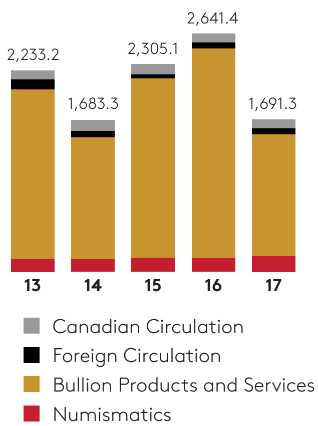
DELIVERING RESULTS

ANNUAL REPORT 2017

FINANCIAL AND OPERATING HIGHLIGHTS

	2017	2016	% change
Key financial highlights ($ in millions)			
Revenue	**1,691.3**	2,641.4	(36)
Gross profit	**183.3**	175.6	4
Profit before income tax and other items[1]	**43.9**	30.7	43
Profit for the period	**36.1**	24.5	47
Dividends paid	**93.2**	31.0	201
Total assets	**377.8**	444.1	(15)
Shareholder's equity	**128.2**	185.4	(31)
Capital expenditures	**13.9**	12.8	9
Cash flow from operating activities[2]	**57.6**	27.5	109
Return on equity[3]	**34%**	17%	
Key operating highlights			
Canadian circulation coins produced (in millions of pieces)	**560**	533	5
Gold bullion volume (in thousands of ounces)[4]	**618.4**	1,071.3	(43)
Silver bullion volume (in millions of ounces)[4]	**18.5**	34.7	(47)
Number of employees (at December 31)	**1,225**	1,280	(4)

Revenues (segmented) Restated[5]
($ in millions)



1 A reconciliation of profit before income tax and other items is included on page 27.
2 2016 figure has been revised to reflect the reclassification described in Note 22.1 of the audited consolidated financial statements for the year ended December 31, 2017 starting on page 81.
3 Calculation is based on profit before income tax and other items.
4 Bullion volumes are presented on a gross basis.
5 Prior year figures have been revised to reflect the restatement and reclassifications described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2016.

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Cover Image: Celebrating Canada's 150th anniversary *The Heart of Our Nation* coin is filled with inspiring symbols, a rich combination of people, histories and aspirations that come together with the maple leaf at their heart.

Delivering Results

The Royal Canadian Mint is a global leader in circulation, bullion and collectible coin products and services that connect people and inspire celebration. We combine history, heritage and artistry with innovative manufacturing to the delight of customers around the world. In 2017, we delivered strong results for Canada and Canadians through our outstanding people and products, the right strategy and our excellent execution. Building on the success of our Canada 150th commemorative program, we continue to build a strong and sustainable future.

(Above) *Dance of the Spirits* two-dollar Canadian circulation coin. The world's first glow in the dark circulation coin earned global attention for innovation and artistry.

MESSAGE FROM THE PRESIDENT AND CEO

It was an exceptional year for Canada, and for our Royal Canadian Mint community, as we came together and celebrated Canada's 150th anniversary. As Canada's coin experts, we are proud to have played an important part in this momentous anniversary. Collectors in Canada and around the world embraced the opportunity to hold on to unforgettable moments, as our special circulation coins found their way into pockets and purses across the country. We attracted over 140,000 new customers and are confident many of them will join our base of loyal collectors.

The Mint delivered strong financial performance in 2017, exceeding targets across our diverse and integrated businesses.

Strong operational execution and attention to careful cost management were the basis for outstanding results for our Canadian and Foreign Circulation businesses.

We continued to focus on our Numismatics customers to strengthen our foundation for the future. One particularly successful innovation was our launch of a Coin Talk insight panel of 3,500 customers to whom we regularly reach out to gain valuable insights to help inform future product offerings. We also made significant upgrades to our call centre and website to improve our customers' experience.

We excelled in an environment of lower global bullion demand by maintaining our market share and continuing our focus on productivity.

Our people are at the heart of everything we do. Our talented and passionate employees continue to demonstrate an unwavering commitment to Canada, to the Mint, to each other and to our customers around the world. With our employees' well-being in mind, we continue to invest in our company-wide mental health program.

Our industry continues to evolve and we have demonstrated our ability to adapt and deliver strong results. We are proud of our past and confident in our Mint's strong and sustainable future. Our achievements and momentum in 2017 have set us up for continued success in the years ahead.

Sandra L. Hanington
President and CEO

CANADIAN AND GLOBAL LEADERSHIP

DELIVERING RESULTS – 2017 HIGHLIGHTS

In 2017 the Mint made

$43.9 million

in profit before income tax and other items[1]

DIVERSITY

We continue to celebrate our country's rich history of diversity and multiculturalism.

2017 $100 14-Karat Gold Coin – Raven brings the Light

HISTORY

Another Mint first, celebrating the 90th anniversary of an iconic timepiece, the Peace Tower Clock. The two gears are made from oxidized copper that originally clad the roofs of Canada's historic Parliamentary buildings.

INNOVATION

The first ever Stanley Cup® shaped coin in celebration of its 125th anniversary.

Our Research and Development team designed this exceptional coin using advanced computerized modelling.

HERITAGE

The Mint introduced its first ever puzzle coin set made up of 13 silver coins with coloured shields encircling a gold-plated silver coin depicting the Centre Block of Parliament.

[1] A reconciliation of profit before income tax and other items is included on page 27.

DELIVERING RESULTS – A GLOBAL MINTING LEADER

We delivered

1.5 billion coins and blanks

to 14 global customers in 2017

COIN OF THE YEAR AWARD

Most Historically Significant Coin for the $20 Fine Silver Coin – 100th Anniversary of the Writing of *In Flanders Fields*. 2017 World Money Fair, Berlin, Germany.

$1.6 billion

of the Mint's total revenue for the year ended December 31, 2017
was from customers outside of Canada

WORLD-LEADING SECURITY FEATURES

The Mint's Bullion Digital Non-destructive Activation (DNA) technology allows approved dealers to verify the authenticity of their customers' Gold and Silver Maple Leaf coins in just seconds.

COMMUNICATIONS PROGRAM WINNER

The International Association of Currency Affairs' 2017 Excellence in Currency Awards for *Best New Communications Program for circulation coins.* 2017 Coin Conference, Warsaw, Poland.

Coins for everyday and for exceptional occasions such as celebrating Canada's 150th anniversary

The Mint celebrated the 125th anniversary of the Stanley Cup® with a limited-edition quarter; pocket change that pays tribute to hockey's ultimate prize and the game that ignites passion and pride in so many Canadians.

WORLD LEADING CIRCULATION COINS

Our core mandate is to ensure Canadians have coins for trade and commerce. We continue to do this efficiently and cost-effectively while promoting Canada's heritage and culture.

In 2017, we celebrated Canada's 150th anniversary by replacing all new circulation coins with an innovative commemoration series. Celebration events were held throughout the year across the country, engaging enthusiastic customers and employees. Highlights included 10 public events where a total of 10,000 coins were exchanged, partnering with MosaïCanada in Gatineau which attracted 1.3 million visitors, as well as special events with our Winnipeg and Ottawa employees and their families.

We were able to meet demand that exceeded expectations through our exceptional people, outstanding teamwork and continued commitment to operational excellence.

Building on the successes in 2017, we will continue to delight our customers and attract new collectors through innovation, artistry and our commitment to celebrating Canada and Canadians.

In 2017, the Mint won the contract to produce a commemorative circulation coin celebrating Fiji's first Olympic medal, a gold, in Rio in 2016.

DELIVERING EXCELLENCE ACROSS THE GLOBE

Our renewed strategic focus continues to give us the agility to be the preferred circulation coin provider with our international customers.

Our sales team secured 10 new production contracts and targets were exceeded by our Winnipeg team that manufactured and shipped 1.5 billion coins and blanks to 14 countries.

By continuing to optimize our supply chain and fixed costs we ensure ongoing competitiveness in the marketplace. Operational excellence, innovative circulation products, "next generation" coins and paint technologies solidify our sustained role as a global minting leader.

The most secure bullion coins in the world. Our Gold and Silver Maple Leaf bullion coins represent the pinnacle of security and purity, investments that are as innovative as they are exquisite.

WORLD LEADING SECURITY FEATURES AND LEADING MARKET POSITION

Global market demand can be highly variable, however we demonstrated our leadership and agility by maintaining our market share and delivering good results at lower volume levels.

Our Gold and Silver Maple Leaf bullion coins are known around the world for their iconic design and unsurpassed purity. Our Bullion Products and Services business provides our customers with market-leading precious metal investment products that are supported by fully integrated precious metal refining, storage and exchange traded receipts.

From refining and minting to the production and storage of exquisite bullion products, the Mint provides a complete range of services to our clients and is continually developing innovative ways for investors to own precious metals that, in turn, support our future.

Our Canadian Icons coin featured an inspirational collage of red-coloured icons that come together to embody our nation's spirit and its pride.

INNOVATION AND DESIGN DELIGHT OUR COLLECTORS

We continued to develop innovative numismatics products throughout 2017 that captivated our collectors. Our world leading innovation is possible through our incredibly talented people and sustained commitment to R&D.

Results exceeded expectations throughout the year, including record visits to our website and Winnipeg and Ottawa boutiques. The Mint attracted over 140,000 new customers, in part due to demand for our Canada 150 products.

To ensure long-term growth of this business, we are building on our solid base of existing collectors while nurturing the potential of new customers. This requires continued investment in innovation, targeted digital media and strong analytics that will drive our future success.

CORPORATE SOCIAL RESPONSIBILITY

CANADA

Commemorative programs

We launched *My Canada, My Inspiration*, a major commemorative program celebrating Canada's 150th anniversary. We also launched circulation coins commemorating the 100th anniversary of the Battle of Vimy Ridge (below) and the 125th anniversary of the Stanley Cup®.

We demonstrated that coins can mark a broad range of events dear to Canada such as the solemnness of the 100th anniversary of the Battle of Vimy Ridge.

The Mint is committed to sustainability and protecting the environment and we delivered results in 2017.

Compared to 2016:[1]

water use was

reduced by 18%,

mainly through improvements in Winnipeg, which is equivalent to filling 27 Olympic swimming pools

CO_2 emissions were

reduced by 17%,

which is equivalent to 34,000 trees growing for 10 years

CUSTOMERS

- As a London Bullion Market Association Good Delivery refiner, the Mint is certified as a conflict-free minerals smelter.
- We actively consult with our passionate collectors through our new Coin Talk customer insights panel to connect with our customer community.
- Using ISO 9001 helps ensure that customers get consistent, good quality products and services, which in turn drives business results. Winnipeg successfully recertified for our ISO 9001 designation and Ottawa is slated for recertification in 2018.

[1] Water and CO_2 reductions normalized to 2016 volumes.

PEOPLE

Mental Health

We are committed to the well-being of our employees and very pleased with the positive impact of our multi-year mental health program.

79% of respondents reported increased awareness since the program launched in 2015.

Our focus has now shifted beyond raising awareness to nurturing a culture in which people are comfortable discussing and addressing mental health issues.

"With the progress we have made in the last two years, we now work in a place where it's okay to say you're not okay, to not feel like yourself. Self-awareness, communication, empathy, and support are key in achieving that."

Minka Singh (above)

Employee use of LifeSpeak,
our total well-being employee platform,
increased by 100%
compared to 2016.

The Mint is committed to providing employees with a workplace free of harassment and discrimination. In addition to mandatory Code of Conduct training, the Mint encourages staff to speak up in the event they experience or witness questionable behaviour at work.

In an all-staff communique, the VP of Corporate and Legal Affairs provided employees with specific information on how, and to whom, they may report misconduct without fear of reprisal.

Health and Safety

Our continued commitment to employee health and safety was demonstrated through improvements in our hazard evaluation process.

Our teams evaluated 115 chemicals, completed 52 environmental health and security impact assessments and trained over 60 supervisors and committee members in hazard identification so we are better equipped to prevent accidents and injuries.

CONNECTING TO THE CORPORATE PLAN

The Mint is a strong and vibrant organization with a proud past and a bright future. We continue on the strategic path outlined in the 2017-2021 Corporate Plan[1]. Our focus on productivity and results is ongoing, driving improved rigour around capital investments and expenses. The Mint is optimistic about its future as a high-performing, productive and innovative manufacturing and marketing entity in Canada.

OUR VISION

Delivering excellence... through our **customer**-driven businesses, our talented **people** and the value we add to **Canada** and Canadians.

The Mint delivered excellent results in 2017. We exceeded our financial targets as highlighted in the Management Discussion and Analysis on page 27.

We also achieved our corporate objectives as stated in the 2017-2021 Corporate Plan.

These corporate objectives align with our vision pillars: Canada, Customers and People.

Canada	
Execute the Canada 150th commemorative program with excellence.	✓
Maximize returns to the Government of Canada in the form of retained profits, dividends and income taxes through continued prudent financial management.	✓
Ensure an efficient management of the production, storage and distribution of Canadian coins.	✓

Customers	
Ensure long term profitable growth in Numismatics by increasing the sophistication of marketing tools to attract and develop profitable relationships.	✓
Continue customer focused foreign circulation strategy to ensure a sustainable Foreign Circulation business going forward.	✓

People	
Continue the Mint's transformation by focusing on helping our employees through change.	✓
Continue to demonstrate a focus on achieving a safe, healthy and productive workplace.	✓
Leverage effective talent management strategies to support achievement of our strategy.	✓

[1] The 2017-2021 Corporate Plan was approved by the Mint's Board of Directors, but is pending submission to the Governor in Council.

2018 STRATEGY

LOOKING FORWARD, TO BUILD ON OUR PROGRESS AND CONTINUE DELIVERING RESULTS, OUR 2018 CORPORATE OBJECTIVES ARE:

Canada
Strengthen position of our core mandate
Achieve profit targets while reducing costs to Canada and promoting Canadian heritage and culture.

Customers
Create foundation for strong, sustainable performance
Sustainable profitability is enabled across our customer-focused Bullion, Numismatics and Foreign Circulation businesses.

People
Support our people and enable them to be successful
A safe, healthy and engaged workplace with the capabilities to support achievement of our strategy and business objectives.

As a Crown corporation, the Mint focuses on three key success criteria to measure our results.

1. Successful delivery on our core mandate by meeting coin demand, as outlined in our Letter of Expectations and in our Memorandum of Understanding (MOU) with the Government of Canada.
2. Delivery of retained profits, dividends and income taxes paid as referenced in our Corporate Plan.
3. Alignment with Government of Canada priorities, which are highlighted in various initiatives, such as our Canadian Circulation Coin Program and our Corporate Social Responsibility framework.

MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present the Royal Canadian Mint's 2017 Annual Report.

The Mint is successfully implementing its strategy, is focused on fulfilling its mandate as Canada's mint and on sustaining its role as a global minting leader. The Board will provide ongoing oversight as the Mint continues to deliver results defined in the corporate plan.

The Board was pleased with the organization's strong performance throughout 2017, culminating in financial results that exceeded targets. In addition to successfully fulfilling our core mandate, continued strength was demonstrated in the Bullion Products and Services as we maintained our market share during major shifts in the global investment market. The successful Canada 150 program contributed significantly to the Numismatics business where performance exceeded high expectations. The renewed Foreign Circulation business strategy continues to deliver and the Mint is recognized as a global leader in circulation coin innovation, security and manufacturing. Continued strong financial performance resulted in the Mint paying a record $93 million dollars in dividends to the federal government.

It was a year of transition for the Board of Directors as we integrated four new board members in 2017. With these new appointments, onboarding is fully underway and we are honoured to be working together to serve this distinguished organization. I would like to take this opportunity to thank outgoing Board members for their dedication, commitment and contribution to the success of the Mint.

I would also like to thank the senior management team for its support of new board members and especially the Mint's employees for their outstanding efforts and dedication throughout the year.

Susan Dujmovic
Acting Chair of the Board

CORPORATE GOVERNANCE

The Royal Canadian Mint is committed to maintaining a strong governance framework that guides our leadership in the global minting industry, maintains and promotes our vision and corporate values, and safeguards our long-term viability as a federal Crown corporation.

Enabling effective trade and commerce

Incorporated as a Crown corporation in 1969 under the *Royal Canadian Mint Act*, the Mint is accountable to Parliament through the Minister of Finance. The legislative framework governing the Mint consists of the *Royal Canadian Mint Act* and the *Financial Administration Act*, as well as other legislation and regulations applicable to all federal Crown corporations.

The Mint's mandate is to produce and deliver secure, high-quality and cost-effective Canadian circulation coins in support of trade and commerce. Our vision is to "*deliver excellence… through our customer-driven businesses, our talented people and the value we add to Canada and Canadians*". We are committed to adhering to the highest standards of business conduct in carrying out that vision. Our Code of Conduct and Ethics provides guidance for our employees and sets forth the core values of honesty, respect, pride and passion that define employee behaviour and support our work; these values reflect the spirit of the Mint and the heart and strength of our culture. As part of that commitment, employees of the Mint have all completed mandatory online code of conduct and ethics training in 2017 and will be required to do so annually going forward.

Ensuring effective governance

The Board of Directors has overall responsibility for overseeing the management of the Mint's business and affairs. It exercises its duty in the best interests of the Mint and the long-term interests of the Government of Canada, in accordance with our governing by-laws and applicable legislation and regulation.

To fulfill its stewardship responsibilities, the Board establishes and approves the Mint's strategic direction through a five-year Corporate Plan, and reviews and approves major strategies and initiatives. It exercises due diligence by assessing risks and opportunities, monitors corporate financial performance, ensures the integrity of financial results, and provides timely reports to the Government of Canada.

At the end of 2017, the Board consisted of 10 directors, including the President and Chief Executive Officer (CEO). Directors are appointed from different regions across Canada and five of them are women. With the exception of the CEO, all directors are independent of the Mint's senior management. The Board and its committees hold in-camera sessions with and without the presence of the CEO.

The Board of Directors met eight times in 2017. Three standing committees assist the Board in discharging its responsibilities: the Audit Committee, the Governance and Nominating Committee, and the Human Resources and Workplace Health and Safety Committee. In 2017, these committees met a combined total of 10 times.

In 2017 the Mint welcomed four new directors and a search for a Chairperson is underway. The Vice-Chair of the Board is fulfilling the Chair's duties until the appointment of a Chairperson in 2018.

While the CEO receives an annual salary, the Chair of the Board and each director are paid an annual retainer and *per diem* set by the Governor in Council pursuant to the *Financial Administration Act*. They are reimbursed for all reasonable out-of-pocket expenses incurred while performing their duties related to the Mint, including travel, accommodations and meals.

Board of Directors

Director	Board meeting attendance	Committee meeting attendance
Carman M. Joynt, FCPA, FCA, ICD.D [1] *Ottawa, Ontario* *Chair of the Board*	6/6	8/8
Sandra L. Hanington, ICD.D *President and Chief Executive Officer*	8/8	10/10
John K. Bell, FCPA, FCA, ICD.D *Cambridge, Ontario*	7/8	8/8
Claude F. Bennett [2] *Ottawa, Ontario*	7/7	7/7
Guy Dancosse,Q.C., ICD.D, CIRC [2] *Montréal, Quebec* *Chair, Human Resources and Workplace Health and Safety Committee*	6/7	2/2
Susan Dujmovic, FICB, ICD.D [3] *Vancouver, Bristish Columbia* *Vice-Chair of the Board, Chair, Audit Committee*	7/8	5/5
Serge Falardeau [4] *Sainte-Marie de Beauce, Quebec*	1/1	*
Ghislain Harvey,CIRC *Saguenay, Quebec*	6/8	3/3
Kirk MacRae, ICD.D [2] *Sydney, Nova Scotia* *Chair, Governance and Nominating Committee*	7/7	2/2
Cybele Negris [4] *Vancouver, British Columbia*	1/1	*
N. William C. Ross *Toronto, Ontario*	7/8	2/2
The Honourable Carol Skelton, ICD.D *Harris, Saskatchewan*	8/8	5/5
Deborah Shannon Trudeau [4] *Montréal, Quebec*	1/1	*
Bonnie Staples-Lyon [2] *Winnipeg, Manitoba*	7/7	4/4
Victor L. Young O.C.[4] *St. John's, Newfoundland and Labrador*	1/1	*

Notes:

[1] Chair of the Board until August 16th, 2017

[2] Term of Appointment end date: October 18, 2017

[3] The Vice-Chair of the Board is fulfilling the Chair's duties until the appointment of a Chairperson.

[4] Appointed on October 18, 2017

* Attended meetings as a guest but not a committee member

Staying connected with the public and our employees

The Mint engages in numerous activities to promote transparency, accountability and accessibility, including hosting an annual public meeting and publishing an Annual Report that is tabled in Parliament. We solicit feedback from and engage with consumers and other stakeholders through customer surveys, focus groups and other public opinion research on a variety of topics throughout the year. The Mint solicits information from customers using a new insights survey tool known as Coin Talk which has been highly successful. We also meet regularly with our numismatic and bullion dealers and distributors, and participate in trade conferences and events attended by Mint customers, dealers and distributors.

Meetings were held in the spring and fall of 2017 to update employees on our performance, celebrate achievements and recognize employees' contributions to our success. Managers also held meetings with their direct reports throughout the year to improve communication and promote employee engagement. In 2017 managers identified and implemented initiatives to foster employee engagement and enablement. During 2017, lunch and learn sessions with VPs were held on key business topics including bullion, foreign and numismatics. The Mint's CFO introduced a conference call, with supporting communication, for our leaders to learn about our quarterly financial results, ask questions and be equipped to share information with their teams. Also of note, six Strategic Leadership Forum (SLF) sessions were held in 2017, with executives and directors, providing a venue to connect and to discuss financial performance, progress on strategic objectives and people-focused initiatives.

Canadian Environmental Assessment Act (CEAA)

The Royal Canadian Mint has been using its Environmental, Health & Safety and Security Impact Assessment (EHSIA) process to meet the requirements outlined in Section 67-69 of the *Canadian Environmental Assessment Act, 2012*.

The EHSIA process is completed for all projects that involve the addition and/or modification of processes, equipment, materials, etc. The process is also completed for the addition and/or replacement of chemicals and projects involving the maintenance and/or modifications to buildings and property. As part of the environmental portion of the EHSIA process, the project's impacts to the environment are documented. As part of the assessment process, mitigation measures are also documented (if required).

For 2017, all projects undertaken by the Royal Canadian Mint, which were evaluated under CEAA 2012, were determined to not likely cause significant adverse environmental effects.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) provides a narrative discussion outlining the financial results and operations changes for the year ended December 31, 2017, for the Royal Canadian Mint (The Mint). This discussion should be read with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017, which were prepared in accordance with International Financial Reporting Standards (IFRS). Financial results reported in this MD&A are presented in Canadian dollars and are rounded to the nearest million, unless otherwise noted. The information in this MD&A is current to March 7, 2018, unless otherwise noted. Management is responsible for the information presented in the Annual Report and this discussion. The Board of Directors approved the content of this MD&A and the audited consolidated financial statements.

This 1 oz., 99.99% pure silver commemorative coin captures the majesty of Canada's Pacific coast in its intricately engraved depiction of an orca passing the mountainous, tree-lined shore. The fiery colours of the sunset, in the shape of a maple leaf, reach skyward and ripple across the surface of a calm sea.

Materiality

In assessing what information is to be provided in the MD&A, management applies the materiality principle as guidance for disclosure. Management considered information material if it is probable that its omission or misstatement would influence decisions that users make on the basis of the financial information.

Forward-looking statements

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

Executive summary

The Royal Canadian Mint is Canada's national mint. Its core mandate is to produce circulation coins for Canada, manage the supporting distribution system and provide advice to the Government of Canada on all matters related to coinage. It accomplishes this mandate through a world-leading coin distribution network and inventory management system as well as a high-tech high-volume manufacturing, plating and coining facility in Winnipeg. It is also responsible for safeguarding the integrity of Canada's coinage through ongoing research, development and implementation of increasingly sophisticated security features. The Mint's activities also include the production and marketing of bullion and related refinery products and services, numismatic coins, medals and the provision of minting services to foreign countries.

The Mint is also responsible for the Alloy Recovery Program (ARP) where older-composition Canadian coins are removed from circulation and replaced by multi-ply plated steel (MPPS) coins, which are more durable and secure. This program also involves the systematic replacement of old alloy coins and international coins ensuring that there is consistency in the market and helping to streamline automated coin acceptance transactions.

The Mint continued its tradition of celebrating cultural diversity with this 28.25 g, 99.99% pure gold coin featuring the *Pi Yao* winged lion and *Wu Lou* gourd: Chinese *Feng Shui* symbols for wealth and good health. Emulating Chinese coins with a square hole at the centre, this special collectible was issued in the extremely low mintage of 388.

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

The Bullion Products and Services business provides its customers with market-leading precious metal investment coin and bar products, supported by integrated precious metal refining, storage and exchange traded receipts (ETR) capabilities. These products include the Maple Leaf family of gold, silver, palladium and platinum coins, as well as other precious metal products and services for investment and manufacturing purposes.

As a market leader in the industry with bullion coins of the highest quality and unprecedented security, the Mint is well positioned to capture a leading share of any increase in demand while sustaining volumes during soft markets. The Canadian Gold and Silver Reserves ETR products listed on the Toronto Stock Exchange allow retail and institutional investors to access precious metals stored at the Mint while reducing Mint lease costs.

The Numismatics business creates and sells collectible coins and medals to customers in Canada and around the world. Due to its world-class designs, the Mint's global leadership in the art and science of minting is consistently recognized with prestigious international awards in large part due to innovative technology enhancements such as holograms, selective plating and vibrant colour that allow the Mint to create unique and compelling products. The Mint's innovation extends to its promotions as well, which include leading edge messaging and media fostering an expanding reach in Canada.

Significant corporate events

Dividends

In 2017, the Mint paid a total dividend of $93.2 million, $15 million of which was prescribed by the Mint's Corporate Plan. The Mint also paid a special dividend totalling $78.2 million in 2017 of excess cash over a defined reserve which was updated and reduced during the 2018-2022 corporate planning cycle in consultation with the Department of Finance.

Corporate Plan

On November 23, 2017, the Mint's Board of Directors approved the 2018 – 2022 Corporate Plan, but it is currently on-hold pending resolution of discussions with the Government of Canada.

Senior executive appointments

Chris Carkner was appointed Vice President of Sales in July 2017 and has global sales responsibility for Bullion (including Refinery, Storage and ETR), Numismatics and the Foreign Circulation businesses at the Mint.

Departures from and appointments to the Board of Directors

Mr. Carman Joynt stepped down as Chair of the Board of Directors on August 16, 2017. Mr. Joynt was first appointed to the Board as a Director on November 22, 2007 and was subsequently appointed Chair on February 5, 2015.

On an interim basis, Susan Dujmovic, Vice-Chair of the Board, is fulfilling the Chair's duties until the appointment of a Chairperson.

The Government of Canada is responsible for all appointments to the Board of Directors, including the Chairperson, for Crown corporations. Pursuant to the *Financial Administration Act*, an officer-director of a Crown corporation is appointed by the Governor in Council. The Chair position for the Mint was posted on the Governor in Council Appointments website on October 12, 2017 and is now closed.

On October 18, 2017, the appointment terms for four directors ended. The Mint would like to extend a sincere thank you to Claude F. Bennett, Guy Dancosse, Kirk MacRae and Bonnie Staples-Lyon for their years of commitment to our success.

On November 3, 2017, Finance Minister Bill Morneau announced the appointment of four new directors to the Board of Directors of the Mint. They are Serge Falardeau, Cybele Negris, Deborah Shannon Trudeau and Victor L. Young, O.C. Their respective terms became effective October 18, 2017.

In 2017, the Mint released its thinnest silver coin yet — a 1 oz., 99.99% pure silver coin measuring 60 millimetres from rim to rim with no border. The coin's eye-catching design is inspired by the kaleidoscope: a repeating pattern of whirling maple leaves set against rich, translucent colours.

Travel and hospitality expenditure policies and procedures

In July 2015, several Crown corporations were issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act*. The Mint has fulfilled this directive and implemented a new integrated Corporate Travel, Hospitality, Conference and Event policy effective February 29, 2016. The Treasury Board of Canada issued amended requirements for the Directive on Travel, Hospitality, Conference and Event Expenditures effective April 1, 2017. The principal changes include additional emphasis on the Chief Financial Officer, senior departmental managers and delegated managers' responsibilities, as well as additional reporting requirements and an increased threshold for hospitality where ministerial or deputy head approval is required. The Mint has adapted its travel and hospitality policy to correspond to the amendment effective October 1, 2017.

To acknowledge the multicultural diversity that is a hallmark of Canada, the Mint released its second egg-shaped *pysanka* coin celebrating Ukrainian-Canadian culture. The 1 oz., 99.99% pure silver collectible coin pays tribute to a traditional Ukrainian art form that uses an egg shell as a canvas, blending rich colour with shapes, patterns and symbols.

Performance indicators

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

Consolidated results and financial performance

	2017	2016[1]	$ change	% change
Revenue	**$ 1,691.3**	$ 2,641.4	$ (950.1)	(36)
Profit before income tax and other items[1]	**43.9**	30.7	13.2	43
Profit for the period	**36.1**	24.5	11.6	47
Total assets	**377.8**	444.1	(66.3)	(15)
Working capital	**82.1**	136.1	(54.0)	(40)
Gross profit margin	**11%**	7%		
Pre-tax return on equity[2]	**34%**	17%		
Pre-tax return on assets[2]	**12%**	7%		

[1] A reconciliation from profit for the period to profit before income tax and other items is included on page 27.

[2] Calculation is based on profit before income tax and other items.

Results of operations

Review of financial performance

Profit before income tax and other items for the year ended December 31, 2017 increased 43% to $43.9 million from $30.7 million during the same period in 2016. This increase in profit was primarily driven by strong operating performance across all businesses, in particular improvements in Numismatics and Foreign Circulation.

Revenue by business

	2017	2016[1]	$ change	% change
Canadian Circulation	**$ 104.1**	$ 101.2	$ 2.9	3
Foreign Circulation	**63.9**	63.1	0.8	1
Bullion Products and Services	**1,350.8**	2,330.3	(979.5)	(42)
Numismatics	**172.5**	146.8	25.7	18

[1] Prior year figures have been reclassified to reflect the grouping of ARP revenue with Canadian Circulation.

Canadian Circulation

During the year ended December 31, 2017, revenues from the Canadian Circulation business increased by $2.9 million over the previous year due to the return to profit amendment made to the *Royal Canadian Mint Act* which received Royal Assent on December 15, 2016. In addition, there was an increase in the volume of coins sold to the Department of Finance year over year and a one-time increase in marketing related to the Canadian commemorative coin program campaigns in 2017.

Coin supply

(in millions of coins)	**2017**	2016[1]	Change	%
Financial institutions deposits	**2,992**	3,096	(104)	(3)
Recycled coins	**177**	382	(205)	(54)
Coins sold to financial institutions	**478**	449	29	7
Total coin supply	**3,647**	3,927	(280)	(7)
Less: recycled coins	**(177)**	(382)	205	(54)
Coin supply, excluding recycling	**3,470**	3,545	(75)	(2)

Department of Finance (DOF) inventory

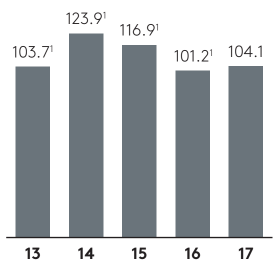
(in millions of coins)	**2017**	2016[1]	Change	%
Opening inventory	**308**	227	81	36
Production	**560**	533	27	5
Coins sold to financial institutions and others	**(486)**	(452)	(34)	8
Ending inventory	**382**	308	74	24

[1] Prior year figures have been revised to conform to the current year presentation.

Demand for Canadian circulation coins is met through the three main sources of supply outlined in the above table and is subject to variability across regions of the country and seasonality depending on the time of the year. The net supply for Canadian circulation coins, excluding recycling, was 3,470 million coins for 2017 compared to 3,545 million for 2016, a modest decrease of 2% year over year. The decrease in recycled coins was due to the removal of recycling kiosks from financial institutions. These changes in the Mint's recycling program reduced the Mint's access to coins for recovery. As a result, only 201 metric tons (MT) of nickel was recovered and sold for melt in 2017, compared to 435 MT of nickel in 2016 resulting in a decline in ARP revenue from $11.2 million in 2016 to $6.7 million in 2017.

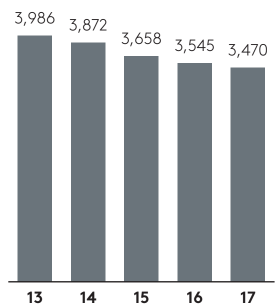
The Mint actively manages inventory levels in response to changes in demand, financial institution deposits and recycling volumes to ensure coinage demand is met throughout the year. The Mint also works to optimize its logistics operations to reduce overall distribution and storage costs for the Government of Canada.

Canadian Circulation revenue
($ in millions)



[1] Prior year figures have been revised to include ARP revenue in Canadian Circulation

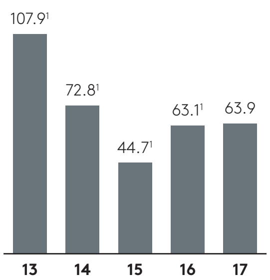
Annual supply for coinage across Canada (normalized for recycling and penny redemptions)
(in millions of coins)



The management of the coinage system was achieved within inventory limits for 2017 as outlined in the Mint's Corporate Plan. To replenish inventories held on behalf of the Department of Finance, the Mint produced 560 million coins in 2017 compared to 533 million in 2016.

The efficient management of the coinage system is achieved hand-in-hand with the celebration of Canada's history, culture and values. During 2017, the Mint released 103 million commemorative coins, including the *Canada 150 My Canada, My Inspiration* (MCMI) collection as well as 25-cent coins, commemorating the 125th anniversary of the Stanley Cup® and the 100th anniversaries of the Toronto Maple Leafs® and the Battle of Vimy Ridge.

Foreign circulation revenue
($ in millions)



[1] Prior year figures have been revised to exclude ARP revenue

Foreign Circulation

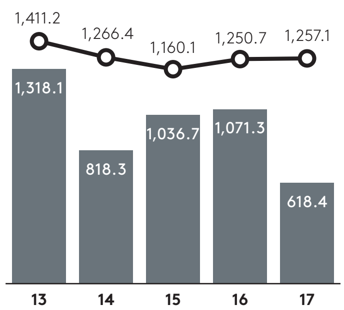
Revenue for the Foreign Circulation business remained fairly consistent, having increased 1% to $63.9 million from $63.1 million the previous year. Foreign Circulation revenue reflects the shipment of 1,522 million (2016 – 1,573 million) coins and blanks to 14 (2016 – 16) countries during the period. In 2017, the Mint secured 10 new production contracts for an aggregate of 1,400 million coins.

Bullion Products and Services

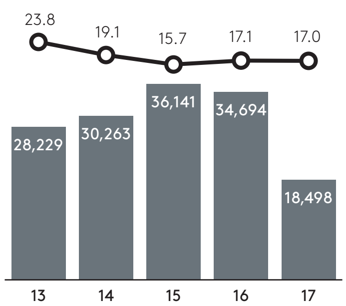
	2017	2016
Gross revenue	**$ 1,717.3**	$ 2,896.5
Less: Customer inventory deals	**(366.5)**	(566.2)
Net revenue	**$ 1,350.8**	$ 2,330.3

(thousands of ounces)	**2017**	2016
Gold	**618.4**	1,071.3
Silver	**18,498.2**	34,693.7
Gross ounces	**19,116.6**	35,765.1
Less: ounces from customer inventory deals	**(2,685.1)**	(6,798.6)
Net ounces	**16,431.5**	28,966.5

Sales of gold bullion products
(thousands of ounces)
vs. Average price of gold
(US$ per ounce)



Sales of silver bullion products
(thousands of ounces)
vs. Average price of silver
(US$ per ounce)



Bullion Products and Services net revenues decreased 42% to $1.4 billion in 2017 from $2.3 billion in 2016. The decline in revenues was attributed to softer global market demand which impacted sales volumes across the suite of bullion products. Sales volumes for gross gold and silver bullion products decreased 43% and 47%, respectively, for the year ended December 31, 2017 when compared to the same period in 2016, while the average prices of gold and silver remained fairly consistent year over year.

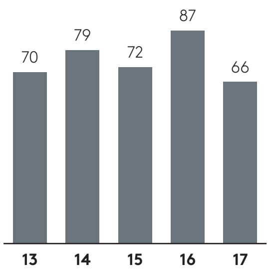
Numismatics

Numismatics revenue increased 18% to $172.5 million from $146.8 million in 2016. The increase in revenue is largely attributable to an increase in the volume of Numismatic products sold as well as a change in the product mix.

	2017	2016[1]
Gold	$ **23.8**	$ 39.2
Silver	**124.8**	99.4
Non Gold or Silver	**23.9**	8.2
Total revenue	$ **172.5**	$ 146.8

[1] Prior year figures have been revised to conform to the current year presentation

Numismatic sellouts
(number of coins)



The Mint sold 26% more Numismatic silver products in 2017 versus 2016 while Numismatic gold products sales decreased by 39%. The Canada 150 program had strong momentum throughout 2017 and was the main driver of the increase in non-gold or silver Numismatic products in 2017 as compared to 2016. The Canada 150 suite of products, including MCMI and other entry level collector coins, has been exceptionally well received by the public, driving exceptional numbers for new customer acquisition, product sales and traffic on www.mint.ca.

Momentum continued through the second half of the year with major numismatic campaigns in commemoration of the 100th anniversary of the Battle of Vimy Ridge and the 100th anniversary of the Toronto Maple Leafs®.

Expenses, other income and income tax

Expenses (income)

	2017	2016	$ change	% change
Cost of sales	$ **1,508.0**	$ 2,465.8	$ 957.8	39
Operating expenses				
Marketing and sales expenses	**70.4**	76.5	6.1	8
Administration expenses	**68.1**	61.7	(6.4)	(10)
Net foreign exchange loss	**4.3**	2.8	(1.5)	
Finance (income) costs, net	**(0.6)**	2.1	2.7	
Other income	**(5.6)**	(0.4)	5.2	
Income tax expense	**10.6**	8.4	(2.2)	

Cost of sales decreased 39% to $1.5 billion for the year ended December 31, 2017 from costs of $2.5 billion during the same period in 2016.

The overall decrease in cost of sales is in line with the decrease in Bullion revenues in 2017 when compared to 2016 due to the softer global market demand for Bullion products which decreased by 46% during these periods. The Mint also experienced lower cost of

The Mint added to its roster of collectible *Superman*™ coins in 2017 with a 99.99% pure silver coin shaped like the superhero's shield emblem — a Mint first. The coin is covered with a transparent enamel that gives a sheen to the red-coloured emblem, which is engraved with scenes from Superman™ comic books.

sales for Foreign Circulation due to a different product mix used in 2017 compared to 2016. The decrease in cost of sales was partially offset by a decrease in the revaluation of the precious metal component of the Face Value redemptions and returns liability due to a decrease in the price of silver in 2017 when compared to the same period in 2016.

On the whole, operating expenses remained consistent and the Mint continues to focus on ensuring its expenses are well-managed. The increase in administration expenses in 2017 was largely due to one-time expenses related to the consolidation of office workspaces in Ottawa and severance expenses. The decrease in sales and marketing expenses was largely due to lower advertising and distribution expenses. Higher employee bonuses were also incurred in 2017 as a result of improved operating performance.

Net foreign exchange loss increased $1.5 million compared to 2016, mainly due to a stronger Canadian dollar and the resulting negative impact on the translation of the precious metal recovery component of the Face Value redemptions and returns liability offset by lower losses from derivative instruments in 2017. Effective December 31, 2016 hedge accounting is no longer applied to foreign currency forward contracts increasing the volatility of foreign exchange gains and losses on the statement of comprehensive income.

Other income increased $5.2 million compared to 2016 due mainly to the de-recognition of a liability owing to the DOF related to an opening balance sheet adjustment that was recorded at the date of transition to IFRS in 2010. In 2017, the Mint received confirmation that it no longer owed the outstanding balance of $5.1 million and derecognized this liability.

Income tax expense for the year increased $2.2 million when compared to 2016 mainly due to higher income from continuing operations in 2017, partially offset by the receipt of $1.8 million of foreign tax credits in 2017 relating to prior years.

Liquidity and capital resources

Cash flows

	2017	2016[1]	$ change	% change
Cash, at the end of the period	**$ 56.3**	$ 114.2	$ (57.9)	(51)
Cash flow from operating activities	**57.6**	27.5	30.1	109
Cash flow used in investing activities	**(14.2)**	(14.3)	0.1	(1)
Cash flow used in financing activities	**(100.7)**	(38.5)	(62.2)	162

[1] Prior year figures have been revised to conform to the current year presentation as described in Note 22.1 of the audited consolidated financial statements for the year ended December 31, 2017.

Cash generated from operating activities in 2017 was $57.6 million, a $30.1 million increase compared to 2016. The increase was mainly due to higher operating income, a positive change in working capital mainly attributable to a billing adjustment with the DOF in 2016 which did not recur in 2017 and an income tax refund received during 2017.

Cash used in investing activities was fairly consistent. Capital expenditures at the Mint are guided by anticipated growth in sales, new product and technology research, development and production requirements, the support and enhancement of facilities and information technology, and return on investment. These expenditures fell into three categories in 2017:

- Building ($4.4 million): includes office modernization and improvements to optimize the Mint's office footprint in Ottawa.
- Equipment ($5.1 million): includes investments for reliability, flexibility and capability improvement as well as safety, security and protection of the environment. In 2017, the Mint started the implementation of a second painting line in Winnipeg to increase capacity for coloured circulation coins.
- Information Technology ($4.7 million): includes computer hardware and software for the ongoing support and development of the computing and communications infrastructure. The main project for 2017 was the disaster recovery project.

The $62.2 million increase in cash used in financing activities for the year represented a higher special dividend declared and paid to the Government of Canada during 2017 compared to 2016.

Borrowing facilities

The Mint entered 2017 with total outstanding long-term loans of $27.0 million. During the year, repayments of $7.5 million decreased the balance to $19.5 million. The Mint entered and closed the period with a long-term loan-to-equity ratio of 1:7. See note 14 to the audited consolidated financial statements pages 72 for details on the Mint's borrowing facilities.

Return to the Government of Canada

For the year ended December 31, 2017, the Mint paid $93.2 million in dividends to the Government of Canada. The following table summarizes the financial benefit the Mint has made to Canada over the last 5 years:

	2013	2014	2015	2016	2017	**Total**
Fixed dividends paid	$ 10.0	$ 10.0	$ 10.0	$ 15.0	$ 15.0	**$ 60.0**
Special dividends paid	–	–	43.0	16.0	78.2	**$ 137.2**
Total dividends	$ 10.0	$ 10.0	$ 53.0	$ 31.0	$ 93.2	**$ 197.2**
Income tax paid	$ 7.8	$ 16.9	$ 9.9	$ 19.1	$ 9.2	**$ 62.9**
Total financial benefit to Canada	$ 17.8	$ 26.9	$ 62.9	$ 50.1	$ 102.4	**$ 260.1**

Contractual obligations and other commercial commitments

See notes 13 and 24 to the audited consolidated financial statements starting on pages 72 and 84, respectively, for details on the Mint's contractual obligations and other commercial commitments.

Testament to the Mint's fine craftsmanship and spirit of innovation, this 10 oz., 99.9% pure silver coin features a beautifully rendered, selectively gold-plated elk sculpture designed by Canadian big game sculptor Karl Lansing. The multidimensional coin ships with a dome-shaped capsule for protection and display.

Performance against Corporate Plan

The operating and financial results achieved during the year ended December 31, 2017 indicate that the financial goals established in the 2017-2021 Corporate Plan, approved by the Mint's Board of Directors but pending submission to the Governor in Council, were met.

The financial goal for 2017 was profit before income tax and other items of $25 million compared to actual results of $44 million.

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

		2017		2016
Profit for the period	**$**	**36.1**	$	24.5
Add (deduct):				
Income tax expense		**10.6**		8.4
Other income		**(5.6)**		(0.4)
Net foreign exchange loss		**4.3**		2.8
FV Revaluation[1]		**(1.5)**		(4.6)
Profit before income tax and other items	**$**	**43.9**	$	30.7

[1] Face Value revaluation is the non-cash impact of the change in the valuation of the precious metal component of the liability for Face Value redemptions and returns.

Risks to performance

Management considers risks and opportunities at all levels of decision making. The Mint's performance is influenced by many factors, including: economic conditions, financial and commodity market volatility, and competitive pressures. Also, as a Crown corporation governed under a legislative framework, the Mint's performance could be impacted by changes to shareholder objectives or to the directions given by governing bodies.

Enterprise risk management

Under the guidance of the Board and the Audit Committee, the Mint's enterprise risk management process is undertaken by the Leadership Team. It focuses on the identification and management of the key risks which could impact the achievement of the Mint's strategic objectives. As part of its oversight process, the Board reviews the Mint's corporate risk profile on a quarterly basis and has input into the broader risk management approach.

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

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

As of December 31, 2017, the Mint has identified the following key corporate level risks that could materially impact its forecasted financial results.

The finely detailed 18-karat gold maple leaf that adorns this 2 oz., 99.99% pure silver collectible coin sits amid a wreath of maple leaves. Behind this display, frosted and proof finishes re-create the bands of Canada's flag.

Strategic risks

Shareholder relations, regulations and requirements

The Mint is a Crown corporation governed primarily under the *Royal Canadian Mint Act* and the *Financial Administration Act*. Any changes within the control of the Government of Canada, such as national priorities, financial objectives, Board composition and participation or to legislation could have an impact on the Mint's financial performance. The Mint is facing uncertainty focused in two specific areas — the Memorandum of Understanding (MOU) in relation to Canadian circulation coins with the Department of Finance, which expired at the end of 2017; and the potential implications for the Canadian Circulation, Bullion and Numismatics businesses in the event a change in effigy is required.

Negotiations to renew the MOU are on-going. The current MOU will remain in effect until a new MOU is signed. The Mint is working closely with various stakeholders to prepare for potential changes in effigy with minimal impact to its operations.

Numismatics value proposition

Past Numismatics business growth and profitability relied heavily on Face Value products until January 2017, the date of discontinuation of the Face Value program. Going forward, revenue forecasts are based on the continued success of other elements of the Numismatic strategy.

The next phase of the Numismatic strategy is to increase the Mint's customer base through a focus on customer growth and retention while improving the cost structure for this business.

Bullion market volatility

The demand for precious metal investment products, including Bullion, is largely determined by market forces beyond the Mint's control. The Mint's financial forecast is based on our best estimation of the current and potential market conditions; any economic or geopolitical changes throughout our key markets could significantly impact the relevance of underlying assumptions. The Mint will continue to monitor the competitive environment and adjust business strategies and tactics as necessary, including addressing operating costs.

The Mint partnered with Canadian artist Dave Zachary to produce a 5 oz., 99.99% pure silver coin topped with a sculpture of a mighty polar bear hand-carved from soapstone. The coin's design fuses traditional soapstone sculpting with contemporary minting techniques to create one-of-a-kind collectibles.

Foreign market dynamics

The Mint's Foreign Circulation business operates in a competitive environment. The risk that competition and product mix has on pricing for Foreign Circulation contracts could negatively impact the Mint's profitability and cost absorption. The Mint is conducting an in-depth analysis of Foreign Circulation market opportunities and is discussing appropriate strategic approaches with its Board of Directors.

Financial risks

The Mint, by the nature of its business, is exposed to market risks that arise from movements in commodity metal prices and foreign exchange rates. The majority of raw materials purchased for use in coin production are metals subject to significant price volatility. Foreign exchange risk arises from exchange rate movements on sales and purchases made by the Mint. The Mint operates a prudent hedging program that uses various types of financial instruments to manage its exposure to market risks.

Sensitivity table

Key factor	Change	Dominant impact
Canadian dollar is	Weaker	Increases revenue from products sold in US dollars Increases costs incurred in US dollars Increases Face Value redemptions and returns liability and cost of sales
Gold price/ounce	Increases	Increases revenue from Bullion products Increases product cost for Bullion and Numismatics
Silver price/ounce	Increases	Increases product cost for Bullion and Numismatics Reduces Face Value redemptions and returns liability and cost of sales
Nickel price/KG	Increases	Increases revenue for ARP
Bullion lease rates	Increase	Increases product cost for Bullion

Operational risks

Cyber security

Information and cyber security continue to be an increasingly problematic issue for industries in Canada and around the globe. The volume and sophistication of cyber-attacks continue to increase and adversaries are becoming more organized. The occurrence of such an event could have a significant impact on the Mint's cost and forecasted financial results.

The Mint is actively monitoring and testing controls and continues to develop new processes to protect its systems and client information from damage and unauthorized disclosure.

Business continuity and disaster recovery

The Mint's operations, like every other organization, can be impacted by natural disasters, pandemics and disruptions to critical infrastructure. The Mint is currently formalizing/establishing business continuity and disaster recovery programs. These programs share the objective of getting the business running as close to normal as possible, especially concerning mission-critical applications.

Internal controls over financial reporting

The Mint's internal controls over financial reporting provide reasonable assurance about the reliability of financial reporting and preparation of its consolidated financial statements. The Mint has developed a multi-year program, starting in 2017, to improve and strengthen internal controls. Notwithstanding the continuous improvements the Mint has been implementing, an error or inaccuracy could have a material impact on its consolidated financial statements.

Critical accounting estimates, adoption of new accounting standards and accounting policy developments

See notes 3 and 4 to the consolidated financial statements starting to pages 50 and 53, respectively, for a discussion of critical accounting estimates, adoption of new accounting standards and accounting policy developments.

Travel, hospitality and conference expenditures

The following table summarizes the travel, hospitality and conference expenditures incurred by the Mint for the year ended December 31, 2017, except for information withheld under the *Access to Information Act* or the *Privacy Act*.

	2017	2016	$ change	% change
Travel	**$ 1.6**	$ 1.8	$ (0.2)	(11)
Hospitality	**0.1**	0.1	–	–
Conference fees	**0.3**	0.2	0.1	50
Total travel, hospitality, conference and event expenditures	**$ 2.0**	$ 2.1	$ (0.1)	(5)

Outlook

Overall demand for Canadian circulation coins is expected to decline in 2018, as Canada 150 activities across Canada resulted in a modest increase in production in 2017.

The Mint has strong contracted business for its Foreign Circulation business in 2018, with a balance between finished coins and coin blanks. Over the next 12 months, Central Banks are expected to issue tenders for over 5 billion nickel plated steel coins and coin blanks. The Mint anticipates continued profitable utilization of its Winnipeg assets.

Every year, races of longboats painted to resemble dragons are held as part of a Chinese cultural tradition that dates back more than 2,000 years. The Mint released a 99.99% pure silver coin in celebration of the annual Dragon Boat Festival featuring a selectively coloured Chinese dragon struck multiple times to create a multi-dimensional effect.

Global demand for gold and silver bullion in 2018 is expected to be soft and the Mint is continuing to carefully manage operating costs to mitigate the impact of uncertainty in the bullion market. The Mint continues to focus on customer strategies and product differentiation in support of its strong market share. 2018 is expected to be a strong year for the Mint's Refining and Storage ancillary services.

Canada 150 was instrumental in fuelling the growth in Numismatic revenues in 2017, but has also fostered innovation in product and promotion that will drive success in future years. In addition to the value provided by the attraction of over 140,000 new customers in 2017, the 2018 Numismatics plan will be bolstered by foundational changes to the Mint's customer acquisition and retention strategies including leading edge use of digital media, targeting and insight driven messaging. This trajectory of innovation, and strong analytics, will continue into 2018.

Forward-looking statements

This Annual Report, including this MD&A, contains forward-looking statements that reflect management's expectations regarding the Mint's objectives, plans, strategies, future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as "plans", "anticipates", "expects", "believes", "estimates", "intends", and other similar expressions. These forward-looking statements are not facts, but only estimates regarding expected growth, results of operations, performance, business prospects and opportunities (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Mint expects. These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth above in the Risks to Performance, as well as in Note 8 – Financial Instruments and Financial Risk Management to the Mint's audited consolidated financial statements.

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

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

The forward-looking statements included in this Annual Report are made only as of March 7, 2018, and the Mint does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

MANAGEMENT REPORT

The consolidated financial statements contained in this annual report have been prepared by Management of the Royal Canadian Mint in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board using the best estimates and judgements of Management, where appropriate. The integrity and objectivity of the data in these consolidated financial statements are Management's responsibility. Management is also responsible for all other information in this annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated 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*, including directive (P.C. 2015–1107) pursuant to section 89 of this 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. The Committee meets with Management, the internal auditor and the independent external auditor to review the manner in which the Corporation is 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.

Sandra L. Hanington
President and Chief Executive Officer

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

Ottawa, Canada
March 7, 2018

INDEPENDENT AUDITOR'S REPORT

Office of the Auditor General of Canada   Bureau du vérificateur général du Canada

To the Minister of Finance

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Royal Canadian Mint, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Royal Canadian Mint as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Royal Canadian Mint and 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* and regulations, the charter and by-laws of the Royal Canadian Mint and its wholly-owned subsidiary, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

Karen Hogan

Karen Hogan, CPA, CA
Principal
for the Auditor General of Canada

7 March 2018
Ottawa, Canada

Consolidated Statement of Financial Position

As at December 31 (audited) *(CAD$ thousands)*

	Notes		2017		2016
Assets					
Current assets					
Cash		**$**	**56,268**	$	114,185
Accounts receivable	5		**16,787**		24,938
Prepaid expenses	6		**3,615**		4,012
Income taxes receivable			**4,246**		4,222
Inventories	7		**85,455**		78,929
Derivative financial assets	8		**361**		425
Total current assets			**166,732**		226,711
Non-current assets					
Prepaid expenses	6		**2,336**		1,669
Derivative financial assets	8		**111**		17
Deferred income tax assets	16		**32,379**		33,206
Property, plant and equipment	9		**166,071**		170,254
Investment property	10		**236**		236
Intangible assets	11		**9,930**		12,004
Total non-current assets			**211,063**		217,386
Total assets		**$**	**377,795**	$	444,097
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	13	**$**	**60,803**	$	59,384
Loans payable	8, 14		**7,507**		7,516
Face Value redemptions and returns	12		**1,789**		3,153
Deferred revenue	15		**11,013**		13,078
Employee benefits	17		**2,874**		2,866
Derivative financial liabilities	8		**597**		4,620
Total current liabilities			**84,583**		90,617
Non-current liabilities					
Accounts payable and accrued liabilities	13		**1,881**		401
Loans payable	8, 14		**11,994**		19,490
Face Value redemptions and returns	12		**139,346**		137,864
Employee benefits	17		**11,765**		10,101
Derivative financial liabilities	8		**–**		268
Total non-current liabilities			**164,986**		168,124
Total liabilities			**249,569**		258,741
Shareholder's equity					
Share capital (authorized and issued 4,000 non-transferable shares)			**40,000**		40,000
Retained earnings			**88,127**		145,617
Accumulated other comprehensive income (loss)			**99**		(261)
Total shareholder's equity			**128,226**		185,356
Total liabilities and shareholder's equity		**$**	**377,795**	$	444,097

Commitments, contingencies and guarantees (Note 24).
The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

Susan Dujmovic,
FICB, ICD.D
Acting Chair
Board of Directors

Approved on behalf of Management

Sandra L. Hanington

President and
Chief Executive Officer

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

Consolidated Statement of Comprehensive Income

For the year ended December 31 (audited) *(CAD$ thousands)*

	Notes	**2017**	2016
Revenue	18	**$ 1,691,299**	$ 2,641,415
Cost of sales	19, 20	**1,507,977**	2,465,817
Gross profit		**183,322**	175,598
Marketing and sales expenses	19, 20	**70,399**	76,478
Administration expenses	19, 20, 21	**68,117**	61,745
Operating expenses		**138,516**	138,223
Net foreign exchange loss		**(4,311)**	(2,812)
Operating profit		**40,495**	34,563
Finance income (costs), net		**573**	(2,069)
Other income	23	**5,574**	444
Profit before income tax		**46,642**	32,938
Income tax expense	16	**(10,588)**	(8,450)
Profit for the period		**36,054**	24,488
Items that will be reclassified subsequently to profit:			
Net unrealized gains on cash flow hedges		**360**	4,622
Reclassification of net realized losses on cash flow hedges transferred from other comprehensive income		**–**	1,946
Items that will not be reclassified subsequently to profit:			
Net actuarial losses on defined benefit plans		**(344)**	(9)
Other comprehensive income, net of income tax		**16**	6,559
Total comprehensive income		**$ 36,070**	$ 31,047

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

Consolidated Statement of Changes In Equity

For the year ended December 31 (audited) *(CAD$ thousands)*

	Share Capital	Retained earnings	Accumulated other comprehensive income (loss) (Net gains (losses) on cash flow hedges)	Total
Balance as at December 31, 2015	$ 40,000	$ 152,138	$ (6,829)	$ 185,309
Profit for the period	–	24,488	–	24,488
Other comprehensive (loss) income, net[1]	–	(9)	6,568	6,559
Dividends paid (Note 8.1)	–	(31,000)	–	(31,000)
Balance as at December 31, 2016	$ 40,000	$ 145,617	$ (261)	$ 185,356
Profit for the period	**–**	**36,054**	**–**	**36,054**
Other comprehensive (loss) income, net[1]	**–**	**(344)**	**360**	**16**
Dividends paid (Note 8.1)	**–**	**(93,200)**	**–**	**(93,200)**
Balance as at December 31, 2017	**$ 40,000**	**$ 88,127**	**$ 99**	**$ 128,226**

[1] Amounts are net of income tax

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

Consolidated Statement of Cash Flows

For the year ended December 31 (audited) *(CAD$ thousands)*

	Notes	**2017**	2016 (Note 22)
Cash flows from operating activities			
Profit for the period		**$ 36,054**	$ 24,488
Adjustments to reconcile profit to cash flows from operating activities:			
Depreciation and amortization	19	**20,244**	18,235
Income tax expense	16	**10,588**	8,450
Finance (income) costs, net		**(573)**	2,069
Other income		**(5,574)**	(444)
Net foreign exchange loss		**1,223**	492
Adjustments to other (revenue) expenses, net	22	**(738)**	794
Changes in liability for Face Value redemptions and returns		**(2,721)**	12,925
Net changes in operating assets and liabilities	22	**7,337**	(20,527)
Cash from operating activities before interest and income tax		**65,840**	46,482
Income tax paid, net of income taxes received	22	**(9,202)**	(19,100)
Interest received, net of interest paid	22	**925**	151
Net cash from operating activities		**57,563**	27,533
Cash flows used in investing activities			
Acquisition of property, plant and equipment and intangible assets		**(14,204)**	(13,125)
Settlements of derivative contracts to acquire property, plant and equipment, net		**–**	(1,189)
Net cash used in investing activities		**(14,204)**	(14,314)
Cash flows from financing activities			
Dividends paid	8.1	**(93,200)**	(31,000)
Repayment of loans	14	**(7,500)**	(7,500)
Net cash used in financing activities		**(100,700)**	(38,500)
Effect of changes in exchange rates on cash		**(576)**	(1,310)
Decrease in cash		**(57,917)**	(26,591)
Cash at the beginning of the period		**114,185**	140,776
Cash at the end of the period		**$ 56,268**	$ 114,185

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

1. Nature and description of the Corporation

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

On December 15, 2016, the *Royal Canadian Mint Act* was amended to clarify the Corporation's powers and to enable the Corporation to anticipate profit with respect to the provision of all goods and services, and removed the restriction that the Corporation shall not anticipate profit with respect to the provision of any goods or services to Her Majesty in right of Canada.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. The directive also required the Corporation to report on the implementation of this directive in the Corporation's next Corporate Plan. The Corporation has fulfilled this directive and implemented a new integrated Corporate Travel, Hospitality, Conference and Event Policy effective February 29, 2016. The Corporation has also complied with Treasury Board's amended Directive on Travel, Hospitality, Conference and Event Expenditures effective April 1, 2017 regarding the requirement for additional emphasis on senior management responsibilities and the increased threshold where the Chair of the Board of Directors, Chief Executive Officer or Chief Financial Officer approval is required. To be fully compliant with Treasury Board's amended Directive, these required amendments are reflected in the Corporation's revised Corporate Travel, Hospitality, Conference and Event Policy that came into effect October 1, 2017.

The Corporation 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. The addresses of its registered office and principal place of business are 320 Sussex Drive, Ottawa, Ontario, Canada, K1A 0G8 and 520 Lagimodière Blvd, Winnipeg, Manitoba, Canada, R2J 3E7.

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

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

2. Significant accounting policies

2.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The policies set out below have been consistently applied to all the periods presented.

These consolidated financial statements have been approved for public release by the Board of Directors of the Corporation on March 7, 2018.

2.2 Consolidation

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

2.3 Foreign currency translation

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

Transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rate of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to Canadian dollars using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences resulting from the settlement of foreign denominated transactions and from translation are recognized in profit or loss in the period in which they arise, except for exchange differences on transactions applying hedge accounting which are recognized in other comprehensive income.

2.4 Inventories

Inventories consist of raw materials and supplies, work in process and finished goods, and are measured at the lower of cost and net realizable value. Cost of inventories includes all costs of purchase, all costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventory is determined by the weighted average cost method. Net realizable value represents the estimated selling price of inventory in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.5 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Corporation's financial assets and financial liabilities are classified and subsequently measured as follows:

Financial Instrument	Classification	Subsequent measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Derivative financial assets	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liability	Amortized cost
Loans payable	Other financial liability	Amortized cost
Derivative financial liabilities	Held for trading	Fair value

2.5.1 Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income and expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.6 Financial assets
The Corporation's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis.

All derivative financial assets are classified in the FVTPL category, except those designated and effective as hedging instruments, for which hedge accounting requirements apply (see Note 2.8.1).

2.6.1 Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment write downs. Assets in this category include accounts receivables and are classified as current assets in the consolidated statement of financial position.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be insignificant.

2.6.2 Financial assets at fair value through profit or loss
Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition.

Financial assets at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 8.2.1.

2.6.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the debtor; or
- breach of contract, such as a default or delinquency in payments; or
- it becoming probable that the debtor will enter bankruptcy or financial re-organization; or
- significant decrease in creditworthiness of the debtor.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment does not exceed what the amortized cost would have been had the impairment not been recognized.

2.6.4 Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

All derivative financial liabilities are classified in the FVTPL category, except those designated and effective as hedging instruments, for which hedge accounting requirements apply (see Note 2.8.1).

2.7.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading using the same criteria described in Note 2.6.2 for a financial asset classified as held for trading.

Financial liabilities at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 8.2.1.

2.7.2 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

2.7.3 Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

2.8 Derivative financial instruments

The Corporation selectively utilizes derivative financial instruments, primarily to manage financial risks and to manage exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Attributable transaction costs are recognized in profit or loss as incurred. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability on the consolidated statement of financial position if the remaining contractual maturity of the instrument is more than twelve months and it is not expected to be realized or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

(In thousands of Canadian dollars, unless otherwise indicated)

2.8.1 Hedge accounting

The Corporation designates certain derivatives as hedges of highly probable forecasted transactions or hedges of firm commitments (cash flow hedges). Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure. 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 gain or loss relating to the changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income are transferred to profit in the period when the hedged item is recognized in the consolidated statement of comprehensive income.

Hedge accounting is discontinued prospectively when the hedging instrument is terminated, exercised, matured or when the derivative no longer qualifies for hedge accounting. As at December 31, 2016, the Corporation discontinued hedge accounting for forward foreign currency contract derivatives. The Corporation continues to apply hedge accounting to interest rate swaps.

2.9 Property, plant and equipment

2.9.1 Asset recognition

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2.9.2 Depreciation

Depreciation of property, plant and equipment begins when the asset is available for use by the Corporation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are estimated as follows:

Land improvements	40 years
Buildings & improvements	10–60 years
Equipment	3–35 years

Capital projects in process for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Corporation's accounting policy. Depreciation of these assets commences when the assets are available for their intended use.

Freehold land is not depreciated.

Useful lives, residual values and depreciation methods are reviewed at each year end and necessary adjustments are recognized on a prospective basis as changes in estimates.

2.9.3 Subsequent costs

Day-to-day repairs and maintenance costs are expensed when incurred.

Costs incurred on a replacement part for property, plant and equipment are recognized in the carrying amount of the affected item when the costs are incurred. The carrying amount of the part that was replaced is derecognized.

Cost of major inspections or overhauls are recognized in the carrying amount of the item or as a replacement. Any remaining carrying amount of the cost of the previous inspection is derecognized.

2.9.4 Derecognition

A property, plant and equipment item is derecognized upon disposal or when no further future economic benefits are expected from its use. The gain or loss on disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss when the item is derecognized.

2.10 Investment property

Investment property is property held to earn rental income or for capital appreciation, or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

The Corporation's investment property is measured at cost and relates to vacant land in the Corporation's Winnipeg location. The fair value of the investment property is disclosed in Note 10. If in management's judgement, it is likely that there is significant change in the market price of the investment property, a new valuation will be carried out.

2.11 Intangible Assets

2.11.1 Software

The Corporation's intangible assets include software for internal use or for providing services to customers. These assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are from 5 to 7 years. The estimated useful life and amortization method are reviewed at each year end with necessary adjustments being recognized on a prospective basis as changes in estimates.

2.11.2 Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditures capitalized include the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

2.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. All other leases are classified as operating leases. The Corporation has no finance leases at the end of the reporting period.

The operating lease payments are recognized on a straight-line basis over the lease term.

2.13 Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

In addition to reviewing all property, plant and equipment and intangible assets for indications of impairment loss at the end of each reporting period, the Corporation reviews the carrying amounts of previously impaired property, plant and equipment and intangible assets for indicators of impairment reversal. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized as expenses in profit or loss in the period in which they are incurred.

2.15 Income tax

Income tax expense comprises the sum of current income tax and deferred income tax.

2.15.1 Current income tax

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.15.2 Deferred income tax

Deferred income tax is recognized on taxable temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the income tax asset will be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.15.3 Current and deferred income tax for the period

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively.

2.15.4 Scientific Research and Experimental Development Investment Tax Credit

The Corporation deducts scientific research and experimental development investment tax credits from related research and development expenses. Only scientific research and experimental development investment tax credits that are probable are deducted.

2.16 Employee benefits

2.16.1 Short-term employee benefits

Short-term employee benefits are the employee benefits that are expected to be settled within twelve months after the end of the period in which the employees render the related service. The Corporation's short-term employee benefits include wages and salaries, annual leave and other types of short-term benefits.

The Corporation recognizes the undiscounted amount of short-term employee benefits earned by an employee in exchange for services rendered during the period as a liability in the consolidated statement of financial position, after deducting any amounts already paid and as an expense in profit or loss.

2.16.2 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees render service and represent the total pension obligation of the Corporation.

2.16.3 Other post-employment benefits

Other post-employment benefits include severance benefits and supplementary retirement benefits including post-retirement benefits and post-retirement insurance benefits for certain employees and former employees. The benefits are accrued as the employees render the services necessary to earn them.

The accrued benefit obligation is actuarially determined by independent qualified actuaries using the projected unit credit actuarial valuation method 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 termination rates.

Actuarial gains and losses arise when actual results differ from results which are estimated based on the actuarial assumptions. Actuarial gains and losses are reported in retained earnings in Shareholder's equity in the year that they are recognized as other comprehensive income in the consolidated statement of comprehensive income.

When past service costs occur, they are recognized at the earliest of when the amendment or curtailment occurs or when the Corporation recognizes the related restructuring or termination costs.

2.16.4 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits) that are not expected to be settled within twelve months after the end of the period in which the employees render the related service.

The Corporation's other long-term employee benefits include benefits for employees in receipt of long-term disability benefits, sick leave and special leave benefits and worker's compensation benefits.

The Corporation's sick leave and special leave benefits that are accumulated but not vested are accounted for as other long-term employee benefits and presented as current liabilities in the consolidated statement of financial position as the Corporation does not have the right to defer settlement of these liabilities.

Long-term disability benefits, sick leave benefits and special leave benefits are accrued as the employees render the services necessary to earn them. The accrued benefit obligation is actuarially determined by independently qualified actuaries using discounted estimated future benefit payments.

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. The accrued benefit obligation 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 measurement date. The benefit entitlements are based upon relevant provincial legislations in effect on that date.

All other long-term employee benefits, past service costs and actuarial gains and losses are recognized immediately in profit or loss on the consolidated statement of comprehensive income, as is the effect of curtailments and settlements, if applicable.

2.17 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.18 Share capital

In 1987, the revised *Royal Canadian Mint Act* provided the Corporation with an authorized share capital of $40 million divided into 4,000 non-transferable shares, redeemable at their issue price of $10,000 each. In 1989, the Minister of Supply and Services purchased the 4,000 shares in the Corporation. This was a part of a financial structuring that allows the Corporation to apply its net earnings to meet operational requirements, replace property, plant and equipment, generally ensure its overall financial stability and pay a reasonable dividend to the Government of Canada. The shares are currently held in trust by the Minister of Finance for Her Majesty in Right of Canada.

2.19 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates and other similar allowances.

2.19.1 Sale of goods

Revenue from the sale of goods is recognized when:

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Corporation.

Customer returns for numismatic coins are estimated based on the Corporation's return policy and historical experience. When the Corporation cannot reliably estimate customer returns, rebates and other similar allowances, revenue is not recorded.

The Corporation recognizes revenue in certain circumstances in which the delivery of the goods is delayed at the buyer's request, but the buyer takes title and accepts billing. These are referred to as bill and hold arrangements. The revenue is recognized provided that it is probable that the delivery will be made, the item is on hand, identifiable and ready for delivery at the time of the sale and that usual payment terms apply.

Transactions for the sale of goods are evaluated to determine whether the Corporation is the principal, as well as whether the transactions should be recorded on a gross or net basis. In situations where the Corporation is not the principal in a transaction, revenue and cost of sales are recorded on a net basis.

2.19.2 Rendering of services

Revenue from the rendering of services is recognized by reference to the stage of completion of contracts at the reporting date. The revenue is recognized when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Corporation.

The stage of completion of contracts at the reporting date is determined by reference to the costs incurred to date as a percentage of the estimated total costs of the contract.

2.19.3 Deferred revenue

Payments received in advance on sales are not recognized as revenue until the products are shipped or the services are rendered. As such, deferred revenue is initially recognized within liabilities on the consolidated statement of financial position.

2.20 Liability for Face Value redemptions and returns

The Corporation determined that it cannot reliably estimate the redemptions and returns of coins that were part of the Face Value coin program. The judgements exercised in reaching this determination are described in Note 3.2.1. The liability for Face Value redemptions and returns represents the expected net cash outflows to be incurred by the Corporation if all Face Value coins are redeemed or returned, including the estimated costs of redemptions and returns offset by the market value of the precious metal content of the coins that will be recovered by the Corporation when these coins are returned. If the Corporation is able to determine a reliable estimate of redemptions and returns, the liability for Face Value redemptions and returns would be reduced in the period the estimate is determined and income would be recognized in the consolidated statement of comprehensive income.

3. Key sources of estimation uncertainty and critical judgments

3.1 Key sources of estimation uncertainty

The preparation of these consolidated financial statements requires management to exercise judgement to make complex or subjective estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

In making estimates and using assumptions, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ significantly from the estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant items where estimates and assumptions are used are the Face Value redemptions and returns, estimated useful lives of property, plant and equipment, and intangible assets, impairment of property, plant and equipment, and intangible assets, employee benefits liabilities, the precious metal reconciliation process including the expected precious metal content in refinery by-products, inventory valuation allowance and income taxes.

3.1.1 Face Value redemptions and returns

The liability for Face Value redemptions and returns includes an estimate of the value of the precious metal content of outstanding Face Value program coins based on the current market price of silver, as well as an estimate of the costs to redeem or return outstanding Face Value coins based on current shipping and handling costs. Changes in these estimates would affect the carrying value of the liability for Face Value redemptions and returns as discussed in Note 2.20. These estimates are reviewed at the end of each reporting period. The carrying amount of the liability for Face Value redemptions and returns is included in Note 12.

3.1.2 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite useful lives, are depreciated over their useful lives. Useful lives are based on management's estimates of the periods of service provided by the assets. The useful lives of these assets are reviewed annually for continued appropriateness. Changes to the useful life estimates would affect the timing of future depreciation expense and the future carrying value of assets. The carrying amounts of the property, plant and equipment and intangible assets as at the end of the reporting periods are included in Note 9 and Note 11, respectively.

Determining whether property, plant and equipment and intangible assets are impaired requires an estimation of the recoverable amount of the assets or of the cash-generating units that displayed impairment indicators. The recoverable amount of the assets or of the cash-generating units is determined based on the higher of fair value less cost of disposal or the value in use, whereby the undiscounted future cash flows expected to arise from the cash-generating units is estimated and a discount rate represented by the weighted average costs of capital is used in order to calculate the present value of the cash flows. The key estimates applied in determining the recoverable amount normally includes estimated future metal prices, expected future revenues, future costs and discount rates. Changes to these estimates will affect the recoverable amounts of the cash-generating units and individual assets and may then require a material adjustment to their related carrying value.

3.1.3 Employee benefits liabilities

The present value of the other post-employment and other long-term employee benefits liabilities to be settled in the future depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as discount rates, long-term rates of compensation increase, retirement age, future health-care and dental costs and mortality rates. The Corporation consults with external actuaries regarding these assumptions annually. Any changes in these assumptions will impact the carrying amount of the pension, other post-employment and other long-term employee benefits liabilities. The carrying amount of the employee benefits liabilities as at the end of the reporting periods is included in Note 17.

3.1.4 Precious metal inventory and reconciliation

Certain refinery by-products with precious metal content which cannot be processed by the Corporation are shipped to contract refineries to determine the actual precious metal content. Due to the varying degrees of the physical homogeneity of these materials the Corporation relies on the best available sampling and assay methodologies to arrive at its best estimate of the precious metal content when materials are shipped. Once final settlements are reached with the contract refineries and the actual precious metal content is known these estimates are replaced by the actual values. The Corporation also refines by-products internally which requires estimates of precious metal content using the same methodology as described above. Due to this, the Corporation minimizes the amount of unrefined by-products in inventory to reduce the variability in the precious metal reconciliation results.

Management may be required to use estimates at other points in the precious metal reconciliation process based on varying conditions. If estimates are required, historical experience and other factors are applied.

Any changes in these estimates will impact the carrying amount of the inventory. The carrying amount of the inventory as at the end of the reporting periods is included in Note 7.

3.1.5 Inventory valuation allowance

Inventory valuation allowance is estimated for slow moving or obsolete inventories. Management reviews the estimation regularly. Any change in the estimation will impact the inventory valuation allowance. The carrying amount of the inventory as at the end of the reporting periods is included in Note 7.

3.1.6 Income tax

The Corporation operates in a jurisdiction which requires calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Liabilities are recognized for anticipated tax exposures based on estimates of the additional taxes that are likely to become due. Where the final tax outcome of these matters is different from the amount that was initially recorded, such differences will affect the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are composed of temporary differences between the carrying values and tax basis of assets and liabilities. Deferred income tax assets are only recorded to the extent that it is probable that they will be realized. The timing of the reversal of the temporary differences may take many years and the related deferred income tax is calculated using tax rates that have been enacted or substantively enacted for the related period.

If future outcomes were to adversely differ from management's best estimate of future results from operations affecting the timing of reversal of deductible temporary differences, the Corporation could experience material deferred income tax adjustments. Such deferred income tax adjustments would not result in an immediate cash outflow nor would they affect the Corporation's immediate liquidity.

3.2 Critical judgements

The critical judgements that the Corporation's management has made in the process of applying the Corporation's accounting policies, apart from those involving estimations, that have the most significant effects on the amounts recognized in the Corporation's consolidated financial statements are as follows:

3.2.1 Face Value redemptions and returns

In making the judgement on the appropriate accounting treatment for Face Value coins, the Corporation considered whether it could estimate the redemptions and returns of Face Value coins. Face value coins have different characteristics than other numismatic products as these products have a Face Value equal to their purchase price which, combined with the unlimited redemption and return period permitted by the Corporation's current redemption and return policies and practices make Face Value coins significantly more likely to be redeemed or returned than other numismatic products. Consequently, the historical return patterns for other numismatic products cannot be used to estimate the redemptions and returns for Face Value coins. The Corporation determined that revenue could not be recognized on the sale of Face Value coins as a reliable estimate of redemptions or returns could not be determined at the end of the reporting period. As such, the best estimate at this time is that all Face Value coins will be redeemed or returned resulting in the liability for Face Value redemptions and returns. The primary indicators influencing the Corporation's ability to develop a more reliable estimate of redemptions and returns are the movement in the market price of silver and the changes in the term over which redemptions and returns may be accepted. When the Corporation determines it can reliably estimate the redemptions and returns of Face Value coins a material change could occur to the carrying value of the liability for Face Value redemptions and returns as discussed in Note 2.20. The carrying amount of the liability for Face Value redemptions and returns is included in Note 12.

3.2.2 Long-lived asset impairment indicators

Long-lived assets with finite useful lives are required to be tested for impairment only when indication of impairment exists. Management is required to make a judgement with respect to the existence of impairment indicators at the end of each reporting period.

In 2017, no indicators of impairment have been observed. In 2016, indicators of impairment were observed for two of the Corporation's three cash generating units and these cash generating units were tested for impairment at December 31, 2016, but the Corporation concluded that no impairment had occurred.

In 2015, indicators of impairment were observed for two of the Corporation's cash generating units. These cash generating units were tested for impairment and the Corporation recorded an impairment loss of $65.5 million. The impairment loss is included in accumulated depreciation/amortization and impairment in Note 9, $64.9 million, and Note 11, $0.6 million, respectively.

3.2.3 Provisions and contingent liabilities

In determining whether a liability should be recorded in the form of a provision, management is required to exercise judgement in assessing whether the Corporation has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation. In making this determination, management may use past experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the consolidated financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is considered to be remote.

3.2.4 Divestiture of MintChip™

In December 2015, the Company closed the sale of MintChip™ for a cash consideration of $5 million paid at closing and an $11 million, 4% interest-bearing, secured promissory note with interest payments due semi-annually and the principal amount due on December 16, 2022. Management is required to make a judgement with respect to the uncertainty over the collectability of the promissory note. At December 31, 2017 and 2016, it was determined that no asset would be recorded in the consolidated financial statements and any additional future consideration related to interest and principal repayments will be recognized as other income upon receipt of cash.

4. Application of new and revised IFRS pronouncements

4.1 New and revised IFRS pronouncements affecting amounts reported and/or disclosed in the consolidated financial statements

The Corporation has reviewed the revised accounting pronouncements that have been issued which had mandatory effective dates of annual periods beginning on or after January 1, 2017. The following amendments were adopted by the Corporation on January 1, 2017 and did not have a material impact on the consolidated financial statements.

IAS 7 Statement of Cash Flows ("IAS 7")
An amendment was released in January 2016 to IAS 7 Statement of Cash Flows which clarified that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 Income Taxes ("IAS 12")
An amendment was released in January 2016 to IAS 12 regarding the recognition of deferred income tax assets for unrealized losses.

Annual improvements to IFRSs 2014-2016
An amendment was made to IFRS 12 – Disclosure of Interests in Other Entities (except for those in paragraph B10-B16) to clarify the scope of the standard by specifying the disclosure requirements in the standard apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

4.2 New and revised IFRS pronouncements issued but not yet effective

The Corporation has reviewed the revised accounting pronouncements that have been issued but are not yet effective and has made the following assessments of their impact on the consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise indicated)

a) The adoption of the following amendment is expected to have a significant impact on the Corporation's consolidated financial statements in the future.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was issued in May 2014 and specifies how and when an IFRS reporter will recognize revenue, as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard supersedes IAS 18 "Revenue'', IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Entities can elect to use either a full or modified retrospective approach when adopting this standard.

The Corporation has evaluated the impact of IFRS 15 on its consolidated financial statements as of January 1, 2018 by analyzing each of the Corporation's businesses. The result of the analysis is summarized below:

Business	**Impact of implementing IFRS 15**
Bullion, Products and Services	No changes expected.
Numismatics	No changes expected.
Foreign Circulation	Revenues from certain contracts as well as related expenses will be recognized over time as opposed to at a point in time.
Canadian Circulation	Revenue from the Memorandum of Understanding with the Department of Finance will be recognized over time or at a point in time based on the nature of each performance obligation.

The implementation of IFRS 15 will also impact the Corporation's presentation of assets and liabilities related to contracts with customers and will also require more extensive note disclosure.

Implementation approach
Based on the above assessment, the Corporation reached a conclusion to adopt the modified retrospective method when implementing IFRS 15. Under the modified retrospective method the Corporation will apply the standard retrospectively only to the most current period presented in the consolidated financial statements. The Corporation will recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application. As a result, any adjustment required to the revenue previously recognized in 2017 under current IFRS revenue guidance will be recognized as an opening retained earnings adjustment on January 1, 2018. Under the modified retrospective method, only contracts that have remaining undelivered performance obligations as at January 1, 2018 need to be assessed under IFRS 15.

The expected impact of adopting IFRS 15 on the Corporation's consolidated opening retained earnings on January 1, 2018 is $1.6 million. The adoption of IFRS 15 is also expected to add $0.3 million to total assets and reduce total liabilities by $1.3 million at January 1, 2018.

b) The adoption of the following IFRS pronouncement has been assessed as having a possible impact on the Corporation's consolidated financial statements in the future.

IFRS 16 Leases ("IFRS 16")
IFRS 16 was issued in January 2016 to replace IAS 17 Leases. The new standard requires that leases be brought onto companies' statements of financial position, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases for lessees as either operating leases or finance leases, treating all leases as finance leases. Short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) will have an optional exemption from the requirements. For lessors, IFRS 16 substantially carries forward the requirements of IAS 17 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Entities can elect to use either a retrospective approach with a restatement of comparative information or a retrospective approach with the cumulative effect of initial application shown in retained earnings instead of the restatement of the comparative information.

The Corporation is currently evaluating the impact of IFRS 16 on its consolidated financial statements therefore the impact of its adoption is not yet determined. Based on the assessment work completed to date, the Corporation expects the most significant impact of the new lease standard to be on its existing and future property, plant and equipment leases which will be capitalized on the consolidated statement of financial position under IFRS 16. Under IFRS 16 short-term leases are not required to be accounted for as a finance lease, and as a result, the Corporation does not expect to have to capitalize its precious metal leases as these leases are generally entered into on a call basis or have a fixed lease term of less than 12 months. A full assessment of all existing leases under IFRS 16, as well as an assessment of the impact of the financial statement presentation and disclosure requirements, on the Corporation's consolidated financial statements is on-going.

c) The adoption of the following amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 40 Investment Property ("IAS 40")
An amendment was released in December 2016 to IAS 40 which states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if the property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. The amendment is effective for annual periods beginning on or after January 1, 2018.

Annual improvements to IFRSs 2014-2016
In December 2016, the International Accounting Standards Board (IASB) issued annual improvements during the 2014-2016 cycle. The standards covered by the amendments are: IFRS 1 – *First-time adoption of International Financial Reporting Standards* which deletes the short-term exemptions in paragraphs E3-E7 because they have now served their intended purpose; IAS 28 – *Investments in Associates* which clarifies the election to measure at fair value through profit or loss on investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint-venture on an investment-by-investment basis, upon initial recognition. The annual improvements for IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after January 1, 2018.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration
The interpretation addresses foreign currency transactions or parts of transactions where: there is consideration that is denominated or priced in a foreign currency; the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary. The committee concluded the date of the transaction for the purpose of determining the exchange rate is the date of initial recognition of the non-monetary prepayment *asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This interpretation is to be applied to annual reporting periods beginning on or after January 1, 2018*.

IFRS 7 Financial Instruments – Disclosures ("IFRS 7")
An amendment was released in December 2011 to IFRS 7 regarding requiring disclosures about the initial application of IFRS 9 which has an effective date of January 1, 2018. The amendments are to be applied retrospectively.

An additional amendment was released in November 2013 to IFRS 7 regarding additional hedge accounting disclosures resulting from the introduction of the hedge accounting section of IFRS 9 which has an effective date of January 1, 2018. The amendments are to be applied retrospectively. Based on the Corporation's assessment, there will be no significant impact of IFRS 7 on its consolidated financial statements as of January 1, 2018.

IFRS 9 Financial Instruments ("IFRS 9")
In July 2014, the IASB issued the final version of IFRS 9, which incorporates the classification and measurement, impairment and hedge accounting phases of the project to replace the existing standards under IAS 39 "*Financial Instruments: Recognition and Measurement*". The new IFRS 9 standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances. The Corporation has decided not to restate its comparative consolidated financial statements and will adjust its consolidated statement of financial position as at January 1, 2018 to reflect the application of the new requirements, if any.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortized cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortized cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the consolidated statement of comprehensive income.

(In thousands of Canadian dollars, unless otherwise indicated)

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in other comprehensive income (OCI) with no subsequent reclassification to the consolidated statement of comprehensive income, unless an accounting mismatch in profit or loss would arise.

Having completed its assessment, the Corporation has concluded that:

i. Financial assets and liabilities held for trading and financial assets and liabilities designated at FVTPL are expected to be continue to be measured at FVTPL;
ii. Financial instrument classified as Loans and receivables under IAS 39 are expected to continue to be measured at amortized cost under IFRS 9.

Based on the Corporation's assessment, there will be no significant impact of IFRS 9 on its consolidated financial statements as of January 1, 2018.

Annual improvements to IFRSs 2015-2017
In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle. The standards covered by the amendments are: IFRS 3 - *Business Combinations* which clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. IFRS 11 - *Joint Arrangements* which clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - *Income Taxes* which clarifies that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises. IAS 23 - *Borrowing Costs* which clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The annual improvements are to be applied for annual periods beginning on or after January 1, 2019.

5. Accounts receivable

As at December 31

	2017	2016
Trade receivables and accruals	**$ 11,956**	$ 20,029
Trade receivables due from related parties (Note 23)	**3,512**	3,167
Allowance for doubtful accounts (Note 8.3.1)	**(28)**	(47)
Net trade receivables	**15,440**	23,149
Other current financial receivables	**205**	851
Other receivables	**1,142**	938
Total accounts receivable	**$ 16,787**	$ 24,938

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

(In thousands of Canadian dollars, unless otherwise indicated)

6. Prepaid expenses

As at December 31

		2017		2016
Prepaid expenses current	$	**3,615**	$	4,012
Prepaid expenses non-current		**2,336**		1,669
Total prepaid expenses	$	**5,951**	$	5,681

Included in prepaid expenses is $1.8 million (2016 - $1.8 million) related to a five year intellectual property and research and development agreement. Included in prepaid expenses non-current is $2.0 million (2016 – $1.5 million) related to this same agreement. The agreement also requires an additional pre-payment of $1.5 million on December 31, 2018. This amount will be amortized over the term of the agreement.

7. Inventories

As at December 31

		2017		2016
Raw materials and supplies	$	**18,343**	$	21,114
Work in process		**20,155**		24,696
Finished goods		**46,957**		33,119
Total inventories	$	**85,455**	$	78,929

The amount of inventories recognized as cost of sales in 2017 is $1.5 billion (2016 - $2.5 billion).

The cost of inventories recognized as cost of sales in 2017 includes $6.6 million write-downs of inventory to net realizable value (2016 - $7.5 million).

No inventory is pledged as security for borrowings as at December 31, 2017 or 2016.

8. Financial instruments and financial risk management

8.1 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 the Government of Canada, and benefits to other stakeholders. The Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2016.

The capital structure of the Corporation consists of loans payable as detailed in Note 14 and shareholder's equity which is composed of issued capital, accumulated other comprehensive income and retained earnings.

(In thousands of Canadian dollars, unless otherwise indicated)

The Corporation's senior management reviews the Corporation's capital structure periodically. As part of the review, senior management considers the cost of the capital and the associated risks in order to comply with the borrowing limits stipulated by the *Royal Canadian Mint Act*. The Corporation manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets, required changes to accounting standards, and the Corporation's working capital requirements. The timing, terms and conditions of all borrowing transactions are approved by the Minister of Finance.

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, 2017, approved short-term borrowings for specified working capital needs within this limit, were not to exceed $25.0 million (2016 - $25.0 million) or its US Dollar equivalent.

To support such short-term borrowings as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates. No amounts were borrowed under these lines of credit as at December 31, 2017 or 2016.

The Corporation also monitors debt leverage ratios as part of the management of liquidity to ensure it is properly financed and leveraged to facilitate planned objectives. See below the debt leverage ratios at the end of the reporting period.

Debt to Equity ratio

As at December 31

	2017	2016
Loans payable (current and non-current)	**$ 19,501**	$ 27,006
Shareholder's equity	**128,226**	185,356
Debt to Equity ratio	**1:7**	1:7

Debt to Assets ratio

As at December 31

	2017	2016
Loans payable (current and non-current)	**$ 19,501**	$ 27,006
Total assets	**377,795**	444,097
Debt to Asset ratio	**1:19**	1:16

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

The Corporation has remitted a total dividend of $93.2 million to the Government of Canada in 2017 (2016 - $31 million).

(In thousands of Canadian dollars, unless otherwise indicated)

8.2 Classification and fair value measurements of financial instruments

8.2.1 Carrying amount and fair value of financial instruments

The classification, as well as the carrying amount and fair value of the Corporation's financial assets and financial liabilities were as follows:

As at December 31

	2017		2016	
	Carrying Amount	**Fair value**	Carrying Amount	Fair value
Financial Assets				
Held for Trading				
Cash	**$ 56,268**	**$ 56,268**	$ 114,185	$ 114,185
Derivative financial assets	**472**	**472**	442	442
Loans and receivables				
Accounts receivable	**15,645**	**15,645**	24,000	24,000
Financial Liabilities				
Held for Trading				
Derivative liabilities	**$ 597**	**$ 597**	$ 4,888	$ 4,888
Other Financial Liabilities				
Accounts payable and accrued liabilities	**58,459**	**58,459**	57,694	57,694
Loans payable	**19,501**	**19,520**	27,006	27,145

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

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

i) The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.
ii) The fair values of loans payable have been estimated based on a discounted cash flow approach using current market rates.
iii) The fair values of the Corporation's foreign currency forward contracts and other derivative instruments are based on estimated credit-adjusted forward market prices. The Corporation takes counterparty credit risk and its own credit risk into consideration for the fair value of financial instruments.

8.2.2 Fair value hierarchy

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

(In thousands of Canadian dollars, unless otherwise indicated)

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

The fair value measurement of cash is classified as level 1 of the fair value hierarchy as at December 31, 2017 and 2016. The fair value measurements of all other financial instruments held by the Corporation are classified as level 2 of the fair value hierarchy as at December 31, 2017 and 2016. There were no transfers of financial instruments between levels during 2017.

8.2.3 Interest income and expense

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

For the year ended December 31

	2017	2016
Financial assets held for trading:		
Interest income earned on cash	**$ 998**	$ 591
Other financial liabilities:		
Interest expense on loans and other payables	**$ 588**	$ 755

8.3 Financial risk management objectives and framework

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

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

8.3.1 Credit risk management

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

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

(In thousands of Canadian dollars, unless otherwise indicated)

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer, however the Corporation also considers 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 creditworthiness of customers and obtaining 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 these customers. The Corporation's management reviews the detailed accounts receivable listing on a regular basis for changes in customer balances which could present collectability issues. An allowance for doubtful accounts is provided for accounts with collectability issues when needed.

The maximum exposure to credit risk for accounts receivable by geographic regions was as follows:

As at December 31

		2017		2016
Canada	**$**	**10,324**	$	10,456
Asia		**3,949**		1,433
Africa		**–**		9,298
Other		**2,514**		3,751
Total accounts receivable	**$**	**16,787**	$	24,938

The maximum exposure to credit risk for accounts receivable by type of customer was as follows:

As at December 31

		2017		2016
Central and institutional banks	**$**	**6,191**	$	12,453
Consumers, dealers and others		**6,228**		5,018
Governments (including governmental departments and agencies)		**4,368**		7,467
Total accounts receivable	**$**	**16,787**	$	24,938

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, customer and industry concentrations and historical experience. The Corporation sets different payment terms depending on the customer and product, which results in an average of 30 day payment terms.

(In thousands of Canadian dollars, unless otherwise indicated)

The aging of accounts receivable was as follows:

As at December 31

	2017		2016	
	Accounts Receivable	**Allowance for doubtful accounts**	Accounts Receivable	Allowance for doubtful accounts
0–30 days	**$ 16,594**	**$ -**	$ 15,415	$ -
31–60 days	**19**	**-**	3,994	-
61–90 days	**7**	**-**	2,322	-
Over 90 days	**195**	**28**	3,254	47
Total	**$ 16,815**	**$ 28**	$ 24,985	$ 47
Net		**$ 16,787**		$ 24,938

The change in the allowance for doubtful accounts was as follows:

As at December 31

	2017	2016
Balance at beginning of year	**$ 47**	$ 81
Additions	**217**	359
Write-offs	**(236)**	(393)
Balance at end of year	**$ 28**	$ 47

Cash

The Corporation's surplus funds are maintained in commercial bank accounts or invested to earn investment income when needed while maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation manages its credit risk relating to cash 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.

At each of the reporting dates presented, the Corporation did not hold any investments of this nature.

(In thousands of Canadian dollars, unless otherwise indicated)

Derivative instruments
Credit risk relating to foreign currency 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 in accordance with the Minister of Finance's *Financial Risk Management Guidelines for Crown Corporations*.

8.3.2 Liquidity risk

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

The following table presents the contractual terms to maturity of non-derivative financial liabilities and derivative instruments, reflecting undiscounted net disbursements, owed by the Corporation.

As at December 31, 2017

	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	**$ (58,459)**	**$ (58,459)**	**$ (58,133)**	**$ (117)**	**$ (209)**	**$ –**
Loans payable	**(19,501)**	**(20,410)**	**(7,881)**	**(3,214)**	**(9,315)**	**–**
Derivative instruments						
Foreign currency forwards	**(253)**	**31,193**	**31,193**	**–**	**–**	**–**

As at December 31, 2016

	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	$ (57,694)	$ (57,694)	$ (52,675)	$ (593)	$ (1,787)	$ (2,639)
Loans payable	(27,006)	(28,451)	(8,052)	(7,874)	(9,481)	(3,044)
Derivative instruments						
Foreign currency forwards	(4,098)	46,755	48,330	(1,575)	–	–

8.3.3 Market risk

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

(In thousands of Canadian dollars, unless otherwise indicated)

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

Foreign exchange risk
The Corporation is exposed to foreign exchange risk on sales and purchase transactions and short term cash management requirements that are denominated in foreign currencies, primarily in US dollars 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 and by applying hedge accounting to certain qualifying contracts to minimize the volatility to profit or loss. As of December 31, 2016, the Corporation is no longer applying hedge accounting to foreign currency forward contracts. The Corporation also uses such contracts in managing its overall cash requirements.

The Corporation's exposure to foreign currency risk was as follows based on Canadian dollar equivalent amount:

As at December 31, 2017

	USD	OTHER
Cash	**$ 19,087**	**$ 25**
Accounts receivable	**3,641**	**(23)**
Accounts payable and accrued liabilities	**(12,529)**	**(234)**
Gross exposure excluding financial derivatives	**10,199**	**(232)**
Hedged forecasted sales	**57,331**	**–**
Hedged forecasted purchases	**(40,269)**	**(210)**
Gross exposure	**27,261**	**(442)**
Forward exchange contracts	**(31,488)**	**–**
Net exposure	**$ (4,227)**	**$ (442)**

As at December 31, 2016

	USD	OTHER[1]
Cash	$ 6,845	$ 366
Accounts receivable	13,999	–
Accounts payable and accrued liabilities	(7,949)	(873)
Gross exposure excluding financial derivatives	12,895	(507)
Hedged forecasted sales	98,281	–
Hedged forecasted purchases	(34,756)	(1,391)
Gross exposure	76,420	(1,898)
Forward exchange contracts	(51,139)	201
Net exposure	$ 25,281	$ (1,697)

[1] Prior year figures have been reclassified to conform to current year presentation which combines foreign currency exposures from currencies other than USD.

Based on the forward exchange contracts as at December 31, 2017, and assuming that all other variables remain constant, a hypothetical 10% appreciation in the Canadian dollar against the US dollar would increase profit for the year by $2.1 million (2016 - $3.4 million). A hypothetical 10% weakening in the Canadian dollar against the US dollar would have the equal but opposite effect.

The effects on the remaining US dollar exposure of a 10% increase or decrease in the Canadian dollar against the US dollar at December 31, 2017, all other variables held constant, would have been a decrease or increase in profit for the year of $0.7 million (2016 - $0.9 million).

Interest rate risk

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash as there are no short-term investments as at the dates presented. The Corporation's Bankers Acceptance interest rate swap loan instruments described in Note 14 expose the Corporation to cash flow interest rate risk. The Corporation has fully hedged the exposure to fluctuations in interest rates related to these instruments by entering into corresponding interest rate swaps, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swaps are designated as hedging instruments 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 profit or loss with respect to these fixed rate instruments. The Corporation's interest rate swaps expose the Corporation to fair value interest rate risk. An increase of 50 basis points in interest rates at the reporting date would increase the fair value of the interest rate swap derivative asset/liability and decrease other comprehensive income by approximately $0.2 million (2016 – $0.3 million). A decrease of 50 basis points in interest rates would have the opposite result.

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 basis in the same currency. For numismatic sales the Corporation enters into short term lease or purchase commitments for precious and base metals to mitigate the commodity price risk (Note 24.1 and Note 24.3).

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

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

(In thousands of Canadian dollars, unless otherwise indicated)

8.4 Foreign currency forwards and interest rate swaps

The notional and fair values of the derivative instruments designated as hedges were as follows:

As at December 31, 2017

	Maturities	Notional value	Fair value
Derivative financial assets			
Current			
Interest rate swaps	**2018**	**$ 3,000**	**$ 27**
Non-current			
Interest rate swaps	**2022**	**12,000**	**111**
		$ 15,000	**$ 138**
Derivative financial liabilities			
Current			
Interest rate swaps	**2018**	**$ 1,500**	**$ 10**
		$ 1,500	**$ 10**

As at December 31, 2016

	Maturities	Notional value	Fair value
Derivative financial liabilities			
Current			
Interest rate swaps	2017	$ 4,500	$ 80
Non-current			
Interest rate swaps	2022	16,500	268
		$ 21,000	$ 348

The gains/losses on derivatives designated as cash flow hedges will be reclassified from accumulated other comprehensive income to profit or loss during the periods when the hedged gains/losses are realized. The amounts will be reclassified to profit or loss over periods up to 5 years. The amount to be reclassified in the next twelve months is not significant.

The notional and fair values of the derivative instruments not designated as hedges were as follows:

As at December 31, 2017

	Maturities	Notional value	Fair value
Derivative financial assets			
Current			
Foreign currency forwards	**2018**	**$ 14,503**	**$ 334**
		$ 14,503	**$ 334**
Derivative financial liabilities			
Current			
Foreign currency forwards	**2018**	**$ 19,840**	**$ 587**
		$ 19,840	**$ 587**

(In thousands of Canadian dollars, unless otherwise indicated)

As at December 31, 2016

	Maturities	Notional value	Fair value
Derivative financial assets			
Current			
Foreign currency forwards	2017	$ 13,096	$ 425
Non-current			
Foreign currency forwards	2018	1,575	17
		$ 14,671	$ 442
Derivative financial liabilities			
Current			
Foreign currency forwards	2017	55,355	4,540
		$ 55,355	$ 4,540

For the year ended December 31, 2017, the amounts recorded in the consolidated statement of comprehensive income resulting from the net change in fair value of the derivative instruments not designated as hedges amounted to a gain of $3.8 million (2016 – gain of $2.2 million). These amounts were included in net foreign exchange loss.

9. Property, plant and equipment

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

As at December 31

	2017	2016
Cost	**$ 417,012**	$ 417,266
Accumulated depreciation and impairment	**(250,941)**	(247,012)
Net book value	**$ 166,071**	$ 170,254
Net book value by asset class		
Land and land improvements	**$ 3,073**	$ 3,075
Buildings and improvements	**91,694**	91,109
Equipment	**70,346**	73,775
Capital projects in process	**958**	2,295
Net book value	**$ 166,071**	$ 170,254

(In thousands of Canadian dollars, unless otherwise indicated)

Reconciliation of the opening and closing balances of property, plant and equipment for 2016 and 2017:

	Land and land improvements	**Buildings and improvements**	**Equipment**	**Capital projects in process**	**Total**
Cost					
Balance as at December 31, 2015	$ 4,094	$ 155,694	$ 244,467	$ 3,158	$ 407,413
Additions	–	2,631	6,893	2,145	11,669
Transfers	–	187	2,821	(3,008)	–
Disposals	–	(64)	(1,752)	–	(1,816)
Balance as December 31, 2016	4,094	158,448	252,429	2,295	417,266
Additions	**–**	**4,326**	**7,932**	**309**	**12,567**
Transfers	**–**	**3,207**	**(1,561)**	**(1,646)**	**–**
Derecognition	**–**	**(3,801)**	**(8,513)**	**–**	**(12,314)**
Disposals	**–**	**–**	**(507)**	**–**	**(507)**
Balance at December 31, 2017	**$ 4,094**	**$ 162,180**	**$ 249,780**	**$ 958**	**$ 417,012**
Accumulated depreciation and impairment					
Balance as at December 31, 2015	$ 1,172	$ 62,392	$ 171,252	$ –	$ 234,816
Depreciation	3	4,825	9,111	–	13,939
Disposals	–	(34)	(1,709)	–	(1,743)
Transfers	(156)	156	–	–	–
Balance as at December 31, 2016	1,019	67,339	178,654	–	247,012
Depreciation	**2**	**6,947**	**9,847**	**–**	**16,796**
Derecognition	**–**	**(3,800)**	**(8,560)**	**–**	**(12,360)**
Disposals	**–**	**–**	**(507)**	**–**	**(507)**
Balance as at December 31, 2017	**$ 1,021**	**$ 70,486**	**$ 179,434**	**$ –**	**$ 250,941**
Net book value as at December 31, 2017	**$ 3,073**	**$ 91,694**	**$ 70,346**	**$ 958**	**$ 166,071**

No asset is pledged as security for borrowings as at December 31, 2017 or 2016.

Included in capital additions is a total accrual of $1.0 million (2016 – $1.2 million).

(In thousands of Canadian dollars, unless otherwise indicated)

10. Investment property

As at December 31

		2017		2016
Cost	$	**236**	$	236

The fair value of the land is $2.6 million (2016 - $2.6 million). The fair value measurement of the investment property is classified as level 2 of the fair value hierarchy (see Note 8.2.2 for definitions). The valuation was performed using a market approach with market prices for similar properties in the relevant location as observable inputs. A new valuation will be carried out when there is a significant change in the market price.

No indicators of impairment were found for investment property as at December 31, 2017 or 2016.

The Corporation's investment property is held under freehold interests.

11. Intangible assets

As at December 31

		2017		2016
Cost	$	**32,052**	$	30,678
Accumulated amortization and impairment		**(22,122)**		(18,674)
Net book value	$	**9,930**	$	12,004

Reconciliation of the opening and closing balances of intangibles for 2016 and 2017:

		Software		Capital projects in process		Total
Cost						
Balance at December 31, 2015	$	28,108	$	1,481	$	29,589
Additions		911		178		1,089
Transfers		1,481		(1,481)		–
Balance at December 31, 2016		30,500		178		30,678
Additions		**900**		**474**		**1,374**
Transfers		**67**		**(67)**		**–**
Balance at December 31, 2017	**$**	**31,467**	**$**	**585**	**$**	**32,052**
Accumulated amortization and impairment						
Balance at December 31, 2015	$	14,378	$	–	$	14,378
Amortization		4,296		–		4,296
Balance at December 31, 2016		18,674		–		18,674
Amortization		**3,448**		**–**		**3,448**
Balance at December 31, 2017	**$**	**22,122**	**$**	**–**	**$**	**22,122**
Net book value at December 31, 2017	**$**	**9,345**	**$**	**585**	**$**	**9,930**

Included in capital additions is a total accrual of $0.1 million (2016 - $0.1 million).

(In thousands of Canadian dollars, unless otherwise indicated)

12. Face Value redemptions and returns

As at December 31

	2017	2016
Face Value redemptions and returns	**$ 182,060**	$ 183,672
Precious metal recovery	**(40,925)**	(42,655)
Face Value redemptions and returns, net	**141,135**	141,017
Less: Current portion	**(1,789)**	(3,153)
Non-current Face Value redemptions and returns, net	**$ 139,346**	$ 137,864

As at December 31

	2017	2016
Opening balance	**$ 141,017**	$ 123,009
Additions, net	**643**	26,204
Redemptions and returns, net	**(1,873)**	(3,820)
Revaluation	**1,348**	(4,376)
Ending balance	**$ 141,135**	$ 141,017

As at December 31, 2017, the Corporation determined that it continues to be unable to reliably estimate the redemptions and returns of Face Value coins.

Face Value redemptions and returns represents the expected cash outflows if all Face Value coins are redeemed or returned, including the costs of redemptions and returns offset by the precious metal content that will be reclaimed by the Corporation when the coins are redeemed or returned. The precious metal recovery component of the liability is based on the market value of silver as at each consolidated financial statement reporting date. The impact of the revaluation of the precious metal component of the liability was an increase of $1.3 million for the year ended December 31, 2017 (2016 - $4.4 million).

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

As of January 1, 2017, the Corporation is no longer selling Face Value coins, but back-orders continued to be filled in 2017 and are now complete.

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

(In thousands of Canadian dollars, unless otherwise indicated)

13. Accounts payable and accrued liabilities

As at December 31

		2017		2016
Trade payables	$	**2,207**	$	5,475
Other current financial liabilities[1]		**55,835**		37,012
Other payables and accrued liabilities[2]		**2,761**		2,091
Other payables and accrued liabilities due to related parties (Note 23)		**–**		14,806
Total current accounts payable and accrued liabilities	$	**60,803**	$	59,384
Non-current accounts payable and accrued liabilities		**1,881**		401
Accounts payable and accrued liabilities	$	**62,684**	$	59,785

1 Other current financial liabilities include payables that are not trade in nature, as well as various operating and capital accruals.
2 Other payables and accrued liabilities include amounts due for withholding and sales tax. Also included is an accrual for a $1.6 million (2016 - $1.6 million) penalty, the majority of which was due to undercharged sales tax to the Department of Finance (Note 23).

Included in other current financial liabilities at December 31, 2017 is a net $2.3 million (2016 - $1.0 million) provision for estimated sales returns and allowances. During the year the provision was reduced by $1.0 million (2016 - 0.8 million) for actual sales returns and increased by $2.3 million (2016 - $1.0 million) for estimated future sales returns.

14. Loans payable

As at December 31

		2017		2016
Loans	$	**19,494**	$	26,990
Accrued interest		**7**		16
Total loans payable	$	**19,501**	$	27,006
Current	$	**7,507**	$	7,516
Non-current		**11,994**		19,490
Total loans payable	$	**19,501**	$	27,006

The loans payable are unsecured and consist of the following borrowing facilities:

A 10-year $15 million Bankers' Acceptance (BA)/Interest rate swap loan bearing an interest rate at 2.67% with maturity in 2018. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The structure of the loan involves the use of a revolving 3 month Bankers Acceptance and an Interest Rate Swap to lock in the BA refinancing. The loan gets paid down $1.5 million per year for 10 years. As at December 31, 2017, the balance of the principal is $1.5 million (2016 – $3.0 million) and the fair value of the Bankers' Acceptance is $1.5 million (2016 – $3.0 million).

(In thousands of Canadian dollars, unless otherwise indicated)

A 10-year $30 million Bankers' Acceptance/Interest rate swap loan bearing an interest rate at 2.06% with maturity in 2022. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The structure of the loan involves the use of a revolving 1 month Bankers Acceptance and an Interest Rate Swap to lock in the BA refinancing. The loan gets paid down $3 million per year for 10 years. As at December 31, 2017 the balance of the principal is $15.0 million (2016 - $18.0 million) and the fair value of the Bankers' Acceptance is $15.0 million (2016 – $18.0 million).

A 5-year $15 million loan bearing a fixed interest rate of 2.35% with maturity in 2018. Interest payments are paid semi-annually and the loan gets paid down $3 million per year for 5 years. As at December 31, 2017, the balance of the principal is $3.0 million (2016 – $6.0 million) and the fair value of the loan is $3.0 million (2016 – $6.2 million).

15. Deferred revenue

As at December 31

		2017		2016
Customer prepayment	**$**	**10,246**	$	10,533
Deferred revenue		**767**		2,545
Total deferred revenue	**$**	**11,013**	$	13,078

Customer prepayments arise when customers prepay the cost of purchasing materials in order to lock in the purchasing price, primarily of the metals. The prepayments will be recognized as revenue when the shipments are made. Included in the deferred revenue is the liability for the Corporation's Masters Club program under which members receive rewards points which can be redeemed on purchases for a limited period of time from their issuance.

16. Income taxes

The major components of income tax expense were as follows:

For the year ended December 31

		2017		2016[1]
Current income tax expense	**$**	**10,419**	$	12,587
Foreign tax expense		**712**		661
Adjustments for prior years		**(1,338)**		405
Total current income tax expense	**$**	**9,793**	$	13,653
Origination and reversal of temporary differences	**$**	**927**	$	(4,211)
Adjustments for prior years		**(132)**		(992)
Total deferred income tax expense (recovery)	**$**	**795**	$	(5,203)
Total income tax expense	**$**	**10,588**	$	8,450

[1] Prior year figures have been reclassified to conform to current year presentation. $0.5 million was reclassified between current income tax expense and foreign tax expense.

(In thousands of Canadian dollars, unless otherwise indicated)

The Corporation's effective income tax expense for the year is different from its expense at its Federal statutory income tax rate of 25% (2016 – 25%) due to the differences noted below:

For the year ended December 31

	2017	2016
Profit before income tax for the year	**$ 46,642**	$ 32,938
Income tax rate	**25%**	25%
Computed income tax expense	**11,661**	8,235
Non-deductible expense	**299**	622
Impact of foreign taxes	**–**	116
Adjustments for prior years	**(1,441)**	(587)
Other net amounts	**69**	64
Income tax expense recognized in profit	**$ 10,588**	$ 8,450

The major components of deferred income tax recognized in other comprehensive income for the year were as follows:

For the year ended December 31

	2017			2016		
	Before income tax	**Income tax (expense) benefit**	**Net of income tax**	Before income tax	Income tax (expense) benefit	Net of income tax
Net unrealized gains on cash flow hedges	**$ 480**	**$ (120)**	**$ 360**	$ 6,163	$ (1,541)	$ 4,622
Reclassification of net realized losses on cash flow hedges transferred from other comprehensive income	**–**	**–**	**–**	2,593	(647)	1,946
Net actuarial losses on defined benefit plan	**(459)**	**115**	**(344)**	(12)	3	(9)
Total	**$ 21**	**$ (5)**	**$ 16**	$ 8,744	$ (2,185)	$ 6,559

The tax effects of temporary differences that give rise to deferred tax assets and liabilities in 2017 and 2016 are presented below:

As at December 31, 2017

	Opening balance	**Recognized in profit**	**Recognized in OCI**	**Closing balance**
Deferred income tax assets:				
Employee benefits	**$ 3,241**	**$ 304**	**$ 115**	**$ 3,660**
Accounts payable	**4,252**	**(2,012)**	**–**	**2,240**
Face Value redemptions/returns	**35,254**	**396**	**–**	**35,650**
Derivative financial assets	**1,113**	**(962)**	**(120)**	**31**
Deferred income tax liabilities:				
Property, plant and equipment	**(7,472)**	**743**	**–**	**(6,729)**
Intangible assets	**(3,001)**	**690**	**–**	**(2,311)**
Investment tax credits	**(181)**	**19**	**–**	**(162)**
Net deferred income tax asset	**$ 33,206**	**$ (822)**	**$ (5)**	**$ 32,379**

(In thousands of Canadian dollars, unless otherwise indicated)

As at December 31, 2016

	Opening balance	Recognized in profit	Recognized in OCI	Closing balance
Deferred income tax assets:				
Employee benefits	$ 3,289	$ (51)	$ 3	$ 3,241
Accounts payable	2,152	2,100	–	4,252
Face Value redemptions/returns	30,752	4,502	–	35,254
Derivative financial assets	2,995	306	(2,188)	1,113
Deferred income tax liabilities:				
Property, plant and equipment	(4,965)	(2,507)	–	(7,472)
Intangible assets	(3,795)	794	–	(3,001)
Investment tax credits	(240)	59	–	(181)
Net deferred income tax asset	$ 30,188	$ 5,203	$ (2,185)	$ 33,206

17. Employee benefits

i) Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The required employer contribution rate for 2017 was dependent on the employees' employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate was 1.01 times (2016 – 1.15) the employees' contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate was 1.00 (2016 – 1.11) times the employees' contribution.

The Corporation made total contributions of $10.2 million in 2017 (2016 – $11.4 million). The estimated contribution for 2018 is $10.6 million.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

ii) Other post-employment benefits (OPEB)

The Corporation provides severance benefits to its employees and also provides supplementary retirement benefits including post-retirement benefits and post-retirement insurance benefits to certain employees. The benefits are accrued as the employees render the services necessary to earn them. These benefits plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

(In thousands of Canadian dollars, unless otherwise indicated)

iii) Other long-term employee benefits (OLTEB)

The Corporation's other long-term benefits include benefits for employees in receipt of long-term disability benefits, sick leave and special leave benefits and worker's compensation benefits. These benefits plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Employee benefits obligation at reporting date:

As at December 31

		2017		2016
Post employment benefits	**$**	**620**	$	624
Other long-term employee benefits		**2,254**		2,242
Employee benefits current		**2,874**		2,866
Post employment benefits	**$**	**10,388**	$	9,531
Other long-term employee benefits		**1,377**		570
Employee benefits non-current		**11,765**		10,101
Total employee benefits obligation	**$**	**14,639**	$	12,967

Movement of employee benefits obligations were as follows:

As at December 31

	Post employment benefits				**Other long-term employee benefits**				**Totals**			
		2017		2016		**2017**		2016		**2017**		2016
Beginning of the year	**$**	**10,155**	$	9,863	**$**	**2,812**	$	3,273	**$**	**12,967**	$	13,136
Current service cost		**609**		575		**3,108**		3,372		**3,717**		3,947
Interest cost		**386**		386		**108**		125		**494**		511
Benefits paid		**(691)**		(557)		**(3,360)**		(3,535)		**(4,051)**		(4,092)
Past service cost		**118**		–		**–**		–		**118**		–
Actuarial losses (gains):												
from other assumptions		**(210)**		–		**(15)**		–		**(225)**		–
from demographic assumptions		**125**		(413)		**949**		(404)		**1,074**		(817)
from financial assumptions		**516**		301		**29**		(19)		**545**		282
End of the year	**$**	**11,008**	$	10,155	**$**	**3,631**	$	2,812	**$**	**14,639**	$	12,967

Included in actuarial losses (gains) from demographic assumptions are the experience adjustments, which is the effect of differences between the previous actuarial assumptions and what has actually occurred, and the effects of changes in actuarial assumptions.

Included in the actuarial losses (gains) from financial assumptions are the adjustments due to the effect of the discount rate applied to the employee benefits obligation.

(In thousands of Canadian dollars, unless otherwise indicated)

Employee benefits expenses were as follows:

For the year ended December 31

		2017		2016
Pension benefits contribution	**$**	**10,233**	$	11,433
Other post employment benefits		**1,113**		961
Other long-term employee benefits		**4,179**		3,074
Total employee benefits expenses	**$**	**15,525**	$	15,468

Amounts recognized in the consolidated statement of comprehensive income were as follows:

For the year ended December 31

		2017		2016
In Profit				
Pension benefits contribution	**$**	**10,233**	$	11,433
Current service cost		**3,717**		3,947
Interest cost		**494**		511
Past service cost		**118**		–
Actuarial loss (gain) for other long term employee benefits		**963**		(423)
		15,525		15,468
In Other comprehensive income				
Actuarial loss (gain) for post-employment benefits		**459**		(112)
Total amounts recognized in the consolidated statement of comprehensive income	**$**	**15,984**	$	15,356

The principal actuarial assumptions used at the end of the reporting period were as follows (weighted average):

As at December 31

	2017	2016
Accrued benefit obligation		
Discount rate	**3.25%**	3.50%
Rate of compensation increase - Union	**2.00%**	2.50%
Rate of compensation increase – Non-union	**2.50%**	2.50%
Benefit costs for the year ended		
Discount rate	**3.25%**	3.25%
Rate of compensation increase - Union	**2.00%**	2.50%
Rate of compensation increase – Non-union	**2.50%**	2.50%
Assumed health care cost trend rates		
Initial health care cost trend rate – OPEB/OLTEB Medical	**5.50%**	6.00%
Cost trend rate declines to	**5.00%**	5.00%
Initial health care cost trend rate – OPEB Dental	**5.00%**	6.00%
Initial health care cost trend rate – OLTEB Dental	**4.00%**	6.00%

(In thousands of Canadian dollars, unless otherwise indicated)

If all other assumptions are held constant, a hypothetical increase of one percentage point in the following assumed rates will increase (decrease) the current service cost, interest cost and defined benefit obligation by the amount in the table below. The effect of a hypothetical decrease of one percentage point in the assumed rates will have approximately the opposite result.

For the year ended December 31

	2017	2016
Medical cost trend rates:		
Current service cost and interest cost	**$ 92**	$ 95
Defined benefit obligation	**821**	525
Discount rates:		
Current service cost and interest cost	**$ (26)**	$ (7)
Defined benefit obligation	**(1,539)**	(1,253)
Salary rates:		
Current service cost and interest cost	**$ 62**	$ 68
Defined benefit obligation	**519**	492

The weighted average duration of the defined benefit obligation is 13 years (2016 – 12 years). The distribution of the timing of benefit payments is shown in the table below:

For the year ended December 31, 2017

	Within 1 Year	**2 to 5 Years**	**5 to 13 Years**
Expected pension benefit payments	**$ 4,003**	**$ 4,540**	**$ 4,161**

For the year ended December 31, 2016

	Within 1 Year	2 to 5 Years	5 to 12 Years
Expected pension benefit payments	$ 3,977	$ 4,367	$ 4,415

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is not mandatorily covered under any provincial worker's compensation act. The Corporation is a self-insured employer, responsible for worker's compensation benefits incurred since incorporation. The Corporation's unfunded obligation for worker's compensation benefits is based on known awarded disability and survivor pensions and other potential future awards for accidents that occurred up to the measurement date. Worker's compensation benefits are provided according to the respective provincial worker's compensation legislation.

(In thousands of Canadian dollars, unless otherwise indicated)

18. Revenue

For the year ended December 31

	2017	2016
Revenue from the sale of goods	**$ 1,663,617**	$ 2,604,084
Revenue from the rendering of services	**27,682**	37,331
Total revenue	**$ 1,691,299**	$ 2,641,415

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

For the year ended December 31

	2017	2016
Gross revenue from the sale of goods	**$ 2,030,139**	$ 3,170,301
Less: Customer inventory deals	**(366,522)**	(566,217)
Net revenue from the sale of goods	**$ 1,663,617**	$ 2,604,084

19. Depreciation and amortization expenses

For the year ended December 31

	2017	2016
Depreciation of property, plant and equipment	**$ 16,796**	$ 13,939
Amortization of intangible assets	**3,448**	4,296
Total depreciation and amortization expenses	**$ 20,244**	$ 18,235

Depreciation and amortization expenses were allocated to operating expenses as follows:

For the year ended December 31

	2017	2016
Cost of sales	**$ 10,413**	$ 10,608
Marketing and sales expenses	**4,068**	2,753
Administration expenses	**5,763**	4,874
Total depreciation and amortization expenses	**$ 20,244**	$ 18,235

(In thousands of Canadian dollars, unless otherwise indicated)

20. Employee compensation expenses

For the year ended December 31

	2017	2016
Included in cost of sales:		
Salaries and wages including short term employee benefits	**$ 35,112**	$ 31,241
Pension costs	**4,886**	5,487
Long term employee benefits and post-employment benefits other than pensions	**2,315**	1,674
Termination benefits	**482**	–
Included in marketing and sale expenses:		
Salaries and wages including short term employee benefits	**17,696**	18,528
Pension costs	**1,564**	1,870
Long term employee benefits and post-employment benefits other than pensions	**447**	404
Termination benefits	**771**	–
Included in administration expenses:		
Salaries and wages including short term employee benefits	**34,120**	29,411
Pension costs	**3,884**	4,076
Long term employee benefits and post-employment benefits other than pensions	**1,371**	1,568
Termination benefits	**1,536**	500
Total employee compensation and benefits expenses	**$ 104,184**	$ 94,759

21. Scientific research and experimental development expenses, net

For the year ended December 31

	2017	2016
Scientific research and experimental development expenses	**$ 4,660**	$ 5,012
Scientific research and experimental development investment tax credit	**(657)**	(550)
Scientific research and experimental development expenses, net	**$ 4,003**	$ 4,462

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

(In thousands of Canadian dollars, unless otherwise indicated)

22. Cash flow information

22.1 Reclassification

During the current year the Corporation modified the consolidated statement of cash flows to better represent the realized and unrealized gain or loss related to financial instruments, specifically the realized portion of foreign exchange gains and losses. In addition interest payments on loans were reclassified to operating activities.

The impacts of these reclassifications were the following;

	As at December 31, 2016		
Increase (decrease)	As previously reported	Reclassification	As reclassified
Net foreign exchange loss	$ 6,594	$ (6,102)	$ 492
Net change in operating assets and liabilities	(21,033)	506	(20,527)
Effect of changes in exchange rates on cash	(6,906)	5,596	(1,310)
Interest received, net of interest paid	436	(285)	151
Repayment of loans	(7,785)	285	(7,500)

22.2 Supplemental cash flow information

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

For the year ended December 31

	2017	2016[1]
Accounts receivable	**$ 7,743**	$ (2,212)
Inventories	**(5,055)**	958
Prepaid expenses	**(270)**	(860)
Accounts payable and accrued liabilities	**6,984**	(22,835)
Deferred revenue	**(2,065)**	4,422
	$ 7,337	$ (20,527)

[1] Prior year figures have been reclassified as described in Note 22.1.

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

For the year ended December 31

	2017	2016[1]
Expenses		
Employee benefits expenses	**$ 15,525**	$ 15,468
Employee benefits paid	**(14,436)**	(15,525)
Inventory write-downs	**1,957**	3,705
Loss on disposal of assets	**(53)**	73
Other non-cash expenses	**1,490**	2,459
Revenue	**(5,221)**	(5,386)
	$ (738)	$ 794

[1] Prior year figure for loss on disposal of assets was separately disclosed in consolidated statement of cash flow in 2016, but in 2017 this amount is included in other expenses.

(In thousands of Canadian dollars, unless otherwise indicated)

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

For the year ended December 31

		2017		2016
Income tax paid	**$**	**(15,235)**	$	(19,413)
Income tax received		**6,033**		313
	$	**(9,202)**	$	(19,100)

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

For the year ended December 31

		2017		2016
Interest received	**$**	**1,541**	$	1,057
Interest paid		**(616)**		(906)
	$	**925**	$	151

23. Related party transactions

Government of Canada

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

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

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

The majority of transactions with the Government of Canada were with the Department of Finance ("DOF") related to the production, management and delivery of Canadian circulation coins which are negotiated and measured at fair value under a three year Memorandum of Understanding, where pricing is agreed annually in the normal course of operations.

(In thousands of Canadian dollars, unless otherwise indicated)

The revenue related to the transactions with Department of Finance was as follows:

For the year ended December 31

		2017		2016
Revenue from DOF	**$**	**97,455**	$	90,015

As at December 31

		2017		2016
Receivable from DOF	**$**	**3,512**	$	3,167
Payable to DOF	**$**	**–**	$	14,806

During the year, the majority of transactions with Crown corporations were for the sales of numismatic product.

Included in accounts payable and accrued liabilities on the consolidated statement of financial position is an accrual for a $1.6 million (2016 - $1.6 million) penalty, the majority of which is due to undercharged sales tax to the Department of Finance. The Corporation is awaiting the final assessment of the sales tax owed and will bill the Department of Finance for the undercharged sales tax of $32 million which the Corporation will in turn remit to the Canada Revenue Agency. This amount is not included in the consolidated statement of financial position.

Due to the retrospective application of IAS 16 at the date of transition to IFRS on January 1, 2010, depreciation expenses that have been charged under Canadian GAAP to the Department of Finance at a rate in excess of actual depreciation expenses incurred under IAS 16 have been adjusted by the amount of $8.2 million at that time. During 2017, the Corporation confirmed that the outstanding balance of $5.1 million is no longer owing to the Department of Finance and the Corporation has derecognized this liability. This derecognition is included in other income on the consolidated statement of comprehensive income.

Key management personnel

Key management personnel include all members of the Board of Directors and executive officers including all Vice-Presidents, who have the authorities and responsibilities for planning, directing and controlling the activities of the Corporation.

Compensation of key management personnel was as follows:

For the year ended December 31

		2017		2016
Wages, bonus and short-term benefits	**$**	**2,850**	$	2,587
Post-employment and termination benefits		**1,852**		1,147
Other long-term benefits		**140**		120
Total compensation	**$**	**4,842**	$	3,854

(In thousands of Canadian dollars, unless otherwise indicated)

24. Commitments, contingencies and guarantees

24.1 Precious metal commitments

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed-price purchase commitments, as well as precious metals leases. As at December 31, 2017 the Corporation had $17.6 million outstanding precious metal purchase commitments (2016 - $51.2 million).

At the end of the period, the Corporation had entered into precious metal leases as follows:

As at December 31 *(ounces)*

	2017	2016
Gold	**73,370**	34,451
Silver	**5,892,387**	9,524,890
Palladium	**538**	4,388
Platinum	**24,165**	18,241

The fees for these leases are based on market value. The precious metal lease payment expensed for 2017 was $2.7 million (2016 - $5.7 million). The value of the metals under these leases 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.

24.2 Trade finance bonds and bank guarantees

The Corporation has various outstanding bank guarantees and trade finance bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments 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 at December 31, 2017, under the guarantees and bid bonds, the maximum potential amount of future payments is $11.3 million (December 31, 2016 - $12.8 million).

24.3 Other commitments and contingencies

Total estimated minimum remaining future commitments were as follows:

As at December 31

	2018	**2019**	**2020**	**2021**	**2022**	**2023 and Thereafter**	**Total**
Operating leases	$ 2,722	$ 2,555	$ 2,258	$ 2,154	$ 1,269	$ 4,048	$ 15,006
Other commitments	21,855	3,555	2,498	2,102	–	40	30,050
Base metal commitments	17,594	–	–	–	–	–	17,594
Capital commitments	3,299	–	–	–	–	–	3,299
Total	$ 45,470	$ 6,110	$ 4,756	$ 4,256	$ 1,269	$ 4,088	$ 65,949

The minimum lease payments recognized as an expense for the year ended December 31, 2017 were $3.9 million (2016 - $3.2 million).

Other commitments include firm contracts with suppliers for goods and services, excluding precious metals commitments and operating leases.

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

The Corporation has committed as at December 31, 2017 to spend approximately $3.3 million (2016 - $4.0 million) in 2018 on capital projects.

In addition, there are various legal claims against the Corporation. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's consolidated financial statements. A $0.6 million provision for potential legal obligations is included in accounts payable and accrued liabilities (Note 13) as at December 31, 2017 (2016 - $0.7 million). The amount and timing of the settlement of the provision is uncertain.

There have been no other material changes to the Corporation's commitments, contingencies and guarantees since December 31, 2016.

Table 1 — Canadian circulation coinage

Production up to December 31, 2017

	2017	2016	2015
$2	**39,595,000**	25,669,000	30,378,500
$1	**30,900,000**	38,764,000	22,140,000
25¢	**143,220,000**	106,880,000	97,320,000
10¢	**219,925,000**	220,000,000	112,475,000
5¢	**126,680,000**	140,952,000	87,360,000

Table 2 — Canadian circulation coinage

Commemorative/regular design production in 2015 – 2017

	2017	2016	2015
Two Dollars	**24,465,000**	20,669,000	22,528,500
Two Dollars - 200th Anniversary of the Birth of Sir John A. Macdonald	**–**	–	2,850,000
Two Dollars - 100th Anniversary of the Writing of *In Flanders Fields*	**–**	–	5,000,000
Two Dollars - 75th Anniversary of the Battle of the Atlantic	**–**	5,000,000	–
Two Dollars - Canada 150: My Canada, My Inspiration - Dance of the Spirits	**10,000,000**	–	–
Two Dollars - 100th Anniversary of the Battle of Vimy Ridge	**5,130,000**	–	–
One Dollar	**15,750,000**	28,764,000	22,140,000
One Dollar - Lucky Loonie	**–**	5,000,000	–
One Dollar - 100th Anniversary of Canadian Women's Right to Vote	**–**	5,000,000	–
One Dollar - Canada 150: My Canada, My Inspiration - Connecting a Nation	**10,000,000**	–	–
One Dollar - 100th Anniversary of the Toronto Maple Leafs®	**5,150,000**	–	–
25 Cent	**110,720,000**	106,880,000	72,320,000
25 Cent - 50th Anniversary of the Canadian Flag	**–**	–	12,500,000
25 Cent - 100th Anniversary of the Writing of *In Flanders Fields*	**–**	–	12,500,000
25 Cent - Canada 150: My Canada, My Inspiration - Hope for a Green Future	**20,000,000**	–	–
25 Cent - 125th Anniversary of the Stanley Cup®	**12,500,000**	–	–
10 Cent	**199,925,000**	220,000,000	112,475,000
10 Cent - Canada 150: My Canada, My Inspiration - Wings of Peace	**20,000,000**	–	–
5 Cent	**106,680,000**	140,952,000	87,360,000
5 Cent - Canada 150: My Canada, My Inspiration - Living Traditions	**20,000,000**	–	–

EXECUTIVE OFFICERS

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Chief Executive Officer

Michel Boucher
Vice-President, Human Resources

Sean Byrne
Vice-President, Operations

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

Chris Carkner
Vice-President, Sales

Francine Hochereau
Vice-President, Marketing and
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Simon Kamel
Vice-President, General Counsel
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