

Third Quarter Report Fiscal 2011

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ROYAL CANADIAN MINT
MONNAIE ROYALE CANADIENNE

Royal Canadian Mint
Notes to the Consolidated Financial Statements
39 weeks ended October 1, 2011
(Unaudited)

NARRATIVE DISCUSSION

BASIS OF PRESENTATION

Effective April 1, 2011, all federal Crown corporations are required to prepare and make public a quarterly financial report within 60 days after the end of the corporation's fiscal quarter. Accordingly, the Royal Canadian Mint has prepared this report as required by section 131.1 of the *Financial Administration Act* using the standard issued by the Treasury Board of Canada. This narrative should be read in conjunction with the unaudited consolidated financial statements.

The Mint has prepared the statements for the 13 weeks ended October 1, 2011 and revised the unaudited consolidated financial statements for the 13 weeks ended October 2, 2010 to comply with International Financial Reporting Standards (IFRS). See Note 22, "TRANSITION TO IFRS" in the unaudited consolidated financial statements for information on the impact of the transition to IFRS and a reconciliation of affected financial information.

PERFORMANCE

Consolidated results and financial performance

(in CAD \$ millions for the period ended October 1, 2011 and October 2, 2010)

	Q3 2011	Q3 2010	YTD 2011	YTD 2010
Revenue	951.2	498.6	2,280.7	1,516.2
Profit before taxes	18.5	10.2	37.8	35.7
Profit	13.3	8.1	27.1	25.1
Total assets	353.0	307.2	353.0	307.2
Working capital	132.8	120.0	132.8	120.0

NOTE: The Mint's fiscal year ends on December 31. The year-to-date covers the 39 weeks to October 1, 2011 and October 2, 2010.

CONSOLIDATED OVERVIEW

Undiminished demand for the products and services provided by three of the Mint's four business lines during the 39 weeks to October 1, 2011 continued to sustain revenue at record levels. Consolidated revenue for the 13 weeks ended October 1, 2011 increased to \$951.2 million, a 90.8% increase over revenues in the same period in 2010. Consolidated revenue for the year-to-date ended October 1, 2011 increased by 50.4% over consolidated revenue for the same period in 2010. The increase in revenue was driven primarily by the increase in volume of bullion sold and bullion prices as concerns about global economic conditions continue to escalate.

Consolidated profit before taxes for the 13 weeks ended October 1, 2011 increased by 81.4% to \$18.5 million compared to the same period in 2010. For the year-to-date ended October 1, 2011 consolidated profit before taxes increased by 5.9 % to \$37.8 million compared to the same period in 2010. The increase was achieved despite intense competition in the global bullion market that increases leasing costs and squeezes margins. The Mint remains determined to sustain its leading market share.

Consolidated total assets increased to \$353.0 million, a 14.9 % increase over the same period in 2010. Cash increased modestly to \$59.4 million over the second quarter but is down substantially from the same period in 2010. At \$115.7 million, inventories increased 23.7% over the previous quarter and 46.8% at the end of the same period in 2010 due to precious metals purchased to meet numismatic requirements well into 2012. Capital assets increased by 10.2% to \$152.9 million compared to the same period in 2010.

The Mint did not experience any significant change in operations, personnel or programs during the period. The business strategy is unchanged and all officers and directors remain the same.

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At the end of the third quarter in 2011, the Mint had exceeded the annual targets established in the 2011 Corporate Plan approved by the Government of Canada in March 2011. Forecasts developed for the subsequent 13 weeks indicate the final quarter should continue to build upon the performance of the first three quarters.

PERFORMANCE BY BUSINESS LINE

Revenue by Business Line

(in CAD \$ millions for the period ended October 1, 2011 and October 2, 2010)

	Q3 2011	Q3 2010	YTD 2011	YTD 2010
Canadian circulation	40.6	33.0	97.1	100.1
Foreign circulation	6.7	10.6	29.5	20.3
Numismatics	21.7	15.3	63.8	53.8
Bullion and Refinery	882.2	439.7	2,090.3	1342.0

Operating Highlights and Analysis of Results

Canadian circulation: The Mint sold 244.0 million coins during the 13 weeks ended October 1, 2011, an increase of 13.6 % from 214.7 million coins sold in the same period in 2010. Revenue from Canadian circulation coinage increased 30.0% to \$35.5 million for the quarter from \$27.3 million in the same period in 2010. The variance in the increase in revenue versus volume reflects the volume of one-dollar and two-dollar coins produced. The launch of five commemorative circulation coins celebrating the centennial of Parks Canada and of Canada's legendary natural heritage was approved. The coins will go into circulation in late fiscal 2011 and early 2012.

The Alloy Recovery Program (ARP) continues to generate substantial revenue and profit with the coins recovered through the Mint's recycling program exceeding expectations. During the 13 weeks ended October 1, 2011, the Mint recovered and sold 144.0 metric tonnes of nickel and 57.0 metric tonnes of cupronickel compared to 255.7 metric tonnes of nickel and 48.2 metric tonnes of cupronickel in the same period in 2010. The average nickel price received by the Mint year-to-date increased to US\$21,000 per tonne from an average US\$16,500 per tonne in the same period in 2010.

Numismatics: Demand for the Mint's numismatic products remained strong, driving revenue to \$21.7 million during the 13 weeks ended October 1, 2011, a 41.8% increase over revenue in the same period in 2010. The Mint issued 22 new coins during the quarter compared to 28 new coins in the same period in 2010. The increase in revenue is driven by demand, particularly for the Mint's premium coins. The most notable products issued during the period included the medal and a replica medallion product for the cross-country relay race marking the 25th anniversary of Rick Hansen's Man in Motion World Tour. The most popular coins issued during the quarter included a fine silver one kilogram coin and a \$15 fine silver lunar lotus coin marking the Year of the Dragon, a \$10 fine silver Maple Leaf Forever coin, and a \$200 gold and crystal Royal Wedding coin marking the visit by the Duke and Duchess of Cambridge to Canada.

The customer acquisition program continues to grow the Mint's customer base while demand from collectors in Europe and Asia continues to build.

Foreign coinage: The Mint produced 212.5 million and shipped 184.4 million coins and blanks to seven countries in the 13 weeks ended October 1, 2011. In the same period in 2010, the Mint produced 313.6 million and shipped 345.0 million coins and blanks to eight countries. Revenue declined 36.8% to \$6.7 million in the third quarter of 2011 from \$10.6 million in the same period in 2010.

The Mint continues to compete aggressively to expand its share of the foreign circulation coinage market, securing 3 contracts during the period to produce 2.4 billion coins for 8 countries.

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Bullion and refinery: Bullion and refinery revenues increased 100.6% to \$882.2 million in the 13 weeks ended October 1, 2011 from \$439.7 million in the same period in 2010. Sales of Silver Maple Leaf (SML) coins jumped to 6.1 million ounces during the quarter from 4.5 million ounces in the same period in 2010. Demand for Gold Maple Leaf (GML) coins remains strong, with sales continuing to increase as the price of gold surpassed US\$1,900 an ounce, amplifying the impact on revenue. During the 13 weeks to October 1, 2011, GML sales were 357 thousand ounces compared to 245 thousand ounces in the same period in 2010. During the 39 weeks to October 1, 2011, sales of SML coins increased by 56.1% to 17.8 million ounces while sales of GML coins increased by 4.4% to 868 thousand ounces, reversing the declining trend established in the first half.

CORPORATE DEVELOPMENTS

Negotiations on a collective bargaining agreement continue with the Amalgamated Transit Union (ATU).

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures increased by 21.3% to \$10.8 million for the 39 weeks to October 1, 2011 compared to \$8.9 million in the same period in 2010. Renovations of second and third floor offices in Ottawa are completed. The Mint continues to move forward with plans to expand plating capacity in Winnipeg to meet anticipated growth in demand for circulation coinage. The Mint has the financial capacity through current cash flow and established access to capital to fund the substantial anticipated expenditures for the plating plant expansion.

RISKS TO PERFORMANCE

There has not been any material change in the risks to performance reported in Management's Discussion and Analysis in the 2010 annual report.

OUTLOOK

The Mint continues to anticipate a continuation of the economic environment that has persisted since 2008, but remains determined to build its core businesses through innovation, continuous improvement and by seeking new opportunities. There was unexpected strength in the numismatic market in the first 39 weeks of 2011 while relentless economic uncertainty is sustaining demand for bullion.

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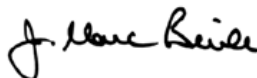
Statement of Management Responsibility by Senior Officials

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

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



Ian E. Bennett
*President and
Master of the Mint*



J. Marc Brûlé, CA
*VP Finance &
Administration, CFO*

Ottawa, Canada
November 22, 2011

ROYAL CANADIAN MINT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Notes	As at		
		October 1, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash	5	\$ 59,416	\$ 86,045	\$ 76,956
Accounts receivable	6	19,297	19,719	29,939
Prepaid expenses		5,036	909	1,663
Income taxes receivable	15	-	2,548	-
Inventories	7	115,657	84,672	55,172
Derivative assets	8	431	1,785	1,054
Total current assets		199,837	195,678	164,784
Derivative assets	8	-	306	352
Property, plant and equipment	9	146,686	146,186	143,882
Investment property	10	236	236	236
Intangible assets	11	6,236	6,986	10,744
Total assets		\$ 352,995	\$ 349,392	\$ 319,998
Liabilities and Equity				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	12	\$ 50,847	\$ 57,159	\$ 54,371
Loans payable	13	1,505	1,506	5,169
Deferred revenue	14	7,734	14,465	5,411
Employee future benefits	16	848	664	1,005
Income taxes payable	15	899	-	8,778
Derivative liabilities	8	5,235	1,907	3,803
Total current liabilities		67,068	75,701	78,537
Derivative liabilities	8	396	-	-
Loans payable	13	10,467	10,468	11,972
Deferred tax liabilities		9,949	11,510	7,220
Employee future benefits	16	12,781	12,781	12,316
Total liabilities		100,661	110,460	110,045
Shareholder's equity				
Share capital (authorised and issued 4,000 non-transferable shares)		40,000	40,000	40,000
Retained earnings		215,773	198,642	171,654
Accumulated other comprehensive income		(3,439)	290	(1,701)
Total shareholder's equity		252,334	238,932	209,953
Total liabilities and shareholder's equity		\$ 352,995	\$ 349,392	\$ 319,998

Commitments and Guarantees (note 21)

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

ROYAL CANADIAN MINT
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Notes	13 weeks ended		39 weeks ended	
		October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenues	17	\$ 951,231	\$ 498,646	\$ 2,280,722	\$ 1,516,214
Cost of goods sold		910,580	465,735	2,174,476	1,411,668
Gross profit		40,651	32,911	106,246	104,546
Other operating expenses					
Marketing and Sales		10,973	11,188	31,908	34,846
Administration		12,244	11,671	36,503	33,375
Other operating expenses		23,217	22,859	68,411	68,221
Operating profit		17,434	10,052	37,835	36,325
Net foreign exchange gains/(losses)		1,004	67	(133)	(739)
Finance costs, net					
Finance income		114	171	354	354
Finance costs		(75)	(90)	(265)	(271)
Finance costs, net		39	81	89	83
Profit before income tax		18,477	10,200	37,791	35,669
Income tax expense	15	(5,174)	(2,078)	(10,660)	(10,618)
Profit for the period		13,303	8,122	27,131	25,051
Other comprehensive income					
Net gains (losses) on cash flow hedges		(3,873)	519	(3,809)	2,088
Net gains (losses) on cash flow hedges transferred to net income		(135)	(496)	80	(1,511)
Other comprehensive income, net of tax		(4,008)	23	(3,729)	577
Total comprehensive income		\$ 9,295	\$ 8,145	\$ 23,402	\$ 25,628

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

ROYAL CANADIAN MINT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

13 weeks ended October 1, 2011

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Share capital	Retained earnings	Accumulated other comprehensive income ("AOCI")	Total
Balance at July 2, 2011	\$ 40,000	\$ 202,470	\$ 569	\$ 243,039
Profit		13,303		13,303
Other comprehensive income			(4,008)	(4,008)
Dividend paid				
Balance at October 1, 2011	\$ 40,000	\$ 215,773	\$ (3,439)	\$ 252,334

13 weeks ended October 2, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Share capital	Retained earnings	Accumulated other comprehensive income ("AOCI")	Total
Balance at July 3, 2010	\$ 40,000	\$ 181,541	\$ (1,147)	\$ 220,394
Profit		8,122		8,122
Other comprehensive income			23	23
Dividend paid				
Balance at October 2, 2010	\$ 40,000	\$ 189,663	\$ (1,124)	\$ 228,539

39 weeks ended October 1, 2011

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Share capital	Retained earnings	Accumulated other comprehensive income ("AOCI")	Total
Balance at December 31, 2010	\$ 40,000	\$ 198,642	\$ 290	\$ 238,932
Profit		27,131		27,131
Other comprehensive income			(3,729)	(3,729)
Dividend paid		(10,000)		(10,000)
Balance at October 1, 2011	\$ 40,000	\$ 215,773	\$ (3,439)	\$ 252,334

39 weeks ended October 2, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Share capital	Retained earnings	Accumulated other comprehensive income ("AOCI")	Total
Balance at December 31, 2009	\$ 40,000	\$ 171,612	\$ (1,701)	\$ 209,911
Profit		25,051		25,051
Other comprehensive income			577	577
Dividend paid		(7,000)		(7,000)
Balance at October 2, 2010	\$ 40,000	\$ 189,663	\$ (1,124)	\$ 228,539

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

**ROYAL CANADIAN MINT
CONSOLIDATED STATEMENT OF CASH FLOWS**

	13 weeks ended		39 weeks ended	
<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Cash flows from operating activities				
Receipts from customers	\$ 960,343	\$ 494,727	\$ 2,275,859	\$ 1,529,342
Payments to suppliers and employees	(968,512)	(521,223)	(2,329,559)	(1,508,253)
Interest received	114	171	354	354
Interest paid	(76)	(96)	(266)	(275)
Net proceeds on derivative contracts	16,671	25,611	56,398	(1,326)
Income taxes paid	(668)	2,121	(8,808)	(12,433)
Net cash (used) provided by operating activities	7,872	1,311	(6,022)	7,409
Cash flows from investing activities				
Payments to acquire capital assets	(3,904)	(3,065)	(10,815)	(8,883)
Net cash used by investing activities	(3,904)	(3,065)	(10,815)	(8,883)
Cash flows from financing activities				
Dividend paid	-	-	(10,000)	(7,000)
Repayment of loans and other payables	-	(22)	(1)	(3,659)
Net cash used by financing activities	-	(22)	(10,001)	(10,659)
Net increase (decrease) in cash	3,968	(1,776)	(26,838)	(12,133)
Cash at the beginning of the period	55,122	66,586	86,045	76,956
Effects of exchange rate changes on cash held in foreign currencies	326	77	209	64
Cash at the end of the period	\$ 59,416	\$ 64,887	\$ 59,416	\$ 64,887

The accompanying notes are an integral part of the 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 in anticipation of profit and carry out other related activities. The Mint is an agent corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. It produces all of the circulation coins used in Canada and manages the support distribution system for the Government of Canada. The Mint is one of the world’s foremost producers of circulation, collector and bullion investment coins for the domestic and international marketplace. It is also one of the largest gold refiners in the world. 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.

In 2002, the Mint incorporated RCMH-MRCF Inc., a wholly-owned subsidiary. RCMH-MRCF Inc. has been operationally inactive since December 31, 2008.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the accounting policies the Corporation expects to adopt in its December 31, 2011 consolidated financial statements. The Corporation's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). The date of transition was January 1, 2010.

These interim consolidated financial statements have also been prepared in accordance with the standard on quarterly financial reports for Crown corporations issued by the Treasury Board Secretariat.

As a first-time adopter of International Financial Reporting Standards (“IFRS”), the Corporation has followed the requirements of IFRS 1 – First-time Adoption of IFRS (“IFRS 1”) in its initial application of IFRS. A more detailed disclosure of the transition to IFRS is provided in Note 22.

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The financial statements were prepared on the historical cost basis, except for derivative instruments which were measured at fair value and the defined benefit plan and other long-term benefits were measured at the actuarial valuation amount. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The policies set out below were consistently applied to all the periods presented unless otherwise required under IFRS 1.

These interim consolidated financial statements have not been audited or reviewed by an external auditor and must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion included in the quarterly financial report.

These interim consolidated financial statements have been approved for public release by the Board of Directors of the Corporation on November 22, 2011.

2.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary. The subsidiary adopted IFRS at the same time as the Corporation and its accounting policies are in line with those used by the Corporation. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 Foreign currency translation

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

Transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates 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 at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for exchange differences on transactions where hedge accounting is applied which are recognized in other comprehensive income.

2.4 Revenue

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

2.4.1 Sale of goods

Revenues from the sale of goods are recognized when:

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

2.4.2 Rendering of services

Revenues from the rendering of services are recognized by reference to the stage of completion of contracts at the reporting date. The revenues are recognized when:

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

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

2.4.3 Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Interest revenues are accrued on a time basis and recognized by using the effective interest method.

2.4.4 Royalties

Royalty revenues are recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably.

2.5 Deferred revenues

Payments received in advance on sales are not recognized as revenues until the products are shipped or the services are rendered which represents the time at which the significant risks and rewards are transferred to the buyer. As such, deferred revenues are initially recognized within liabilities on the consolidated statement of financial position.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash with a maturity term of 13 weeks or less at the time of acquisition. Cash equivalents consist primarily of short-term deposits and are subject to insignificant risk of changes in fair value.

At the reporting date, the Corporation holds no cash equivalents.

2.7 Inventories

Inventories consist of raw materials and supplies, work in process and finished goods, and they are measured at the lower of cost and net realisable 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 realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.8 Charges paid in advance

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

2.9 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) 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.

2.9.1 Effective interest method

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

2.10 Financial assets

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

2.10.1 Loans and receivables

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

2.10.2 Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition. The Corporation has not designated any financial asset as FVTPL at the date of transition or at the end of the period.

Financial assets at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in note 8.4.

2.10.3 Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

2.10.4 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.

2.11 Financial liabilities

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

2.11.1 Financial liabilities at fair value through profit or loss

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

The Corporation has not designated any financial liabilities as FVTPL at the date of transition or at the end of the period.

Financial liabilities at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in note 8.4.

2.11.2 Other financial liabilities

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

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

2.11.3 Derecognition of financial liabilities

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

2.12 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 hedge 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.

2.12.1 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. The Corporation has no embedded derivatives at the end of the period or as at the date of transition.

2.12.2 Hedge accounting

The Corporation designates certain derivatives as hedges of highly probable forecast 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 recorded in other comprehensive income. The gain or loss 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 the profit or loss.

Amounts previously recognized in other comprehensive income are transferred to net income 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 or matured or when the derivative no longer qualifies for hedge accounting.

2.13 Property, plant and equipment

2.13.1 Asset Recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of the building was determined by reference to a revaluation performed by third party appraisers at the date of transition. The Corporation elected to apply the optional exemption to use this revaluation as deemed cost at the date of transition.

Cost includes expenditure that is 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

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borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2010.

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.

2.13.2 Depreciation

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

Land improvements	40 years
Buildings	35-60 years
Equipment	5-25 years

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

Freehold land is not depreciated.

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

2.13.3 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.

2.13.4 Derecognition

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

2.14 Investment property

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

The vacant land in the Corporation's Winnipeg location is classified as investment property at the date of transition to IFRS. Investment properties are measured at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

The fair value of the investment property was determined by an independent qualified appraiser, which is disclosed in note 10. The valuation will be carried out every 3 to 5 years or earlier if, in management's judgment, it is likely that there has been a material change in the market price of the investment property.

2.15 Intangibles assets

The Corporation's intangible assets at the date of transition consist solely of rights to use certain trademarks and logos associated with a particular contract. Intangible assets are recorded at cost and are subsequently amortized on a straight-line basis over the term of the respective contract. As at December 31st, 2010, the Corporation's right to use the trademarks and logos expired, therefore the associated intangible assets were fully amortized at that date.

The Corporation's intangible assets also comprise of 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 of 5 years. The estimated useful life and amortization method are reviewed at each year end with necessary adjustments being recognized on a prospective basis as changes in estimates.

2.16 Leasing

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

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

2.17 Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate 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.

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 so 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.

2.18 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 get ready 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.

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All other borrowing costs are recognized in profit or loss in the period in which they are incurred. No borrowing costs were capitalized at the date of transition or in the reporting period.

2.19 Employee benefits

2.19.1 Short-term employee benefits

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

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

2.19.2 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 period when employees render service and represent the total pension obligation of the Corporation.

2.19.3 Other post-employment benefits

Other post-employment benefits include severance benefit and supplementary retirement benefits including post-retirement benefits and post retirement insurance benefits for certain employees. The 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 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 resignation rates.

The actuarial gains and losses arise when actual results differ from results which are estimated based on assumptions. Actuarial gains and losses are reported in retained earnings in the Equity in

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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 immediately in profit or loss for the benefits which have vested and are deferred and amortized to profit or loss on a straight-line basis over the average period for the benefits which have not yet vested.

2.19.4 Other long-term employee benefits

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

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

The Corporation's sick leave and special leave benefits that are accumulated but not vested are classified as other long-term employee benefits under IFRS at the date of transition. The benefits of 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. Liability for workers' compensation benefits is actuarially determined based on known awarded disability and survivor pensions and other potential future awards in respect of accidents that occurred up to the value measurement date. The benefit entitlements are based upon relevant provincial legislations in effect on that date.

All past service costs and actuarial gains and losses are recognized immediately in the profit or loss, relating to other long-term employee benefits, as well as the effect of curtailments and settlements, if applicable.

2.20 Income tax

Income tax expense comprises the sum of the tax currently payable and deferred tax.

2.20.1 Current tax

The tax currently payable is based on taxable profit for the period. 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 periods and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.20.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred 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 utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred 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 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.

2.20.3 Current and deferred tax for the period

Current and deferred 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 tax are also recognized in other comprehensive income or directly in equity respectively.

2.20.4 Investment Tax Credits (ITCs)

The Corporation will continue to use the cost reduction method to record ITCs received related to research and development. ITCs are recognized as income over the periods to match them with the related costs that they are intended to compensate.

2.21 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.

2.22 Share capital

In 1987, the revised *Royal Canadian Mint Act* provides 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 capital assets, generally ensure its overall financial stability and pay a reasonable dividend to the shareholder.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

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In making estimates and associated 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. 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.

Judgments, estimates and assumptions are utilized in the normal course of preparing the Corporation's consolidated financial statements. When making the critical judgments, management will apply the Corporation's accounting policies and consider those that have the most significant effect on the amounts recognized in the consolidated financial statements. The inventory valuation allowance, employee-related liabilities, depreciation and amortization and the expected precious metal content in refinery by-products are the most significant items where estimates, assumptions and judgments are used. Actual results could differ significantly from those estimated.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IAS 1 Presentation of Financial Statements ("IAS 1")

IAS 1 was amended in June 2011 to revise the way other comprehensive income is presented. The amendment to IAS 1 is effective for reporting periods beginning on or after July 1, 2012. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact on the Corporation's Financial Statements.

IAS 12 Income Taxes ("IAS 12")

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Corporation is currently evaluating the impact of this amendment to IAS 12 on its financial statements.

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IAS 19 Employee Benefits ("IAS 19")

IAS 19 was amended in June 2011 for the accounting and presentation of post-employment benefits. The amendment to IAS 19 is effective for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The Corporation is currently evaluating the impact of this amendment to IAS 19 on its financial statements.

IAS 27 Separate Financial Statements ("IAS 27")

IAS 27 replaced the existing IAS 27 "Consolidated and Separate Financial Statements". IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28")

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

IFRS 9 Financial Instruments ("IFRS 9")

As of January 1, 2013, the Corporation will be required to adopt IFRS 9, which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier

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application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31 "Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

IFRS 13 Fair Value Measurement ("IFRS 13")

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's Financial Statements.

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5. CASH

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	October 1, 2011	As at	
		December 31, 2010	January 1, 2010
Canadian dollars	\$ 55,328	\$ 80,532	\$ 76,306
US dollars	4,088	5,513	650
	\$ 59,416	\$ 86,045	\$ 76,956

6. ACCOUNTS RECEIVABLE

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	October 1, 2011	As at	
		December 31, 2010	January 1, 2010
Trade receivables	\$ 11,086	\$ 10,957	\$ 21,934
Allowance for doubtful accounts	(45)	(153)	(1,128)
Net trade receivables	11,041	10,804	20,806
Other receivables	8,256	8,915	9,133
Total accounts receivable	\$ 19,297	\$ 19,719	\$ 29,939

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	October 1, 2011	As at	
		December 31, 2010	January 1, 2010
Canadian dollars	\$ 14,494	\$ 5,282	\$ 18,679
US dollars	4,803	14,437	11,260
Total accounts receivable	\$ 19,297	\$ 19,719	\$ 29,939

Accounts receivables are classified as loans and receivables and are measured at amortized cost.

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

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7. INVENTORIES

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	October 1, 2011	As at	
		December 31, 2010	January 1, 2010
Raw materials and supplies	\$ 73,072	\$ 42,051	\$ 14,279
Work in process	20,666	19,801	18,671
Finished goods	21,919	22,820	22,222
Total inventories	\$ 115,657	\$ 84,672	\$ 55,172

The amount of inventories recognized as expense for the 39 weeks ended October 1, 2011 is \$ 911 million (39 weeks ended October 2, 2010 - \$ 466 million).

The cost of inventories recognized as an expense includes \$ 1.7 million write-downs of inventory to net realisable value for either the 39 weeks ended October 1, 2011 (39 weeks ended October 2, \$ 1.1 million 2010).

The carrying amount of inventories includes a provision for obsolete inventory as at October 1, 2011 of \$ 2.2 million (December 31, 2010 - \$3.97 million)

There is no pledged collateral in respect of inventory.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

8.1 Capital risk management

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

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 and the Corporation's working capital requirements. The timing, terms and conditions of all borrowing transactions are approved by the Minister of Finance.

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8.2 Classification of financial instruments:

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

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at					
	October 1, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Held for Trading						
Cash	\$ 59,416	\$ 59,416	\$ 86,045	\$ 86,045	\$ 76,956	\$ 76,956
Derivative assets	431	431	2,091	2,091	1,406	1,406
Loans and receivables						
Accounts receivable	19,297	19,297	19,719	19,719	29,939	29,939
Financial Liabilities						
Held for Trading						
Derivative liabilities	5,631	5,631	1,907	1,907	3,803	3,803
Other Financial Liabilities						
Accounts payable and accrued liabilities	50,847	50,847	57,159	57,159	54,371	54,371
Loans payable	11,972	11,979	11,974	11,976	17,141	17,152

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

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

- i) The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.
- ii) The fair values of loans and other payables have been estimated based on a discounted cash flow approach using current market rates appropriate as at the respective dates presented.

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

8.3 Financial Risk Management Objectives and Framework

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

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

8.3.1 Credit risk management

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

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

8.3.2 Liquidity Risk

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

8.3.3 Market risk

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

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

Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk on sales and purchase transactions that are denominated in foreign currencies primarily including U.S. dollars, Euros and GBP. The Corporation manages its exposure to exchange rate fluctuations between the foreign currency and the Canadian dollar by entering into foreign currency forward contracts and by applying hedge accounting to certain qualifying contracts to minimize the volatility to profit or loss. The Corporation also uses such contracts in the process of managing its overall cash requirements.

Interest Rate Risk

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash as there are no short-term investments as at the dates presented. The Corporation's Bankers Acceptance interest rate swap loan instrument described in note 13 exposes the Corporation to cash flow interest rate risk. The Corporation has hedged 100% of the exposure to fluctuations in interest rates related to this instrument by entering into a \$12 million interest rate swap, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swap is designated as a hedging instrument under the cash flow hedge accounting model.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Corporation does not account for its fixed rate debt instruments as held for trading; therefore, a change in interest rates at the reporting date would not affect profit or loss with respect to these fixed rate instruments.

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.

The Corporation manages its exposure to commodity price fluctuations by entering into sales or purchase commitments that fix the future price or by entering into commodity swap and forward contracts that fix the future commodity price and by applying hedge accounting to these contracts to minimize the volatility to profit or loss.

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

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

8.4 Fair value measurements recognized in the consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. All the derivatives the Corporation has are classified as level 2 financial instruments. The different levels have been defined as follows:

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

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As at October 1, 2011				
<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Level 1	Level 2	Level 3	Total
Derivative financial assets				
Commodity swaps	\$ -	\$ 18	\$ -	\$ 18
Foreign currency forwards	-	413	-	413
Interest rate swaps	-	-	-	-
Total	\$ -	\$ 431	\$ -	\$ 431
Derivative financial liabilities				
Commodity swaps	\$ -	\$ 1,543	\$ -	\$ 1,543
Foreign currency forwards	-	3,673	-	3,673
Interest rate swaps	-	415	-	415
Total	\$ -	\$ 5,631	\$ -	\$ 5,631
As at December 31, 2010				
<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Level 1	Level 2	Level 3	Total
Derivative financial assets				
Commodity swaps	\$ -	\$ 612	\$ -	\$ 612
Foreign currency forwards	-	1,410	-	1,410
Interest rate swaps	-	69	-	69
Total	\$ -	\$ 2,091	\$ -	\$ 2,091
Derivative financial liabilities				
Commodity swaps	\$ -	\$ 1,714	\$ -	\$ 1,714
Foreign currency forwards	-	193	-	193
Interest rate swaps	-	-	-	-
Total	\$ -	\$ 1,907	\$ -	\$ 1,907

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As at January 1, 2010				
<i>(unaudited)</i>				
<i>(CAD\$ thousands)</i>	Level 1	Level 2	Level 3	Total
Derivative financial assets				
Commodity swaps	\$ -	\$ -	\$ -	\$ -
Foreign currency forwards	-	1,093	-	1,093
Interest rate swaps	-	313	-	313
Total	\$ -	\$ 1,406	\$ -	\$ 1,406
Derivative financial liabilities				
Commodity swaps	\$ -	\$ 3,638	\$ -	\$ 3,638
Foreign currency forwards	-	165	-	165
Interest rate swaps	-	-	-	-
Total	\$ -	\$ 3,803	\$ -	\$ 3,803

9. PROPERTY, PLANT AND EQUIPMENT

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

As at			
<i>(unaudited)</i>	October 1,	December 31,	January 1,
<i>(CAD\$ thousands)</i>	2011	2010	2010
Cost	\$ 269,440	\$ 261,554	\$ 250,128
Accumulated depreciation	(122,754)	(115,368)	(106,246)
Net book value	\$ 146,686	\$ 146,186	\$ 143,882
Net book value by asset class			
Land and land improvements	\$ 3,197	\$ 3,218	\$ 3,148
Buildings	63,841	63,682	62,666
Plant and equipment	75,749	74,344	75,576
Uncompleted capital projects	3,899	4,942	2,492
Net book value	\$ 146,686	\$ 146,186	\$ 143,882

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<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Land and land improvements	Buildings	Plant and equipment	Uncompleted capital projects	Total
Cost					
Balance at January 1, 2010	\$ 3,998	\$ 62,666	\$ 180,972	\$ 2,492	\$ 250,128
Additions	96	4,131	9,442	2,450	16,119
Disposals	-	(568)	(4,125)	-	(4,693)
Derecognition	-	-	-	-	-
Balance at December 31, 2010	4,094	66,229	186,289	4,942	261,554
Additions	-	2,212	8,366	(1,043)	9,535
Disposals	-	-	(1,554)	-	(1,554)
Derecognition	-	(95)	-	-	(95)
Balance at October 1, 2011	\$ 4,094	\$ 68,346	\$ 193,101	\$ 3,899	\$ 269,440
Accumulated depreciation and impairment					
Balance at January 1, 2010	\$ 850	\$ -	\$ 105,396	\$ -	\$ 106,246
Depreciation	26	2,547	10,271	-	12,844
Disposals	-	-	(3,722)	-	(3,722)
Balance at December 31, 2010	876	2,547	111,945	-	115,368
Depreciation	21	1,958	6,933	-	8,912
Disposals	-	-	(1,526)	-	(1,526)
Balance at October 1, 2011	\$ 897	\$ 4,505	\$ 117,352	\$ -	\$ 122,754

As a first time adopter of IFRS, the Corporation chose to use fair value as deemed cost for the buildings and chose to retrospectively apply IAS 16 for equipment per the choices available under IFRS 1 elective exemptions. An increase of \$6.5 million on buildings and an increase of \$3.6 million on equipment were recorded at the date of transition to IFRS, January 1st, 2010. Property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses after the date of transition.

The Corporation has committed as at October 1, 2011 to spend approximately \$14.3 million (December 31, 2010 - \$7.4 million) on capital projects.

No indicators of impairment were found for property, plant and equipment as at October 1, 2011.

No asset is pledged as security for borrowings as at October 1, 2011.

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10. INVESTMENT PROPERTY

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Cost	\$ 236	\$ 236	\$ 236

The fair value of the land is \$2.6 million at January 1, 2010 as determined by an independent appraiser. The valuation was arrived at by reference to market prices for similar properties in the relevant location. The valuation will be carried out every 3 to 5 years or when there is significant change in the market price.

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

No indicators of impairment were found for investment property as at December 31, 2010.

11. INTANGIBLE ASSETS

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Cost	\$ 22,198	\$ 20,917	\$ 34,098
Accumulated depreciation	(15,962)	(13,931)	(23,354)
Net book value	\$ 6,236	\$ 6,986	\$ 10,744

The Corporation's intangible assets contain mainly software for internal use or for providing services to customers.

The Corporation's intangibles on January 1, 2010 also consist solely of rights to use certain trademarks and logos associated with a particular contract. As at December 31st, 2010, the corporation's right to use the trademarks and logos expired, therefore the associated intangibles were fully amortized.

No indicators of impairment were found for intangible assets as at the reporting date.

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Canadian dollars	\$ 48,123	\$ 55,056	\$ 53,232
US dollars	2,586	1,971	1,139
Euros	138	132	-
Total accounts payable and accrued liabilities	\$ 50,847	\$ 57,159	\$ 54,371

13. LOANS PAYABLE

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Banker's Acceptance	\$ 11,967	\$ 11,968	\$ 13,477
Other payable	-	-	3,653
Accrued interest	5	6	11
Total loans payable	\$ 11,972	\$ 11,974	\$ 17,141

The 10 year CAD\$ 15 million Bankers' Acceptance/Interest rate swap loan bears an interest rate at 2.67% with maturity in 2018. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The structure of the loan involves the use of a revolving 3 month Bankers Acceptances and an Interest Rate Swap to lock in the BA refinancing. The loan gets paid down 1.5 million per year for 10 years. The loan is unsecured.

14. DEFERRED REVENUE

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Customer prepayment (i)	\$ 7,330	\$ 13,951	\$ 5,075
Subscription program (ii)	404	514	336
Total deferred revenue	\$ 7,734	\$ 14,465	\$ 5,411

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- (i) The deferred revenue arises when customers prepay the cost of purchasing materials in order to lock the purchasing price, primarily metals. The deferred revenue will be recognized as revenue when the shipments are made.
- (ii) The deferred revenue arises from the Corporation's subscription program.

15. INCOME TAXES

Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax recognized in profit

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	13 weeks ended		39 weeks ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Current income tax expense	\$ 5,174	\$ 3,401	\$ 10,582	\$ 11,941
Adjustments for prior periods	-	(1,323)	78	(1,323)
Total tax expense	\$ 5,174	\$ 2,078	\$ 10,660	\$ 10,618

Current tax assets and liabilities

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Current tax assets			
Income taxes receivable	\$ -	\$ 2,548	\$ -
Current tax liabilities			
Income taxes payable	\$ 899	\$ -	\$ 8,778

16. EMPLOYEE FUTURE BENEFITS

i) Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer

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contributions based on a multiple of the employees' required contribution. Total contributions of \$ 8.4 million were recognized as expense in the 39 weeks ended October 1, 2011 (39 weeks ended October 2, 2010 - \$ 7.3 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

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.

There were no past service costs, curtailments or settlements arising in the reporting period.

iii) Other long-term employee benefits

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.

Employee future benefits obligation at reporting date:

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
Post employment benefits	\$ 10,629	\$ 10,258	\$ 10,309
Other long-term employment benefits	3,000	3,187	3,012
Total employee future benefits obligation	\$ 13,629	\$ 13,445	\$ 13,321

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Employee future benefits expenses for the reporting periods were as follows:

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	13 weeks ended		39 weeks ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Post employment benefits				
Pension benefits contribution	\$ 2,930	\$ 2,476	\$ 8,377	\$ 7,291
Other employment benefits	188	127	2,725	381
Total employee future benefits expense	\$ 3,118	\$ 2,603	\$ 11,102	\$ 7,672

17. REVENUE

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	13 weeks ended		39 weeks ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenue from the sale of goods	\$ 947,503	\$ 495,347	\$ 2,270,937	\$ 1,506,383
Revenue from the rendering of services	3,728	3,299	9,785	9,831
Total Revenue	\$ 951,231	\$ 498,646	\$ 2,280,722	\$ 1,516,214

18. DEPRECIATION AND AMORTIZATION EXPENSES

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	13 weeks ended		39 weeks ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Depreciation of property, plant and equipment	\$ 2,990	\$ 3,230	\$ 8,912	\$ 9,594
Amortization of intangible assets	668	690	2,030	2,061
Total depreciation and amortization expenses	\$ 3,658	\$ 3,920	\$ 10,942	\$ 11,655

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19. SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT EXPENSES, NET

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	13 weeks ended		39 weeks ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Research and development expenses	\$ 1,187	\$ 915	\$ 3,761	\$ 2,857
Scientific research and development credit	(100)	-	(1,298)	(22)
Research and development expenses, net	\$ 1,087	\$ 915	\$ 2,463	\$ 2,835

20. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada owned entities. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. As a "Government Controlled Entity" the Corporation is exempt from the disclosure requirements of IAS24 for all 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.

Based on this exemption the Corporation will not disclose the transactions with:

- The Government of Canada, and departments thereof
- All federal Crown corporations

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

The revenues related to the transactions with Department of Finance are as follows:

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	13 weeks ended		39 weeks ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenue from DOF	\$ 35,452	\$ 27,265	\$ 79,725	\$ 83,910

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21. COMMITMENTS, CONTINGENCIES AND GUARANTEES

21.1 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 firm fixed price purchase commitments, as well as precious metals leases. At the end of the period, the Corporation had entered into precious metal leases as follows:

<i>(unaudited)</i>	As at		
	October 1, 2011	December 31, 2010	January 1, 2010
<i>Ounces</i>			
Gold	451,745	456,780	439,088
Silver	6,785,791	6,043,173	4,376,662
Platinum	351	-	-

The fees for these leases are based on market value. The precious metal lease payment expensed for the period ended October 1, 2011 is \$ 5.2 million (October 2, 2010 - \$ 3.2 million). The value of the metals under these leases has not been reflected in the Corporation's consolidated financial statements since the Corporation intends to settle these commitments through receipt or delivery of the underlying metal.

21.2 Base metal commitments

In order to facilitate the production of circulation and non-circulation coins (for Canada and other countries) and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments. As at October 1, 2011, the Corporation had \$ 53.9 million (December 31, 2010 - \$26.1 million) in purchase commitments outstanding.

21.3 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

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years. Bid bonds generally have a term of less than 13 weeks, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments which might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As of October 1, 2011, under the guarantees and bid bonds, the maximum potential amount of future payments is \$ 10.2 million (December 31, 2010 - \$8.4 million).

22. TRANSITION TO IFRS

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010. Prior to the adoption of IFRS the Corporation prepared its consolidated financial statements in accordance with previous Canadian generally accepted accounting policies ("Canadian GAAP"). The first annual consolidated financial statements issued by the Corporation that will comply with IFRS will be those issued for the year ending December 31, 2011.

IFRS 1 requires that the same accounting policies be applied for all periods presented and that those policies be based on IFRS effective at the end of the transition year, or December 31, 2011, for the Corporation. The Corporation will ultimately prepare its opening consolidated statement of financial position by applying existing IFRS with an effective date of December 31, 2011 or earlier.

22.1 Initial elections upon adoption

22.1.1 Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

(i) Fair value or revaluation as deemed cost

IFRS 1 provides entities with the optional exemption to revalue any item of property, plant and equipment, investment property or intangible asset at its fair value at the date of transition to IFRS and subsequently use of that fair value as deemed cost.

The Corporation has elected to use fair value as deemed cost for all buildings. The Corporation will retrospectively apply IAS 16, IAS 38 and IAS 40 for land, equipment, intangible assets and investment property at the date of transition.

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(ii) Employee benefits

IFRS 1 provides entities with the option to recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the transition date. The Corporation has elected to recognize all cumulative actuarial gains and losses at the transition date in opening retained earnings for the Corporation's employee benefit plans.

(iii) Leases

If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying IAS 17 Leases and IFRIC 4. The Corporation has elected to apply the transitional provisions in IFRIC 4.

(iv) Borrowing costs

The Corporation has elected to apply the transitional provisions set out in IAS 23, Borrowing Costs, to designate the transition date as the date to commence capitalization of borrowing costs for qualifying assets as defined in the standard.

(v) Investments in subsidiaries, jointly controlled entities and associates

The Corporation has elected to present its investment in RCMH-MRCF at the carrying amount under previous GAAP.

22.1.2 Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

(i) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively.

If, before the date of transition to IFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in IAS 39, hedge accounting must be discontinued. Transactions entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges.

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As a result, only hedging relationships that satisfied the hedge accounting criteria as of transition date are reflected as hedges in the Corporation's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were recorded as non-hedging derivative financial instruments. All derivatives, whether or not they meet the IAS 39 criteria for hedge accounting, were fair valued and recorded in the consolidated statement of financial position.

(ii) Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively for transactions occurring on or after the date of transition. In other words, if a first-time adopter derecognized non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before January 1, 2004, it shall not recognize those assets and liabilities in accordance with IFRSs (unless they qualify for recognition as a result of a later transaction or event).

The Corporation has not recognized any financial assets or liabilities at the date of transition that had been derecognized under previous GAAP.

(iii) Estimates

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Corporation under previous GAAP are consistent with their application under IFRS.

22.2 Reconciliations of Canadian GAAP to IFRS

22.2.1 Reconciliation of Shareholder's equity

The following is a reconciliation of the Corporation's equity reported in accordance with previous GAAP to its equity in accordance with IFRS at the transition date:

		As at	
<i>(unaudited)</i>		December 31,	January 1,
<i>(CAD\$ thousands)</i>	Notes	2010	2010
Shareholder's equity under previous GAAP		\$ 238,653	\$ 209,911
Differences increasing (decreasing) retained earnings:			
Property, plant and equipment	(i)	9,793	9,878
Employee Benefits	(ii)	(1,574)	(1,896)
Income taxes	(iii)	34	34
Accrued liabilities	(iv)	(8,210)	(8,210)
Investment property	(v)	236	236
Total adjustment to equity		\$ 279	\$ (42)
Total equity under IFRS		\$ 238,932	\$ 209,953

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22.2.2 Reconciliation of Profit

The following is a reconciliation of the Corporation's profit reported in accordance with previous GAAP to its profit in accordance with IFRS for the year ended December 31, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Notes	For the year ended December 31, 2010
Net income under previous GAAP		\$ 33,751
Differences increasing (decreasing) profit:		
Depreciation	(i)	(84)
Employee future benefits	(ii)	321
Income taxes	(iii)	-
Profit under IFRS		\$ 33,988
Total equity under IFRS		\$ 238,932

22.2.3 Reconciliation of other comprehensive income

The following is a reconciliation of the Corporation's comprehensive income reported in accordance with previous GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010.

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Notes	For the year ended December 31, 2010
Comprehensive income under previous GAAP		\$ 1,991
Differences increasing (decreasing) comprehensive income:		
Actuarial gains on benefit plans	(ii)	262
Income taxes	(iii)	-
Total comprehensive income(loss) under IFRS		\$ 2,253

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22.2.4 Reconciliation of Consolidated Statement of Financial Position
as at January 1, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Notes	Previous GAAP balance	IFRS adjustments	IFRS balance
Assets				
Current assets				
Cash		\$ 76,956	\$ -	\$ 76,956
Accounts receivable		29,939	-	29,939
Prepaid expenses		1,663	-	1,663
Inventories		55,172	-	55,172
Derivative assets		1,054	-	1,054
Total current assets		164,784	-	164,784
Derivative assets		352	-	352
Property, plant and equipment	(i)	134,004	9,878	143,882
Investment property	(v)	-	236	236
Intangible assets		10,744	-	10,744
Total assets		\$ 309,884	\$ 10,114	\$ 319,998
Liabilities and Equity				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	(ii,iv)	\$ 46,161	\$ 8,210	\$ 54,371
Loans payable		5,169	-	5,169
Deferred revenue		5,411	-	5,411
Employee future benefits		1,005	-	1,005
Income taxes payable		8,778	-	8,778
Derivative liabilities		3,803	-	3,803
Total current liabilities		70,327	8,210	78,537
Loans payable		11,972	-	11,972
Deferred tax liabilities	(iii)	7,254	(34)	7,220
Employee future benefits	(ii)	10,420	1,896	12,316
Total liabilities		99,973	10,072	110,045
Shareholder's equity				
Share capital (authorised and issued, 4,000 non-transferable shares)		40,000	-	40,000
Retained earnings		171,612	42	171,654
Accumulated other comprehensive income		(1,701)	-	(1,701)
Total shareholder's equity		209,911	42	209,953
Total liabilities and shareholder's equity		\$ 309,884	\$ 10,114	\$ 319,998

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22.2.4 Reconciliation of Consolidated Statement of Financial Position
as at December 31, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Notes	Previous GAAP balance	IFRS adjustments	IFRS balance
Assets				
Current assets				
Cash		\$ 86,045	\$ -	\$ 86,045
Accounts receivable		19,719	-	19,719
Prepaid expenses		909	-	909
Income taxes receivable		2,548	-	2,548
Inventories		84,672	-	84,672
Derivative assets		1,785	-	1,785
Total current assets		195,678	-	195,678
Derivative assets		306	-	306
Property, plant and equipment	(i)	136,393	9,793	146,186
Investment property	(v)	-	236	236
Intangible assets		6,986	-	6,986
Total assets		\$ 339,363	\$ 10,029	\$ 349,392
Liabilities and Equity				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	(ii,iv)	\$ 48,949	\$ 8,210	\$57,159
Loans payable		1,506	-	1,506
Deferred revenue		14,465	-	14,465
Employee future benefits		664	-	664
Derivative liabilities		1,907	-	1,907
Total current liabilities		67,491	8,210	75,701
Loans payable		10,468	-	10,468
Deferred tax liabilities	(iii)	11,544	(34)	11,510
Employee future benefits	(ii)	11,207	1,574	12,781
Total liabilities		100,710	9,750	110,460
Shareholder's equity				
Share capital (authorised and issued, 4,000 non-transferable shares)		40,000	-	40,000
Retained earnings		198,363	279	198,642
Accumulated other comprehensive income		290	-	290
Total shareholder's equity		238,653	279	238,932
Total liabilities and shareholder's equity		\$ 339,363	\$ 10,029	\$ 349,392

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22.2.4 Reconciliation of Consolidated Statement of Comprehensive Income
Twelve Months Ended December 31, 2010

<i>(unaudited)</i> <i>(CAD\$ thousands)</i>	Previous GAAP	IFRS adjustments	IFRS
Revenues	\$ 2,209,577	\$ -	\$ 2,209,577
Cost of goods sold	2,050,425	12,132	2,062,557
Gross profit	159,152	(12,132)	147,020
Other operating expenses			
Marketing and Sales	50,939	-	50,939
Administration	45,048	3,467	48,515
Amortization	15,836	(15,836)	-
Other operating expenses	111,823	(12,369)	99,454
Operating profit	47,329	237	47,566
Net foreign exchange gains (losses)	(1,251)	-	(1,251)
Finance costs, net			
Finance income	811	-	811
Finance costs	(369)	-	(369)
Finance costs, net	442		442
Profit before income tax	46,520	237	46,757
Income tax expense	(12,769)	-	(12,769)
Profit for the period	33,751	237	33,988
Other comprehensive income			
Net gains (losses) on cash flow hedges	243	-	243
Net gains (losses) on cash flow hedges transferred to net income	1,748	-	1,748
Net actuarial gains (losses) on defined benefit plans	-	262	262
Other comprehensive income, net of tax	1,991	262	2,253
Total comprehensive income	\$ 35,742	\$ 499	\$ 36,241

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i. Property, plant and equipment

Buildings

Under previous GAAP, the buildings were recognized at cost. As stated in the section entitled "Elected exemptions from full retrospective application," the Corporation elected to use fair value \$62.9 million as deemed cost for the buildings at the date of transition to IFRSs. The fair value of the buildings was determined by reference to a revaluation performed by third party appraisers. The aggregate adjustment is \$6.5 million increase to the carrying amounts of the buildings reported under previous GAAP. The Corporation elected to use the cost method for accounting for buildings on an ongoing basis after the date of transition.

IAS 16 requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. Component accounting employed by IAS16 has never been performed by the Corporation under previous GAAP.

The retrospective application of component accounting does not have any impact on the building as the Corporation elected to use fair value as deemed cost for the buildings at the date of transition to IFRSs. However, componentization will be applied prospectively in relation to buildings after the date of transition. An independent and qualified appraiser was hired to aid in the componentization and fair value of the buildings.

Equipment

The Corporation did not elect to take the fair value as deemed cost election for plant and equipment and as a result, has retrospectively applied IAS 16 to all remaining items of property, plant and equipment. Under previous GAAP, the equipment was amortized at asset class level. The retrospective application of IAS 16 has resulted in additional componentization of items of equipment.

As part of this process, the Corporation's engineers reviewed equipment to identify the different significant components. Subsequent to this, a useful life estimate was made for each newly identified component. Retrospective componentization has resulted in an adjustment to net book value of \$3.6 million at the date of transition.

The Corporation elected to use the cost method of accounting for equipment on ongoing basis after the date of transition.

No material replacement assets have been identified on transition date that would result in the derecognition of additional assets either at the date of transition nor in 2010.

ii. Employee Benefits

Actuarial gain and losses

Under previous GAAP, actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. The "corridor" was 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year. This excess of 10% is amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10% corridor are deferred.

As stated in the section entitled "Elected exemptions from full retrospective application", the Corporation elected to recognize all cumulative actuarial gains and losses that existed at the transition date in opening retained earnings for all of its employee benefit plans. As a result, actuarial gains and losses are not amortized to the profit or loss but rather are recorded directly to comprehensive income at the end of each period. As a result, the Corporation adjusted its pension expense to remove the amortization of actuarial gains and losses. A total of \$1.1 million of actuarial losses was booked at the date of transition.

Sick leave and special leave

Under previous GAAP, the Corporation is not required to accrue a liability for sick leave and special leave benefits that accumulate but do not vest.

Under IFRS, sick leave and special leave that accumulate but not vest is classified as other long-term benefit. IFRS 19 requires that all past service cost and actuarial gains and losses are recognized immediately in the profit or loss relating to other long-term benefits. No "corridor" approach is applied. \$0.8 million liability of sick leave and special leave was recognized at the date of transition. The liability was determined by a qualified actuarial using the LIFO method.

iii. Income Taxes

The change in shareholder's equity related to deferred taxes reflects the change in temporary differences resulting from the effect of the IFRS adjustments described.

iv. Liability to Department of Finance

Due to the retrospective application of IAS 16, depreciation expenses have been charged to the Department of Finance at a rate in excess of actual depreciation expenses incurred under IAS 16 to

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the amount of \$8.2 million. The Corporation will adjust the future billings to Department of Finance for the amount.

v. Investment Property

Under previous GAAP, Winnipeg land was recognized at cost under property, plant and equipment. When the criteria in IAS_40 investment property are met, as the first time adopter, partial of the Winnipeg land is recognized at cost at the date of transition to IFRS under investment property per the choices available under IFRS 1 elective exemptions. About \$0.2 million is reclassified from property, plant and equipment to investment property.

23. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2011.