ANNUAL REPORT 2019

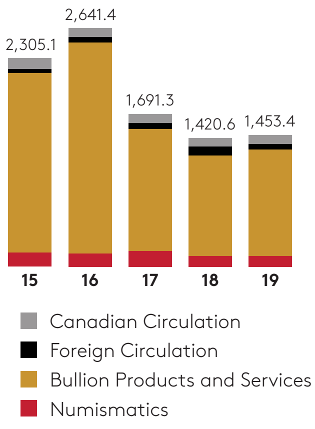
ROYAL CANADIAN MINT
MONNAIE ROYALE CANADIENNE

EXPLORING OPPORTUNITY

FINANCIAL AND OPERATING HIGHLIGHTS

	2019	2018	% change
Key financial highlights ($ in millions)			
Revenue	**1,453.4**	1,420.6	2
Gross profit	**142.9**	134.5	6
Profit before income tax and other items[1]	**42.3**	46.0	(8)
Profit for the period	**34.8**	35.1	(1)
Dividends paid	**40.0**	10.0	300
Total assets	**429.9**	397.8	8
Shareholder's equity	**150.2**	156.5	(4)
Capital expenditures	**11.5**	15.3	(25)
Cash flow from operating activities	**57.1**	39.7	44
Return on equity[2]	**28%**	29%	
Key operating highlights			
Canadian circulation coins produced (in millions of pieces)	**385.3**	369.0	4
Gold bullion sales (in thousands of ounces)[3]	**483.0**	523.0	(8)
Silver bullion sales (in millions of ounces)[3]	**22.8**	18.4	24
Number of employees (at December 31)	**1,099**	1,196	(8)

Revenue by Program and Business[4]
($ in millions)



[1] A reconciliation of profit before income tax and other items is included on page 29.
[2] Calculation is based on profit before income tax and other items.
[3] Bullion volumes are presented on a gross basis.
[4] Prior year figures for 2015 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: The glittering skyline of Auckland, New Zealand, where the nation marked the 100th anniversary of the signing of the Armistice with special circulation coins produced by the Royal Canadian Mint. In 2019, the International Association of Currency Affairs recognized the Armistice Day 50-cent circulation coin as 'Best Commemorative Coin', reinforcing the Mint's global leadership in the minting industry.






EQUALITY
ÉGALITÉ




MESSAGE FROM THE PRESIDENT AND CEO

This is an exciting time to be in the minting industry, which is evolving at a fast pace everywhere around the world. In 2019, the Royal Canadian Mint again demonstrated its ability to perform, plan and persevere by achieving its goals and surpassing its financial targets. The Mint's performance — where all businesses were profitable — is due to deep collaboration among our hard-working teams.

In 2019, employees of the Bullion Products and Services business worked diligently to meet a surge in demand for silver coins, while the market for gold coins was softer. The Mint continued to see rising requirements for storage services and an increase in the volume of doré delivered for refining. Sales of bar products were also strong, with more demand for both silver and gold.

Last fall, the Foreign Circulation business was proud to see the International Association of Currency Affairs recognize the 50-cent Armistice Day coin the Mint produced for New Zealand with two awards, including best new commemorative circulating coin. The global currency industry also continues to recognize the Mint's technological innovations for circulation, this time with an award for the Mint's advanced tri-metal coin technology token. In 2019, the foreign circulation team secured 11 new production contracts and is developing business in several new markets.

The Mint's strategy for the Numismatics business is effective and the business is once again profitable. The new approach continues to build on a long-standing commitment to put customers first, with Mint employees offering flawless and gratifying experiences to passionate collectors. The tailored portfolio of products is smaller, but tells more relevant and uniquely Canadian stories.

The Canadian Circulation program manages the nation's coin supply through sophisticated monitoring and forecasting. It efficiently produces and distributes secure, durable coins so that Canadians have the coins they need — when they need them. Even as Canada moves to a cash-lite society, coins remain an important option for Canadians as they are private, efficient and inclusive, ensuring no one is left behind and everyone in our society can access and use a method of payment.

In 2019, the Mint released two meaningful commemorative circulation coins. In April, it launched the $1 Equality coin that marked 50 years of progress in recognizing the rights of LGBTQ2 Canadians. Representing the Mint at my first coin launch as President and CEO, it is one I will always remember, especially the conversations it sparked about human rights. In May, the Mint proudly unveiled a special $2 D-Day coin honouring the brave Canadians who risked everything for a successful landing on the beaches of Normandy in June 1944. The medals team worked very hard in 2019 to design and produce the beautiful new Order of Yukon medal. Featuring the Yukon Coat of Arms surrounded by the bright pink petals of the fireweed, the territorial Commissioner inducted the first Yukoners and presented them with medals in January 2020.

Corporate Knights again recognized the Mint among Canada's Best 50 Corporate Citizens for its safety record, diversity and the Mint's active support of the circular economy through coin recycling and Alloy Recovery programs. In 2019, the Mint invested in new equipment in the refinery to reduce chlorine usage by 70%, which makes the workplace safer and is good for the environment. Employee-led recycling and composting pilot projects were successful and are here to stay.

In bringing stability to the leadership team in 2019, the Mint welcomed Tom Froggatt as the organization's first Chief Commercial Officer and Jean-Laurent Rousset as Vice-President, Operations. I would also like to express my gratitude to Senior Directors Scott Ingham and Pierre Justino, as well as Managing Director Lorne Whitmore, for their exceptional service during a period of transition as interim vice-presidents. The team is dedicated to the shared goal of being a performing, safe, and caring Mint — caring for its employees, customers and businesses.

Looking forward to 2020, the Mint is renewing its efforts on employee health and safety, and redoubling its efforts to forecast and prepare for Canada's cash-lite future where it will continue to deliver value, results and financial contributions to Canada and Canadians.

Marie Lemay
President and CEO

BULLION PRODUCTS AND SERVICES
Investments for the future

NUMISMATICS
The coins people gift and collect

FOREIGN CIRCULATION
Coins for other countries

CANADIAN CIRCULATION
The coins we use every day

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1 Germany was a prime growth market for the Mint's bullion products in 2019. Berlin (pictured above) also hosts the annual World Money Fair, where the Mint regularly announces major innovations such as Bullion DNA and MINTSHIELD™ surface protection.
2 400 oz. LBMA Good Delivery gold bars are stacked in the Mint's vault. The secure precious metal storage business continued to grow in 2019.
3 This coloured 1-Balboa circulation coin was created as part of a commemorative series celebrating World Youth Day in Panama. The logo design was chosen through a contest launched by the Archdiocese of Panama in conjunction with World Youth Day activities.

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PURSUING AND EXPANDING MARKETS

The Mint is a strong competitor for the world's bullion, foreign circulation and numismatics business. Its success is due to the quality of its products, a long-standing commitment to innovation and the development of strategic relationships. The Mint leveraged these advantages throughout 2019 to expand its presence in European and Asian bullion markets, create an exciting joint numismatic product and win new foreign circulation business.

The Mint's bullion products enjoyed leading global silver and gold market share in 2019[1]. Through its worldwide distribution capabilities, the Mint was able to capitalize on a demand increase for silver bullion coins in Europe and Asia, thereby improving its overall market share and maintaining its number one position in the world. The Mint also increased bullion bar sales to exchanges and institutional customers.

In July, the Royal Canadian Mint and United States Mint launched the Pride of Two Nations Limited Edition Two-Coin Set featuring unique versions of their signature silver bullion coins. This collaboration introduced US collectors to Canadian coins and sparked Canadian interest in American numismatics. The rapid sell-out of 110,000 sets revealed the potential of further partnerships with other sovereign mints.

The Mint continues to build trusted relationships with foreign circulation customers. The Winnipeg facility produced more than one billion coins and blanks while managing many foreign contracts. The Mint continued to receive large orders from South East Asia. Always keeping an eye on new opportunities, the Mint won 11 new contracts in 2019, with more partnerships lining up for 2020.

[1] These market share results exclude Africa as it is not an addressable market.


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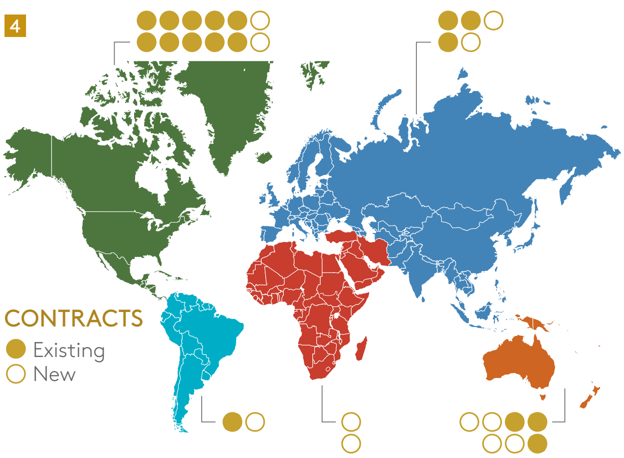

1 The Mint's Winnipeg facility produced more than one billion circulation coins and blanks for foreign customers in 2019.
2 A refinery operator casts a gold bar in Ottawa. By capitalizing on new opportunities in Asia and Europe, the Mint increased the sale of bullion bars and coins in 2019.
3 The Pride of Two Nations Two-Coin Set features specially finished versions of the Mint's signature Silver Maple Leaf and the United States Mint's iconic Silver Eagle bullion coins.
4 In 2019, the Mint leveraged its expertise to expand its presence worldwide, winning 11 new foreign circulation contracts.

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1 The Mint's senior sales manager of bullion, storage and refining solutions puts customers first. With an emphasis on providing personalized and gratifying customer experiences, the Mint met strong demand for bullion products in 2019.

2 In honour of the 175th anniversary of Louis Riel's birth, the Mint proudly showcased Métis artist David Garneau's captivating portrait of the Métis founder of Manitoba.

3 Mint employees show off the Equality loonie during a Pride parade coin exchange. In commemoration of 50 years of progress in advancing the rights of LGBTQ2 Canadians, these events proved to be excellent opportunities for the public to collect this historic coin.

FOCUSING ON THE CUSTOMER

The Mint undertook several initiatives designed to offer numismatics customers a more flawless and gratifying experience in 2019. This included mapping the customer journey to better anticipate and respond to client needs. The Mint thoroughly analyzed client feedback, while rationalizing the product portfolio to ensure collectors and customers remain engaged with products that tell more relevant and uniquely Canadian stories.

Significant progress was made to tailor customer interactions with the Mint. Web content and customer e-mails are customized with more focused, personalized content. E-mail and web visits now feature product recommendations aligned with each person's special interests.

The Mint found opportunities to simplify the buying process and make it more efficient. It set up a support team dedicated to troubleshooting issues and developed the capacity to calculate delivery dates more accurately. A more sophisticated analysis of purchasing behaviour is also informing the development of relevant and appealing products.

After seeing a steady increase in product delivery inquiries, the Mint overhauled its shipping processes in 2019. Improvements include a significant reduction of back-ordered products and proactive customer communications on estimated delivery dates. Since implementing an expected delivery date and hitting a 98.5% performance mark, the Mint is seeing increased customer satisfaction, fewer delivery-related calls and an increased net promoter score, which measures the customer experience.

1 A shipper and packager at the Mint's Ottawa facility prepares customers' orders by securely packaging the coins, sealing the boxes and labeling shipping addresses.
2 A boutique employee in Winnipeg meets customers and explains the features of a collector coin.
3 When a banana duct-taped to a wall sold for $120,000 in the art world, the Mint adapted the artwork on its social media platforms to include a $2 coin stuck to the yellow fruit, playfully suggesting a value of $120,002.
4 Employees at the Mint's customer solutions centre look forward to engaging with their valued customers. In 2019, they answered more than 78,000 calls.

SPARKING DIALOGUE

The Mint cherishes its role in sharing unique stories that get people talking about Canada's history, culture and values. In 2019, the Mint marked the 50th anniversary of legal reforms that were an early but important step in the ongoing effort to achieve equal rights and acceptance for LGBTQ2 Canadians. The commemorative $1 Equality circulation coin was a tangible way to express Canada's profound belief in inclusion. While many Canadians enthusiastically welcomed the coin, some took exception to the theme. Mint employees are proud of the role they played in sharing the message of equality.

On the eve of the 75th anniversary of D-Day, the Mint issued a circulation coin that fostered remembrance and raised awareness about the service and sacrifice of Canada's veterans. The commemorative $2 D-Day circulation coin honoured the brave Canadians who landed at Normandy, France on June 6, 1944. Their contributions to one of the most significant events in Canadian military history, which led to the liberation of Western Europe, will never be forgotten.

In October, the Mint unveiled a Special Edition Proof Dollar marking the 175th anniversary of the birth of Louis Riel. In addition to featuring an evocative portrait of the founder of Manitoba, this collectible coin is the first coin produced by the Mint to be engraved with Michif, the official language of the Métis Nation. The coin recognized Riel's contributions to Manitoba and Canada, as well as his tireless advocacy for the Métis.

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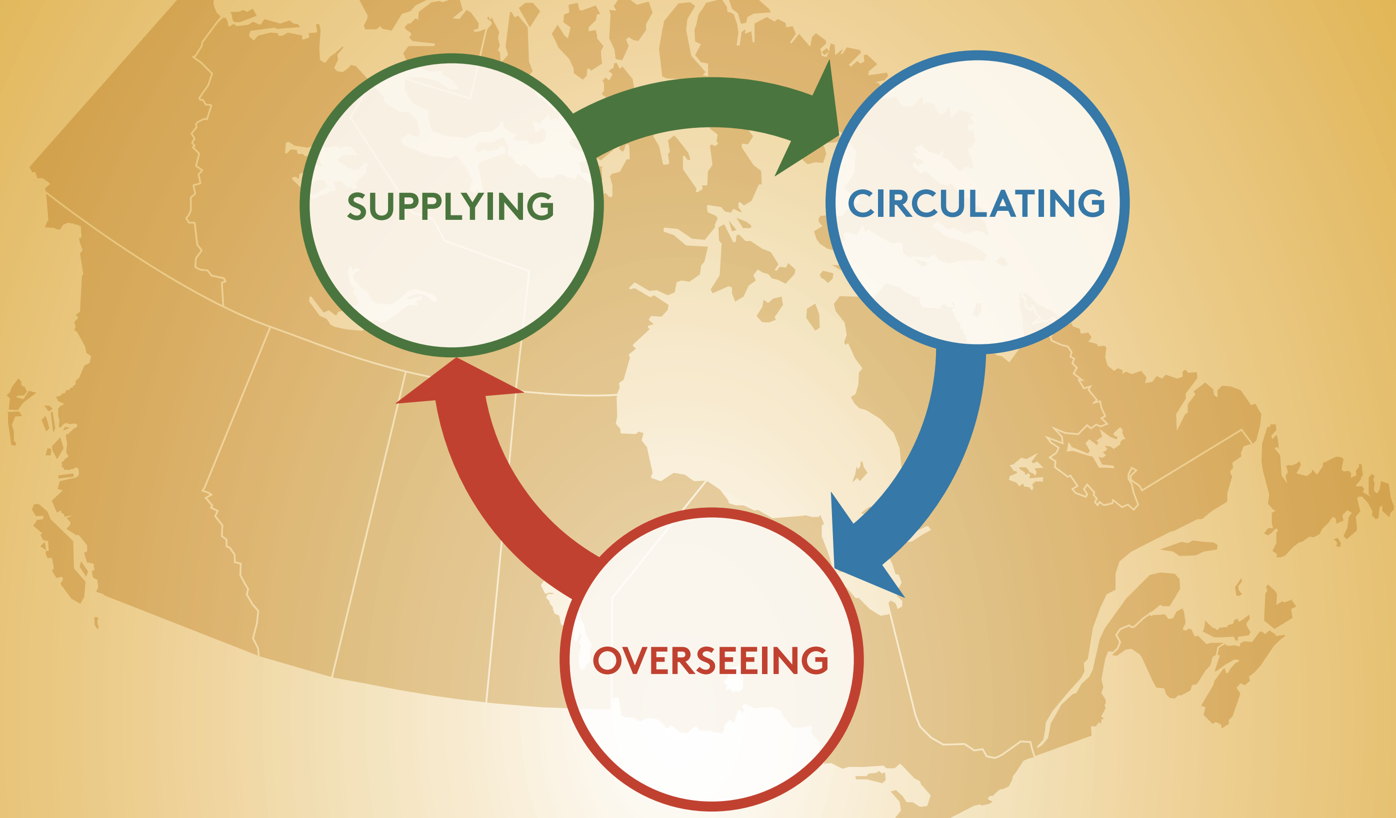
1 Vancouver-based artist Joe Average designed the Equality coin, seen here in its full-colour numismatic version. Diagnosed as HIV-positive in 1984, Joe Average has dedicated his life to art. The coin design is a stylized celebration of equality.

2 New Brunswick veteran Alphonse Vautour was a private in the 37 Brigade of the North Shore Regiment when he and 14,000 other brave Canadian soldiers landed in Normandy, France on June 6, 1944. Vautour was the first to receive the Mint's commemorative $2 coin honouring D-Day soldiers at an unveiling ceremony in Moncton.

3 This innovative collector coin celebrates Canada's linguistic duality after 50 years of the *Official Languages Act*. The bilingual lyrics of Canada's national anthem are micro-engraved along the outside edge.

MANAGING CANADA'S COINAGE SYSTEM

Beyond its duties of coin production, the Royal Canadian Mint manages Canada's cycle of supply, circulation and redistribution of coins to meet the nation's coinage needs.



SUPPLYING

We supply the coins Canadians use

MINTING COINS
We work hard to produce the best coins in the world…

SOURCING MATERIALS
by sourcing cost-effective materials through our diverse supply chain…

RECOVERING METAL
and recovering used coin metals through our Alloy Recovery Program.

CIRCULATING

We direct coins nationwide through our proprietary system

ADVISING GOVERNMENT
We advise on coin trends and required volumes…

DISTRIBUTING SHIPMENTS
directing Canada's coins to where they are needed most…

REDISTRIBUTING COINS
recirculating coins throughout the system.

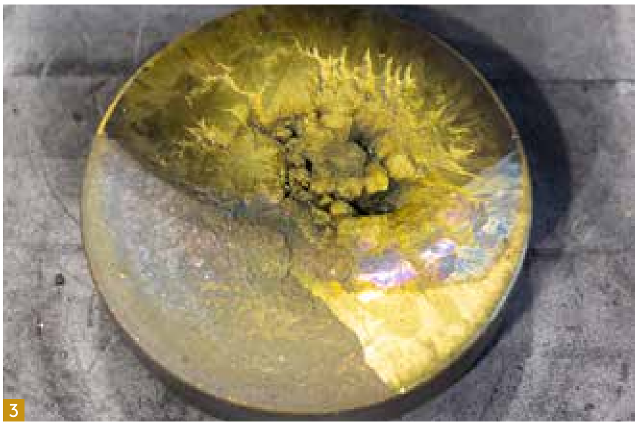
OVERSEEING

Along with the National Coin Committee, we oversee Canada's coin distribution system

MONITORING COINAGE
We continuously monitor and manage Canada's coinage…

AUDITING INVENTORIES
auditing coin inventories to ensure integrity of the system…

FORECASTING NEEDS
and generating ~1,000 weekly forecasts to ensure trade and commerce needs are fulfilled.



1 A new state-of-the-art refining process used to extract silver from gold, acid-less separation (ALS) reduces chemical usage, water consumption and the use of chlorine gas.
2 This new technology leverages the difference in the metals' boiling temperatures to separate them. The process is more sustainable and exposes employees to fewer risks.
3 The gold billet, weighing approximately 40 kg, is the end result of the ALS refining process where silver has been separated from gold deposits.

SUSTAINABLE PRACTICES

Environmental sustainability is an important part of the Mint's business and an ever-present operational consideration. The Mint is committed to improving processes and prioritizing innovation to minimize its impact on the environment.

The largest equipment acquisition of 2019 was acid-less separation (ALS), which is a groundbreaking refining technology. Traditionally, refiners have relied solely on chlorine gas to extract gold, silver and copper from raw materials. This process is common across the industry, but creates chemical by-products that require further treatment to eliminate. ALS allows for the separation of silver from raw materials more quickly, based on the metal's boiling temperature, without the addition of toxic chemicals.

The implementation of this adapted process has reduced electricity and water consumption, and decreased exposure to chlorine gas. This is good news for the environment, employees and contractors. It is expected that the addition of ALS to the refining process would lead to a 70% reduction in the overall use of chlorine gas.

The shift to this new process did not happen overnight as the machine had to be custom-built to the Mint's specifications to ensure operational excellence. Over time and with many tweaks, the finished product was installed in June 2019.

Major projects often mean corporations have to make a choice between profitability and environmental sustainability. The implementation of ALS is an example of a project that improves sustainable practices and contributes to the bottom line.

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1 A group of Mint employees capitalized on opportunities to grow sustainable practices in 2019 by improving internal procedures and developing new eco-friendly initiatives with the encouragement of management. In doing so, employees successfully diverted 2,000 paper-filled boxes, 128 bags of acrylic items and 205 bags of plastic articles from landfills.

2 The employee-led recycling program has widened the scope of recyclable materials and exposed more employees to recycling best practices. Since forming in April 2019, the self-proclaimed Mint Green Team has received ideas from various departments on how to continue to improve the organization's recycling record.

3 New items being recycled include acrylic capsules (right), small paper items such as receipts, and personal protective equipment including earplugs and eyeglasses.

CORPORATE SOCIAL RESPONSIBILITY

The Royal Canadian Mint is deeply committed to pursuing its activities in a responsible manner that benefits its people and communities. In 2019, Corporate Knights again recognized the Mint as one of the Best 50 Corporate Citizens in Canada. The Mint welcomed the endorsement of its safety record, diversity at the Board and executive levels, as well as its leadership and excellence in energy, carbon and waste productivity.

THE ENVIRONMENT

The Mint actively supports the circular economy, which minimizes waste and makes the most of existing resources. It also promotes clean revenue through its Alloy Recovery and coin recycling programs. In 2019, the Mint continued to maintain record low levels of water and electricity usage, with consumption rates for both down by 2%. Converting to LED lighting in Winnipeg alone, reduced energy use by 37,000 kWh.

A recycling initiative led by Ottawa employees diverted more than 2,000 paper-filled cardboard boxes and over 300 large bags of plastic and acrylic items from landfills. The Mint also piloted a project that resulted in the recycling of more than 210 kg of personal protective equipment such as earplugs and protective eyewear. Overall, 35% of the Mint's solid waste was recycled in 2019. Composting was also implemented at the Ottawa and Winnipeg facilities in the fall.

1 Employees and other volunteers gathered on a rainy September morning to plant trees on the Mint property in Winnipeg. The joint venture with the Manitoba Forestry Association and Nature's Real Estate has enhanced greenspace at the Mint.
2 Mint employees planted 135 seedlings to create a shelterbelt for wildlife and improve air quality.

OUR COMMUNITIES

In 2019, employee volunteers planted 135 trees on the property of the Winnipeg facility to create an eco-shelter belt and enhance the sprawling greenspace. Members of the 'Royal Dragons – In Mint Condition' team also continued the tradition of competing in the annual FMG Dragon Boat Festival that raises funds for the Cancer Care Manitoba and Children's Hospital foundations. In August, the Mint's 'Roll for Change' team reconvened for the annual MS Bike Ride from Ottawa to Cornwall – and back again – that raises money for the Multiple Sclerosis Society of Canada.

The Mint held community $2 D-Day coin exchanges at November home games for the Ottawa 67's and Manitoba Moose hockey teams. Hockey fans lined up to pick up free passes to tour the Mint and exchanged more than 2,300 regular toonies for the special commemorative circulation coins.

December is a special time at the Mint, when staff find ways to help people in need over the holidays. In 2019, staff contributed to the Children's Aid Society of Ottawa, Salvation Army Toy Mountain campaign, Ottawa's Harmony House women's shelter and Winnipeg Harvest.

PEOPLE

The wellbeing of the Mint's people was front and centre in 2019, as the organization strengthened its health and safety culture with a vision that includes the passionate pursuit of zero injuries. President and CEO Marie Lemay set the stage for the culture shift at the fall employee town hall meeting by introducing the vision statement — Every step. Every time. Everyone.

Part of that culture change is calling out unsafe practices before an injury occurs. Mint management and union representatives collaborated on the development of a new 'safe score' to increase reporting on near misses and hazards, ensuring everyone remains proactive in achieving zero injuries.

The Mint prioritized investments and new processes in 2019 to reduce ergonomic hazards. The installation of a manual lift assist system in the Winnipeg packaging department helped bring the number of reportable injuries from five to zero. The Ottawa and Winnipeg plants introduced sound reduction technology to protect employees from the long-term effects of a noisy working environment.

Mental health remained a priority with resiliency and coping skills highlighted in the outreach efforts of the Mint's Mental Health Working Group. Over 1,000 employees received valuable information on topics ranging from the importance of sleep to workload management.

The Mint also provided 155 people managers with conscious and unconscious bias awareness training, and 50 employees took an American Sign Language course to better connect with colleagues who have hearing impairments.

1 Mint employees from Winnipeg teamed up for the annual Dragon Boat Festival. The *Royal Dragons – In Mint Condition* pose with red paddles, which are awarded for every $1,000 raised for the Cancer Care Manitoba Foundation.
2 The Mint's dragon boat team racing on the Red River at the weekend-long festival.
3 The Mint's team *Roll for Change* in Ottawa, took part in the MS Bike Ride in August to support the Multiple Sclerosis Society of Canada.
4 Pulling together for the United Way in Winnipeg. A team from the Mint pose by the Lockheed C-130 Hercules that they pulled earlier in the day at the annual Plane Pull fundraiser on September 13.

OUR PEOPLE

More than 1,000 people power the Mint every day. The following employees represent the care, diligence, and expertise of the entire dedicated team.

1 Aziz Khan (Operator, Ottawa Production)
2 SCRUM Team – Matt Bowen (Engraver), Pascal Clément (CNC Programmer), Lianne Kilfoyl (Senior Coordinator, NPI), Virginia Gaffney (Senior Manager, Integrated Marketing Communications), Howard Lam (Product Engineer), Jamie Desrochers (Product Manager and Collection Lead), Erica Maga (Product Manager), Alex Tirabasso (Engraver)
3 Martha Martinez (Helper, Winnipeg Packaging)
4 Nicole Brewer (Financial Analyst, Inventory and Revenue, Complex Accounting) and Nigel Nilsson (Manager, Inventory and Operations, Complex Accounting)
5 Ashleigh Bell (Human Resources Generalist, Winnipeg)
6 Roberto Adina (Helper, Winnipeg Packaging)






1 Iain Brooks (Senior Manager, Applied Research)
2 Bhavna Radia (Operator, Ottawa Production)
3 Hadikin Liongs (Refiner, Electrolysis)
4 Sanaz Boyd (Account Representative, Numismatic Outbound Sales)
5 Reid Napier (Protective Services Officer, Winnipeg)
6 Leanne Grenier (Operator, Winnipeg Production)
7 Martin Pharand (Operator, Refinery Operations) and Christian Plouffe (Senior Refiner, Refinery Operations)
8 Dariyan Khastar (Apprentice Assayer, Assay Operations) and Pascal Ladrie (Senior Assayer, Assay Operations)

MESSAGE FROM THE CHAIR

I am pleased to report on the governance of the Royal Canadian Mint in 2019 as Chair of its Board of Directors. It has been a pleasure to work with fellow Directors, who bring a diversity of insights. As they carry out their stewardship role on behalf of the Shareholder, the Government of Canada, they are collaboratively engaging with management to chart the course towards a strong and sustainable future. This year we had the pleasure of welcoming two new Board members, Barry Rivelis and Pina Melchionna. The spirit of collaboration is also a legacy of those who preceded the current membership of the Board. In that light, I wish to thank outgoing directors Carol Skelton and William C. Ross.

Appointed in February 2019, Mint President and CEO Marie Lemay has quickly established herself as a committed people leader who engages with all levels of the organization. She is equally keen on building solid relationships with customers and external stakeholders, including the Board of Directors. The Board wishes to thank Senior Vice-President and Chief Financial Officer Jennifer Camelon for her leadership as interim CEO.

The Mint has an important role in supporting daily commerce in Canada even as the payment landscape changes. The Board is working on a long-term strategy to ensure the Mint continues to bring value in this new environment and that no Canadian is left behind. Canada and Canadians continue to benefit from the Mint's operations as it remains profitable and delivers higher than expected dividends to the Government of Canada.

The Board has made excellent use of its committee structure to establish strong processes, mandates and work plans. This has created a robust foundation for the sustained effectiveness of our Board. We are conducting exercises to help shape a comprehensive approach to risk management. With the keen participation of management, we are setting an ambitious target in the area of health and safety by striving for a zero-injury culture. We have seen first hand the Mint's passion for quality and innovation, and its focus on bringing value to its customers. It is no surprise that the Mint has built such a strong global reputation.

Many Directors personally witnessed the social impact of the Mint's circulation and collector coin programs at public launch events organized in communities across Canada. It was an honour to participate in the launch of the $1 Equality coin at the 519 community centre in the heart of the Village in Toronto.

The Board was very pleased that CN welcomed us at their national training centre in Winnipeg, for the Mint's 2019 annual public meeting. By combining a coin unveiling with the Mint's annual accounting of its performance, we were able to unite CN employees and retirees, avid numismatists, and other guests in celebration of CN's 100 years of nation-building history. Exceptional displays of pride defined other memorable events in Calgary, Montreal and St. John's.

The Board of Directors appreciates the many ways the Mint is woven into the lives and experiences of Canadians and customers all over the world. We look forward to continuing our work as the Mint delivers on its public mandate, while successfully pursuing opportunities in the many fields where it has demonstrated leadership and staying power.

Phyllis Clark
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, Mint employees complete mandatory online Code of Conduct and Ethics training. In 2019, the Mint also launched a new independent, third party, confidential whistleblowing platform for employees and contractors to report allegations of wrongdoing.

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 2019, the Board consisted of 11 directors, including the President and Chief Executive Officer (CEO). Directors are appointed from different regions across Canada and seven 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 seven times in 2019. 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 2019, these committees met a combined total of 14 times. The Board reinforced the Mint's governance structure by reviewing corporate by-laws and updating the Board mandate, as well as the mandates of the three standing committees.

In 2019, the Mint welcomed two new Directors, as well as the President and CEO who also serves on the Board.

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
Phyllis Clark *Edmonton, Alberta* *Chair of the Board*	7/7	14/14
Marie Lemay[1] *President and Chief Executive Officer*	7/7	13/13
Jennifer Camelon, CPA, CA [2] *Ottawa, Ontario* *Interim President and Chief Executive Officer*	N/A	1/1
Serge Falardeau, ASC, CPA, CA *Sainte-Marie-de-Beauce, Quebec* *Member of the Audit Committee and the Human Resources and Workplace Health and Safety Committee*	6/7	9/9
Sandip K. Lalli, FCPA, ICD.D *Heritage Pointe, Alberta* *Member of the Governance and Nominating Committee and the Human Resources and Workplace Health and Safety Committee*	7/7	10/10
Fiona L. Macdonald, ICD.D *Vancouver, British Columbia* *Chair, Human Resources and Workplace Health and Safety Committee*	7/7	5/5
Pina Melchionna [3] *Toronto, Ontario* *Member of the Audit Committee and the Human Resources and Workplace Health and Safety Committee*	4/4	3/3
Cybele Negris *Vancouver, British Columbia* *Member of the Audit Committee and the Human Resources and Workplace Health and Safety Committee*	6/7	9/9
Gilles Patry, C.M., O.Ont *Ottawa, Ontario* *Member of the Audit Committee and the Governance and Nominating Committee*	7/7	7/9
Barry Rivelis [4] *Vancouver, British Columbia* *Member of the Audit Committee and the Governance and Nominating Committee*	3/3	2/2
William C. Ross [5] *Toronto, Ontario*	4/4	5/5
The Honourable Carol Skelton, ICD.D [6] *Harris, Saskatchewan*	N/A	1/1
Deborah Shannon Trudeau *Montreal, Quebec* *Chair, Governance and Nominating Committee* *Vice-Chair of the Board*	7/7	5/5
Victor L. Young, O.C. *St. John's, Newfoundland and Labrador* *Chair, Audit Committee*	7/7	4/4

Notes:

[1] Appointed as President and CEO on 18 February, 2019

[2] Served as Interim President and CEO until 15 February, 2019

[3] Appointed on 2 June, 2019

[4] Appointed on 1 July, 2019

[5] Term end date: 30 June, 2019

[6] Term end date: 28 February, 2019

STAYING CONNECTED WITH THE PUBLIC AND OUR EMPLOYEES

The Mint hosts many events and activities that promote transparency, accountability and accessibility, while engaging with employees, customers and Canadians in a meaningful way. Soon after the 2018 annual report was tabled in Parliament, the Mint shared its operational and financial highlights with the public at its first annual public meeting in Winnipeg on May 13, 2019. Held at the CN National Training Centre, the meeting included a double coin launch celebrating the 100th anniversary of CN and drew more than 150 people.

The Mint collects feedback directly from customers through community events, social media and surveying activities. It also meets regularly with its dealers and distributors, and participates in trade shows, conferences and events where it can engage directly with its customers to solicit feedback on its products and services.

Using this collective data, the Mint is focused on offering products and services that bring value to its domestic and international customers alike. It delivers uniquely relevant products and services, and superior customer experiences. The Mint is dedicated to innovation, productivity and agility to ensure products and services are relevant to customers in a rapidly changing retail and investment landscape.

The Mint held town hall events in the spring and fall of 2019 to update staff on the corporation's performance, celebrate achievements and to recognize outstanding employee contributions. The Mint also took a new approach to employee communications by elevating the sense of community and connection among employees across the Mint, and fostering alignment between corporate goals and people's day-to-day work. Regular and timely employee-focused information is shared on TVs throughout the Mint's facilities, and in an electronic newsletter. Managers have identified and implemented initiatives within their teams to foster greater employee engagement and enablement.

In 2019, the Mint held seven Strategic Leadership Forum sessions with the Mint's senior officers and their direct reports to discuss strategic objectives, people-focused initiatives and financial performance, and hear from expert guest speakers.

CANADIAN ENVIRONMENTAL ASSESSMENT ACT (CEAA)

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

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 when required.

For 2019, all projects undertaken by the Royal Canadian Mint, which were evaluated under CEAA 2012, were determined to not likely cause significant adverse environmental effects.

CONNECTING TO THE CORPORATE PLAN

The Royal Canadian Mint delivers results through a diversified and integrated business structure.

The Mint continues on the strategic path outlined in the 2019-2023 Corporate Plan, with a focus on putting its people first, customer centricity, and continuing to deliver value to Canada and Canadians. As the Mint works to write the next chapter of its history, it is creating a safe, respectful and inclusive workplace. The Mint is refocusing its efforts to put customers at the centre of what employees focus on each and every day. Consistent with the expectations for Canada's Crown corporations, the Mint continues to expand its corporate social responsibility framework, and continues to implement improved foundational and risk management practices.

OUR VISION

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

The Mint delivered positive results in 2019 and delivered on its objectives as stated in its 2019-2023 Corporate Plan. It exceeded its financial targets as highlighted in the Management Discussion and Analysis starting on page 21.

The Mint's corporate objectives align with the pillars *Canada*, *Customers* and *People*.

CANADA

- ● Reliably produce and effectively manage Canada's supply of durable and secure coins
- ● Celebrate Canada's history and values through the Commemorative Coin Program
- ● Demonstrate good corporate social citizenship

CUSTOMERS

- ○ Create value for its domestic and international customers by offering uniquely relevant products and services, and delivering a great customer experience
- ○ Consistently demonstrate global minting and operational excellence, and capitalize on market and customer opportunities when they arise through continual focus on innovation, productivity and agility

PEOPLE

- ● Provide a positive and inclusive work environment through a commitment to teamwork in a healthy and safe workplace
- ● Provide diverse experience, training, tools and support to enable employees to successfully execute on strategies and business objectives

● Fully met ○ Mostly met

In 2020, the Mint looks forward to building on its progress and continuing to deliver results, as highlighted in the outlook starting on page 34 of the Management Discussion and Analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) provides a narrative discussion outlining the financial results and operational changes for the year ended December 31, 2019, 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, 2019, 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 5, 2020, 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.

MATERIALITY

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

Sharing her unique vision of our nation, artist Alisha Giroux created a collage of story book-like illustrations of Canadian fauna recalling the shapes of our provinces and territories. Together, they form a unique rendering of the map of Canada. The Canada-shaped Canadian Landscape coin became a domestic and international media sensation.

EXECUTIVE SUMMARY

The Royal Canadian Mint is Canada's national mint and a global leader in circulation, bullion, and collectible coin products and services. As part of its core mandate, the Mint produces and distributes coins for circulation and for use in trade and commerce for Canada. The Mint provides a full coin lifecycle management service for the Government of Canada with the Mint's forecasting, world-class production, logistics, recycling and distribution operations, circulation, and monitoring services.

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

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

The Bullion Products 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 and silver coins, as well as other precious metal products and services for investment and manufacturing purposes. As a market leader in the industry with bullion coins of the highest quality and security, the Mint is well positioned to capture a leading share of any increase in demand while sustaining volumes during soft markets. The Canadian Gold and Silver Reserves ETR products listed on the Toronto Stock Exchange allow retail and institutional investors to hold title to precious metals covered under ETRs and stored at the Mint while reducing the Mint's lease costs.

The Mint's ability to strike coins in ultra-high-relief literally stands out on a concave, oblong-shaped silver one-kilogram coin celebrating the 100th anniversary of CN. The meticulous engraving captures every detail of a CN locomotive steaming through a forested Canadian landscape.

The Numismatics business designs, manufactures and sells collectible coins and medals to a loyal customer base in Canada and around the world. The Mint's global leadership in the art and science of minting is consistently recognized with prestigious international awards. This recognition is largely earned by innovative technology enhancements, such as glow in the dark paint, selective plating and the use of vibrant colour that allow the Mint to create unique and compelling products. The Mint sells numismatic products through its e-commerce platform and at its Ottawa and Winnipeg boutiques, as well as through dealers and partners, both domestically and internationally.

SIGNIFICANT CORPORATE EVENTS

ORGANIZATIONAL UPDATE

On January 21, 2019, the Honourable Bill Morneau, Minister of Finance, announced the appointment of Marie Lemay as the Mint's President and Chief Executive Officer effective February 18, 2019 for a period of five years.

The Mint appointed its first Chief Commercial Officer, Tom Froggatt. As part of the Mint's numismatics strategy review process, Mr. Froggatt took over the merged positions of Vice-President, Marketing and Vice-President, Sales. The Mint also appointed Jean-Laurent Rousset as the Mint's Vice-President, Operations.

APPOINTMENTS TO THE BOARD OF DIRECTORS

In June 2019, the Honourable Bill Morneau, Minister of Finance announced the appointment of Pina Melchionna, effective June 2, 2019, and Barry Rivelis, effective July 1, 2019, to the Mint's Board of Directors. These appointments are for a four-year term.

PUBLIC SERVICE ALLIANCE OF CANADA (PSAC) UNION AGREEMENT

On September 27, 2019, the Mint and its Public Service Alliance of Canada (PSAC) locals in Ottawa and Winnipeg reached a four-year collective agreement renewal that expires on December 31, 2021. PSAC represents the majority of Mint employees, mostly in the manufacturing area. On December 23, 2019, the Mint and the Amalgamated Transit Union representing the Mint's Protective Services Officers also reached a four-year collective agreement.

DIVIDENDS

In December 2019, the Mint paid a dividend of $40 million to its Shareholder, the Government of Canada.

Featuring a "W" mint mark, this silver collector coin is the first of its kind to be struck in Winnipeg. The product of a unique collaboration between Ottawa and Winnipeg employees, this coin symbolizes their shared pride in the Silver Maple Leaf, one the world's favourite silver bullion coins.

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 for its Shareholder and for Canada.

Consolidated results and financial performance

	2019	2018	$ change	% change
Revenue	**$ 1,453.4**	$ 1,420.6	$ 32.8	2
Profit before income tax and other items[1]	**42.3**	46.0	(3.7)	(8)
Profit before income tax and other items margin[2]	**2.9%**	3.2%		
Profit for the period	**34.8**	35.1	(0.3)	(1)
Pre-tax return on equity[2]	**28%**	29%		
Pre-tax return on assets[2]	**10%**	12%		

[1] A reconciliation from profit for the period to profit before income tax and other items is included on page 29.
[2] Calculation is based on profit before income tax and other items.

	As at			
	2019	2018	$ change	% change
Cash and cash equivalents	**$ 65.5**	$ 66.4	$ (0.9)	(1)
Inventories	**94.9**	62.2	32.7	53
Capital assets	**173.9**	172.8	1.1	1
Total assets	**429.9**	397.8	32.1	8
Working capital	**102.5**	107.5	(5.0)	(5)

RESULTS OF OPERATIONS

REVIEW OF FINANCIAL PERFORMANCE

Profit before income tax and other items for the year ended December 31, 2019, decreased 8% to $42.3 million from $46.0 million in 2018. The Mint operates as a set of diversified global businesses under a fully integrated structure with the majority of the plant, business and corporate costs allocated to the Canadian Circulation program and each business. In 2019, the Canadian Circulation program and all of the Mint's businesses were profitable. The Bullion business, including ancillary services, had a strong year, while revenue from Numismatics business was consistent with 2018 with a smaller, more resonant product portfolio. Revenue from the Foreign Circulation business returned to a more normal level.

Working capital remained strong despite a 5% decrease from December 31, 2018. This decrease reflects a $30 million increase in dividends paid to the Government of Canada in 2019 as compared to 2018. Cash remained relatively consistent with the prior year and remains at a level that supports the Mint's on-going operations. Scheduled loan repayments of $3.0 million in 2019 reduced the loan payable. Inventories increased 53% compared to December 31, 2018 due to higher purchases of precious metals for bullion products because of customer orders placed late in 2019 that remained unshipped at December 31, 2019.

This one-dollar circulation coin designed by Vancouver artist Joe Average celebrates 50 years of progress in advancing the rights of LGBTQ2 Canadians. It boldly highlights the Canadian values of diversity and equality.

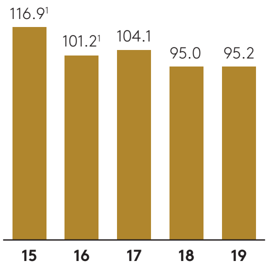
REVENUE BY BUSINESS AND PROGRAM

	2019	2018	$ change	% change
Canadian Circulation program	$ **95.2**	$ 95.0	$ 0.2	–
Foreign Circulation	**65.4**	94.9	(29.5)	(31)
Bullion Products and Services	**1,176.0**	1,113.6	62.4	6
Numismatics	**116.8**	117.1	(0.3)	–

CANADIAN CIRCULATION

Revenue from the Canadian Circulation program remained consistent year over year as an increase in revenue from the commemorative coin program was offset by lower fixed costs billed, as expected, under the 2018 memorandum of understanding and lower revenue from the Alloy Recovery Program.

Canadian Circulation revenue
($ in millions)



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

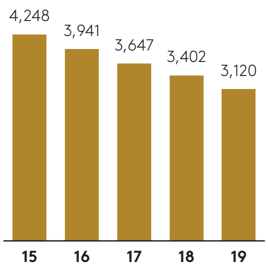
Coin supply

(in millions of coins)	2019	2018	Change	%
Financial institutions deposits	**2,589**	2,824	(235)	(8)
Recycled coins	**165**	163	2	1
New coins sold to financial institutions and others	**366**	415	(49)	(12)
Total coin supply	**3,120**	3,402	(282)	(8)

Department of Finance inventory

(in millions of dollars)	2019	2018	$ change	% change
Opening inventory	$ **98.0**	$ 101.1	$ (3.1)	(3)
New coins produced	**119.3**	129.3	(10.0)	(8)
New coins sold to financial institutions and others	**(115.3)**	(132.4)	17.1	13
Ending inventory	$ **102.0**	$ 98.0	$ 4.0	4

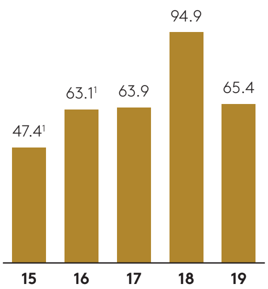
Annual supply for coinage across Canada excluding pennies
(in millions of coins)



Demand is met through the three main sources of supply outlined in the above table and is subject to variability across regions of the country and seasonality depending on the time of the year. The supply for Canadian circulation coins decreased 8% year over year, as sales of new coins to financial institutions were lower in 2019 due to more financial institution inventory being available, as a result of stable recycling levels, to meet the demand.

The Mint actively manages inventory levels in response to changes in demand, financial institution deposits and recycling volumes to ensure coinage demand is met throughout the year. The face value of the Department of Finance-owned inventory at December 31, 2019 was $102 million and was within the inventory limit outlined in the Mint's memorandum of understanding with the Department of Finance, with no coin shortages in 2019. To replenish inventories held on behalf of the Department of Finance, the Mint produced 385 million new coins in the year compared to 369 million for the same period in 2018.

Foreign Circulation revenue
($ in millions)



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

The efficient management of the coinage system is achieved hand-in-hand with the celebration of Canada's history, diversity, culture and values. During 2019, the Mint issued a $2 commemorative circulation coin honouring the 75th Anniversary of D-Day, as well as a $1 coin in commemoration of 50 years of progress in advancing the rights of LGBTQ2 Canadians. The Mint received approval from the Governor in Council to issue three commemorative coins in 2020: a $2 coin commemorating the 75th anniversary of the end of the Second World War, a $2 coin celebrating the 100th anniversary of the birth of Bill Reid and a $1 coin celebrating the 75th anniversary of the United Nations Charter.

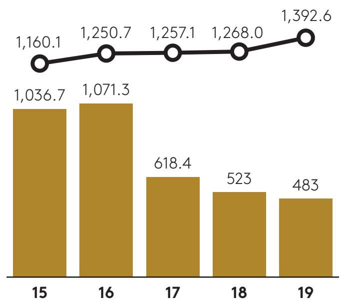
FOREIGN CIRCULATION

Revenue from the Foreign Circulation business decreased by 31% in 2019 to $65.4 million, a more normal level as compared to the exceptional year in 2018 with revenue of $94.9 million.

The decrease in Foreign circulation revenue reflects the production and/or shipment of 1,308 million (2018 – 1,816 million) coins and blanks for 10 (2018 – 12) countries. In 2019, the Mint was awarded 11 new production contracts for an aggregate of 1,480 million coins.

Sales of gold bullion products
(thousands of ounces)

vs. Average price of gold
(US$ per ounce)

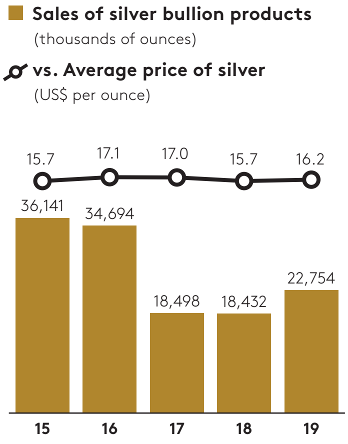


BULLION PRODUCTS AND SERVICES

	2019	2018
Gross revenue	**$ 1,650.1**	$ 1,467.5
Less: Customer inventory deals	**(474.1)**	(353.9)
Net revenue	**$ 1,176.0**	$ 1,113.6

(thousands of ounces)	2019	2018
Gold	**483.0**	523.0
Silver	**22,754.5**	18,431.8
Gross ounces	**23,237.5**	18,964.8
Less: ounces from customer inventory deals	**(1,079.4)**	(2,769.6)
Net ounces	**22,158.1**	16,185.2

Net revenue from the Bullion Products and Services business increased 6% to $1.2 billion in 2019 from $1.1 billion in 2018. The Mint maintained its leadership position in the bullion market in 2019, and due to its global presence, was able to capitalize on an increase in demand for silver bullion products in certain regions outside of North America resulting in higher revenue. The increase in revenue from silver bullion product volumes was partially offset by decrease in gold bullion product volumes year over year. Revenue from the Mint's storage and refinery services remains a stable contributor to the Mint's overall profitability. Revenue from these services increased 8% year over year.



NUMISMATICS

The Mint continues to execute on its numismatics strategy. During 2019, the Mint streamlined its product offerings in response to customer feedback. Due to this renewed focus on the customer experience, the Mint's net promoter score (NPS), which measures the loyalty of its customers, increased 26% in just under a year.

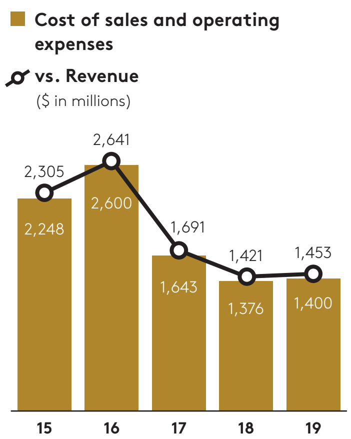
Revenue from the Numismatics business remained consistent year to year at $117 million, with the increase in gold product revenues being driven by an increase in custom gold products while a more streamlined product offering reduced the revenue from silver and other products sales.

	2019	2018
Gold	$ 31.0	$ 25.1
Silver	75.2	79.7
Non Gold or Silver	10.6	12.3
Total revenue	$ 116.8	$ 117.1

EXPENSES, OTHER INCOME AND INCOME TAX

Expenses (income)

	2019	2018	$ change	% change
Cost of sales	$ 1,310.5	$ 1,286.0	$ 24.5	2
Operating expenses				
Marketing and sales expenses	32.1	36.6	(4.5)	(12)
Administration expenses	62.4	57.2	5.2	9
Net foreign exchange loss (gain)	1.8	(3.7)	5.5	
Finance (income), net	(0.3)	(1.9)	1.6	
Other income	(0.2)	(0.5)	0.3	
Income tax expense	12.3	11.7	0.6	



Cost of sales increased 2% for the year ended December 31, 2019. The overall increase in cost of sales was mainly driven by higher material costs for bullion products due to higher sales volumes and higher gold and silver costs year over year. These increases year over year were partially offset by a decrease in costs for the Foreign Circulation business due to changes in the production schedule and lower volumes during the period, as well as the positive impact of the reduction in the Face Value redemptions liability from the increase in the price of silver in 2019.

New Brunswick's North Shore Regiment, working with local and Ontario historians managed to identify Nova Scotia Private George Baker as the soldier depicted on the 2019 Proof Silver Dollar commemorating the 75th anniversary of D-Day. Baker's image was adapted from several frames of archival D-Day film footage. The Mint was honoured to present his daughter with a framed coin in remembrance of her late father.

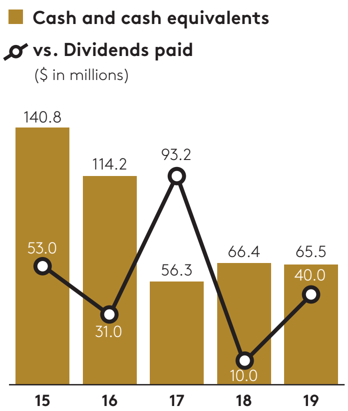
Operating expenses increased 1% in 2019 to $94.5 million compared to $93.8 million in 2018. The increase in administration expenses was largely due to higher employee compensation costs to support the ongoing diligence with respect to the Mint's physical and cyber-security posture, as well as the operationalization of the updated numismatics strategy that resulted in some product development costs being allocated from cost of sales in 2018 to administration expense in 2019. The decrease in sales and marketing expenses was largely attributed to the optimization of operating costs, including employee compensation costs and marketing campaign costs, in line with the updated numismatics strategy.

Net foreign exchange loss increased $5.5 million compared to the same period in 2018. The net foreign exchange loss of $1.8 million was mainly due to a stronger Canadian dollar in relation to the US dollar and the resulting negative impact on the translation of the Mint's US dollar balances, mainly the precious metal recovery component of the Face Value redemptions liability.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

	2019	2018	$ change	% change
Cash and cash equivalents, at the end of the period	$ **65.5**	$ 66.4	$ (0.9)	(1)
Cash flow from operating activities	**57.1**	39.7	17.4	44
Cash flow used in investing activities	**(11.4)**	(13.9)	(2.5)	(18)
Cash flow used in financing activities	**(45.7)**	(17.5)	28.2	161



Cash generated from operating activities in 2019 was $57.1 million, a $17.4 million increase compared to 2018. The increase was mainly due to the timing of customer billings and the timing of payments to vendors which were partially offset by higher income taxes paid in the US and the absence of foreign tax credits, which were received in 2018, combined with higher precious metal inventory purchases in 2019.

Cash used in investing activities was fairly consistent year over year. New product and technology research, development and production requirements, and the support and enhancement of facilities and information technology guide capital expenditures at the Mint. These expenditures fell into three categories in 2019:

- Equipment ($6.7 million): includes investments for reliability, flexibility and capability improvement, as well as safety, security and protection of the environment. In 2019, the Mint completed the replacement of die production equipment and the reconfiguration of an annealing conveyor in Winnipeg, as well as the implementation of a die production laser in Ottawa.
- Information Technology ($3.2 million): includes computer hardware and software for the ongoing support and development of the computing and communications infrastructure. The main projects in 2019 included continued investments in cyber-security infrastructure and disaster recovery.
- Buildings ($1.5 million): includes office modernization and improvements to optimize the Mint's office footprint in Ottawa.

The $28.2 million increase in cash used in financing activities for the year represented a higher dividend declared and paid to the Government of Canada during 2019 compared to 2018. The dividend paid in the fourth quarter of 2019 and 2018 represented the projected year-end cash balance over a pre-determined cash reserve requirement defined in the Mint's Corporate Plan.

The Mint's Research and Development team took contours to new heights with the Multifaceted Animal Head – Wolf silver coin, struck in extraordinarily high relief reaching 6 mm above the surface of the 36 mm diameter coin. This stunning geometric rendition of a wolf's head is composed 435 polygons that bring the coin to life with an infinite pattern of light reflections.

BORROWING FACILITIES

The Mint entered 2019 with total outstanding long-term loans of $12 million. During the year, repayments of $3 million decreased the balance to $9 million. The Mint entered the period with a long-term loan-to-equity ratio of 1:13 and closed the period with a long-term loan-to-equity ratio of 1:17. See note 18 to the audited consolidated financial statements page 83 for details on the Mint's borrowing facilities.

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 valuation as compared to the US dollar	Increases	Decreases revenue from goods and services sold in US dollars Decreases costs incurred in US dollars Increases cost of sales for product made in Canada that are internally sold in US dollars Increases Face Value redemptions liability and cost of sales
Gold price/ounce	Increases	Increases revenue from the Bullion Products and Services business Increases product costs for bullion and numismatics products
Silver price/ounce	Increases	Increases revenue from the Bullion Products and Services business Increases product costs for bullion and numismatics products Decreases Face Value redemptions liability and cost of sales
Nickel price/kg	Increases	Increases revenue from the Canadian Circulation Program
Steel price/kg	Increases	Increases revenue from the Foreign Circulation business Increases product costs for circulation products
Bullion lease rates	Increases	Increases product cost for bullion products

RETURN TO THE GOVERNMENT OF CANADA

For the year ended December 31, 2019, the Mint paid a $40 million dividend to its Shareholder, the Government of Canada. The following table summarizes the total return the Mint has made to Canada over the last five years:

	2015	2016	2017	2018	2019	**Total**
Dividends paid	$ 53.0	$ 31.0	$ 93.2	$ 10.0	$ 40.0	**$ 227.2**
Income tax paid	10.4	13.6	9.0	7.3	15.5	**55.8**
Total return	$ 63.4	$ 44.6	$ 102.2	$ 17.3	$ 55.5	**$ 283.0**

CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

See notes 14, 15, 16 and 29 to the audited consolidated financial statements starting on pages 79 and 93, respectively, for details on the Mint's contractual obligations and other commercial commitments.

PERFORMANCE AGAINST CORPORATE PLAN

The Mint's first feather-shaped coin was designed by K'ómoks and Kwakwaka'wakw artist Andy Everson. The eagle and its plumage are symbols rich in cultural and spiritual meaning to the Indigenous peoples of Canada's Pacific Northwest coast.

The operating and financial results achieved during the year ended December 31, 2019 indicate that the financial goals established in the 2019-2023 Corporate Plan were exceeded.

The financial goal for 2019 was profit before income tax and other items of $25.9 million compared to actual results of $42.3 million. The Mint exceeded its target for 2019 primarily due to higher than anticipated revenue from stronger bullion volumes and storage services, and continued careful cost management.

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

	2019	2018
Profit for the period	**$ 34.8**	$ 35.1
Add (deduct):		
Income tax expense	**12.3**	11.7
Other income	**(0.2)**	(0.5)
Net foreign exchange loss (gain)	**1.8**	(3.7)
Face Value Revaluation[1]	**(6.4)**	3.4
Profit before income tax and other items	**$ 42.3**	$ 46.0

[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.

RISKS TO PERFORMANCE

Management considers risks and opportunities at all levels of decision making. The Mint's performance is influenced by many factors, including: economic conditions, financial and commodity market volatility, and competitive pressures. Also, as a Crown corporation governed under a legislative framework, the Mint's performance could be impacted by changes to Shareholder objectives or to the directions given by governing bodies. Under the guidance of the Board of Directors, the Mint's enterprise risk management process is undertaken by the Mint's Leadership Team. It focuses on the identification 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 its internal auditor. Guidance in relation to risk awareness and risk management is provided to staff, where necessary. Appropriate risk management requirements are embedded in staff responsibilities.

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

The Mint has identified the following key corporate level risks that could materially impact the achievement of its strategic objectives as outlined on page 20.

The Mint issued its first tri-metallic coin in celebration of the 35th anniversary of astronaut Marc Garneau's flight aboard Space Shuttle Challenger in October 1984. It was on that mission that Garneau became the first Canadian in space. The brass inner core represents the troposphere from which Challenger launched, the cupronickel inner ring is the thermosphere where it orbited, while the bronze outer ring symbolizes outer space.

STRATEGIC RISKS

E-PAYMENT ADOPTION RATE

Trends in e-payments, both in Canada and abroad, have made predicting future coin demand a challenge. The Mint recognizes that its financial targets and operating model would be negatively impacted if the rate of e-payment adoption accelerates well beyond current planning assumptions. As the use of e-payment continues to expand, the Mint is assessing the domestic and international payments landscape in order to model potential future-state scenarios. This scenario work enables the Mint to consider multiple risks and situations that may not be present today, which will increase the Mint's resiliency to successfully manage a future transition to a cash-lite economy. The Mint is increasing stakeholder engagement to develop strong long-term foresight into coin demand and e-payment adoption rates.

The forget-me-not flower is a unique emblem of remembrance in Newfoundland and Labrador and is the focus of this coin launched on Memorial Day (July 1) at Government House in St. John's. It figures prominently on this coin commemorating the sacrifices of the people of Newfoundland and Labrador during the First World War.

SHAREHOLDER RELATIONS

The Mint is a Crown corporation governed primarily under the *Royal Canadian Mint Act* and the *Financial Administration Act*.

If the Mint's relationship with its Shareholder is not well maintained, then the Mint may face added reporting and governing requirements, difficulties in obtaining timely or complete coin approval and lengthy negotiations. Following a recent review of the touchpoints between the Mint and various areas of the Government of Canada, the Mint established a program to facilitate more effective and focused communication that is intended to increase the efficiency of the Corporate Plan and coin approval processes.

NUMISMATICS VALUE PROPOSITION

The Mint completed a review of its numismatics strategy in the fall of 2018. The new strategy is market driven with clear and distinct choices of where the Mint will participate, how it will win, and how it will configure going forward. If the execution of the newly developed strategy is not sufficiently robust to successfully implement the necessary changes, then the long-term growth and profitability of the Mint's Numismatics business may not be sustainable. The current focus is on operationalizing the numismatic strategy: the integration of the marketing and sales organizations, and the investment in the Mint's capabilities and tools to optimize operating costs

FINANCIAL RISKS

BULLION MARKET VOLATILITY AND DYNAMICS

The demand for bullion is largely determined by market forces beyond the Mint's control. The Mint intends to maintain its global market share through targeted sales and marketing programs that highlight its innovative products and services. The Mint continues to monitor market conditions and adjust business strategies and tactics as necessary, including optimizing operating costs and adjusting production to market fluctuations.

FOREIGN MARKET DYNAMICS

The Mint's Foreign Circulation business operates in a competitive environment. The financial targets are subject to achieving adequate volumes and profitability. The Mint continues to focus on productivity, competitive pricing and the expansion of painted coin services, as well as maintaining a targeted sales approach.

OPERATIONAL RISKS

RESILIENCE AND RECOVERY

The Mint's operations can be impacted by adverse events such as natural disasters, pandemics, and disruptions to critical infrastructure. Its ability to be sufficiently resilient and to properly recover from these adverse events is dependent on having plans, tools, and systems in place that are documented, and regularly tested and maintained. The Mint has two major initiatives currently underway: formalization and testing of business continuity plans and disaster recovery planning and testing.

SECURITY

The Mint's operations can be impacted by adverse security events such as cyber-security attacks or physical security breaches. The Mint is entrusted with the protection of its people, visitors, clients' precious metals, and the private information of all those who entrust us with it. The Mint is currently undergoing a cyber-security upgrade, which will improve protection of its systems and client information. Following an in-depth threat assessment for the safety of people and assets, the Mint is also implementing recommendations for improvements to its physical security.

CHANGE MANAGEMENT

The Mint recognizes that change affects its people and the impact of change needs to be adequately managed in order to deliver organizational results. The Mint currently has processes in place to identify and address change volume that is beyond current capacity. In addition to prioritizing projects and initiatives, the Mint continues to monitor voluntary attrition statistics, address employee engagement survey results and work proactively with union leaders to ensure healthy labour relations. The speed of change continues to accelerate and the Mint will invest in systems, processes and people to continue to support its agility.

REGULATIONS

If the regulatory requirements increase in volume and complexity above the Mint's capacity or capability, this may impact the Mint's ability to successfully execute on its strategy. The Mint continues to follow a risk-based approach to compliance that optimizes resources while ensuring regulatory compliance.

GEOPOLITICAL ENVIRONMENT

If political events with foreign governments have significant international trade implications, then the Mint's market share or cost competitiveness of its various businesses could be negatively impacted. Due to the limited options to mitigate the likelihood or the impact of this risk, the Mint continues to monitor this risk while maintaining its relationship with its customers and developing its market share in other regions.

This bright portrait captures Billy Bishop and Little Daisy, the nickname he gave to his Nieuport 17 airplane. Born in Owen Sound, Ontario, Billy Bishop became Canada's most famous flying ace of the First World War. He was even reputed to have shot down Germany's infamous "Red Baron", the most feared adversary of the Allied air corps.

The St. Lawrence Seaway is a crucial commercial artery. This coin features an eastbound bulk carrier following the path along one of its revolutionary canal and lock systems. Launched in celebration of six decades of the vital Canada-US trade link, it evokes the lasting relationship between our nations, while the innovative corrugated edge design mimics an anchor chain.

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

See notes 4 and 5 to the consolidated financial statements starting on pages 60 and 64, 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, 2019.

	2019	2018	$ change	% change
Travel	**$ 1.9**	$ 1.7	$ 0.2	12
Hospitality	**0.2**	0.2	–	–
Conference fees	**0.2**	0.3	(0.1)	(33)
Total travel, hospitality, conference and event expenditures	**$ 2.3**	$ 2.2	$ 0.1	5

During the period ended December 31, 2019, the Mint's Board of Directors incurred total travel, hospitality, conference and event expenditures amounting to $0.2 million (2018 - $0.1 million)

INTERNAL CONTROLS AND PROCEDURES

The Mint maintains an internal control framework including internal controls over financial reporting and disclosure controls and procedures. In 2019, the Mint's President and Chief Executive Officer (CEO) and Senior Vice President Finance and Chief Financial Officer (CFO) implemented an internal assessment process to evaluate the effectiveness of these controls. This evaluation follows the best-practice requirements of National Instrument 52-109 issued by the Canadian Securities Administrators (CSA). As a Crown corporation, the Mint voluntarily complies with certain rules and regulations of National Instrument 52-109. The evaluation as at December 31, 2019 was based on an assessment of the design effectiveness of these controls. The Mint continues to work on the implementation of an assessment process to evaluate the operating effectiveness of its internal controls over financial reporting, including disclosure controls and procedures, and expects to have a full certification process in place by December 31, 2020.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that the Mint can make appropriate decisions about public disclosures. The CEO and CFO evaluated the design effectiveness of the Mint's disclosure controls and procedures related to the preparation of this MD&A and the consolidated financial statements. They concluded that the design of disclosure controls and procedures was effective as of December 31, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS. However, given their inherent limitations, internal controls over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements. The CEO and CFO assessed the design effectiveness of the Mint's internal control over financial reporting as of December 31, 2019, based on the Internal Control—Integrated Framework created and issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and on the Control Objectives for Information and Related Technology (COBIT) Framework. Based on this assessment, the CEO and CFO determined that the design of the Mint's internal control over financial reporting was effective as of December 31, 2019.

Canadian civil rights pioneer, Viola Desmond is featured on this piece in recognition of the courageous stand she took against racial discrimination. Launched in conjunction with Black History Month, this photo-based design is a lasting reminder that one person can inspire change. While the journey to equal rights continues, Viola's stand remains an important milestone engraved in Canada's history.

OUTLOOK

On September 24, 2019, the Mint's Board of Directors approved the 2020 – 2024 Corporate Plan. The Corporate Plan was submitted to the Minister of Finance on October 4, 2019, and was approved by the Treasury Board on February 6, 2020.

With multiple payment options available and retailers increasing their online presence, Canada's payments landscape continues to evolve. Although e-payment options have grown in popularity and have reduced the percentage of cash transactions, cash and coin are still important payment choices for Canadians. National coinage remains inclusive, private, and convenient. It is easily accessible by all Canadians and used throughout the retail community. In addition to payment choices, factors such as a growing economy, population, and the Mint's proactive role in the management of the coin distribution system affect the demand for new coin. Although internal forecasts anticipate that demand for new coin will continue to decline in 2020, the Mint will continue to ensure that coins are cost-effectively produced and readily available to meet the trade and commerce needs of all Canadians.

The Mint's contracted foreign circulation backlog will allow for the utilization of Winnipeg plating resources through to mid-2020. The Mint continues to closely monitor international circulation coin market conditions. Over the next 12 months, central banks are expected to issue tenders for four billion nickel plated steel coins and coin blanks; however, industry overcapacity will continue to put pressure on margins. The Mint's ability to maintain profitability will rely upon pursuing opportunities where it has a competitive advantage and optimizing its product mix with respect to available capacity. The Mint anticipates continued profitable utilization of its Winnipeg assets through 2020. The Mint has enhanced its longer term scenario planning through 2019 and into 2020, focusing on the key capabilities required to support the transition to a cash-lite economy, to ensure that it continues to deliver value for Canada and Canadians.

The Mint continues to monitor bullion coin market conditions closely and has capitalized on the recent improvement in market conditions for silver bullion in Europe and Asia, while remaining prepared to capitalize should demand conditions improve for gold bullion coins. The Mint also continues to focus on customer and market strategies and product differentiation in support of its strong market share, while carefully managing operating costs to mitigate the impact of uncertainty in the bullion coin market. The Mint's Storage and Refinery businesses remain solid.

A rare aurora formation, first observed by Alberta sky gazers in 2016, appears in the Sky Wonders: "STEVE" fine silver coin. STEVE stands for strong thermal emission velocity enhancement, a phenomenon confirmed by University of Calgary scientists. Shining a black light on the coin reveals the fleeting arc of green and violet light that is typical of this cosmic oddity.

In 2020, the Mint will continue to focus on the operationalization of its numismatics strategy. The Mint intends to continue to grow as a customer-centric organization focused on enhancing the customer experience and improving the performance of the Numismatics business. This will be achieved through targeted marketing and sales activities to new and existing customers and identifying other areas to reduce costs in the business in support of sustainable profitability.

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 10 – 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 assumptions and subject to 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 5, 2020, 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'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements contained in this annual report have been prepared by Management of the Royal Canadian Mint (the Mint or the Corporation) 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's management 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.

Marie Lemay
President and Chief Executive Officer

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

Ottawa, Canada
March 5, 2020

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 Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Royal Canadian Mint (the Corporation), which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Royal Canadian Mint and its wholly-owned subsidiary coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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*.

In our opinion, the transactions of the Royal Canadian Mint and its wholly-owned subsidiary that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied, except for the change in the method of accounting for leases as explained in Note 3.1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Royal Canadian Mint and its wholly-owned subsidiary's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Royal Canadian Mint and its wholly-owned subsidiary to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Dennis Fantinic

Dennis Fantinic, CPA, CGA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
5 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	**2019**	2018
Assets			
Current assets			
Cash and cash equivalents		**$ 65,506**	$ 66,364
Trade receivables, net and other receivables	6	**38,343**	38,764
Income tax receivable		**7,748**	–
Prepaid expenses	7	**4,018**	3,395
Inventories	8	**94,901**	62,239
Contract assets	9	**11,778**	17,304
Derivative financial assets	10	**684**	50
Total current assets		**222,978**	188,116
Non-current assets			
Trade receivables, net and other receivables	6	**519**	–
Prepaid expenses	7	**404**	612
Derivative financial assets	10	**35**	92
Deferred income tax assets	25	**32,031**	36,196
Property, plant and equipment	11	**159,507**	164,170
Investment property	12	**236**	236
Intangible assets	13	**6,339**	8,390
Right-of-use assets	14	**7,856**	–
Total non-current assets		**206,927**	209,696
Total assets		**$ 429,905**	$ 397,812
Liabilities			
Current liabilities			
Trade payables, other payables and accrued liabilities	15	**$ 44,616**	$ 48,999
Provisions	16	**1,918**	5,784
Income taxes payable		**–**	2,388
Face Value redemptions liability	17	**1,091**	1,292
Contract liabilities	9	**64,294**	14,590
Loan payable	18	**3,000**	3,000
Lease liabilities	14	**2,452**	–
Employee benefit obligations	19	**3,101**	2,540
Derivative financial liabilities	10	**–**	2,064
Total current liabilities		**120,472**	80,657
Non-current liabilities			
Trade payables, other payables and accrued liabilities	15	**215**	274
Provisions	16	**1,373**	2,136
Face Value redemptions liability	17	**133,024**	138,527
Loan payable	18	**5,993**	8,989
Lease liabilities	14	**7,146**	–
Employee benefit obligations	19	**11,476**	10,756
Derivative financial liabilities	10	**-**	23
Total non-current liabilities		**159,227**	160,705
Total liabilities		**279,699**	241,362
Shareholder's equity			
Share capital (authorized and issued 4,000 non-transferable shares)		**40,000**	40,000
Retained earnings		**110,179**	116,358
Accumulated other comprehensive income		**27**	92
Total shareholder's equity		**150,206**	156,450
Total liabilities and shareholder's equity		**$ 429,905**	$ 397,812

Commitments, contingencies and guarantees (Note 29)

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

Approved on behalf of the Board of Directors

Phyllis Clark
Chair
Board of Directors

Victor L. Young, O.C.
Chair
Audit Committee

Approved on behalf of Management

Marie Lemay
President and
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	**2019**	2018
Revenue	21	**$ 1,453,411**	$ 1,420,563
Cost of sales	20, 22	**1,310,529**	1,286,044
Gross profit		**142,882**	134,519
Marketing and sales expenses	20, 22	**32,121**	36,568
Administration expenses	20, 22, 26	**62,403**	57,226
Operating expenses		**94,524**	93,794
Net foreign exchange (loss) gain	23	**(1,828)**	3,701
Operating profit		**46,530**	44,426
Finance income, net	24	**318**	1,876
Other income		**223**	502
Profit before income tax		**47,071**	46,804
Income tax expense	25	**(12,280)**	(11,725)
Profit for the period		**34,791**	35,079
Items that will be reclassified subsequently to profit:			
Net unrealized losses on cash flow hedges		**(65)**	(7)
Items that will not be reclassified subsequently to profit:			
Net actuarial (losses) gains on defined benefit plans		**(970)**	1,128
Other comprehensive (loss) income, net of income tax		**(1,035)**	1,121
Total comprehensive income		**$ 33,756**	$ 36,200

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)*

	Notes		Share Capital		Retained earnings		Accumulated other comprehensive income (Net gains(losses) on cash flow hedges)		Total
Balance as at December 31, 2017		$	40,000	$	88,127	$	99	$	128,226
Balance as at January 1, 2018			40,000		88,127		99		128,226
Impact of change in accounting policy[1,2]			–		2,024		–		2,024
Adjusted balance as at January 1, 2018		$	40,000	$	90,151	$	99	$	130,250
Profit for the period			–		35,079		–		35,079
Other comprehensive income (loss), net[1]			–		1,128		(7)		1,121
Dividends paid	10.1	$	–	$	(10,000)	$	–	$	(10,000)
Balance as at December 31, 2018			40,000		116,358		92		156,450
Profit for the period			**–**		**34,791**		**–**		**34,791**
Other comprehensive loss[1]			**–**		**(970)**		**(65)**		**(1,035)**
Dividends paid	10.1		**–**		**(40,000)**		**–**		**(40,000)**
Balance as at December 31, 2019		**$**	**40,000**	**$**	**110,179**	**$**	**27**	**$**	**150,206**

The accompanying notes are an integral part of these consolidated financial statements
[1] Amounts are net of income tax
[2] Relates to the adoption of IFRS 15 - *Revenue from contracts with customers* in 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2019	2018
Cash flows from operating activities			
Profit for the period		**$ 34,791**	$ 35,079
Adjustments to reconcile profit to cash flows from operating activities:			
Depreciation and amortization	22	**20,317**	18,080
Income tax expense	25	**12,280**	11,725
Finance income, net		**(318)**	(1,876)
Other income		**(223)**	(502)
Net foreign exchange loss (gain)		**652**	(3,387)
Adjustments to other (revenue) expenses, net	27	**(20,845)**	(1,832)
Changes in Face Value redemptions liability		**(7,618)**	1,959
Net changes in operating assets and liabilities	27	**35,722**	(11,600)
Cash from operating activities before interest and income tax		**74,758**	47,646
Income tax paid, net of income tax received	27	**(17,700)**	(8,938)
Interest received, net of interest paid	27	**53**	943
Net cash from operating activities		**57,111**	39,651
Cash flows used in investing activities			
Acquisition of property, plant and equipment		**(9,628)**	(11,699)
Acquisition of intangible assets		**(1,811)**	(2,156)
Net cash used in investing activities		**(11,439)**	(13,855)
Cash flows used in financing activities			
Dividends paid	10.1	**(40,000)**	(10,000)
Repayment of loans	18	**(3,000)**	(7,500)
Lease principal payments	14	**(2,713)**	–
Net cash used in financing activities		**(45,713)**	(17,500)
Effect of changes in exchange rates on cash and cash equivalents		**(817)**	1,800
(Decrease) increase in cash and cash equivalents		**(858)**	10,096
Cash at the beginning of the period		**66,364**	56,268
Cash and cash equivalents at the end of the period		**$ 65,506**	$ 66,364

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 Canadian circulation coin life cycle for the Government of Canada.

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

The Corporation 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 income tax purposes and is subject to federal income taxes under the *Income Tax Act*.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

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

The policies set out below were applied consistently to all the periods presented in these consolidated financial statements, except for the changes in the accounting policies for leases as highlighted in Note 3.

These consolidated financial statements have been approved for public release by the Board of Directors of the Corporation on March 5, 2020.

2.2 CONSOLIDATION

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

2.3 FOREIGN CURRENCY TRANSLATION

Unless otherwise stated, all figures reported in these consolidated financial statements and disclosures are reflected 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.

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 and cash equivalents	Amortized cost	Amortized cost
Trade receivables, net and other receivables	Amortized cost	Amortized cost
Derivative financial assets	Derivatives at FVTPL and at fair value through other comprehensive income (FVOCI)	Fair value
Trade payables, other payables and accrued liabilities	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost
Derivative financial liabilities	Derivatives at FVTPL and at fair value through other comprehensive income (FVOCI)	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 throughout 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

On initial recognition, the Corporation's financial assets are classified and measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. 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 TRADE RECEIVABLES, NET AND OTHER RECEIVABLES

Trade receivables, net and other receivables includes both financial and non-financial assets. The financial assets include trade receivables and interest receivables on cash and cash equivalents.

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are measured at amortized cost using the effective interest method, less any impairment write downs. Financial assets in this category 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 DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset is 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 10.2.3.

2.6.3 IMPAIRMENT OF FINANCIAL ASSETS AND CONTRACT ASSETS

The Corporation recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;
- lease receivables; and
- contract assets.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Corporation applies a single impairment model to all financial instruments, lease receivables and contract assets (as defined in IFRS 15) based on a forward-looking ECL model. The model considers past events and current conditions, reasonable and supportable forward-looking information that is available without undue cost or effort is considered in determining impairment. ECLs are recognized at each reporting period, even if no actual loss events have taken place.

Objective evidence of impairment could include:

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

Loss allowances for financial assets measured at amortized cost and contract assets are deducted from the gross carrying amount of these assets.

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, except designated and effective hedging instruments for which hedge accounting applies (see Note 2.8.1), are classified as either financial liabilities at FVTPL or amortized cost.

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

2.7.1 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

Trade payables, other payables and accrued liabilities includes both financial and non-financial liabilities. The financial liabilities include trade payables and accrued liabilities related to future trade payables.

Trade payables and accrued liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Financial liabilities in this category are classified as current liabilities in the consolidated statement of financial position.

2.7.2 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities are classified at FVTPL when the financial liability is designated as at FVTPL.

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 10.2.3.

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 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 or loss 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. The Corporation currently only applies 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, except for capital projects in process for production, supply or administrative purposes, or for purposes not yet determined, which are carried at cost.

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 its intended 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 and improvements	10–60 years
Equipment	3–40 years

Assets included in capital projects in process are not depreciated until they are ready for their intended use by the Corporation when these assets are transferred from capital projects in process to the respective asset categories above.

Freehold land is not depreciated.

Useful lives, residual values and depreciation methods are reviewed annually 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 sale 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 at the Corporation's Winnipeg location. The fair value of the investment property is disclosed in Note 12. 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 2 to 10 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.

Assets included in capital projects in process are not amortized until they are ready for their intended use by the Corporation when these assets are transferred from capital projects in process to the respective asset category.

2.11.2 RESEARCH AND DEVELOPMENT

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are 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. The Corporation capitalizes development expenditures only if it can measure development costs 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 expenditures are recognized in profit or loss as incurred.

2.12 LEASING

2.12.1 ACCOUNTING POLICY APPLIED FOR THE YEAR ENDED DECEMBER 31, 2019

The Corporation assesses whether a contract is, or contains, a lease at the inception of a contract. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- the contract involves the use of an identified asset – the asset may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset cannot be identified;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019. This policy was also applied to existing contracts as at January 1, 2019 as described in Note 3.1.

MEASUREMENT AND RECOGNITION OF LEASES AS A LESSEE

For contracts that are or that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; plus
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located; less
- any lease incentives received.

The Corporation depreciates right-to-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term includes the non-cancellable period of a lease, together with both the periods covered by an option to extend when it is reasonably certain to exercise that option and the periods covered by an option to terminate the lease if it is reasonably certain not to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation's incremental borrowing rate is calculated using the zero coupon yield curve published by the Bank of Canada adjusted for 15 basis points to adjust for credit risk.

Lease payments included in the measurement of the lease liability include the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. The Corporation would remeasure the lease liability if either there is a change in lease term or there is a change in the assessment of an option to purchase the underlying asset.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients as defined in note 3.1.1. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. As at December 31, 2019, the Corporation had some leases of low-value assets, but did not have any short term leases.

MEASUREMENT AND RECOGNITION OF LEASES AS A LESSOR
When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as:
- whether the lease is for the major part of the economic life of the asset, even if title is not transferred;
- the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception date, it is reasonably certain that the option will be exercised;
- at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and
- the underlying asset is of such a specialized nature that only the lessee can use it without major modifications.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-to-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease with a term of less than 12 months the Corporation classifies the sub-lease as an operating lease consistent with the policy above for short-term leases where the Corporation is the lessee. The Corporation has right-of-use assets where it has entered into subleases that are treated as a finance lease. The subleases are finance leases as they transfer substantially all the risks and rewards incidental to ownership of the leased premises associated with the head lease.

2.12.2 ACCOUNTING POLICY APPLIED FOR THE YEAR ENDED DECEMBER 31, 2018

At the inception of a contract, the Corporation determined whether the arrangement was or contained a lease based on an assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Corporation classified leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. All other leases were classified as operating leases.

The Corporation had no finance leases as at December 31, 2018.

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

2.13 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use 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.

The 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, intangible assets and right-of-use 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, intangible assets and right-of-use 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.

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.

2.15.1 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 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 from net income for tax purposes.

2.16 EMPLOYEE BENEFIT OBLIGATIONS

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, bonus 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 in profit or loss on the statement of comprehensive income 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 BENEFIT OBLIGATIONS

Other long-term employee benefits are employee benefits other than post-employment benefits that are not expected to be settled within 12 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 worker's 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

2.19.1 REVENUE FROM CONTRACTS WITH CUSTOMERS RECOGNIZED OVER TIME OR AT A POINT IN TIME

The Corporation earns revenue from contracts with customers as performance obligations under the contract are satisfied by the Corporation. Performance obligations can be satisfied over time or at a point in time depending on when control of the asset is transferred to the customer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. For certain contracts, the Corporation transfers the control of the asset to the customer over time. The assessment of whether revenue is recognized over time or at a point in time is made at contract inception.

The Corporation transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs;
- the Corporation's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the Corporation's performance does not create an asset with an alternative use to the Corporation and the Corporation has an enforceable right to payment for performance completed to date.

Revenue from contracts with customers that is not recognized over time is recognized at the point in time when the Corporation transfers control of the promised asset to its customer. The indicators of the transfer of control that the Corporation considers include, but are not limited to, the following:

- the Corporation has a present right to payment for the asset transferred;
- the customer has legal title to the asset;
- the Corporation has transferred physical possession of the asset to the customer;
- the customer has the significant risks and rewards of ownership of the asset; and/or
- the customer has accepted the asset.

CANADIAN CIRCULATION REVENUE

The Corporation provides a full coin lifecycle management service for the Department of Finance of the Government of Canada including coin forecasting, production, logistics, recycling and distribution operations, circulation, and monitoring services.

Revenue associated with the production of Canadian circulation coins along with logistics, recycling and distribution is earned at a point in time when control is transferred. Control is usually transferred upon delivery of the coins or the related services.

Revenue associated with the forecasting and monitoring services of Canadian circulation coins is earned over time as the Department of Finance receives and benefits from the obligations performed by the Corporation related to these services on a continuous basis.

The transaction price for Canadian circulation revenue is based on the terms of the Corporation's memorandum of understanding with the Government of Canada that the Corporation determined meets the definition of a contract for accounting purposes based on the Corporation's customary business practices with the Government of Canada. Standard payment terms for Canadian circulation revenue is net five days.

FOREIGN CIRCULATION REVENUE

The Corporation's Foreign Circulation business produces and distributes finished circulation coins and blanks to a broad customer base around the world, including foreign central banks, mints, monetary authorities and finance ministries. The Corporation also produces high technology dies for international customers, which allows customers to strike their own coins.

Revenue from foreign circulation contracts is generally recognized at a point in time when the coins, blanks and dies (foreign circulation products) are shipped to or received by the customer. For certain contracts, the Corporation recognizes revenue as foreign circulation products are produced where the Corporation has established that there is no alternative use for the foreign circulation products and the Corporation has an enforceable right to payment for the foreign circulation products produced at any point in time over the term of the contract.

The transaction price for foreign circulation contracts is based on the individual contracts with customers. When the promised consideration in a contract includes a variable amount, such as penalties or discounts, the Corporation estimates the amount of variable consideration to which it will be entitled in exchange for transferring the promised goods or services to its customer as part of the determination of the transaction price.

The Corporation recognizes revenue in certain circumstances in which the delivery of foreign circulation products is delayed at the buyer's request, but the buyer takes title to the products and accepts billing. These are referred to as bill and hold arrangements. The revenue is recognized provided that the customer requested the arrangement, the products are identified separately and are ready for physical transfer, and the Corporation cannot use or redirect the products to another customer. When revenue is recognized on a bill-and-hold basis, the Corporation considers whether it has any remaining performance obligations, such as custodial services, and if material, a portion of the transaction price is allocated to any remaining performance obligations.

The standard payment terms for foreign circulation revenue varies from payment in advance to net 60 days depending on the customer. The term starts when the legal title to the foreign circulation products is transferred to the customer.

BULLION PRODUCTS AND SERVICES REVENUE
The Corporation's Bullion Products and Services business provides customers with precious metal investment coins and bar products, supported by integrated precious metal refining, storage and Exchange Traded Receipts (ETR) capabilities.

Revenue for bullion products and ETR is generally earned at a point in time when the transaction is settled.

Revenue for storage services is earned at a point in time or over time as the customer receives and consumes the benefits provided by the Corporation's performance.

Revenue for refinery services is earned over time as the Corporation is enhancing an asset controlled by the customer.

Transactions for the sale of bullion products where the customer may also be the supplier of the precious metal used in the bullion products are evaluated to determine whether the Corporation is the principal, and 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 and no revenue or cost is recognized for the precious metal.

The standard payment terms for precious metal investment coins and bar products revenue are payment in advance of shipment. The standard payment terms for refinery and storage services are usually net 30 days. For ETR revenue the payment terms only apply when there is a redemption and the payment terms for these transactions are payment in advance.

NUMISMATIC REVENUE
The Corporation's Numismatic business designs, manufactures and sells collectible coins and medals to customers in Canada and around the world.

Revenue from the sale of numismatic coins and medals is generally recognized at a point in time when the control of the coins or medals is transferred to the customer. The normal payment terms vary from payment in advance to net 60 day terms.

The Corporation's Masters Club program is a loyalty program under which members receive reward points that can be redeemed on purchases for a limited period of time from their issuance. The revenue associated with those points is deferred and only recognized when the points are redeemed. Some customers are also entitled to an annual free coin based on their annual spend levels. The revenue for this free coin is also deferred and only recognized when delivery occurs.

A provision for customer returns of numismatic coins is estimated based on the Corporation's return policy and historical experience. When material, an asset, measured by reference to the former carrying amount of the product returned less any expected costs to recover the product, is recognized for the Corporation's right to recover products from a customer on settling a refund liability. When the Corporation cannot reliably estimate customer returns, rebates and other similar allowances, revenue is not recorded.

A provision for warranty claims is estimated based on the Corporation's warranty policy and historical experience.

2.19.2 PAYMENTS RECEIVED IN ADVANCE FROM CUSTOMERS

Payments received in advance on sales are not recognized as revenue until the control of the products or services is transferred to the customer. As such, a contract liability is initially recognized on the consolidated statement of financial position and remains until the revenue is recognized.

2.19.3 CONTRACT COSTS

Commission fees payable related to foreign circulation contracts are capitalized as costs of obtaining a contract when they are incremental and they are expected to be recovered. Capital contract costs are amortized to profit or loss over the term of the contract these costs are related to, consistent with the transfer to the customer of the related goods or services. If the expected amortization period is one year or less the commission fee is expensed as incurred. There were no contract costs capitalized as at December 31, 2019 or 2018.

2.19.4 CONTRACTS WITH A CUSTOMER THAT INCLUDE A SIGNIFICANT FINANCING COMPONENT

The Corporation adjusts the promised amount of consideration to be received from a customer for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation transfers a promised good or service to a customer and when the customer pays for that good or service will be more than one year. There were no contracts with a significant financing component as at December 31, 2019 or 2018.

2.20 LIABILITY FOR FACE VALUE REDEMPTIONS

The Corporation determined that it cannot reliably estimate the redemptions of coins that were part of the Face Value coin program. The judgements exercised in reaching this determination are described in Note 4.2.1. The liability for Face Value redemptions represents the expected net cash outflows to be incurred by the Corporation if all Face Value coins are redeemed, including the estimated costs of redemptions offset by the market value of the precious metal content of the coins that will be recovered by the Corporation when these coins are redeemed. If the Corporation is able to determine a reliable estimate of redemptions, the liability for Face Value redemptions would be reduced in the period the estimate is determined and income would be recognized in the consolidated statement of comprehensive income.

3. CHANGES IN ACCOUNTING POLICIES

3.1 LEASES

IFRS 16 – *Leases* (IFRS 16) replaces IAS 17 – *Leases* (IAS 17) along with three interpretations: IFRIC 4 – *Determining whether an Arrangement contains a Lease*, SIC 15 – *Operating Leases-Incentives* and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Corporation adopted IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach. Under this approach, the Corporation applied the standard retrospectively only to the most current period presented in the consolidated financial statements. There was no cumulative effect of the initial application of IFRS 16 and as such no adjustment was made to the opening statement of financial position on January 1, 2019. Therefore, the comparative information for 2018 presented in the Corporation's consolidated financial statements for the year ended December 31, 2019 have not been restated and continued to be reported under the accounting policies disclosed in Note 2.12.2.

The Corporation's leasing activities mainly relate to office space, included in buildings and improvements, and production equipment, included in equipment (Note 14).

3.1.1 LEASES WHERE THE CORPORATION IS A LESSEE

As a lessee, the Corporation previously classified leases as an operating or finance lease based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognized right-of-use assets and lease liabilities for most of its leases.

At transition, the Corporation did not have any leases classified as finance leases under the previous lease standard, IAS 17, where it was the lessee. The lease liabilities for existing operating leases, other than short-term or low-value leases, were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, any lease incentives, any initial direct costs incurred and any estimated costs to be incurred in restoring the site or dismantling and removing the underlying asset.

By electing to use the modified retrospective method, the Corporation calculated the lease liability using its weighted average incremental borrowing rate of between approximately 3.3% to 3.4% as at January 1, 2019.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exception not to recognize right-of-use assets and liabilities with less than 12 months of lease term;
- applied the exception not to recognize right-of-use assets and liabilities for low-value leases with individual asset values under $5,000; and
- used hindsight when determining the lease term if the contract contained options to extend or terminate the lease.

(In thousands of Canadian dollars, unless otherwise indicated)

3.1.2 LEASES WHERE THE CORPORATION IS THE LESSOR

The Corporation is a lessor only in instances where it has subleased office space available to it under existing office space leases.

Under IFRS 16, an intermediate lessor classifies a sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset, unless the head lease is short-term in nature or the underlying asset is of low-value. Having considered the requirements in IFRS 16, the Corporation classified its subleases as finance leases and recorded a lease receivable included within trade receivables, net and other receivables.

The Corporation applied the practical expedient where the right-of-use assets were adjusted by the amount of onerous contract provisions recorded under IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37) immediately before the date of initial application, as an alternative to performing an impairment review as at January 1, 2019. As at January 1, 2019, the Corporation had two sublease arrangements for leased office space, which were both previously assessed as onerous leases under IAS 37, and a provision was recorded in 2016 and 2017. As at January 1, 2019, the onerous lease provision of $1.0 million was reclassified against the respective right-of-use asset under IFRS 16.

3.1.3 IMPACTS ON FINANCIAL STATEMENTS

The following table summarizes the impact of adopting IFRS 16, both for leases where the Corporation was the lessee and the lessor, on the Corporation's consolidated financial statements as at January 1, 2019:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at January 1, 2019

	Balances with adoption of IFRS 16	Adjustments	Balances without adoption of IFRS 16
Trade receivables, net and other receivables	$ 39,768	$ (1,004)	$ 38,764
Right-of-use assets	9,972	(9,972)	–
Total assets	**$ 408,788**	**$ (10,976)**	**$ 397,812**
Provisions	6,945	975	7,920
Lease liabilities	$ 11,951	$ (11,951)	$ –
Total liabilities	**$ 252,338**	**$ (10,976)**	**$ 241,362**
Total liabilities and shareholder's equity	**$ 408,788**	**$ (10,976)**	**$ 397,812**

The table below shows the operating lease commitments at December 31, 2018 that are included in the lease liabilities at January 1, 2019:

	January 1, 2019
Operating lease commitment as at December 31, 2018	**$ 13,343**
Add: Recognition of leases previously accounted for as onerous contracts (Note 16)	**975**
Undiscounted sublease payments	**957**
Less: Discount using incremental borrowing rate	**(1,230)**
Non-lease components included in leases	**(1,839)**
Leases of low-value assets	**(255)**
Lease liabilities as at January 1, 2019	**$ 11,951**

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

4.1 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 and 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 outlined below.

4.1.1 FACE VALUE REDEMPTIONS LIABILITY

The Face Value redemptions liability 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 outstanding Face Value coins based on current shipping and handling costs. Changes in these estimates would affect the carrying value of the Face Value redemptions liability as discussed in Note 2.20. These estimates are reviewed at the end of each reporting period. The carrying amount of the Face Value redemptions liability is included in Note 17.

4.1.2 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

Property, plant and equipment and intangible assets with finite useful lives, and right-of-use assets are depreciated over their useful lives. Useful lives are based on management's estimates of the periods of service provided by these 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, intangible assets and right-of-use assets as at the end of the reporting periods are included in Note 11, Note 13 and Note 14, respectively.

Determining whether property, plant and equipment, intangible assets and right-of-use 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 include estimated future metal prices, expected future revenues, future costs and discount rates. Changes to these estimates would affect the recoverable amounts of the cash-generating units and individual assets, and may then require a material adjustment to their respective carrying value.

4.1.3 EMPLOYEE BENEFIT OBLIGATIONS

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 19.

4.1.4 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. 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 8.

4.1.5 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 8.

4.1.6 PROVISIONS

Provisions are based on the Corporation’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions for individual events (i.e. restructuring, legal settlements or tax related items) are measured at the most likely amount while provisions for large populations of events (i.e. sales returns and allowances or warranties) are measured at a probability-weighted expected value. Management reviews and adjusts the provisions as at the end of each reporting period. If an outflow is determined to be no longer probable, the provision is reversed. Further information on the Corporation’s provisions is provided in Note 16.

4.1.7 INCOME TAX

The Corporation operates in a jurisdiction that 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.

4.2 CRITICAL JUDGEMENTS

The critical judgements that the Corporation's management 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:

4.2.1 FACE VALUE REDEMPTIONS LIABILITY

In making the judgement on the appropriate accounting treatment for transactions involving Face Value coins, the Corporation considered whether it could estimate the redemptions 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 period permitted by the Corporation's current redemption policies and practices make Face Value coins significantly more likely to be redeemed than other numismatic products. Consequently, the historical redemption patterns for other numismatic products cannot be used to estimate the redemptions for Face Value coins. In 2016, the Corporation determined that revenue could not be recognized on the sale of Face Value coins as a reliable estimate of redemptions could not be determined. As at December 31, 2019, the best estimate continues to be that all Face Value coins will be redeemed resulting in the Face Value redemptions liability. The primary indicators influencing the Corporation's ability to develop a more reliable estimate of redemptions are the movement in the market price of silver and the changes in the term over which redemptions may be accepted. When the Corporation determines it can reliably estimate the redemptions of Face Value coins a material change could occur to the carrying value of the Face Value redemptions liability as discussed in Note 2.20. The carrying amount of the Face Value redemptions liability is included in Note 17.

4.2.2 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.

For 2019 and 2018, no new indicators of impairment and no indicators which would cause the reversal of previous impairments were observed.

4.2.3 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 an outflow of resources in settlement is considered to be remote.

4.2.4 DETERMINATION OF THE AMOUNT AND TIMING OF REVENUE RECOGNITION AND RELATED EXPENSES

The Corporation recognizes revenue over time or at a point in time. The accounting method chosen is dependent on when the transfer of control to the customer occurs. The Corporation considers control of a product or service to be transferred over time, therefore satisfying its performance obligation, and recognizing revenue over time when the Corporation's performance does not create an asset with an alternative use to the Corporation and the Corporation has an enforceable right to payment for performance completed to date. For the Corporation's circulation coin contracts for which revenue is recognized over time, the customer typically obtains control as the products reach their finished state. This is due to the fact that circulation coins produced by the Corporation are by definition prohibited to be sold to any other customer and therefore the Corporation has no alternative use for these products. The Corporation also has an enforceable right to payment for work performed to date at all times throughout the duration of these contracts for an amount that includes a reasonable profit margin, demonstrated by the contractual terms, customer history and other relevant considerations. If these criteria cannot be demonstrated then the performance obligation is deemed not to be completed over time and instead control of the product is transferred to the customer at a point in time, which would typically be when the product is delivered to the customer.

For performance obligations recognized over time, the Corporation generally uses an output method which consists of the number of units produced. Using this method of accounting for performance obligations completed to date requires judgement and is based on the nature of the products to be provided. Revenue is then earned based on the number of units produced less any variable consideration that is or may become applicable. Expenses related to the revenue recognized are also accrued based on volumes produced. The costs to fulfil the contracts include labour, material, subcontractor costs, freight, applicable commissions and other direct costs as well as an allocation of indirect costs.

The transaction price and performance obligations are generally clearly defined in the Corporation's contracts with the customers. The allocation of the transaction price to performance obligations in the Corporation's contracts with customers generally represents the stand-alone selling price of each performance obligation. The transaction price for certain contracts with customers includes variable consideration and amounts payable by the Corporation to the customer. Variable consideration generally relates to penalties defined in contracts with customers for delayed performance or non-performance of the Corporation's performance obligations under the contract. Amounts payable to customers are assessed and are deducted from revenue unless the Corporation is receiving a specific service from the customer that can be identified. If a specific service is identified, the amount payable to a customer is recorded as an expense. Penalties are assessed at the end of each reporting period based on the performance under the applicable contracts in comparison to the agreed performance per the contract and are measured as defined by the contract. Variable consideration generally relates to the entire contract with a customer and is allocated proportionately to each performance obligation under the respective contract.

4.2.5 LEASES

EXTENSION OPTIONS FOR LEASES

When the Corporation has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to determine the lease term at the inception of the lease. The Corporation reassesses whether or not an option would be reasonably certain to be exercised when a significant event or significant change in circumstances occurs. The use of extension and termination options gives the Corporation added flexibility in the event it identifies more suitable premises in terms of cost and/or location or determines that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when the economic benefits of exercising the option exceed the expected overall cost. As at December 31, 2019, potential lease payments, amounting to $3.5 million, have not been included in the lease liabilities as it is not reasonably certain the available extension or termination options will be exercised.

PRECIOUS METAL LEASES

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 precious metal leases. These leases are not reflected in the Corporation's consolidated financial statements since these agreements do not meet the definition of a lease under IFRS 16 as the the precious metal available to the Corporation under these leases is fungible and is therefore not an identified asset.

CALCULATING THE APPROPRIATE DISCOUNT RATE

If the interest rate implicit in the lease can be readily determined, a lease is discounted using that rate. In the event that the Corporation is unable to determine the interest rate implicit in the lease, the Corporation's weighted average incremental borrowing rate is used as the discount factor.

4.2.6 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, 2019 and 2018, 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 would be recognized as other income upon receipt of cash.

5. APPLICATION OF NEW AND REVISED IFRS PRONOUNCEMENTS

5.1 NEW AND REVISED IFRS PRONOUNCEMENTS AFFECTING AMOUNTS REPORTED AND/OR DISCLOSED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The Corporation reviewed the revised accounting pronouncements that were issued and had mandatory effective dates of annual periods beginning on or after January 1, 2019.

a) IFRS 16 – *Leases* was adopted by the Corporation on January 1, 2019 and had a material impact on the consolidated financial statements. The disclosure of the impact of the application of this new pronouncement on the Corporation's consolidated financial statements is included in Note 3.

b) The following amendments were adopted by the Corporation on January 1, 2019 and did not have an impact on the consolidated financial statements.

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* that 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 that 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* that 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.

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments.

(In thousands of Canadian dollars, unless otherwise indicated)

5.2 NEW AND REVISED IFRS PRONOUNCEMENTS ISSUED BUT, NOT YET EFFECTIVE

The Corporation reviewed the revised accounting pronouncements that have been issued, but are not yet effective. The adoption of the following IFRS pronouncements have been assessed as having a possible impact on the Corporation's consolidated financial statements in the future, but the effect of that impact is currently unknown.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting, which provides a set of concepts to assist the IASB in developing standards and to help preparers consistently apply accounting policies where specific accounting standards do not exist. The Revised Conceptual Framework describes that financial information must be relevant and faithfully represented to be useful; provides revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The framework is not an accounting standard and does not override the requirements that exist in other IFRS standards. The Revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

DEFINITION OF MATERIAL

In October 2018, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* (IAS 1) and IAS 8 – *Accounting policies, changes in estimates and errors* (IAS 8). The amendments clarify the definition of material and align the definition in both standards. The amendments are effective for annual reporting purposes beginning on or after January 1, 2020.

6. TRADE RECEIVABLES, NET AND OTHER RECEIVABLES

As at December 31

		2019		2018
Receivables and accruals from contracts with customers	**$**	**36,403**	$	37,918
Receivables from contracts with related parties (Note 28)		**650**		443
Allowance for expected credit losses		**(42)**		(274)
Net trade receivables		**37,011**		38,087
Lease receivables		**251**		–
Other current financial receivables		**880**		384
Other receivables		**201**		293
Total current trade receivables, net and other receivables	**$**	**38,343**	$	38,764
Non-current lease receivables		**519**		–
Total non-current trade receivables, net and other receivables	**$**	**519**	$	–
Trade receivables, net and other receivables	**$**	**38,862**	$	38,764

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

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

As at December 31

		Lease Receivable
Opening balance	**$**	**1,004**
Interest income (Note 24)		**30**
Sublease payments received		**(264)**
Closing balance	**$**	**770**

(In thousands of Canadian dollars, unless otherwise indicated)

Total cash inflow for leases included in lease receivables for the year ended December 31, 2019 was $0.3 million.

The Corporation sub-leases certain of its building office space leases (Note 14). These sub-lease arrangements are assessed as finance leases. The Corporation reviewed its credit risk exposure related to lease receivables as at December 31, 2019 and evaluated the risk to be minimal. The maturity analysis of lease receivables, including the undiscounted lease payments to be received, was as follows:

As at December 31

		2019
Less than 1 year	**$**	**273**
1-2 years		**280**
2-3 years		**257**
3-4 years		**–**
4-5 years		**–**
Total undiscounted lease payments receivable	**$**	**810**
Unearned finance income		**(40)**
Net investment in the lease	**$**	**770**

7. PREPAID EXPENSES

As at December 31

		2019		2018
Prepaid expenses current	**$**	**4,018**	$	3,395
Prepaid expenses non-current		**404**		612
Total prepaid expenses	**$**	**4,422**	$	4,007

Included in prepaid expenses was $1.8 million (2018 - $2.0 million) related to a five year intellectual property and research and development agreement.

8. INVENTORIES

As at December 31

		2019		2018
Raw materials and supplies	**$**	**62,272**	$	14,605
Work in process		**10,537**		12,609
Finished goods		**22,092**		35,025
Total inventories	**$**	**94,901**	$	62,239

The amount of inventories recognized as cost of sales in 2019 is $1,288.8 million (2018 - $1,260.1 million).

The cost of inventories recognized as cost of sales in 2019 includes $4.5 million write-downs of inventory to net realizable value (2018 - $5.3 million).

No inventory was pledged as security for borrowings as at December 31, 2019 or 2018.

(In thousands of Canadian dollars, unless otherwise indicated)

9. CONTRACT ASSETS AND LIABILITIES

The contract assets related to the Corporation's rights to consideration for work completed, but not billed as at December 31, 2019. The Corporation reviewed its credit risk exposure related to contract assets as at December 31, 2019 and evaluated the risk to be minimal as each related contract is subject to a contract specific risk assessment process. The contract liabilities related to the consideration received in advance from customers for which revenue has not yet been recognized and accrued expenses related to contract assets, as well as amounts relating to customer loyalty programs.

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

As at December 31

	2019	
	Contract Assets	**Contract Liabilities**
Opening balance	**$ 17,304**	**$ 14,590**
Revenue recognized	**–**	**(6,976)**
Cash received, excluding amounts recognized during the period	**(2,492)**	**57,155**
Transfers from contract liabilities to payables	**–**	**(4,533)**
Foreign exchange revaluation	**(691)**	**(127)**
Transfers from contract assets to receivables	**(49,678)**	**–**
Increases resulting from changes in the measure of progress[1]	**47,335**	**4,185**
Closing balance	**$ 11,778**	**$ 64,294**

[1] Increases resulting from changes in the measure of progress in contract liabilities include $0.6 million related to the Corporation's memorandum of understanding with the Department of Finance (Note 28)

As at December 31

	2018	
	Contract Assets	Contract Liabilities
Opening balance	$ 11,257	$ 9,766
Revenue recognized	–	(8,221)
Cash received, excluding amounts recognized during the period	–	10,733
Transfers from contract liabilities to payables	–	(8,534)
Foreign exchange revaluation	(4)	193
Transfers from contract assets to receivables	(51,020)	–
Increases resulting from changes in the measure of progress[1]	57,071	10,653
Closing balance	$ 17,304	$ 14,590

[1] Increases resulting from changes in the measure of progress in contract liabilities include $0.5 million related to the Corporation's memorandum of understanding with the Department of Finance (Note 28)

CONTRACT LIABILITIES ARE COMPOSED OF THE FOLLOWING:

As at December 31

	2019	2018
Customer prepayments	**$ 59,295**	$ 10,479
Loyalty programs	**864**	473
Deferred revenue from a related party (Note 28)	**598**	509
Accrued liabilities related to revenue recognized over time	**3,537**	3,129
Total contract liabilities	**$ 64,294**	$ 14,590

(In thousands of Canadian dollars, unless otherwise indicated)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

10.1 CAPITAL RISK MANAGEMENT

The Corporation's objectives for 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, 2018.

The capital structure of the Corporation consists of a loan payable as detailed in Note 18 and shareholder's equity which is composed of issued capital, accumulated other comprehensive income and retained earnings.

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, subject to the approval of the Minister of Finance with respect to the term and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed $75 million. For the year ended December 31, 2019, approved short-term borrowings for working capital needs within this limit were not to exceed $25 million (2018 - $25 million) or the US dollar equivalent.

To support such short-term borrowings, as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates. No amounts were borrowed under these lines of credit as at December 31, 2019 or 2018.

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

	2019	2018
Loan payable (current and non-current)	**$ 8,993**	$ 11,989
Shareholder's equity	**150,206**	156,450
Debt to Equity ratio	**1:17**	1:13

DEBT TO ASSETS RATIO

As at December 31

	2019	2018
Loan payable (current and non-current)	**$ 8,993**	$ 11,989
Total assets	**429,905**	397,812
Debt to Assets ratio	**1:48**	1:33

(In thousands of Canadian dollars, unless otherwise indicated)

In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to its Shareholder, 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 remitted dividends of $40.0 million to the Government of Canada in 2019 (2018 - $10.0 million). The Corporation employs a dividend framework to calculate dividends payable to its Shareholder. The calculated dividend amount represents projected excess year end cash over a pre-determined cash reserve requirement and is generally paid in the fourth quarter of each year.

10.2 CLASSIFICATION AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

10.2.1 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 are presented in the following table:

As at December 31

	2019		2018	
	Carrying Amount	**Fair value**	Carrying Amount	Fair value
Financial Assets				
Amortized cost				
Cash and cash equivalents	**$ 65,506**	**$ 65,506**	$ 66,364	$ 66,364
Trade receivables, net and other receivables	**37,891**	**37,891**	38,471	38,471
Derivatives at FVTPL				
Derivative financial assets:				
Foreign currency forwards	**684**	**684**	19	19
Derivatives at FVOCI				
Derivative financial assets:				
Interest rate swap	**35**	**35**	123	123
Financial Liabilities				
Amortized cost				
Trade payables, other payables and accrued liabilities	**44,473**	**44,473**	45,109	45,109
Loan payable	**8,993**	**8,996**	11,989	11,995
Derivatives at FVTPL				
Derivative financial liabilities:				
Foreign currency forwards	**–**	**–**	2,087	2,087

(In thousands of Canadian dollars, unless otherwise indicated)

10.2.2 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 be disclosed at their fair value and be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

The fair value measurement of cash and cash equivalents was classified as level 1 of the fair value hierarchy as at December 31, 2019 and 2018. The fair value measurements of all other financial instruments held by the Corporation were classified as level 2 of the fair value hierarchy as at December 31, 2019 and 2018. There were no transfers of financial instruments between levels during 2019.

10.2.3 CLASSIFICATION AND FAIR VALUE TECHNIQUES OF FINANCIAL INSTRUMENTS

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

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

i) The carrying amounts of cash and cash equivalents, trade receivables, net and other receivables and trade payables, other payables and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.

ii) The fair value of the loan payable is estimated based on a discounted cash flow approach using current market rates.

iii) The fair values of the Corporation's foreign currency forward contracts and interest rate swaps are based on estimated credit-adjusted forward market prices. The Corporation takes counterparty credit risk and its own credit risk into consideration for the fair value of financial instruments.

10.2.4 INTEREST INCOME AND EXPENSE

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

For the year ended December 31

	2019	2018
Financial assets held at amortized cost:		
Interest income earned on cash and cash equivalents	**$ 1,985**	$ 986
Other financial liabilities:		
Interest expense on loan payable	**$ 244**	$ 407

(In thousands of Canadian dollars, unless otherwise indicated)

10.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND FRAMEWORK

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

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

10.3.1 CREDIT RISK MANAGEMENT

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

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

10.3.1.1 RECEIVABLES FROM CUSTOMERS

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

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

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

As at December 31

	2019	2018
Asia and Australia	**$ 16,384**	$ 18,671
Latin America and Caribbean	**11,055**	7,765
Canada	**8,367**	11,295
United States	**1,778**	606
Europe, Middle East and Africa	**307**	427
Total financial trade receivables, net and other financial receivables	**$ 37,891**	$ 38,764

(In thousands of Canadian dollars, unless otherwise indicated)

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

As at December 31	2019	2018
Central and institutional banks	$ 28,287	$ 26,160
Consumers, dealers and others	5,768	10,704
Governments (including governmental departments and agencies)	3,836	1,900
Total financial trade receivables, net and other financial receivables	$ 37,891	$ 38,764

The Corporation established an allowance for ECLs based on a provision matrix that reflected the estimated impairment of financial trade receivables and other financial receivables. The provision matrix was based on historical observed default rates and was adjusted for forward-looking estimates. The Corporation sets different payment terms depending on the customer and product, and excluding prepayments, the Corporation's standard payment terms are generally 30 days. As at December 31, 2019, the Corporation's rate of credit losses was less than 1% (2018 – 1%) of total financial trade receivables and other financial receivables.

The aging of financial trade receivables and other financial receivables was as follows:

As at December 31	2019		2018	
	Gross carrying amount	Lifetime ECL allowance	Gross carrying amount	Lifetime ECL allowance
0–30 days	$ 15,972	$ 1	$ 22,470	$ 113
31–60 days	9,181	17	9,406	17
61–90 days	5,163	23	6,164	10
Over 90 days	7,617	1	998	134
Total	$ 37,933	$ 42	$ 39,038	$ 274
Net		$ 37,891		$ 38,764

The change in the lifetime ECL allowance was as follows:

As at December 31	2019	2018
Opening balance	$ 274	$ 28
Additions	395	349
Write-offs	(627)	(103)
Closing balance	$ 42	$ 274

(In thousands of Canadian dollars, unless otherwise indicated)

10.3.1.2 CASH AND CASH EQUIVALENTS

The Corporation's surplus funds are maintained in commercial bank accounts or invested to earn investment income, while maintaining the safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation manages its credit risk relating to cash and cash equivalents by utilizing a short-term investment policy to guide investment decisions. Investments must maintain a credit rating from at least one of the following credit agencies, meeting the following minimum criteria:

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

The Corporation regularly reviews the credit rating of issuers with whom it 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.

10.3.1.3 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*.

10.3.2 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, 2019

	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						
Trade payables, other payables and accrued liabilities	**$ (44,473)**	**$ (44,473)**	**$ (44,258)**	**$ (215)**	**$ –**	**$ –**
Loan payable	**$ (8,993)**	**$ (9,314)**	**$ (3,161)**	**$ (3,107)**	**$ (3,046)**	**$ –**

(In thousands of Canadian dollars, unless otherwise indicated)

As at December 31, 2018

	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						
Trade payables, other payables and accrued liabilities	$ (45,109)	$ (45,109)	$ (45,109)	$ –	$ –	$ –
Loan payable	(11,989)	(12,524)	(3,214)	(3,161)	(6,149)	–
Derivative instruments						
Foreign currency forwards	$ (2,087)	$ 51,414	$ 50,219	$ 1,195	$ –	$ –

10.3.3 MARKET RISK

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

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

10.3.3.1 FOREIGN EXCHANGE RISK

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

Based on the forward exchange contracts as at December 31, 2019, 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 $2.3 million (2018 - $3.7 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 on financial assets and liabilities of a 10% increase or decrease in the Canadian dollar against the US dollar at December 31, 2019, all other variables held constant, would have been a decrease or increase in profit for the year of $2.4 million (2018 - $3.4 million).

10.3.3.2 INTEREST RATE RISK

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash and cash equivalents. The Corporation's Bankers' Acceptance interest rate swap loan instruments expose the Corporation to cash flow interest rate risk. The Corporation has fully hedged the exposure to fluctuations in interest rates related to 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.

(In thousands of Canadian dollars, unless otherwise indicated)

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Corporation's interest rate swap exposes the Corporation to fair value interest rate risk. 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 increase/decrease other comprehensive income by approximately $0.1 million (2018 – $0.1 million). A decrease of 50 basis points in interest rates would have an equal, but opposite impact.

10.3.3.3 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 29.1 and Note 29.3).

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.

10.4 FOREIGN CURRENCY FORWARDS AND INTEREST RATE SWAP

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

As at December 31, 2019

		Designated as hedges		**Not designated as hedges**		**Total derivatives**
	Maturities	**Notional value**	**Fair value**	**Notional value**	**Fair value**	**Fair value**
Derivative financial assets						
Current						
Foreign currency forwards	2020	$ –	$ –	**34,315**	$ **684**	$ **684**
Total current		$ –	$ –	$ **34,315**	$ **684**	$ **684**
Non-current						
Interest rate swap	2022	$ **9,000**	$ **35**	–	–	**35**
Total non-current		$ **9,000**	$ **35**	$ –	$ –	**35**
Total		**9,000**	**35**	$ **34,315**	**684**	**719**

(In thousands of Canadian dollars, unless otherwise indicated)

As at December 31, 2018

		Designated as hedges		Not designated as hedges		Total derivatives
	Maturities	Notional value	Fair value	Notional value	Fair value	Fair value
Derivative financial assets						
Current						
Interest rate swap	2019	$ 3,000	$ 31	$ –	$ –	$ 31
Foreign currency forwards	2019	$ –	$ –	$ 685	$ 19	$ 19
Total current		$ 3,000	$ 31	$ 685	$ 19	$ 50
Non-current						
Interest rate swap	2022	$ 9,000	$ 92	$ –	$ –	$ 92
Total non-current		$ 9,000	$ 92	$ –	$ –	$ 92
Total		$ 12,000	$ 123	$ 685	$ 19	$ 142
Derivative financial liabilities						
Current						
Foreign currency forwards	2019	$ –	$ –	$ 50,219	$ 2,064	$ 2,064
Total current		$ –	$ –	$ 50,219	$ 2,064	$ 2,064
Non-current						
Foreign currency forwards	2019	$ –	$ –	$ 1,195	$ 23	$ 23
Total non-current		$ –	$ –	$ 1,195	$ 23	$ 23
Total		$ –	$ –	$ 51,414	$ 2,087	$ 2,087

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 3 years (2018 – 4 years). The amount to be reclassified in the next 12 months is not significant.

11. 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

	2019	2018
Cost	**$ 434,776**	$ 429,019
Accumulated depreciation and impairment	**(275,269)**	(264,849)
Net book value	**$ 159,507**	$ 164,170

(In thousands of Canadian dollars, unless otherwise indicated)

NET BOOK VALUE BY ASSET CLASS

As at December 31	**2019**	2018
Land and land improvements	**$ 3,063**	$ 3,068
Buildings and improvements	**86,482**	89,573
Equipment	**67,686**	69,172
Capital projects in process	**2,276**	2,357
Net book value	**$ 159,507**	$ 164,170

Reconciliation of the opening and closing balances of property, plant and equipment for 2019 and 2018:

	Land and improvements	Buildings and improvements	Equipment	Capital projects in process	Total
Cost					
Balance as at December 31, 2017	$ 4,094	162,180	249,780	958	417,012
Additions	–	3,630	7,103	2,357	13,090
Transfers	–	(570)	1,528	(958)	–
Disposals	–	–	(1,083)	–	(1,083)
Balance as December 31, 2018	4,094	$ 165,240	$ 257,328	$ 2,357	$ 429,019
Additions	**–**	**1,541**	**5,893**	**2,276**	**9,710**
Transfers	**–**	**187**	**2,170**	**(2,357)**	**–**
Derecognition	**–**	**(605)**	**(3,177)**	**–**	**(3,782)**
Disposals	**–**	**–**	**(171)**	**–**	**(171)**
Balance at December 31, 2019	**$ 4,094**	**$ 166,363**	**$ 262,043**	**$ 2,276**	**$ 434,776**
Accumulated depreciation and impairment					
Balance as at December 31, 2017	$ 1,021	$ 70,486	$ 179,434	$ –	$ 250,941
Depreciation	5	5,181	9,147	–	14,333
Disposals	–	–	(425)	–	(425)
Balance as at December 31, 2018	1,026	75,667	188,156	–	264,849
Depreciation	**5**	**4,819**	**9,545**	**–**	**14,369**
Derecognition	**–**	**(605)**	**(3,177)**	**–**	**(3,782)**
Disposals	**–**	**-**	**(167)**	**–**	**(167)**
Balance as at December 31, 2019	**$ 1,031**	**$ 79,881**	**$ 194,357**	**$ –**	**$ 275,269**
Net book value as at December 31, 2019	**$ 3,063**	**$ 86,482**	**$ 67,686**	**$ 2,276**	**$ 159,507**

Included in property, plant and equipment additions was a total accrual of $2.4 million (2018 - $2.4 million).

No asset was pledged as security for borrowings as at December 31, 2019 or 2018.

(In thousands of Canadian dollars, unless otherwise indicated)

12. INVESTMENT PROPERTY

As at December 31

		2019		2018
Cost	**$**	**236**	$	236

The fair value of the land is $2.6 million (2018 - $2.6 million). The fair value measurement of the investment property is classified as level 2 of the fair value hierarchy (see Note 10.2.2 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 is performed only when there is a significant change in the market price.

No indicators of impairment were found for investment property as at December 31, 2019 or 2018.

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

13. INTANGIBLE ASSETS

The composition of the net book value of the Corporation's intangible assets is presented in the following tables:

As at December 31

		2019		2018
Cost	**$**	**35,579**	$	34,217
Accumulated amortization and impairment		**(29,240)**		(25,827)
Net book value	**$**	**6,339**	$	8,390

Reconciliation of the opening and closing balances of intangibles for 2019 and 2018:

		Software		Capital projects in process		Total
Cost						
Balance as at December 31, 2017	$	31,467	$	585	$	32,052
Additions		2,073		134		2,207
Transfers		585		(585)		–
Derecognition		(42)		–		(42)
Balance as at December 31, 2018	$	34,083	$	134	$	34,217
Additions		**1,480**		**309**		**1,789**
Transfers		**134**		**(134)**		**–**
Derecognition		**(427)**		**–**		**(427)**
Balance as at December 31, 2019	**$**	**35,270**	**$**	**309**	**$**	**35,579**
Accumulated amortization and impairment						
Balance as at December 31, 2017	$	22,122	$	–	$	22,122
Amortization		3,747		–		3,747
Derecognition		(42)		–		(42)
Balance as at December 31, 2018		25,827		–		25,827
Amortization		**3,840**		**–**		**3,840**
Derecognition		**(427)**		**–**		**(427)**
Balance as at December 31, 2019	**$**	**29,240**	**$**	**–**	**$**	**29,240**
Net book value as at December 31, 2019	**$**	**6,030**	**$**	**309**	**$**	**6,339**

Included in capital additions is a total accrual of $0.1 million (2018 - $0.1 million).

(In thousands of Canadian dollars, unless otherwise indicated)

14. LEASES

The Corporation has leases for buildings and equipment. With the exception of leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Leases of equipment are generally limited to a lease term of 4 to 15 years. Leases of buildings generally have a lease term ranging from 5 years to 10 years. Lease payments are generally fixed.

Each lease generally imposes a restriction that, unless there is a contractual right for the Corporation to sublease the asset to another party, the right-of-use asset can only be used by the Corporation. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Corporation is prohibited from selling or pledging the underlying leased assets as security. For leases of buildings, the Corporation is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Corporation must insure buildings and equipment under lease and incur maintenance fees on such items in accordance with the lease contracts. The Corporation subleases office space in certain of its buildings. (Note 6)

RIGHT-OF-USE ASSETS

Right-of-use assets represent leases that were previously classified as operating leases under IAS 17 and other contracts assessed as containing a lease under IFRS 16.

The composition of the right-of-use assets is presented in the following tables:

As at December 31

		2019
Cost	**$**	**9,946**
Accumulated depreciation		**(2,090)**
Net book value	**$**	**7,856**

NET BOOK VALUE BY RIGHT-OF-USE ASSET CLASS

As at December 31

		2019
Buildings	**$**	**5,252**
Equipment		**2,604**
Net book value	**$**	**7,856**

The following represents a reconciliation of the opening and closing balance of the right-of-use assets:

		Building		**Equipment**		**Total**
Cost						
Balance as at January 1, 2019	**$**	**6,219**	**$**	**3,753**	**$**	**9,972**
Transfer to Property, Plant and Equipment		**–**		**(26)**		**(26)**
Balance as at December 31, 2019	**$**	**6,219**	**$**	**3,727**	**$**	**9,946**
Accumulated depreciation						
Balance as at January 1, 2019	**$**	**–**	**$**	**–**	**$**	**–**
Depreciation		**967**		**1,141**		**2,108**
Transfer to Property, Plant and Equipment		**–**		**(18)**		**(18)**
Balance as at December 31, 2019	**$**	**967**	**$**	**1,123**	**$**	**2,090**
Net book value as at December 31, 2019	**$**	**5,252**	**$**	**2,604**	**$**	**7,856**

(In thousands of Canadian dollars, unless otherwise indicated)

LEASE LIABILITIES

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

As at December 31, 2019

	Building	Equipment	Total
Opening balance	$ 8,198	$ 3,753	$ 11,951
Interest expense (Note 24)	259	109	368
Lease payments	(1,505)	(1,208)	(2,713)
Transfer to Property, Plant and Equipment	–	(8)	(8)
Closing balance	$ 6,952	$ 2,646	$ 9,598

The lease liabilities are presented in the statement of financial position as follows:

As at December 31, 2019

	Building	Equipment	Total
Current	$ 1,359	$ 1,093	$ 2,452
Non-current	5,593	1,553	7,146
Lease liabilities	$ 6,952	$ 2,646	$ 9,598

Total cash outflow for leases included in lease liabilities for the year ended December 31, 2019 was $2.7 million.

The undiscounted maturity analysis of lease liabilities as at December 31, 2019 was as follows:

	2020	2021	2022	2023	2024	2025 and thereafter	Total
Lease payments	$ 2,742	$ 2,702	$ 1,599	$ 856	$ 855	$ 1,702	$ 10,456
Finance charges	$ (289)	$ (206)	$ (135)	$ (98)	$ (71)	$ (59)	$ (858)
Net present values	$ 2,453	$ 2,496	$ 1,464	$ 758	$ 784	$ 1,643	$ 9,598

LEASE PAYMENTS NOT RECOGNIZED AS A LIABILITY

The Corporation does not recognize a lease liability for short term leases or for leases of low-value assets as defined in note 2.12. Payments made under such leases are expensed on a straight-line basis.

At December 31, 2019, the Corporation was committed to some low-value leases and the total commitment at that date was $0.1 million. (Note 29.3)

The expense relating to payments related to the low-value leases not included in the measurement of the lease liability for the year ended December 31, 2019 was $0.2 million.

(In thousands of Canadian dollars, unless otherwise indicated)

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

As at December 31

		2019		2018
Trade payables	$	**3,960**	$	4,007
Employee compensation payables and accrued liabilities		**23,956**		22,125
Other current financial liabilities[1]		**16,342**		18,703
Other accounts payables and accrued liabilities		**358**		4,164
Total current trade payables, other payables and accrued liabilities	$	**44,616**	$	48,999
Other non-current financial liabilities[1]		**215**		274
Total non-current trade payables, other payables and accrued liabilities	$	**215**	$	274
Trade payables, other payables and accrued liabilities	$	**44,831**	$	49,273

[1] Other financial liabilities include payables that are not trade in nature, as well as various operating and capital accruals.

16. PROVISIONS

The following table presents the changes in the provisions:

As at December 31

		2019		2018
Opening balance	$	**7,920**	$	6,749
Additional provisions recognized		**3,392**		4,043
Payments		**(6,170)**		(1,092)
Derecognition of provisions[1]		**(1,839)**		(1,780)
Foreign exchange gain		**(12)**		–
Closing balance	$	**3,291**	$	7,920

[1] Derecognition of provisions includes $1.0 million of onerous lease provisions which were reclassified against right-of-use assets on January 1, 2019 as disclosed in Note 3.1 to these consolidated financial statements..

Provisions include the following:

As at December 31

		2019		2018
Sales returns and warranty	$	**2,427**	$	2,264
Restructuring and other employee compensation		**–**		3,374
Other provisions		**864**		2,282
Total provisions	$	**3,291**	$	7,920

		2019		2018
Current portion	$	**1,918**	$	5,784
Non-current portion		**1,373**		2,136
Total provisions	$	**3,291**	$	7,920

(In thousands of Canadian dollars, unless otherwise indicated)

17. FACE VALUE REDEMPTIONS

As at December 31

		2019		2018
Face Value redemptions liability	**$**	**178,616**	$	180,224
Precious metal recovery		**(44,501)**		(40,405)
Face Value redemptions liability, net		**134,115**		139,819
Less: Current portion		**(1,091)**		(1,292)
Non-current Face Value redemptions liability, net	**$**	**133,024**	$	138,527

As at December 31

		2019		2018
Opening balance	**$**	**139,819**	$	141,135
Redemptions, net		**(1,256)**		(1,455)
Revaluation		**(4,448)**		139
Closing balance	**$**	**134,115**	$	139,819

As at December 31, 2019, the Corporation determined that it continues to be unable to reliably estimate the redemptions of Face Value coins.

The liability for Face Value redemptions represents the expected cash outflows if all Face Value coins are redeemed, including the costs of redemptions offset by the precious metal content that will be reclaimed by the Corporation when the coins are redeemed. The precious metal recovery component of the liability is based on the market value of silver as at the end of each reporting period. The impact of the revaluation of the precious metal component of the liability was a decrease of $4.4 million for the year ended December 31, 2019 (2018 – increase of $0.1 million).

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

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

18. LOAN PAYABLE

As at December 31

		2019		2018
Loan	**$**	**8,993**	$	11,989
Accrued interest		**–**		–
Total loan payable	**$**	**8,993**	$	11,989
Current	**$**	**3,000**	$	3,000
Non-current		**5,993**		8,989
Total loan payable	**$**	**8,993**	$	11,989

(In thousands of Canadian dollars, unless otherwise indicated)

The loan payable is unsecured and consists of the following borrowing facility:

A 10 year $30 million Bankers' Acceptance (BA) /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 BA and an interest rate swap to lock in the BA refinancing. The loan is being repaid by $3 million per year for 10 years. As at December 31, 2019 the balance of the principal was $9.0 million (2018 - $12.0 million) and the fair value of the Bankers' Acceptance was $9.0 million (2018 – $12.0 million).

19. EMPLOYEE BENEFIT OBLIGATIONS

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 Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The required employer contribution rate for 2019 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 (2018 – 1.01) the employees' contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate was 1.00 (2018 – 1.00) times the employees' contribution.

The Corporation made total contributions of $10.6 million in 2019 (2018 – $10.2 million). The estimated contribution for 2020 is $10.5 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.

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 obligations were as follows:

As at December 31

	2019	2018
Post-employment benefits	**$ 635**	$ 158
Other long-term employee benefits	**2,466**	2,382
Employee benefit obligation current	**3,101**	2,540
Post-employment benefits	**$ 10,062**	$ 9,185
Other long-term employee benefits	**1,414**	1,571
Employee benefit obligation non-current	**11,476**	10,756
Total employee benefits obligation	**$ 14,577**	$ 13,296

(In thousands of Canadian dollars, unless otherwise indicated)

Movement of employee benefits obligations were as follows:

As at December 31

	Post employment benefits		Other long-term employee benefits		Totals	
	2019	2018	**2019**	2018	**2019**	2018
Opening balance	**$ 9,343**	$ 11,008	**$ 3,953**	$ 3,631	**$ 13,296**	$ 14,639
Current service cost	**411**	105	**3,678**	3,365	**4,089**	3,470
Interest cost	**382**	381	**194**	149	**576**	530
Benefits paid	**(651)**	(741)	**(3,583)**	(3,724)	**(4,234)**	(4,465)
Actuarial losses (gains):						
from other assumptions	**85**	(315)	**20**	(9)	**105**	(324)
from demographic assumptions	**178**	(474)	**(505)**	638	**(327)**	164
from financial assumptions	**949**	(621)	**123**	(97)	**1,072**	(718)
Closing balance	**$ 10,697**	$ 9,343	**$ 3,880**	$ 3,953	**$ 14,577**	$ 13,296

Included in actuarial losses (gains) from demographic assumptions are the experience adjustments, which are 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.

Employee benefits expenses were as follows:

For the year ended December 31

	2019	2018
Pension benefits contribution	**$ 10,576**	$ 10,227
Other post-employment benefits	**793**	486
Other long-term employee benefits	**3,510**	4,046
Total employee benefits expenses	**$ 14,879**	$ 14,759

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

For the year ended December 31

	2019	2018
In Profit for the period		
Pension benefits contribution	**$ 10,576**	$ 10,227
Current service cost	**4,089**	3,470
Interest cost	**576**	530
Actuarial (gain) loss for other long-term employee benefits	**(362)**	532
	14,879	14,759
In Other comprehensive income		
Actuarial loss (gain) for post-employment benefits	**1,212**	(1,410)
Total amounts recognized in the consolidated statement of comprehensive income	**$ 16,091**	$ 13,349

(In thousands of Canadian dollars, unless otherwise indicated)

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

As at December 31

	2019	2018
Accrued benefit obligation		
Discount rate	**2.97%**	3.75%
Rate of compensation increase – Union	**2.00%**	2.00%
Rate of compensation increase – Non-union	**3.00%**	2.50%
Benefit costs for the year ended		
Discount rate	**2.62%**	3.75%
Rate of compensation increase – Union	**2.00%**	2.00%
Rate of compensation increase – Non-union	**3.00%**	2.50%
Assumed health care cost trend rates		
Initial health care cost trend rate – OPEB/OLTEB Medical	**5.00%**	5.00%
Cost trend rate declines to	**4.00%**	5.00%
Initial health care cost trend rate – OPEB Dental	**4.00%**	4.00%
Initial health care cost trend rate – OLTEB Dental	**4.00%**	4.00%

If all other assumptions are held constant, a hypothetical increase of one percentage point in the following assumed rates would 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 would have approximately the opposite result.

For the year ended December 31

	2019	2018
Medical cost trend rates:		
Current service cost and interest cost	**$ 31**	$ 88
Defined benefit obligation	**624**	607
Discount rates:		
Current service cost and interest cost	**$ 9**	$ (3)
Defined benefit obligation	**(1,351)**	(1,277)
Salary rates:		
Current service cost and interest cost	**$ 57**	$ 71
Defined benefit obligation	**596**	474

The weighted average duration of the defined benefit obligation is 11 years (2018 – 11 years).

The distribution of the timing of benefit payments is shown in the table below:

For the year ended December 31, 2019

	Within 1 Year	**2 to 5 Years**	**6 to 11 Years**
Expected pension benefit payments	**$ 4,161**	**$ 4,405**	**$ 3,742**

For the year ended December 31, 2018

	Within 1 Year	2 to 5 Years	6 to 11 Years
Expected pension benefit payments	$ 4,058	$ 4,639	$ 4,391

(In thousands of Canadian dollars, unless otherwise indicated)

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.

20. EMPLOYEE COMPENSATION EXPENSES

For the year ended December 31

	2019	2018
Included in cost of sales:		
Salaries and wages including short term employee benefits	**$ 34,146**	$ 34,122
Pension costs	**5,380**	5,511
Other long term employee and post-employment benefits	**2,480**	2,912
Termination benefits	**(144)**	965
Included in marketing and sales expenses:		
Salaries and wages including short term employee benefits	**14,056**	16,356
Pension costs	**1,527**	1,638
Other long term employee and post-employment benefits	**464**	665
Termination benefits	**(132)**	818
Included in administration expenses:		
Salaries and wages including short term employee benefits	**34,864**	30,654
Pension costs	**3,464**	3,122
Other long term employee and post-employment benefits	**1,376**	1,261
Termination benefits	**49**	69
Total employee compensation and benefits expense	**$ 97,530**	$ 98,093

21. REVENUE

21.1 REVENUE BY PERFORMANCE OBLIGATIONS

For the year ended December 31

	2019	2018
Performance obligations satisfied at a point in time		
Sale of goods	**$ 1,284,903**	$ 1,248,686
Rendering of services	**24,041**	15,230
Total revenue recognized at a point in time	**$ 1,308,944**	$ 1,263,916
Performance obligations satisfied over time		
Sale of goods	**$ 47,334**	$ 55,039
Rendering of services	**97,133**	101,608
Total revenue recognized over time	**$ 144,467**	$ 156,647
Total revenue	**$ 1,453,411**	$ 1,420,563

(In thousands of Canadian dollars, unless otherwise indicated)

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

	2019	2018
Gross revenue from the sale of goods	**$ 1,806,385**	$ 1,657,583
Less: Customer inventory deals	**(474,148)**	(353,858)
Net revenue from the sale of goods	**$ 1,332,237**	$ 1,303,725

21.2 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical region, and program or business.

For the year ended December 31

Primary Geographic Regions	**2019**	2018
North America	**$ 822,799**	$ 814,418
Europe, Middle East and Africa	**453,708**	431,517
Asia and Australia	**155,774**	135,153
Latin America and Caribbean	**21,130**	39,475
Total revenue	**$ 1,453,411**	$ 1,420,563

For the year ended December 31

Program and Businesses	**2019**	2018
Canadian Circulation program	**$ 95,169**	$ 94,950
Foreign Circulation	**65,391**	94,849
Bullion Products and Services	**1,176,031**	1,113,624
Numismatics	**116,820**	117,140
Total revenue	**$ 1,453,411**	$ 1,420,563

For the year ended December 31, 2019 four (2018 – four) customers each made up 10% or more of the Corporation's revenue.

21.3 TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATIONS

The following table includes revenue expected to be recognized in the future related to performance obligations that were unsatisfied, or partially unsatisfied, as at December 31, 2019.

For the year ended December 31

	2020	**2021**	**2022**	**Total**
Total revenue	$ 166,205	$ 83,258	$ 69,942	$ 319,405

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

(In thousands of Canadian dollars, unless otherwise indicated)

22. DEPRECIATION AND AMORTIZATION EXPENSES

For the year ended December 31		2019		2018
Depreciation of property, plant and equipment	$	**14,369**	$	14,333
Amortization of intangible assets		**3,840**		3,747
Depreciation of right-of-use assets		**2,108**		–
Total depreciation and amortization expenses	$	**20,317**	$	18,080

Depreciation and amortization expenses allocated to the following expense categories:

For the year ended December 31		2019		2018
Cost of sales	$	**12,176**	$	**10,686**
Marketing and sales expenses		**2,913**		**2,981**
Administration expenses		**5,228**		**4,413**
Total depreciation and amortization expenses	$	**20,317**	$	**18,080**

23. NET FOREIGN EXCHANGE (LOSS) GAIN

For the year ended December 31		2019		2018
Foreign exchange (loss) gain, balance sheet revaluation	$	**(3,630)**	$	5,667
Foreign exchange gain (loss), forward contracts		**1,845**		(2,542)
Foreign exchange (loss) gain, other		**(43)**		576
Total foreign exchange (loss) gain	$	**(1,828)**	$	3,701

24. FINANCE INCOME, NET

Finance income, net for the reporting periods consist of the following:

For the year ended December 31		2019		2018
Interest expense on loan payable (Note 10.2.4)	$	**(244)**	$	(404)
Interest expense for leasing arrangements (Note 14)		**(368)**		–
Interest expense on income taxes payable		**(1,087)**		–
Other interest expense		**-**		(4)
Total interest expense	$	**(1,699)**	$	(408)
Interest income on cash and cash equivalents (Note 10.2.4)	$	**1,985**	$	986
Interest income from subleasing arrangements (Note 6)		**30**		–
Other interest income		**2**		1,298
Total interest income	$	**2,017**	$	2,284
Total finance income, net	$	**318**	$	1,876

(In thousands of Canadian dollars, unless otherwise indicated)

25. INCOME TAXES

The major components of income tax expense were as follows:

For the year ended December 31

		2019		2018
Current income tax expense	**$**	**7,508**	$	13,648
Foreign tax expense		**442**		1,046
Adjustments for prior years		**(101)**		1,816
Income tax expense recognized directly in equity		**(4)**		(684)
Total current income tax expense	**$**	**7,845**	$	15,826
Origination and reversal of temporary differences	**$**	**4,088**	$	(2,096)
Adjustments for prior years		**347**		(2,005)
Total deferred income tax expense (recovery)	**$**	**4,435**	$	(4,101)
Total income tax expense recognized in profit	**$**	**12,280**	$	11,725

The Corporation's effective income tax expense for the year is different from its expense at its Federal statutory income tax rate of 25% (2018 – 25%) due to the differences noted below:

For the year ended December 31

		2019		2018
Profit before income tax for the year	**$**	**47,071**	$	46,804
Income tax rate		**25%**		25%
Computed income tax expense		**11,768**		11,701
Non-deductible expense		**326**		62
Impact of foreign taxes		**–**		19
Adjustments for prior years		**246**		(75)
Other net amounts		**(60)**		18
Income tax expense recognized in profit	**$**	**12,280**	$	11,725

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

For the year ended December 31

	2019						2018					
		Before income tax		**Income tax recovery**		**Net of income tax**		Before income tax		Income tax recovery (expense)		Net of income tax
Net unrealized (losses) gains on cash flow hedges	**$**	**(87)**	**$**	**22**	**$**	**(65)**	$	(10)	$	3	$	(7)
Net actuarial (losses) gains on defined benefit plan		**(1,212)**		**242**		**(970)**		1,410		(282)		1,128
Total other comprehensive income	**$**	**(1,299)**	**$**	**264**	**$**	**(1,035)**	$	1,400	$	(279)	$	1,121

(In thousands of Canadian dollars, unless otherwise indicated)

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities in 2019 and 2018 are presented below:

As at December 31, 2019

	Opening balance	**Recognized in profit**	**Recognized other comprehensive income**	**Closing balance**
Deferred income tax assets:				
Employee benefit obligation	**$ 3,864**	**$ (462)**	**$ 242**	**$ 3,644**
Trade payables, other payables and accrued liabilities	**4,621**	**(1,316)**	**–**	**3,305**
Face value redemption liability	**35,313**	**(1,441)**	**–**	**33,872**
Derivative financial assets	**486**	**(688)**	**22**	**(180)**
Deferred income tax liabilities:				
Property, plant and equipment	**(6,061)**	**(1,068)**	**–**	**(7,129)**
Right-of-use assets	**-**	**243**	**–**	**243**
Intangible assets	**(1,829)**	**244**	**–**	**(1,585)**
Investments tax credits	**(194)**	**55**	**–**	**(139)**
IFRS 15 adjustment to opening retained earnings	**(4)**	**4**	**–**	**–**
Net deferred income tax asset	**$ 36,196**	**$ (4,429)**	**$ 264**	**$ 32,031**

As at December 31, 2018

	Opening balance	Recognized in profit	Recognized in other comprehensive income	Closing balance
Deferred income tax assets:				
Employee benefit obligation	$ 3,660	$ 486	$ (282)	$ 3,864
Trade payables, other payables and accrued liabilities	2,240	2,381	–	4,621
Face Value redemptions liability	35,650	(337)	–	35,313
Derivative financial assets	31	452	3	486
Deferred income tax liabilities:				
Property, plant and equipment	(6,729)	668	–	(6,061)
Intangible assets	(2,311)	482	–	(1,829)
Investment tax credits	(162)	(32)	–	(194)
IFRS 15 adjustment to opening retained earnings	–	(4)	–	(4)
Net deferred income tax asset	$ 32,379	$ 4,096	$ (279)	$ 36,196

(In thousands of Canadian dollars, unless otherwise indicated)

26. SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT EXPENSES, NET

For the year ended December 31

		2019		2018
Scientific research and experimental development expenses	**$**	**5,303**	$	4,166
Scientific research and experimental development investment tax credit		**(557)**		(778)
Scientific research and experimental development expenses, net	**$**	**4,746**	$	3,388

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

27. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the year ended December 31

		2019		2018
Expenses				
Employee benefits expenses	**$**	**14,879**	$	14,826
Employee benefits paid		**(14,854)**		(14,744)
Inventory write-downs		**(3,476)**		1,282
Gains on disposal of assets		**4**		658
Provisions		**2,516**		2,771
Prepaid expenses		**1,799**		1,808
Other non-cash expenses, net		**(232)**		245
Revenue				
Foreign circulation revenue		**(9,256)**		(3,659)
Bullion service revenue		**(12,225)**		(5,019)
Adjustments to other (revenues) expenses, net	**$**	**(20,845)**	$	(1,832)

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

		2019		2018
Trade receivables, net and other receivables	**$**	**50,973**	$	(23,633)
Inventories		**(55,405)**		16,834
Prepaid expenses		**(2,213)**		136
Trade payables, other payables and accrued liabilities		**(8,618)**		(6,886)
Contract liabilities		**57,155**		1,949
Provisions		**(6,170)**		–
Net change in operating assets and liabilities	**$**	**35,722**	$	(11,600)

(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		2019		2018
Income tax paid	**$**	**(17,751)**	$	(12,982)
Income tax received		**51**		4,044
Income tax paid, net of income tax received	**$**	**(17,700)**	$	(8,938)

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

For the year ended December 31		2019		2018
Interest received	**$**	**1,538**	$	1,361
Interest paid		**(1,485)**		(418)
Interest received, net of interest paid	**$**	**53**	$	943

28. 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 – *Related Party Disclosures* relating to its transactions and outstanding balances with:

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

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

The majority of transactions with the Government of Canada were with the Department of Finance related to the production, management and delivery of Canadian circulation coins which are governed by the terms outlined in the memorandum of understanding signed on June 13, 2018 which is effective from January 1, 2018 to December 31, 2021.

The transactions with Department of Finance were as follows:

For the year ended December 31		2019		2018
Revenue	**$**	**87,787**	$	86,734

As at December 31		2019		2018
Receivable (Note 6)	**$**	**650**	$	443
Contract liabilities (Note 9)	**$**	**598**	$	509

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

(In thousands of Canadian dollars, unless otherwise indicated)

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 were as follows:

For the year ended December 31

		2019		2018
Wages, bonus and short-term benefits	**$**	**2,989**	$	2,862
Post-employment and termination benefits		**866**		727
Other long-term benefits		**58**		95
Total compensation	**$**	**3,913**	$	3,684

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES

29.1 PRECIOUS METAL COMMITMENTS

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments, as well as precious metal leases. As at December 31, 2019, the Corporation had $23.0 million in outstanding precious metal purchase commitments (December 31, 2018 – $16.1 million).

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

As at December 31

Ounces	**2019**	2018
Gold	**178,941**	262,843
Silver	**6,581,392**	5,785,450
Platinum	**14,558**	18,781

The fees for these leases are based on market value. The precious metal lease payments expensed for 2019 were $2.5 million (2018 - $2.9 million). The value of the metals under these leases is not reflected in the Corporation's consolidated financial statements as stated in note 4.2.5.

29.2 TRADE FINANCE BONDS AND BANK GUARANTEES

The Corporation has various outstanding bank guarantees and trade finance bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments that might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As at December 31, 2019, under the guarantees and bid bonds, the maximum potential amount of future payments was $16.5 million (2018 - $16.1 million).

(In thousands of Canadian dollars, unless otherwise indicated)

29.3 OTHER COMMITMENTS AND CONTINGENCIES

Total estimated minimum remaining future commitments were as follows:

As at December 31

	2020	2021	2022	2023	2024	2025 and thereafter	Total
Operating leases[1]	$ 147	$ –	$ –	$ –	$ –	$ –	$ 147
Other commitments	27,684	1,448	77	45	44	8	29,306
Base metal commitments	22,136	156	–	-	-	–	22,292
Capital commitments	2,279	1	–	-	-	–	2,280
Total	$ 52,246	$ 1,605	$ 77	$ 45	$ 44	$ 8	$ 54,025

1 Operating leases include low-value leases

Other commitments include firm contracts with suppliers for goods and services, excluding precious metals commitments, as well as the non-lease components of leases of right-of-use assets (Note 3.1.3).

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

The Corporation committed to spend approximately $2.3 million as at December 31, 2019 (2018 - $2.2 million) in 2020 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 $0.8 million provision for potential legal obligations is included in other provisions (Note 16) as at December 31, 2019 (2018 - $0.9 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, 2018.

STATISTICS

TABLE 1 — CANADIAN CIRCULATION COINAGE

Production up to December 31, 2019

	2019	2018	2017
$2	**25,995,000**	26,730,000	39,595,000
$1	**26,670,000**	33,930,000	30,900,000
25¢	**80,160,000**	102,560,000	143,220,000
10¢	**159,775,000**	118,525,000	219,925,000
5¢	**92,736,000**	87,528,000	126,680,000

TABLE 2 — CANADIAN CIRCULATION COINAGE

Commemorative and regular design production 2017-2019

	2019	2018	2017
$2	**22,995,000**	23,730,000	24,465,000
$2 - Canada 150: My Canada, My Inspiration – Dance of the Spirits	**–**	–	10,000,000
$2 - 100th Anniversary of the Battle of Vimy Ridge	**–**	–	5,130,000
$2 - 100th Anniversary of Armistice	**–**	3,000,000	–
$2 - 75th Anniversary of D-Day	**3,000,000**	–	–
$1	**23,670,000**	33,930,000	15,750,000
$1 - Canada 150: My Canada, My Inspiration – Connecting a Nation	**–**	–	10,000,000
$1 - 100th Anniversary of the Toronto Maple Leafs®	**–**	–	5,150,000
$1 - 50th Anniversary of Parliament taking the first step towards decriminalizing homosexuality	**3,000,000**	–	–
25¢	**80,160,000**	102,560,000	110,720,000
25¢ - Canada 150: My Canada, My Inspiration – Hope for a Green Future	**–**	–	20,000,000
25¢ - 125th Anniversary of the Stanley Cup®	**–**	–	12,500,000
10¢	**159,775,000**	118,525,000	199,925,000
10¢ - Canada 150: My Canada, My Inspiration – Wings of Peace	**–**	–	20,000,000
5¢	**92,736,000**	87,528,000	106,680,000
5¢ - Canada 150: My Canada, My Inspiration – Living Traditions	**–**	–	20,000,000

EXECUTIVE OFFICERS

Marie Lemay
President and
Chief Executive Officer

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

Tom Froggatt
Chief Commercial Officer

Michel Boucher
Vice-President, Human
Resources

Simon Kamel
Vice-President, General Counsel
and Corporate Secretary,
Corporate and Legal Affairs

Jean-Laurent Rousset
Vice-President, Operations

HEAD OFFICE AND OTTAWA PLANT

Royal Canadian Mint
320 Sussex Drive
Ottawa, Ontario
Canada K1A 0G8
613-993-3500

WINNIPEG PLANT

Royal Canadian Mint
520 Lagimodière Boulevard
Winnipeg, Manitoba
Canada R2J 3E7
204-983-6400

BOUTIQUE LOCATIONS

Ottawa
320 Sussex Drive
Ottawa, Ontario
Canada K1A 0G8
613-933-8990

Winnipeg
520 Lagimodière Boulevard
Winnipeg, Manitoba
Canada R2J 3E7
204-983-6429

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