,274,000	38,318,000
Two Dollar 10th Anniversary	**–**	–	5,005,000	–
Two Dollar Quebec 400th Anniversary	**6,010,000**	–	–	–

(CPS) Copper plated steel
(CPZ) Copper plated zinc
(CN) Cupro nickel
(N) Nickel
(P) Plated

CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT REPORT

The consolidated financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions of the Corporation and of its wholly-owned subsidiary are in accordance with the *Financial Administration Act* and regulations and, as appropriate, the *Royal Canadian Mint Act*, the by-laws of the Corporation and the charter and the by-laws of its wholly-owned subsidiary.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets with Management, the internal auditor and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee meets to review the consolidated financial statements with the internal and external auditors and submits its report to the Board of Directors. The Board of Directors reviews and approves the consolidated financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the consolidated financial statements and reports thereon to the Minister responsible for the Royal Canadian Mint.

Ian E. Bennett
President and
Chief Executive Officer

J. Marc Brûlé, CA
Vice President, Finance and Administration
and Chief Financial Officer

Ottawa, Canada
December 3, 2009

AUDIT COMMITTEE REPORT

The Audit Committee's (Committee) role is to act on behalf of the Board of Directors (Board) and oversee all material aspects of the Corporation's reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The Committee's role includes a particular focus on the qualitative aspects of financial reporting to the Shareholder and on the Corporation's processes for the management of business/financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements.

For most of 2008, the Committee was comprised of five (5) independent directors who are neither officers nor employees of the corporation. These members are: Susan Dujmovic (Chair), Carman Joynt, Keith Meagher, Bonnie Staples-Lyon and Kirk MacRae. Also, as an Ex-officio member, is Max Lewis, Chairperson of the Board until his departure from the Board on November 20, 2008. Mr. Lewis's position was filled by Mr. James B. Love. The Board believes that the composition of the Committee reflects a high level of financial literacy and expertise.

During the past fiscal year, the Committee held eight (8) meetings. In fulfilling its responsibility, the Committee:

- discussed with the internal and external auditors the overall scope and specific plans for their respective audits;
- discussed the Corporation's progress, throughout the year, on their financial results and overall performance;
- discussed the Corporation's annual consolidated financial statements, accounting principles and policies, and the adequacy of the Corporation's internal financial controls;
- reviewed management's response and in some circumstances, their actions, regarding recommendations of the internal and external auditors; and
- met regularly with the Corporation's internal and external auditors, without management present, to discuss the results of their examinations, their evaluations of the Corporation's internal financial controls, and the overall quality of the Corporation's financial reporting.

The meetings also were designed to facilitate any private communications with the Committee that the internal or external auditors desired.

Susan Dujmovic
Chair, Audit Committee

AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of the Royal Canadian Mint as at December 31, 2008 and the consolidated statements of operations and retained earnings, comprehensive income and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Royal Canadian Mint Act*, the by-laws of the Corporation and the charter and the by-laws of its wholly-owned subsidiary, with the exception that the Corporation did not meet its statutory deadline for submitting its annual report. Section 150 of the *Financial Administration Act* requires the Corporation to submit its annual report to its Minister and the President of the Treasury Board not later than three months after the end of its financial year.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
December 3, 2009

CONSOLIDATED BALANCE SHEET

as at December 31 (in thousands of dollars)

	2008	2007 Restated (Note 4)
Assets		
Current		
Cash and cash equivalents (note 5)	**$ 9,251**	$ 15,008
Accounts receivable, net (note 6)	**58,482**	52,034
Prepaid expenses	**1,581**	731
Inventories (note 7)	**80,909**	59,981
Derivative related assets (note 9)	**27,778**	9,566
	178,001	137,320
Deferred charges	**117**	138
Derivative related assets (note 9)	**–**	5,376
Property, plant and equipment (note 10)	**140,043**	128,484
Intangibles (note 11)	**8,769**	10,961
	$ 326,930	$ 282,279
Liabilities		
Current		
Accounts payable and accrued liabilities (note 12)	**$ 41,938**	$ 41,976
Current portion of loans and other payables (note 13)	**8,551**	8,587
Income taxes payable	**3,727**	1,233
Deferred revenues	**16,082**	45,970
Derivative related liabilities (note 9)	**12,713**	2,442
	83,011	100,208
Long-term		
Deferred revenues	**–**	752
Derivative related liabilities (note 9)	**982**	600
Loans and other payables (note 13)	**34,342**	27,313
Future tax liabilities (note 14)	**12,675**	5,443
Employee future benefits (note 15)	**10,201**	9,794
	58,200	43,902
Shareholder's equity		
Share capital (authorised and issued, 4,000 non-transferable shares)	**40,000**	40,000
Retained earnings	**127,499**	90,344
Accumulated other comprehensive income (note 16)	**18,220**	7,825
	145,719	98,169
	185,719	138,169
	$ 326,930	$ 282,279

Commitments and Guarantees (note 17)

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

Approved on behalf of the Board of Directors	Approved on behalf of the Audit Committee	Approved on behalf of Management	
James B. Love, Q.C. *Chair, Board of Directors*	**Susan Dujmovic** *Chair, Audit Committee*	**Ian E. Bennett** *President and Chief Executive Officer*	**J. Marc Brûlé, CA** *VP Finance & Administration, CFO*

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the year ending December 31 (in thousands of dollars)

	2008	2007 Restated (Note 4)
Revenues	**$ 1,392,279**	$ 632,071
Cost of goods sold	**1,215,028**	493,514
Gross profit	**177,251**	138,557
Other operating expenses		
Marketing and Sales	**59,643**	54,130
Administration	**34,372**	33,618
Amortization	**18,042**	15,090
	112,057	102,838
Income from operations	**65,194**	35,719
Net foreign exchange loss	**(9,437)**	(11,055)
Interest income	**1,351**	1,161
Interest expense	**(1,772)**	(2,044)
Income before income tax	**55,336**	23,781
Income tax expense (note 14)	**(17,181)**	(6,844)
Net income	**38,155**	16,937
Retained earnings, beginning of year	**90,344**	74,407
Dividend paid	**(1,000)**	(1,000)
Retained earnings, end of year	**$ 127,499**	$ 90,344

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ending December 31 (in thousands of dollars)

	2008	2007 Restated (Note 4)
Net income	**$ 38,155**	$ 16,937
Other comprehensive income:		
Gains on derivatives designated as cash flow hedges net of income taxes of $6,160 (2007 - $3,126)	**15,455**	7,825
Prior year gains on derivatives designated as cash flow hedges transferred to net income in the current year	**(5,060)**	-
Reclassification to net income of gains on cash flow hedges	**-**	(131)
Other comprehensive income for the year	**10,395**	7,694
Comprehensive income	**$ 48,550**	$ 24,631

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ending December 31 (in thousands of dollars)

	2008	2007
Cash flows from operating activities		
Cash receipts from customers	**$ 1,355,191**	$ 652,969
Cash paid to suppliers and employees	**(1,339,868)**	(608,472)
Interest received	**1,351**	1,161
Interest paid	**(2,295)**	(2,131)
Income taxes paid	**(7,455)**	(8,405)
	6,924	35,122
Cash flows from investing activities		
Purchase of property, plant and equipment	**(27,409)**	(21,460)
	(27,409)	(21,460)
Cash flows from financing activities		
Dividend	**(1,000)**	(1,000)
Issuance of loans and other payables	**15,000**	20,000
Repayment of loans and other payables	**(7,484)**	(20,919)
	6,516	(1,919)
Effect of exchange rate changes on cash and cash equivalents	**8,212**	(957)
Net increase (decrease) in cash and cash equivalents	**(5,757)**	10,786
Cash and cash equivalents at the beginning of year	**15,008**	4,222
Cash and cash equivalents at the end of year (note 5)	**$ 9,251**	$ 15,008

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Authority and objectives

The Mint was incorporated in 1969 by the *Royal Canadian Mint Act* to mint coins in anticipation of profit and carry out other related activities. The Mint is an agent Corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. It produces all of the circulation coins used in Canada and manages the support distribution system for the Government of Canada. The Mint is one of the world's foremost producers of circulation, collector and bullion investment coins for the domestic and international marketplace. It is also one of the largest gold refiners in the world.

In 2002, the Mint incorporated RCMH-MRCF Inc., a wholly-owned subsidiary, to hold the Mint's interest (50%) in TGM Speciality Services Inc., a joint venture with a private sector partner. TGM Specialty Services Inc.'s objective is to offer packaging products and services to domestic and international markets. TGM Speciality Services Inc. has been liquidated as of December 31, 2008.

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

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Corporation are:

a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary. Its interest in the joint venture is proportionately consolidated. Significant intercompany transactions have been eliminated in consolidation.

b) Cash and cash equivalents

Cash includes cash equivalents that are investments with terms to maturity of three months or less at the time of acquisition. Cash equivalents consist primarily of short term deposits.

c) Inventories

Raw materials and supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method. Work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

d) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized under the straight-line method at the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Equipment	10%
Hardware and software	20%

Amounts included in uncompleted capital projects are transferred to the appropriate property, plant and equipment classification upon completion, and are then amortized.

e) Intangibles

Intangibles consist solely of rights to use certain trademarks and logos associated with a particular contract. Intangibles are recorded at cost and amortized on a straight-line basis over the term of the respective contract of approximately 6.5 years.

f) Revenues

Revenues from the sale of products are recognized when the rights and obligations of ownership have passed to the buyer. Revenues from refinery and other services are recognized as such services are rendered.

g) Deferred revenues

Payments received in advance on sales are not recognized as revenues until the products are shipped.

h) Charges paid in advance

The cost incurred for specific projects in advance of sales are not recognized as expenses until the products are shipped.

i) Employee future benefits

i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost as employer. This amount is currently based on a multiple of the employees' required contributions, and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

ii) Other benefits

Employees are entitled to a severance benefit plan. There is also a supplementary retirement benefit plan including post retirement benefits for certain employees as well as post-employment benefits for employees in receipt of long-term disability benefits. The benefits are accrued as the employees render the services necessary to earn them. The cost of the benefits earned by the employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the severance and supplementary retirement benefit plans is 13 years and 4 years respectively (2007 – 12 years; 8 years). For the post employment benefits for employees on long-term disability, the average term of the liability is 13 years.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liability for workers' compensation benefits is actuarially determined based on known awarded disability and survivor pensions and other potential future awards in respect of accidents that occurred up to the value measurement date. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average expected period over which the benefits will be paid. The average expected period over which the benefits will be paid is 9 years. The benefit entitlements are based upon relevant Provincial legislations in effect on that date.

A full actuarial evaluation was conducted in December 2006 for all plans. As a result, the accounting valuation has been updated as at December 31, 2008. The next full actuarial evaluation is scheduled for December 2009.

j) Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at average exchange rates during the year. All exchange gains and losses are included in determining net income for the year.

k) Income tax
Income tax expense is determined using the liability method, whereby the future income tax component is recognized on temporary differences using substantively enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Temporary differences between the carrying values of assets or liabilities used for tax purposes and those used for financial reporting purposes arise in one year and reverse in one or more subsequent years. In assessing the realizability of future tax assets, management considers known and anticipated factors impacting whether some portion or all of the future tax assets will not be realized. To the extent that the realization of future tax assets is not considered to be more likely than not, a valuation allowance is provided.

l) Contingencies
Where it is likely that a contingency existing at the financial statement date will result in a loss, the Mint accrues its financial effects to the extent that the amount of the loss is known or can be reasonably estimated.

m) Use of estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. The inventory valuation allowance, employee-related liabilities, estimated useful lives of plant and equipment and the expected precious metal content in refinery by-products are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

n) Financial Instruments
On January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments – Recognition and Measurement*; and Section 3865, *Hedges* retrospectively without restatement.

Upon adoption of these standards, the Corporation measured its financial assets and financial liabilities at fair value resulting in no material impact to opening retained earnings. Also upon adoption, derivative instruments associated with the designated hedges were recorded at fair value and the effective portion of the hedges were recorded in accumulated other comprehensive income resulting in an increase of $0.1 million to current assets and accumulated other comprehensive income at January 1, 2007.

The Corporation's cash and cash equivalents are classified as held for trading with changes in fair value recorded in the Statement of operations under net foreign exchange gain (loss). Accounts receivable are classified as loans and receivables and accounts payable and accrued liabilities, loans and other payables were classified as other financial liabilities. Forward currency contracts and commodity swap and forward contracts are classified as held for trading unless they are accounted for as a hedge.

Derivatives are classified as held for trading unless designated as hedging instruments. All derivatives, including embedded derivatives, are measured at fair value. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognised in other comprehensive income, and will subsequently be reclassified to net income in the periods the hedge instrument occurs.

The Corporation uses derivative instruments, such as forward foreign currency contracts, interest rate swap contracts, commodity swap contracts and commodity forward contracts, to manage the Corporation's exposure to fluctuations in cash flows resulting from foreign exchange risk, interest rate risk and commodity price risk related to fixed price and/or foreign denominated sales and purchases, including anticipated transactions. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

Certain derivative instruments that are held for economic hedging purposes, and do not meet the requirements of Section 3865, are classified as held for trading with the changes in fair value being recorded in the statement of operations under net foreign exchange gain (loss).

When derivative instruments are used, the Corporation determines whether hedge accounting can be applied. Where hedge accounting is appropriate, the Corporation designates the hedged relationship as a cash flow hedge. All designated hedges are formally documented at inception, detailing the particular risk management objective and the strategy undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The Corporation assesses whether the derivatives are highly effective in accomplishing the objective of offsetting changes in forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge. Furthermore, accumulated ineffectiveness is measured over the life of the hedge. The effective portion of the hedge is recorded in other comprehensive income, while the ineffective portion is recognized in the statement of operations in net foreign exchange gain (loss).

Transaction costs related to loans and other payables are offset against the outstanding principle balance of the debt and are amortized using the effective interest rate method.

3. Change in accounting policies

a) Adoption of new accounting standards

i) Capital disclosures

Effective January 1, 2008, the Corporation adopted the new recommendations of CICA Handbook Section 1535, Capital Disclosures. Section 1535 requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non compliance. These new disclosures are included in note 8.

ii) Financial instruments – disclosure and presentation

Effective January 1, 2008, the Corporation adopted the new recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures and Handbook Section 3863, Financial Instruments - Presentation.

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, gains and losses, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classification and measurement of the Corporation's financial instruments. The new disclosures pursuant to these new Handbook Sections are included in note 9.

iii) Inventories

In May 2007, the CICA issued Section 3031, *Inventories*, which supersedes existing guidance on inventories in Section 3030, Inventories. This standard is effective for the Corporation's reporting period beginning on or after January 1, 2008. This standard introduces significant changes to the measurement and disclosure of inventories, including the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable for goods and services produced for specific purposes, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. The new disclosures are included in note 7.

iv) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Corporation is currently evaluating the impact of the adoption of these new standards.

4. Prior period adjustment

As a result of a review of the 2008 year end inventory balances of precious metals, errors in the 2007 balances were discovered. These errors resulted in a $6.9 million reduction in the amount of inventory previously reported. The Corporation has decided to retroactively correct the errors and restate the consolidated financial statements for the year ended December 31, 2007. The impact of these errors on the 2007 previously reported amounts is presented below:

(in thousands of dollars)	2007	
	Retained earnings	Net income
Balance as previously reported	$ 94,985	$ 21,578
Impact of errors:		
Overstatement of inventories/ understatement of costs of goods sold	(6,875)	(6,875)
Overstatement of income taxes payable/ overstatement of income tax expense	2,234	2,234
Overstatement of retained earnings/net income	(4,641)	(4,641)
Balance as restated	$ 90,344	$ 16,937

5. Cash and cash equivalents

As at December 31, 2008, cash and cash equivalents included:

(in thousands of dollars)	**2008**		2007	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**$ (1,091)**	**$ (1,091)**	$ 1,717	$ 1,717
US dollars	**8,443**	**10,342**	13,450	13,291
		$ 9,251		$ 15,008

Cash and cash equivalents included no investments in 2008 (2007 – $12.8M). The average term to maturity of short-term deposits was 19 days in 2007. The portfolio yield to maturity was 4.29% in 2007.

6. Accounts receivable

As at December 31, 2008, accounts receivable included:

(in thousands of dollars)	**2008**		2007	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**$ 25,197**	**$ 25,197**	$ 22,706	$ 22,706
US dollars	**27,052**	**33,285**	29,681	29,328
		$ 58,482		$ 52,034

7. Inventories

As at December 31, 2008, inventory included:

(in thousands of dollars)	**2008**	2007 Restated (Note 4)
Raw materials and supplies	**$ 30,782**	$ 25,154
Work in process	**23,597**	24,333
Finished goods	**26,530**	10,494
	$ 80,909	$ 59,981

The Corporation measures inventories at the lower of cost and net realizable value. The cost of inventories includes the costs of purchasing, conversion and other costs incurred. The Corporation uses systematic allocation of fixed and variable costs. The Corporation uses weighted average cost formula to assign the cost. When inventories are sold, the carrying value is recognized as an expense in the same period that the related revenue is recognized. The amount of inventories recognized as expense in 2008 is $ 1.2 billion (2007 – $ 494 million).

8. Capital Risk Management

The Corporation's objectives in managing capital are to safeguard its ability to continue as a going concern and pursue its strategy of organizational growth to provide returns to its sole shareholder, the Government of Canada, and benefits to other stakeholders.

The Corporation defines capital that it manages as the aggregate of its loan (see note 17 (iii)) and other payables and shareholders' equity, which is comprised of issued capital, accumulated other comprehensive income and retained earnings.

The Corporation manages the amount of capital in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. The Corporation monitors debt leverage ratios as part of the management of liquidity to ensure it is properly financed and leveraged to facilitate planned objectives.

In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to the shareholder, issue new shares, or issue or repay new debt. Any such activities are approved by the Board of Directors and subject to the stipulations of the *Royal Canadian Mint Act*.

The Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2007.

9. Financial Risks Management and Financial Instruments

a) Classification and fair values of financial instruments

i) At December 31, the classification of the Corporation's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars)		**2008**		2007	
Financial Assets and Liabilities	Classification	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	Held for Trading	**$ 9,251**	**$ 9,251**	$ 15,008	$ 15,008
Accounts receivable	Loans and receivables	**58,482**	**58,482**	52,034	52,034
Derivative related assets (current)	Held for trading	**27,778**	**27,778**	9,566	9,566
Derivative related assets (non-current)	Held for trading	**–**	**–**	5,376	5,376
Accounts payable and accrued liabilities	Other liabilities	**41,938**	**41,938**	41,976	41,976
Current portion of loans and other payables	Other liabilities	**8,551**	**9,094**	8,587	9,101
Derivative related liabilities (current)	Held for trading	**12,713**	**12,713**	2,442	2,442
Derivative related liabilities (non-current)	Held for trading	**982**	**982**	600	600
Loans and other payables	Other liabilities	**34,342**	**35,480**	27,313	27,182

The Corporation did not have any held-to-maturity financial assets during the years ended December 31, 2008 or 2007.

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

i) The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair values as a result of the relatively short-term nature of these financial instruments.

ii) The fair values of loans and other payables have been estimated based on a discounted cash flow approach using current market rates. At December 31, the fair value of loans and other payables amounts to $44.6 million ($36.3 million in 2007).

iii) The fair values of the Corporation's foreign currency forward contracts, commodity swap and forward contracts and other derivative instruments are based on estimated credit-adjusted forward market prices.

ii) Interest income and expense

The Corporation has recorded interest income and expense in relation to the following financial instruments:

(in thousands of dollars)	**2008**	2007
Financial assets for trading:		
Interest income earned on cash and cash equivalents	**$ 403**	$ 1,161
Financial liabilities:		
Interest expense on loans and other payables	**$ 1,661**	$ 2,043

b) Financial Risk Management

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 risk management framework. The Audit Committee assists the Board of Directors and is responsible for review, approval and monitoring the Corporation's risk management policies including the development of an Enterprise Risk Management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks, and developing risk management action plans to mitigate risks that exceed corporate risk tolerance. The Audit Committee reports regularly to the Board of Directors on its activities.

i) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers, cash and cash equivalents and derivative instruments.

The carrying amount of financial assets recorded in the financial statements represents the maximum credit exposure

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and country in which customers operate.

The Corporation manages this risk by monitoring the credit worthiness of customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. The Corporation has established processes over contracting with foreign customers in order to manage the risk relating to foreign customers.

As at December 31, the maximum exposure to credit risk for accounts receivable by geographic regions was as follows:

(in thousands of dollars)	**2008**	2007
North America	**$ 22,878**	$ 30,178
Central America and Caribbean	**13,593**	1,607
South America	**110**	7,714
Europe	**1,871**	2,251
Africa	**15,352**	2,266
Asia	**3,723**	6,335
Other	**955**	1,683
	$ 58,482	$ 52,034

As at December 31, the maximum exposure to credit risk for accounts receivable by type of customer was as follows:

(in thousands of dollars)	**2008**	2007
Governments (including governmental departments and agencies)	**$ 15,394**	$ 23,982
Banking institutions	**36,468**	12,901
Consumers, dealers and others	**6,620**	15,151
	$ 58,482	$ 52,034

At December 31, 2008, three customers represented 57% of the total receivable balance of which 21% is from the Bank of Uganda, 22% is from Department of Finance of Canada and 14% is from Banco Central Del Dom Republic.

At December 31, 2007, the largest credit exposures were 2 customers which represented 47% of the total receivable balance of which 30% was from the Department of Finance Canada.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivables. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivables, current business and geopolitical climate, customers and industry concentrations and historical experience.

The aging of accounts receivable at December 31, 2008 was:

(in thousands of dollars)	**2008**		2007	
	Accounts Receivable	**Allowance for doubtful accounts**	Accounts Receivable	Allowance for doubtful accounts
Past due 0-30 days	**$ 26,033**	**$ -**	$ 21,872	$ -
Past due 30-60 days	**14,307**	**-**	5,549	-
Past due 60-90 days	**10,531**	**-**	3,102	-
Past due 90-120 days	**4,648**	**-**	4,280	-
Past due over 120 days	**5,767**	**2,804**	19,131	1,900
Total	**$ 61,286**	**$ 2,804**	$ 53,934	$ 1,900
Net		**$ 58,482**		$ 52,034

The change in the allowance for doubtful accounts receivable during the year ended December 31, 2008 was an increase of $904.

Cash and cash equivalents
The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation manages its credit risk relating to cash and cash equivalents by utilizing a short-term investment policy to guide investment decisions. Investments must maintain a credit rating from at least one of the following credit agencies, meeting the following minimum criteria:

Dominion Bond Rating Service (DBRS) rating of R1 Low
Moody's rating of P1
Standard and Poor's (S&P) rating of A1

The Corporation regularly reviews the credit rating of issuers with whom the Corporation holds investments, and disposes of investments at the prevailing market rate when the issuer's credit rating declines below acceptable levels.

Derivative Instruments
Credit risk relating to foreign currency forward contracts, commodity swap and forward contracts and other derivative instruments arises from the possibility that the counterparties to the agreements may default on their respective obligations under the agreements in instances where these agreements have positive fair value for the Corporation. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligation to the Corporation. Additionally, the Corporation manages its exposure by contracting only with creditworthy counterparties who are rated AA or better by Moody's or Standard & Poor's.

ii) 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.

The following table presents the contractual terms to maturity of the financial liabilities, reflecting undiscounted disbursements, owed by the Corporation as at December 31, 2008:

(in thousands of dollars)	Carrying amount	Contractual Cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	$ 41,938	$ 41,938	$ 41,938	$ –	$ –	$ –
Loans and other payables	$ 69,168	$ 69,168	$ 12,735	$ 20,302	$ 20,855	$ 15,276
Interest on loans and other payables	$ 328	$ 328	$ 328	$ –	$ –	$ –
Derivative instruments:						
Commodity swaps						
Cash inflow (outflow)	$ 27,292	$ 45,547	$ 45,547	$ –	$ –	$ –
Foreign currency forwards:						
Cash inflow (outflow)	$ (12,766)	$ (70,572)	$ (67,582)	$ (2,990)	$ –	$ –

iii) 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 value of its holdings of financial instruments.

The Corporation uses derivative instruments, such as forward foreign currency contracts, interest rate exchange agreements and commodity swap and forward contracts to manage the Corporation's exposure to fluctuations in cash flows resulting from foreign exchange risk, interest rate risk and commodity price risk related to fixed price and/or foreign denominated sales and purchases, including anticipated transactions. 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. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

A) Foreign Exchange Risk:

The Corporation is exposed to foreign exchange risk on sales and purchase transactions that are denominated in foreign currencies, U.S. dollars and Euros. 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 the process of managing its overall cash requirements.

As at December 31, the Corporation's exposure to foreign currency risk was as follows based on Canadian dollar equivalent amounts.

(in thousands of dollars)	USD	Euro
Cash and cash equivalents	$ 10,342	
Accounts Receivable	33,285	
Accounts payable and accrued liabilities	(6,468)	
Gross balance sheet exposure excluding financial derivatives	37,159	
Estimated forecasted sales	91,622	
Estimated forecasted purchases	(39,264)	(7,322)
Gross exposure	89,517	(7,322)
Forward exchange contracts	(76,123)	5,551
Net exposure	$ 13,394	$ (1,771)

Based on the net exposures as at December 31, 2008, and assuming that all other variables remain constant, a hypothetical 10% appreciation in the Canadian dollar against the currencies below would result in increases/(decreases) in net income and other compressive income by the amounts shown below. A hypothetical 10% weakening in the Canadian dollar against the currencies would have the equal but opposite effect.

	2008	
	Other comprehensive income	Net Income
US dollars	$ –	$ (944)
Euro	$ –	$ 125

B) Interest Rate Risk:
Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. Interest rate risk related to cash and cash equivalents is not significant at December 31, 2008 due to the short term, highly liquid nature of these investments. The Corporation's Bankers Acceptance interest rate swap loan instrument described in note 13 exposes the Corporation to cash flow interest rate risk. The Corporation has hedged 100% of the exposure to fluctuations in interest rates related to this instrument by entering into a $15 million interest rate swap, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swap is designated as a hedging instrument under the cash flow hedge accounting model.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Corporation does not account for its fixed rate debt instruments as held for trading; therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments. The Corporation's interest rate exchange agreement exposes the Corporation to fair value interest rate risk. An increase of 50 basis points in interest rates at the reporting date will decrease the fair value of the swap liability and increase other comprehensive income by approximately $ 0.4 million.

C) 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 the 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 in the same currency.

The Corporation manages its exposure to commodity price fluctuations by entering into sales or purchase commitments that fix the future price or by entering into commodity swap and forward contracts that fix the future commodity price.

Derivatives designated as a hedge of an anticipated or forecasted transaction are accounted for as cash flow hedges. The Corporation applies the normal purchases classification to certain contracts that are entered into for the purpose of procuring commodities to be used in production.

Therefore the impact of commodity price risk fluctuation on the financial statement is not significant.

c) Foreign currency forwards, commodity swap and interest rate swap

At December 31, the notional and fair values of the derivative instruments designated as hedges are as follows:

(in thousands of dollars)		**2008**		2007	
	Maturities	**Notional**	**Fair value**	Notional	Fair value
Assets					
Current:					
Commodity swaps	2009	**$ 43,270**	**$ 25,927**	$ 33,134	$ 7,078
Long-term:					
Commodity swaps	2010	**–**	**–**	34,913	3,873
Total		**$ 43,270**	**$ 25,927**	$ 68,047	$ 10,951
Liabilities					
Current:					
Interest rate swaps	2009	**$ 1,500**	**$ 44**	$ –	$ –
Long-term:					
Interest rate swaps	2010	**13,500**	**399**	–	–
Total		**$ 15,000**	**$ 443**	$ –	$ –

The gains on derivatives designated as cash flow hedges will be reclassified from accumulated other comprehensive income to net income during the periods when the hedged revenues are recorded. The amounts will be reclassified to revenues over periods up to 2 years of which approximately $25.9 million will be reclassified during the next 12 months.

At December 31, the notional and fair values of the derivative instruments not designated as hedges are as follows:

(in thousands of dollars)		**2008**		2007	
	Maturities	**Notional**	**Fair value**	Notional	Fair value
Assets					
Current:					
Foreign currency forwards	2009	**$ 9,462**	**$ 486**	$ 57,773	$ 2,116
Commodity swaps	2009	**2,277**	**1,365**	1,743	372
Total short-term		**$ 11,739**	**$ 1,851**	$ 59,516	$ 2,488
Long term:					
Foreign currency forwards	2010	**–**	**–**	21,944	1,300
Commodity swaps	2010	**–**	**–**	1,838	203
Total long-term		**–**	**–**	23,782	1,503
Total		**$ 11,739**	**$ 1,851**	$ 83,298	$ 3,991
Liabilities:					
Current:					
Foreign currency forwards	2009	**$ 70,490**	**$ 12,669**	$ 65,285	$ 2,442
Long term:					
Foreign currency forwards	2010	**2,990**	**583**	20,062	600
Total		**$ 73,480**	**$ 13,252**	$ 85,347	$ 3,042

For the year-ended December 31, 2008, the amounts recorded in the statement of operations resulting from the net change in fair value of the derivative instruments not designated as hedges amount to a loss of $11.4 million (2007 – gain of $0.5 million). These amounts are included in net foreign exchange loss.

10. Property, plant and equipment

(in thousands of dollars)			**2008**	2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 3,226**	**$ –**	**$ 3,226**	$ 3,226
Land improvements	**1,008**	**825**	**183**	193
Buildings	**91,071**	**35,163**	**55,908**	55,257
Equipment	**154,462**	**88,397**	**66,065**	54,474
Hardware and software	**30,376**	**19,292**	**11,084**	10,232
Uncompleted capital projects	**$ 3,577**	**–**	**3,577**	5,102
	$ 283,720	**$ 143,677**	**$ 140,043**	$ 128,484

11. Intangibles

(in thousands of dollars)			**2008**	2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Intangibles	**$ 15,000**	**$ 6,231**	**$ 8,769**	$ 10,961

In 2008, the amortization expense relating to the intangible was $2.2 million (2007 – $2.3 million).

12. Accounts payable and accrued liabilities

As at December 31, 2008 accounts payable and accrues liabilities included:

(in thousands of dollars)	**2008**		2007 Restated (Note 4)	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**$ 35,470**	**$ 35,470**	$ 22,146	$ 22,146
US dollars	**5,282**	**6,468**	20,069	19,830
		$ 41,938		$ 41,976

13. Loans and other payables

(in thousands of dollars)	**2008**	2007
5 year term loan, bearing interest at 4.421%, calculated semi-annually with a principal repayment of $2 million per annum for the first four years and outstanding principal balance ($12 million) in full on the fifth anniversary, maturing in 2012.	**$ 18,000**	$ 20,000
10 year, $15 million Bankers' Acceptance/Interest rate swap loan bearing interest at 2.67%, maturing in 2018. The 10 year borrowing structure involves the use of a revolving 3 month Bankers Acceptances and an Interest Rate Swap to lock in the BA refinancing. The loan gets paid down 1.5 million per year for 10 years	**15,000**	–
Amortizing bond with two-year interest holiday maturing December 2009, semi-annual coupon at 7.753% starting June 2000 with principal repayable in ten equal instalments of $3.1 million commencing December 2000.	**3,100**	6,200
Non-interest bearing long term payable, maturing in March 2010 that has been recorded at the present value of the future payments of $2.9 million due in 2008, $3.1 million due in 2009 and $3.7 million due in 2010 using an imputed interest rate of 4.0%.	**6,465**	9,048
Accrued interest on long-term debt	**328**	652
	42,893	35,900
Less the current portion of long-term debt	**8,551**	8,587
	$ 34,342	$ 27,313

14. Income taxes

(in thousands of dollars)	**2008**	2007 Restated (Note 4)
Current income tax expense	**$ 14,065**	$ 7,723
Future income tax expense	**3,116**	(879)
	$ 17,181	$ 6,844

Income tax expense on income before income tax differs from the amount that would be computed by applying the Federal statutory income tax rate of 29.5% (2007 – 32.52%). The reasons for the differences are as follows:

(in thousands of dollars)	**2008**	2007 Restated (Note 4)
Computed tax expense	**$ 16,550**	$ 7,735
Change in enacted rates	**–**	(905)
Over accrual in the prior period	**3**	210
Other net amounts	**628**	(196)
	$ 17,181	$ 6,844

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities in 2008 and 2007 are presented below:

(in thousands of dollars)	**2008**	2007
Future tax assets:		
Employee future benefits	**$ 2,723**	$ 2,556
Inventories	**290**	1,873
Investment tax credits	**-**	22
	3,013	4,451
Future tax liability		
Capital assets	**(8,424)**	(6,768)
Derivative related assets	**(7,264)**	(3,126)
Investment tax credits	**-**	-
Net future tax liability	**(12,675)**	(5,443)
Included in Other Comprehensive Income	**7,264**	3,126
Future tax liability	**$ (5,411)**	$ (2,317)

15. Employee future benefits

i) Pension benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's contributions to the Public Service Pension Plan for the year were $6.9 million (2007 – $6.4 million). The Employee's contributions to the Public Service Pension Plan for the year were $3.2 million (2007 – $2.8 million).

ii) Other benefits

The Corporation provides severance benefits to its employees based on their years of service and final salary. The Corporation also provides workers' compensation benefits along with post-employment benefits for employees in receipt of long-term disability benefits. It also offers to certain employees a supplementary retirement benefits plan which provides benefits based on average earnings at retirement. These benefits plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future revenues earned by the Corporation.

Information about these benefit plans at the balance sheet date is as follows:

Defined Benefit Plan Obligation

(in thousands of dollars)	**2008**	2007
Accrued benefit obligation		
Balance at beginning of year	**$ 12,063**	$ 10,596
Current service cost	**851**	982
Interest cost	**636**	529
Benefits paid	**(1,107)**	(1,097)
Actuarial losses/(gain)	**(727)**	1,053
Balance at end of year	**$ 11,716**	$ 12,063
Accrued benefit obligation at end of the year	**$ 11,716**	$ 12,063
Unamortized net actuarial losses	**(824)**	(1,838)
Accrued benefit liability at end of year	**$ 10,892**	$ 10,225
Short term portion (accounts payable and accrued liabilities)	**691**	431
Long term portion (employee future benefits)	**10,201**	9,794

Significant Assumptions (weighted average)

	2008	2007
Accrued benefit obligation as of December 31:		
Discount rate	**6.6%**	5.7%
Rate of compensation increase	**4.2%**	4.3%
Benefit costs for year ended December 31:		
Discount rate	**6.6%**	5.6%
Rate of compensation increase	**4.3%**	4.1%
Assumed health care cost trend rates at December 31:		
Initial health care cost trend rate	**6.25%**	6.25%
Cost trend rate declines to	**6.25%**	6.25%
Year that the rate reaches the rate it is assumed to remain at	**2009**	2008

16. Accumulated other comprehensive income

(in thousands of dollars)	2008	2007
Accumulated other comprehensive income beginning of year	**$ 7,825**	$ –
Fair value transition		
Transitional adjustment on adoption of new accounting policies	**–**	131
Other comprehensive income	**10,395**	7,694
Accumulated other comprehensive income end of year	**$ 18,220**	$ 7,825

17. Commitments and guarantees

i) Base metal commitments and precious metal leases

In order to manage it's financial risks, the Corporation has entered into agreements with third parties, as disclosed in note 9 c). 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 metals leases. As at December 31, 2008, the Corporation had $10.1 million (2007 – $22.4 million) in purchase commitments outstanding. These commitments are to be completed by September, 2010. In addition, at the end of the year, the Corporation had entered into precious metal leases for 362,902 ounces of gold; 5,399,562 ounces of silver; and 7,099 ounces of palladium and 32 ounces of platinum (2007 – 221,636 ounces of gold; 2,652,776 ounces of silver; and 3,253 ounces of palladium). The fees for these leases are based on market value. The value of the metals under these contractual arrangements has not been reflected in the Corporation's consolidated financial statements since the Corporation intends to settle these commitments through receipt or delivery of the underlying metal.

ii) Bid bonds, performance guarantees and import letters of credit

The Corporation has various outstanding guarantees and bid bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bid bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments which 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 of December 31, 2008, under the guarantees and bid bonds, the maximum potential amount of future payments is $6.4 million (2007 – $13.7 million).

iii) Other commitments and guarantees

The Corporation may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and terms and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed $75 million. For the year ended December 31, 2008, approved short-term borrowings for working capital within this limit, were not to exceed $25.0 million (2007 - $25.0 million).

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 at year end.

The Corporation has various lease and contractual purchase obligations for goods and services. As of December 31, 2008 these future commitments total $5.4 million. These commitments will be completed by December 2011 (2009 – $3.8 million, 2010 – $0.8 million, 2011 – $0.8 million)

18. 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. Transactions with the Department of Finance related to the production, management and delivery of Canadian circulation coins are negotiated and measured at an exchange amount under a three year Memorandum of Understanding, where pricing is agreed annually in the normal course of operations.

19. Non-monetary transaction

In 2006, the Mint signed an agreement which included an exchange of $2.0 million for goods and services as partial payment for its intangible asset. The payment will be recognized as the goods and services are delivered. In 2008, $0.2 million of goods and services have been provided in respect of this agreement. As a result, the balance of goods and services still to be delivered is $1.8 million at year end. The cost if these goods and services are recognized in cost of goods sold as incurred.

20. Interest in joint venture

The following amounts represent the Corporation's proportionate interest in the joint venture:

(in thousands of dollars)	2008	2007
Assets		
Current assets	$ 1,025	$ 905
Long-term assets	–	211
Liabilities		
Current liabilities	46	55
Long-term liabilities	–	37
Earnings		
Sales	$ 967	$ 939
Expenses	1,013	975
Net (loss) income	$ (46)	$ (36)
Cash flow		
Operating activities	186	7
Investing activities	81	(31)
Financing activities	(7)	(2)

97% of the joint venture's total sales for the year ended December 31, 2008 were to the Royal Canadian Mint (2007 - 98%). The Royal Canadian Mint's consolidated financial statements reflect only those sales and related expenses, which were sold to unrelated third parties.

21. Comparative figures

The previous year's comparative figures have been reclassified to conform to current year's presentation.