# SECOND QUARTER FINANCIAL REPORT

## FISCAL 2022

# NARRATIVE DISCUSSION

## BASIS OF PRESENTATION

The Royal Canadian Mint (the "Mint") prepared this report as required by section 131.1 of the *Financial Administration Act*[1] using the standard issued by the Treasury Board of Canada Secretariat. This narrative should be read in conjunction with the unaudited condensed consolidated financial statements.

The Mint prepared these unaudited condensed consolidated financial statements for the 13 and 26 weeks ended July 2, 2022 and July 3, 2021 in compliance with International Financial Reporting Standards (IFRS). Although the Mint's year end of December 31 matches the calendar year end, the Mint's quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Mint's quarters contains 13 weeks. In 2022, the first 26 weeks included 183 days compared to 184 days in the first 26 weeks of 2021. Financial results reported in this narrative are presented in Canadian dollars and rounded to the nearest million, unless otherwise noted. The information in this narrative is current to August 17, 2022, unless otherwise noted.

## MATERIALITY

In assessing what information to provide in this narrative, management applies the materiality principle as guidance for disclosure. Management considers information material if its omission or misstatement could reasonably be expected to influence decisions that the primary users make based on the financial information included in this narrative.

## FORWARD LOOKING STATEMENTS

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

[1] Financial Administration Act, R.S.C., 1985, c. F-11

## NON-GAAP FINANCIAL MEASURES

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

## OVERVIEW OF THE CORE MANDATE AND THE BUSINESS

The Royal Canadian Mint is Canada's national mint and a global leader in circulation coinage and precious metals. As part of its core mandate, the Mint manages the circulation of Canada's coinage from its weekly forecasting and world-class production to eventual retirement. This end-to-end responsibility, along with oversight of inventories across the nation, enables the Mint to effectively deliver a reliable and inclusive payment option for Canadians. Integrating environmental, social and corporate governance (ESG) as a foundation for its coin lifecycle management practices, the Mint recycles and re-distributes coins which reduces the need to produce more coins and extends the life span and usage of those coins already circulating.

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

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

The Bullion Products & Services business provides critical support to the essential Canadian mining and financial sectors through its market-leading precious metal investment coin and bar products, supported by integrated precious metal refining, storage and exchange traded receipts (ETR) capabilities. These products include the Maple Leaf family of gold and silver coins, as well as other precious metal products and services for investment and manufacturing purposes. As a market leader in the industry with bullion coins of the highest quality and security, the Mint is well positioned to capture a leading share of any increase in demand while sustaining volumes during softer markets. The Mint has, in the past, issued ETRs under its Canadian Gold Reserves (TSX: MNT/MNT.U) and Canadian Silver Reserves (TSX: MNS/MNS.U) programs, which provide retail and institutional investors direct legal title and beneficial ownership in physical bullion held in the custody of the Mint at its facilities on an unallocated basis. These programs contribute to the efficient operation of the Mint's production facilities.

The Numismatics business designs, manufactures and sells collectible coins to a loyal customer base in Canada and around the world. The medals division proudly provides medals to many Canadian public institutions to recognize and celebrate outstanding accomplishments of Canadians. The Mint's global leadership in the art and science of minting is consistently recognized around the world. This recognition is largely earned by innovative technology enhancements, such as glow in the dark paint, selective plating, the Opulence line, hybrid and premium bullion products and the use of vibrant colour that allow the Mint to create unique and compelling products. The Mint principally sold numismatic products through its outbound sales and e-commerce platforms, as well as through dealers and partners, both domestically and internationally until the Mint's boutiques were re-opened in late February 2022.

## SIGNIFICANT CORPORATE EVENTS

### COVID-19 Pandemic

The Mint continues to take all necessary precautions to safeguard employee health and safety, while prioritizing critical manufacturing operations to support trade and commerce, and the essential mining and financial sectors. The Ottawa and Winnipeg manufacturing facilities operated normally throughout the first 26 weeks of 2022. With the continuing pandemic, the Mint's boutiques in Ottawa and Winnipeg were closed from the beginning of January to late February 2022 when both boutiques were re-opened to the public. Guided tours in Ottawa and Winnipeg have now resumed as well.

### Environmental, Social and Corporate Governance Initiatives

*Canada's Top 50 Corporate Citizens*

The Mint was once again recognized as one of the Best 50 Corporate Citizens in Canada by sustainable business magazine Corporate Knights. The Mint was ranked the 22nd best among 332 surveyed companies. Corporate Knights selects its rankings based on specific data and performance indicators such as clean energy, waste reduction, diversity and inclusion, and employee benefits.

*Environmental, Social and Corporate Governance Commitment*

In June 2022, management presented the Mint's Environmental, Social and Corporate Governance Commitment to the Board of Director's Governance and Nominating Committee. The Mint is developing an action plan to support the deliverables and their associated timelines.

### The Ultimate

The Mint is delighted that *The Ultimate*, a one-of-a-kind one-kilo platinum coin, adorned with hundreds of pink diamonds from the famed Argyle mine, sold for $1.26 million (including Buyer's Premium), after heated bids were exchanged during a live auction conducted by Heffel Fine Art Auction House. The auction for this singular masterpiece of numismatic art was won by an anonymous bidder on May 31, 2022, and set a new record for a coin offered at auction in Canada. The sale will be completed and recognized in the Mint's third quarter financial results.

### Organizational update

Effective July 4, 2022, the Mint appointed Francis Mensah as Vice-President, Finance & Administration and Chief Financial Officer.

Effective May 24, 2022, Mr. Victor Young formally tendered his resignation from the Mint's Board of Directors. Mr. Young was appointed on October 18, 2017, for a three-year term and continued in office until his resignation.

## OPERATING HIGHLIGHTS AND ANALYSIS OF RESULTS

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

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | $ Change | % Change | **July 2, 2022** | July 3, 2021 | $ Change | % Change |
| Revenue | **$ 841.9** | $ 953.5 | (111.6) | (12) | **$ 1,706.9** | $ 1,856.4 | (149.5) | (8) |
| Profit for the period | **$ 2.4** | $ 20.5 | (18.1) | (88) | **$ 16.8** | $ 34.3 | (17.5) | (51) |
| Profit before income tax and other items[1] | **$ 14.5** | $ 25.2 | (10.7) | (42) | **$ 30.3** | $ 51.1 | (20.8) | (41) |
| Profit before income tax and other items margin[2] | **1.7%** | 2.6% | | | **1.8%** | 2.8% | | |

[1]Profit before income tax and other items is a non-GAAP financial measure. A reconciliation from profit for the period to profit before income tax and other items is included on page 12.

[2] Profit before income tax and other items margin is a non-GAAP financial measure and its calculation is based on profit before income tax and other items

Profit and Profit before income tax and other items decreased for the 13 and 26 weeks ended July 2, 2022, respectively. This is a reflection of the exceptional demand for bullion products in 2021, and planned operational maintenance and changes in the mix of foreign circulation contracts in 2022. A planned, temporarily higher level of operating expenses to support the Mint's on-going operations, foundational governance and business transformation initiatives also contributed to the decrease, partially offset by increased numismatics product revenue mainly due to sales related to the Mint's new Opulence coin collection.

| | As at | | | |
|---|---|---|---|---|
| | **July 2, 2022** | December 31, 2021 | $ Change | % Change |
| Cash | **$ 86.6** | $ 69.3 | 17.3 | 25 |
| Inventories | **$ 65.4** | $ 86.5 | (21.1) | (24) |
| Capital assets | **$ 153.3** | $ 154.2 | (0.9) | (1) |
| Total assets | **$ 403.9** | $ 405.5 | (1.6) | - |
| Working capital | **$ 142.6** | $ 122.5 | 20.1 | 16 |

Cash increased 25% from December 31, 2021 due to strong cash flows from operations and lower inventory purchases, partially offset by income tax payments of $24.7 million.

### Revenue by program and business

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | $ Change | % Change | **July 2, 2022** | July 3, 2021 | $ Change | % Change |
| Canadian Circulation | **$ 24.5** | $ 21.5 | 3.0 | 14 | **$ 46.2** | $ 42.5 | 3.7 | 9 |
| Foreign Circulation | **23.8** | 26.6 | (2.8) | (11) | **41.7** | 56.5 | (14.8) | (26) |
| Total Circulation | **$ 48.3** | $ 48.1 | 0.2 | - | **$ 87.9** | $ 99.0 | (11.1) | (11) |
| Bullion Products and Services | **$ 761.7** | $ 880.6 | (118.9) | (14) | **$ 1,556.7** | $ 1,701.1 | (144.4) | (8) |
| Numismatics | **31.9** | 24.8 | 7.1 | 29 | **62.3** | 56.3 | 6.0 | 11 |
| Total Precious Metals | **$ 793.6** | $ 905.4 | (111.8) | (12) | **$ 1,619.0** | $ 1,757.4 | (138.4) | (8) |
| Total revenue | **$ 841.9** | $ 953.5 | (111.6) | (12) | **$ 1,706.9** | $ 1,856.4 | (149.5) | (8) |

The Mint takes an integrated and agile approach to managing the Circulation and Precious Metals businesses. This approach allows the Mint to allocate resources within these businesses in order to respond to customer and market demands.

### Canadian Circulation

During the 13 and 26 weeks ended July 2, 2022, revenue from the Canadian Circulation Program increased by $3.0 million and $3.7 million, respectively, over the same periods in 2021. The increases were mainly due to a higher volume of circulation coins sold, as well as an increase in ARP metric tons processed in the period.

### Coin supply

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of coins)* | **July 2, 2022** | July 3, 2021[1] | Change | % Change | **July 2, 2022** | July 3, 2021[1] | Change | % Change |
| Financial institutions deposits | **381** | 294 | 87 | 30 | **756** | 629 | 127 | 20 |
| Recycled coins | **30** | 25 | 5 | 20 | **62** | 47 | 15 | 32 |
| Total market supply | **411** | 319 | 92 | 29 | **818** | 676 | 142 | 21 |
| New coins sold to financial institutions and others | **89** | 108 | (19) | (18) | **103** | 115 | (12) | (10) |
| Total supply (coins under management) | **500** | 427 | 73 | 17 | **921** | 791 | 130 | 16 |

[1]Restated to correspond with the Mint's quarter end dates as opposed to calendar year quarters.

Demand is met through the three main sources of supply outlined in the above table and is subject to variability across regions of the country and seasonality depending on the time of the year. In the 13 week and 26 week periods ended July 2, 2022, demand increased 17% and 16% respectively from 2021.

Financial institutions deposits are the primary coin supply channel that fulfills coin demand. During the pandemic, financial institutions deposits (which are typically made up of coins from transit, parking, vending, etc.) have been slow to re-circulate back to the ecosystem. During the 13 week and 26 week periods ended July 2, 2022 supply was 17% and 16% higher respectively than the same period last year, but still lower when compared to pre-pandemic levels.

**Department of Finance Inventory**

| | As at | | | | | |
|---|---|---|---|---|---|---|
| *(in millions of dollars)* | | **July 2, 2022** | | July 3, 2021 | $ Change | % Change |
| Opening inventory | **$** | **84.9** | $ | 82.5 | 2.4 | 3 |
| New coins produced and sold to Department of Finance | | **55.6** | | 48.6 | 7.0 | 14 |
| New coins sold to financial institutions and others | | **(56.8)** | | (66.3) | 9.5 | (14) |
| Ending inventory | **$** | **83.7** | $ | 64.8 | 18.9 | 29 |

The Mint actively manages inventory supply levels from financial institutions deposits, recycled coins and new coin production to ensure coinage demand is met efficiently and cost effectively throughout the year. The face value of the Department of Finance owned inventory at July 2, 2022 was $83.7 million, which was within the inventory limit outlined in the Mint's memorandum of understanding with the Department of Finance.

## Foreign Circulation

Revenue from the Foreign Circulation business decreased 11% and 26% to $23.8 million and $41.7 million, respectively for the 13 and 26 weeks ended July 2, 2022 compared to $26.6 million and $56.5 million in the same period in 2021. The decrease was expected as high raw material prices and volatility, notably nickel, have put pressure on Central Bank budgets and their ability to source coins. For the 13 weeks ended July 2, 2022, this resulted in a 23% decrease in volume and changes in the mix of contracts quarter over quarter while during the first 26 weeks of 2022, there was a decrease of 16% in volumes year over year.

## Bullion Products and Services

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | $ Change | % Change | **July 2, 2022** | July 3, 2021 | $ Change | % Change |
| Gross revenue | **$ 1,236.6** | $ 1,404.4 | (167.8) | (12) | **$ 2,508.8** | $ 2,632.8 | (124.0) | (5) |
| Less: customer inventory deals | **(474.9)** | (523.8) | 48.9 | (9) | **(952.1)** | (931.7) | (20.4) | 2 |
| Net revenue | **$ 761.7** | $ 880.6 | (118.9) | (14) | **$ 1,556.7** | $ 1,701.1 | (144.4) | (8) |

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| *(thousands of ounces)* | **July 2, 2022** | July 3, 2021 | Change | % Change | **July 2, 2022** | July 3, 2021 | Change | % Change |
| Gold | **357.0** | 448.7 | (91.7) | (20) | **723.9** | 777.2 | (53.3) | (7) |
| Less: ounces from customer inventory deals | **(180.2)** | (215.9) | 35.7 | (17) | **(365.4)** | (371.9) | 6.5 | (2) |
| Net gold ounces | **176.8** | 232.8 | (56.0) | (24) | **358.5** | 405.3 | (46.8) | (12) |
| Silver | **9,635.5** | 8,954.8 | 680.7 | 8 | **18,567.9** | 18,946.2 | (378.3) | (2) |
| Less: ounces from customer inventory deals | **(1,490.5)** | (1,285.4) | (205.1) | 16 | **(2,676.8)** | (2,913.2) | 236.4 | (8) |
| Net silver ounces | **8,145.0** | 7,669.4 | 475.6 | 6 | **15,891.1** | 16,033.0 | (141.9) | (1) |

Bullion Products and Services net revenue for the 13 and 26 weeks ended July 2, 2022 decreased 14% and 8%, respectively, compared to the same periods in 2021. The decrease in revenue in both periods  was mainly attributable to lower gold bullion volumes sold, as expected, partially offset by higher gold pricing. Silver pricing and volumes sold were lower year over year, but higher for the 13 weeks ended July 2, 2022 as compared to the prior year as the Mint pivoted to focus on silver bullion product production in 2022.

## Numismatics

Numismatics revenue increased 29% and 11% to $31.9 million and $62.3 million, respectively, during the 13 and 26 weeks ended July 2, 2022 from $24.8 million and $56.3 million, respectively, during the same periods of 2021. The increases in revenue in both periods were largely attributable to sales related to the Mint's new Opulence coin collection, as well as higher sales of international resale coins and premium bullion products.

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | $ Change | % Change | **July 2, 2022** | July 3, 2021 | $ Change | % Change |
| Gold | **$ 15.1** | $ 7.9 | 7.2 | 91 | **$ 28.1** | $ 21.8 | 6.3 | 29 |
| Silver | **13.5** | 14.8 | (1.3) | (9) | **28.1** | 27.7 | 0.4 | 1 |
| Other revenue[1] | **3.3** | 2.1 | 1.2 | 57 | **6.1** | 6.8 | (0.7) | (10) |
| Total revenue | **$ 31.9** | $ 24.8 | 7.1 | 29 | **$ 62.3** | $ 56.3 | 6.0 | 11 |

[1]Other revenue includes base metal coins, medals and other related revenue

## Expenses, other income and income tax

| | 13 weeks ended | | | | 26 weeks ended | | | |
|---|---|---|---|---|---|---|---|---|
| **Expenses (income)** | **July 2, 2022** | July 3, 2021 | $ Change | % Change | **July 2, 2022** | July 3, 2021 | $ Change | % Change |
| Cost of sales | **$ 809.8** | $ 899.6 | (89.8) | (10) | **$ 1,627.8** | $ 1,758.6 | (130.8) | (7) |
| Operating expenses: | | | | | | | | |
| Marketing and sales | **$ 6.1** | $ 6.4 | (0.3) | (5) | **$ 12.2** | $ 12.1 | 0.1 | 1 |
| Administration | **23.6** | 19.8 | 3.8 | 19 | **45.1** | 39.6 | 5.5 | 14 |
| Total operating expenses | **$ 29.7** | $ 26.2 | 3.5 | 13 | **$ 57.3** | $ 51.7 | 5.6 | 11 |
| Net foreign exchange (gain) loss | **$ (0.5)** | $ 0.5 | (1.0) | | **$ (0.4)** | $ 0.8 | (1.2) | |
| Income tax expense | **$ 0.7** | $ 6.9 | (6.2) | | **$ 5.5** | $ 11.4 | (5.9) | |

Cost of sales for the 13 and 26 weeks ended July 2, 2022 decreased to $809.8 million and $1,627.8 million, respectively, compared to $899.6 million and $1,758.6 million during the same periods in 2021. The overall decreases in cost of sales were in line with decreases of 12% and 8% in the same periods in overall revenue, excluding increases of $16.2 million and $7.2 million in the 13 and 26 weeks ended July 2, 2022, respectively, in the revaluation loss on the Face Value redemptions liability which is recognized in cost of sales.

Overall, operating expenses for the 13 and 26 weeks ended July 2, 2022 increased to $29.7 million and $57.3 million compared to $26.2 million and $51.7 million in the same periods in 2021. Administration expenses increased 19% and 14% respectively, consistent with planned temporary and non-temporary increases in expenses to support business transformation, an inclusive and engaged workforce, and to reconnect with the Mint's customers around the world.

Net foreign exchange gain increased $1.0 million and $1.2 million for the 13 and 26 weeks ended July 2, 2022 when compared to the same periods in 2021. The net foreign exchange gain was mainly due to a stronger US dollar in relation to the Canadian dollar and the resulting positive impact on the translation of the Mint's US dollar balances, offset by a net loss on settlement of derivatives.

Income tax expense for the 13 and 26 weeks ended July 2, 2022 decreased $6.2 million and $5.9 million, when compared to the same period in 2021, mainly due to a decrease in taxable income as a result of lower operating income.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows

| | 13 weeks ended | | | 26 weeks ended | | |
|---|---|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | $ Change | **July 2, 2022** | July 3, 2021 | $ Change |
| Cash and cash equivalents, at the end of the period | **$ 86.6** | $ 84.6 | 2.0 | **$ 86.6** | $ 84.6 | 2.0 |
| Cash flow from operating activities | **$ 4.1** | $ (2.5) | 6.6 | **$ 28.5** | $ 25.4 | 3.1 |
| Cash flow used in investing activities | **$ (6.0)** | $ (3.2) | (2.8) | **$ (10.3)** | $ (6.3) | (4.0) |
| Cash flow used in financing activities | **$ (0.4)** | $ (0.6) | 0.2 | **$ (0.8)** | $ (1.2) | 0.4 |

Cash from operating activities increased $6.6 million and $3.1 million for the 13 weeks and 26 weeks ended July 2, 2022 compared to the same period in 2021 primarily due to timing of collections and invoices for foreign circulation customers and lower precious metal purchases partially offset by higher income tax instalment payments due to higher net income in 2021.

Cash used in investing activities increased $2.8 million and $4.0 million for the 13 and 26 weeks ended July 2, 2022, as compared to the same period in 2021, mainly due to investments in production equipment for the Winnipeg and Ottawa plants, the Ottawa building and investments in digital program information technology projects.

### Borrowing facilities

See note 17 in the December 31, 2021 audited consolidated financial statements for details on the Mint's borrowing facilities. The Mint entered and closed the period with total outstanding long-term loans of $33 million, which is within the Mint's approved borrowing limit as prescribed by the *Royal Canadian Mint Act*. The Mint entered the period with a long-term debt-to-equity ratio of 1:04 and closed the period with a long-term debt-to-equity ratio of 1:05.

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

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

| | 13 weeks ended | | | 26 weeks ended | | |
|---|---|---|---|---|---|---|
| | **July 2, 2022** | **July 3, 2021** | $ Change | **July 2, 2022** | **July 3, 2021** | $ Change |
| Profit for the period | **$ 2.4** | $ 20.5 | (18.1) | **$ 16.8** | $ 34.3 | $ (17.5) |
| Add (deduct): | | | | | | |
| Income tax expense | **0.7** | 6.9 | (6.2) | **5.5** | 11.4 | (5.9) |
| Other income | **-** | (0.1) | 0.1 | **-** | (0.1) | 0.1 |
| Net foreign exchange (gain) loss [1] | **(0.6)** | 2.1 | (2.7) | **(0.1)** | 4.6 | (4.7) |
| Face Value revaluation[2] | **12.0** | (4.2) | 16.2 | **8.1** | 0.9 | 7.2 |
| Profit before income tax and other items | **$ 14.5** | 25.2 | (10.7) | **$ 30.3** | $ 51.2 | $ (20.8) |

[1] Net foreign exchange (gain) loss for the 13 and 26 weeks ended July 2, 2022 excludes loss of $0.1 million (2021 - $1.5 million gain) and gain of $0.2 million (2021 - $3.7 million gain) related to the mitigation of the foreign exchange risk for a specific contract.
[2] Face Value revaluation is the non-cash impact of the change in the valuation of the precious metal component of the Face Value redemptions liability which excludes the impact of foreign exchange gains of $1.7 million (2021 - $0.9 million loss) and $0.9 million (2021 - $1.7 million gain) for the 13 and 26 weeks ended July 2, 2022 respectively.

## RISKS TO PERFORMANCE

Management considers risks and opportunities at all levels of decision making. The Mint's performance is influenced by many factors, including: economic conditions, financial and commodity market volatility, and competitive pressures. Also, as a Crown corporation governed under a legislative framework, the Mint's performance could be impacted by changes to Shareholder objectives or to the directions given by governing bodies. Under the guidance of the Board of Directors, the Mint's enterprise risk management process is undertaken by the Mint's Leadership Team. It focuses on the identification, assessment and management, within the risk appetite of the key risks, that could impact the achievement of the Mint's strategic objectives. As part of its oversight process, the Board of Directors approves risk appetite statements, reviews the Mint's corporate risk profile and has input into the broader risk management approach.

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

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

The key corporate level risks that could materially impact the Mint's ability to achieve its corporate objectives are identified in the Mint's 2021 Annual Report. There have been no material changes to the key corporate level risks since the filing of the 2021 Annual Report.

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

See note 3 in the audited consolidated financial statements for the year ended December 31, 2021 for a discussion of critical accounting estimates, as well as note 3 in the accompanying unaudited condensed financial statements for the 26 weeks ended July 2, 2022 for a discussion regarding the adoption of new accounting standards and accounting policy developments.

## OUTLOOK

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

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

Circulation businesses

*Canadian circulation*

Few pandemic-related retail restrictions remain in force across the country, and retail sales have been stronger in recent weeks according to Statistics Canada[2]. For the first time in recent years, many festivals and large attractions are reportedly planning for crowds during the upcoming summer months, and some public transit authorities have had an increase in ridership, corresponding with a rise in gas prices. If such trends hold, these factors are expected to increase coin activity for the remainder of 2022 and into 2023.

Canada's coin system continues to prove its resiliency as it has operated without disruption despite environmental and geopolitical uncertainties. The Mint and its distribution partners will continue discussing potential scenarios and responses in order to reduce potential negative disruptions to the coin ecosystem should they occur.

Finally, the Mint continues to closely monitor coin transactions and conduct regular consumer pulse surveys in order to gauge how habits formed during the pandemic may impact the relationship between Canadians and physical currency.

*Foreign circulation*

The ongoing COVID-19 pandemic continues to create unpredictable coin demand in many countries, as retail and transit activities have not fully normalized and Central Banks continue to monitor cash usage and coin demand. In the first half of 2022, central banks tendered for a known quantity of approximately 2 billion pieces, slightly higher than expected. The Mint anticipates that as economies continue to reopen and stabilize, cash usage and coin demand in general will rebound in emerging economies. However, in some markets, a decrease in coin demand is anticipated due to the accelerated adoption of digital payment methods.

Precious metals businesses

*Bullion products and services*

The Mint continues to monitor bullion coin market and supply conditions closely and will work to position itself to be able to meet demand relating to continued strong market conditions for gold and silver bullion coins. The Mint also continues to review the pricing of bullion products as costs and market conditions evolve. In 2022, the Mint continues to focus on customer and market

[2] https://www150.statcan.gc.ca/n1/daily-quotidien/220422/dq220422a-eng.htm

strategies in support of its strong market share, including a renewed focus on gold refining and coin products and selective storage opportunities, while carefully managing operating costs to mitigate the impact of uncertainty in the global bullion coin market. Throughout 2022, the Mint is undertaking some equipment maintenance and upgrades to enhance the resiliency of our operations that will have a minor short term impact on volumes.

*Numismatics*

The Mint continues to prioritize being a customer-centric organization focused on enhancing the customer experience and improving the long-term performance of the Numismatics business. The Mint continues to implement and pursue product strategies intended to reach new customers in new and emerging markets.

## FORWARD LOOKING STATEMENTS

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

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

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

The forward-looking statements included in the unaudited condensed consolidated financial statements and narrative are made only as of August 17, 2022, and the Mint does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

**Statement of Management Responsibility by Senior Officials**

Management is responsible for the preparation and fair presentation of these unaudited condensed consolidated financial statements in accordance with *IAS 34 Interim Financial Reporting* and requirements in the Treasury Board of Canada's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports* and for such internal controls as management determines are necessary to enable the preparation of condensed consolidated financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the unaudited condensed consolidated financial statements.

Based on our knowledge, these unaudited condensed consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Royal Canadian Mint, as at the date of and for the periods presented in the unaudited condensed consolidated financial statements.

Marie Lemay

President and Chief Executive Officer

Francis Mensah, MBA, CFA, CPA, CMA

Vice-President, Finance and Administration
and Chief Financial Officer

Jana Fritz, CPA, CA

Senior Director, Finance and Chief Accountant

Ottawa, Canada

August 17, 2022

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

| | Notes | As at July 2, 2022 | As at December 31, 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | **$ 86,610** | $ 69,303 |
| Trade receivables, net and other receivables | 5 | **14,413** | 19,152 |
| Income tax receivable | | **2,385** | - |
| Prepaid expenses | | **4,566** | 3,677 |
| Inventories | 6 | **65,449** | 86,530 |
| Contract assets | 7 | **43,559** | 40,631 |
| Derivative financial assets | 8 | **16** | 2,611 |
| Total current assets | | **216,998** | 221,904 |
| **Non-current assets** | | | |
| Prepaid expenses | | **214** | 178 |
| Deferred income tax assets | | **33,394** | 29,250 |
| Property, plant and equipment | 9 | **143,094** | 144,040 |
| Investment property | | **236** | 236 |
| Intangible assets | 9 | **5,311** | 4,738 |
| Right-of-use assets | 10 | **4,641** | 5,136 |
| Total non-current assets | | **186,890** | 183,578 |
| **Total assets** | | **$ 403,888** | $ 405,482 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade payables, other payables and accrued liabilities | 11 | **$ 41,388** | $ 56,300 |
| Provisions | 12 | **2,418** | 2,043 |
| Income tax payable | | **1,199** | 13,978 |
| Face Value redemptions liability | 13 | **445** | 434 |
| Contract liabilities | 7 | **14,557** | 12,894 |
| Loan payable | | **8,999** | 9,042 |
| Lease liabilities | 10 | **1,135** | 1,388 |
| Employee benefit obligations | | **3,609** | 3,302 |
| Derivative financial liabilities | 8 | **645** | 23 |
| Total current liabilities | | **74,395** | 99,404 |
| **Non-current liabilities** | | | |
| Trade payables, other payables and accrued liabilities | 11 | **66** | 95 |
| Provisions | 12 | **1,030** | 966 |
| Face Value redemptions liability | 13 | **128,441** | 121,472 |
| Loan payable | | **24,000** | 24,000 |
| Lease liabilities | 10 | **3,945** | 4,394 |
| Employee benefit obligations | | **12,653** | 12,653 |
| Total non-current liabilities | | **170,135** | 163,580 |
| **Total liabilities** | | **244,530** | 262,984 |
| **Shareholder's equity** | | | |
| Share capital (authorized and issued 4,000 non-transferable shares) | | **40,000** | 40,000 |
| Retained earnings | | **119,346** | 102,515 |
| Accumulated other comprehensive income (loss) | | **12** | (17) |
| **Total shareholder's equity** | | **159,358** | 142,498 |
| **Total liabilities and shareholder's equity** | | **$ 403,888** | $ 405,482 |

Commitments, contingencies and guarantees (Note 22)
The accompanying notes are an integral part of these condensed consolidated financial statements

**ROYAL CANADIAN MINT**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**Unaudited (CAD thousands)**

| | | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|---|
| | Notes | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Revenue | 15 | **$ 841,913** | $ 953,527 | **$ 1,706,904** | $ 1,856,374 |
| Cost of sales | 16,17,18 | **809,773** | 899,649 | **1,627,757** | 1,758,558 |
| **Gross profit** | | **32,140** | 53,878 | **79,147** | 97,816 |
| Marketing and sales expenses | 16,17 | **6,157** | 6,394 | **12,232** | 12,144 |
| Administration expenses | 16,17,18 | **23,550** | 19,827 | **45,073** | 39,632 |
| **Operating expenses** | | **29,707** | 26,221 | **57,305** | 51,776 |
| Net foreign exchange gain (loss) | | **477** | (548) | **367** | (810) |
| **Operating profit** | | **2,910** | 27,109 | **22,209** | 45,230 |
| Finance income, net | | **186** | 184 | **102** | 416 |
| Other income, net | | **41** | 78 | **42** | 79 |
| **Profit before income tax** | | **3,137** | 27,371 | **22,353** | 45,725 |
| Income tax expense | 19 | **(724)** | (6,855) | **(5,522)** | (11,427) |
| **Profit for the period** | | **2,413** | 20,516 | **16,831** | 34,298 |
| Net unrealized gain on cash flow hedges | | **12** | 18 | **29** | 34 |
| **Other comprehensive income, net of tax** | | **12** | 18 | **29** | 34 |
| **Total comprehensive income** | | **$ 2,425** | $ 20,534 | **$ 16,860** | $ 34,332 |

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

## ROYAL CANADIAN MINT
## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### Unaudited (CAD thousands)

**13 weeks ended July 2, 2022**

| | Notes | Share capital | | Retained earnings | | Accumulated other comprehensive income (Net gains on cash flow hedges) | | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as at April 2, 2022 | | $ 40,000 | $ | 116,933 | $ | - | $ | 156,933 |
| Profit for the period | | **-** | | **2,413** | | **-** | | **2,413** |
| Other comprehensive gain, net[1] | | **-** | | **-** | | **12** | | **12** |
| Balance as at July 2, 2022 | | **$ 40,000** | **$** | **119,346** | **$** | **12** | **$** | **159,358** |

[1]Amounts are net of income tax

13 weeks ended July 3, 2021

| | Notes | Share capital | | Retained earnings | | Accumulated other comprehensive (loss) income (Net gains on cash flow hedges) | | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as at April 3, 2021 | | $ 40,000 | $ | 141,040 | $ | (72) | $ | 180,968 |
| Profit for the period | | - | | 20,516 | | - | | 20,516 |
| Other comprehensive gain, net[1] | | - | | - | | 18 | | 18 |
| Balance as at July 3, 2021 | | $ 40,000 | $ | 161,556 | $ | (54) | $ | 201,502 |

[1]Amounts are net of income tax

**26 weeks ended July 2, 2022**

| | Notes | Share capital | | Retained earnings | | Accumulated other comprehensive (loss) income (Net gains on cash flow hedges) | | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as at December 31, 2021 | | $ 40,000 | $ | 102,515 | $ | (17) | $ | 142,498 |
| Profit for the period | | **-** | | **16,831** | | **-** | | **16,831** |
| Other comprehensive gain, net[1] | | **-** | | **-** | | **29** | | **29** |
| Balance as at July 2, 2022 | | **$ 40,000** | **$** | **119,346** | **$** | **12** | **$** | **159,358** |

[1]Amounts are net of income tax

26 weeks ended July 3, 2021

| | Notes | Share capital | | Retained earnings | | Accumulated other comprehensive (loss) income (Net gains on cash flow hedges) | | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as at December 31, 2020 | | $ 40,000 | $ | 127,258 | $ | (88) | $ | 167,170 |
| Profit for the period | | - | | 34,298 | | - | | 34,298 |
| Other comprehensive gain, net[1] | | - | | - | | 34 | | 34 |
| Balance as at July 3, 2021 | | $ 40,000 | $ | 161,556 | $ | (54) | $ | 201,502 |

[1]Amounts are net of income tax

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

## ROYAL CANADIAN MINT
## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
**Unaudited (CAD thousands)**

| | | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|---|
| | Notes | **July 2,2022** | July 3, 2021 | **July 2,2022** | July 3,2021 |
| **Cash flows from (used in) operating activities** | | | | | |
| Profit for the period | | **$ 2,413** | $ 20,516 | **$ 16,831** | $ 34,298 |
| Adjustments to reconcile profit to cash flows from operating activities: | | | | | |
| Depreciation and amortization | 16 | **4,782** | 5,118 | **9,491** | 10,238 |
| Income tax expense | 19 | **724** | 6,856 | **5,522** | 11,427 |
| Finance income, net | | **(186)** | (184) | **(102)** | (416) |
| Other income | | **(41)** | (78) | **(42)** | (79) |
| Net foreign exchange (gain) loss | | **(217)** | 189 | **1,910** | 693 |
| Adjustments to other (revenue) expenses, net | 20 | **(6,412)** | (7,063) | **(11,846)** | (16,143) |
| Changes in Face Value redemptions liability | | **11,845** | (4,323) | **7,893** | 655 |
| Net changes in operating assets and liabilities | 20 | **(3,284)** | (23,099) | **23,530** | (13,331) |
| Cash from (used in) operating activities before interest and income tax | | **9,624** | (2,068) | **53,187** | 27,342 |
| Income tax paid, net of income tax received | 20 | **(5,434)** | (1,680) | **(24,740)** | (3,135) |
| Interest received, net of interest paid | 20 | **(110)** | 1,208 | **10** | 1,210 |
| **Net cash from (used in) operating activities** | | **4,080** | (2,540) | **28,457** | 25,417 |
| **Cash flows used in investing activities** | | | | | |
| Acquisition of property, plant and equipment | | **(5,032)** | (2,481) | **(8,696)** | (4,963) |
| Acquisition of intangible assets | | **(925)** | (705) | **(1,617)** | (1,319) |
| **Net cash used in investing activities** | | **(5,957)** | (3,186) | **(10,313)** | (6,282) |
| **Cash flows used in financing activities** | | | | | |
| Lease principal payments | 10 | **(399)** | (617) | **(810)** | (1,235) |
| **Net cash used in financing activities** | | **(399)** | (617) | **(810)** | (1,235) |
| Effect of changes in exchange rates on cash | | **243** | (240) | **(27)** | (648) |
| **(Decrease) increase in cash** | | **(2,033)** | (6,583) | **17,307** | 17,252 |
| **Cash and cash equivalents at the beginning of the period** | | **88,643** | 91,141 | **69,303** | 67,306 |
| **Cash at the end of the period** | | **$ 86,610** | $ 84,558 | **$ 86,610** | $ 84,558 |

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

## 1. NATURE AND DESCRIPTION OF THE CORPORATION

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

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

The Corporation produces coins for Canadian trade and commerce, manages the country's coin system for optimum efficiency and cost, and is a world-renowned manufacturer of precious metals investment products and collectibles. It is also one of the largest gold refiners in the world. The addresses of its registered office and principal place of business are 320 Sussex Drive, Ottawa, Ontario, Canada, K1A 0G8 and 520 Lagimodière Blvd, Winnipeg, Manitoba, Canada, R2J 3E7.

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

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

## 2. BASIS OF PRESENTATION

### 2.1 Statement of Compliance

These condensed consolidated financial statements were prepared in accordance with *IAS 34 Interim Financial Reporting ("IAS 34")* of the *International Financial Reporting Standards ("IFRS")* and the *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports* issued by the Treasury Board of Canada. As permitted under these standards, these condensed consolidated financial statements do not include all of the disclosure requirements for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended December 31, 2021.

These condensed consolidated financial statements have not been audited or reviewed by an external auditor.

### 2.2 Basis of presentation

These condensed consolidated financial statements were prepared in accordance with IFRS.

Although the Corporation’s year end of December 31 matches the calendar year end, the Corporation’s quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Corporation’s quarters contains 13 weeks.

These condensed consolidated financial statements were approved for public release by the Board of Directors of the Corporation on August 17, 2022.

### 2.3 Consolidation

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

### 2.4 Foreign currency translation

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

## 3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

The preparation of these condensed consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period.

Actual results may differ significantly from the estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements and estimates as at July 2, 2022 were consistent with those disclosed in Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2021.

## 4. APPLICATION OF NEW AND REVISED IFRS

### 4.1 New and revised IFRS pronouncements affecting amounts reported and/or disclosed in the condensed consolidated financial statements for the 26 weeks ended July 2, 2022.

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

*Property, Plant and Equipment — Proceeds before Intended Use*

In May 2020, the IASB issued amendments to IAS 16 – *Property, Plant and Equipment (IAS 16)*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Onerous Contracts — Cost of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets (IAS 37)*. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Annual Improvements to IFRS Standards 2018–2020*

In May 2020, the IASB issued the pronouncement that contains amendments to four IFRS Standards. The amendment to IFRS 9 – *Financial Instruments* clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The other three amendments were assessed as not having an impact on the Corporation's consolidated financial statements. The amendment is effective for annual periods beginning on or after January 1, 2022.

### 4.2 New and revised IFRS pronouncements issued, but not yet effective

The Corporation reviewed the revised accounting pronouncements that have been issued, but are not yet effective. The adoption of the following IFRS pronouncements may have an impact on the Corporation's consolidated financial statements in the future. The Corporation will continue to assess the possible impact through the effective date of each pronouncement.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the IASB issued amendments to IAS 12 – *Income Taxes*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023.

*Disclosure of Accounting Policies*

In February 2021, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* (IAS 1) and IFRS Practice Statement 2. The amendments require that an entity disclose only its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

*Definition of Accounting Estimates*

In February 2021, the IASB issued amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates and clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after January 1, 2023.

*Insurance Contracts*

In May 2017, the IASB issued IFRS 17 - *Insurance Contracts*. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. In June 2020, the IASB issued amendments to IFRS 17 targeted to address implementation concerns and challenges raised by stakeholders. IFRS 17 as amended is effective for annual periods beginning on or after January 1, 2023.

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

*Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements (IAS 1)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

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

## 5. TRADE RECEIVABLES, NET AND OTHER RECEIVABLES

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Receivables and accruals from contracts with customers | **$ 10,679** | $ 18,065 |
| Receivables from contracts with related parties (Note 21) | **3,280** | 403 |
| Allowance for expected credit losses | **(3)** | (3) |
| Trade receivables, net | **$ 13,956** | $ 18,465 |
| Lease receivables | **116** | 253 |
| Other current financial receivables | **341** | 388 |
| Other receivables | **-** | 46 |
| **Total trade receivables, net and other receivables** | **$ 14,413** | $ 19,152 |

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

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Opening balance | **$ 253** | $ 519 |
| Interest income | **3** | 14 |
| Sublease payments received | **(140)** | (280) |
| Closing balance | **$ 116** | $ 253 |

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

Total cash inflow for leases included in lease receivables for the 13 weeks and 26 weeks ended July 2, 2022 was $0.1 million (July 3, 2021 – $0.1 million) and $0.1 million (July 3, 2021 - $0.1 million), respectively.

## 6. INVENTORIES

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Total inventories | **$ 65,449** | $ 86,530 |

For the 13 and 26 weeks ended July 2, 2022, the Corporation recognized write-downs of inventory to net realizable value of $0.1 million and $0.3, respectively (13 and 26 weeks ended July 3, 2021 – reversals of $0.1 million and write-downs of $0.2 million).

## 7. CONTRACT ASSETS AND LIABILITIES

The contract assets relate to the Corporation's rights to consideration for work completed, but not billed as at July 2, 2022. The Corporation reviewed its credit risk exposure related to contract assets as at July 2, 2022 and evaluated the risk to be minimal as each related contract is subject to a contract specific risk assessment process. The contract liabilities relate to the consideration received in advance from customers for which revenue has not yet been recognized and accrued expenses related to contract assets, as well as amounts relating to customer loyalty programs.

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

| | **As at July 2, 2022** | |
|---|---|---|
| | **Contract Assets** | **Contract Liabilities** |
| Opening balance | **$ 40,631** | **$ 12,894** |
| Revenue recognized[1] | **-** | **(1,001)** |
| Cash received, excluding amounts recognized during the period | **-** | **2,572** |
| Transfers from contract liabilities to payables | **-** | **(2,433)** |
| Foreign exchange revaluation | **620** | **45** |
| Transfers from contract assets to receivables | **(37,709)** | **-** |
| Increases resulting from changes in the measure of progress | **40,017** | **2,480** |
| Closing balance | **$ 43,559** | **$ 14,557** |

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

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

[1] Revenue recognized includes $1.8 million and increases resulting from changes in the measure of progress in contract liabilities includes $2.1 million, both of which are related to the Corporation's memorandum of understanding with the Department of Finance (Note 21).

## 8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### 8.1 Capital risk management

The Corporation may borrow money from the Consolidated Revenue Fund, subject to the approval of the Minister of Finance with respect to the time and term and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed $75 million. For the 26 weeks ended July 2, 2022 and July 3, 2021, approved short-term borrowings for working capital needs within this limit were not to exceed $25 million or its US dollar equivalent. From time to time, the Corporation may seek approval for new long-term borrowings. As at July 2, 2022, the Corporation had no approval for any new long-term borrowings for the current fiscal year. The Corporation's long-term borrowings are described in note 17 of its audited consolidated financial statements for the year ended December 31, 2021.

To support such short-term borrowings, as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates. No amounts were borrowed under these lines of credit as at July 2, 2022 or December 31, 2021.

The Corporation employs a dividend framework to calculate dividends payable to its Shareholder. The calculated dividend amount represents projected excess year end cash over a pre-determined cash reserve requirement and is generally paid in the fourth quarter of each year.

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

## 8.2 Classification and fair value measurements of financial instruments

### 8.2.1 Carrying amount and fair value of financial instruments

The carrying amount and fair value of the Corporation's financial assets and financial liabilities are presented in the following table:

| | As at | | | |
|---|---|---|---|---|
| | **July 2, 2022** | | December 31, 2021 | |
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash | **$ 86,610** | **$ 86,610** | $ 69,303 | $ 69,303 |
| Trade receivables, net and other receivables | **$ 14,297** | **$ 14,297** | $ 18,853 | $ 18,853 |
| Derivative financial assets: | | | | |
| Foreign currency forwards | **$ -** | **$ -** | $ 2,611 | $ 2,611 |
| Interest rate swap | **$ 16** | **$ 16** | $ - | $ - |
| **Financial Liabilities** | | | | |
| Trade payables, other payables and accrued liabilities | **$ 41,006** | **$ 41,006** | $ 55,918 | $ 55,918 |
| Loans payable | **$ 32,999** | **$ 32,516** | $ 33,042 | $ 33,931 |
| Derivative financial liabilities: | | | | |
| Foreign currency forwards | **$ 645** | **$ 645** | $ - | $ - |
| Interest rate swap | **$ -** | **$ -** | $ 23 | $ 23 |

### 8.2.2 Fair value hierarchy

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

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

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

The fair value measurement of cash is classified as Level 1 of the fair value hierarchy as at July 2, 2022 and December 31, 2021. The fair value measurements of all other financial instruments held by the Corporation were classified as Level 2 of the fair value hierarchy as at July 2, 2022 and December 31, 2021. There were no transfers of financial instruments between levels for the 26 weeks ended July 2, 2022.

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

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

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

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

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

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

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| **Derivative financial assets** | | |
| Foreign currency forwards | **$ -** | $ 2,611 |
| Interest rate swap | **16** | - |
| | **$ 16** | $ 2,611 |
| **Derivative financial liabilities** | | |
| Foreign currency forwards | **$ 645** | $ - |
| Interest rate swap | **-** | 23 |
| | **$ 645** | $ 23 |

### 8.3 Financial risk management objectives and framework

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

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

#### 8.3.1 Credit risk management

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

The carrying amount of financial assets recorded in the condensed consolidated financial statements as at July 2, 2022 and December 31, 2021 represents the Corporation's maximum credit exposure.

##### 8.3.1.1 Credit risk management of receivables from customers

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

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

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

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Canada | **$ 8,744** | $ 5,424 |
| Europe, Middle East and Africa | **3,676** | 1,882 |
| United States | **1,354** | 422 |
| Latin America and Caribbean | **514** | 338 |
| Asia and Australia | **9** | 10,787 |
| Trade receivables, net and other financial receivables | **$ 14,297** | $ 18,853 |

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Consumers, dealers and others | **$ 6,264** | $ 3,761 |
| Central and institutional banks | **4,280** | 13,528 |
| Governments (including governmental departments and agencies) | **3,753** | 1,564 |
| Trade receivables, net and other financial receivables | **$ 14,297** | $ 18,853 |

The Corporation established an allowance for ECLs based on a provision matrix that reflected the estimated impairment of trade receivables, net and other financial receivables at the end of the reporting period. The provision matrix was based on historical observed default rates and was adjusted for forward-looking estimates. The Corporation sets different payment terms depending on the customer and product, and excluding prepayments, the Corporation's standard payment terms are generally 30 days. As at July 2, 2022, the Corporation's rate of credit losses was less than 1% (2021 – less than 1%) of trade receivables, net and other financial receivables.

### 8.3.2 Liquidity risk

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

**8.3.3 Market risk**

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

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

**Foreign exchange risk**

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

**Interest rate risk**

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash. The Corporation's Bankers Acceptance interest rate swap loan instruments expose the Corporation to cash flow interest rate risk. The Corporation has fully hedged the exposure to fluctuations in interest rates related to the instrument by entering into a corresponding interest rate swap, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swap is designated as a hedging instrument under the cash flow hedge accounting model.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Corporation's interest rate swap exposes the Corporation to fair value interest rate risk.

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

**Commodity price risk**

The Corporation is exposed to commodity price risk on its purchase and sale of precious metals including gold, silver, platinum and palladium and base metals including nickel, copper and steel.

The Corporation is not exposed to precious metal price risk related to its bullion sales program because the purchase and sale of precious metals used in this program are completed on the same date, using the same price basis in the same currency. For numismatic sales the Corporation enters into short term lease or fixed-price purchase commitments for precious and base metals to mitigate the commodity price risk (Note 22).

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

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

## 9. PROPERTY, PLANT AND EQUIPMENT

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Cost | **$ 453,370** | $ 446,935 |
| Accumulated depreciation and impairment | **(310,276)** | (302,895) |
| Net book value | **$ 143,094** | $ 144,040 |

**Net book value by asset class**

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Land and land improvements | **$ 3,143** | $ 3,135 |
| Buildings and building improvements | **76,164** | 78,194 |
| Equipment | **56,797** | 57,252 |
| Capital projects in process | **6,990** | 5,459 |
| Net book value | **$ 143,094** | $ 144,040 |

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

During the 26 weeks ended July 2, 2022, the Corporation acquired $7.4 million (26 weeks ended July 3, 2021 - $4.6 million) worth of building and building improvements and equipment. No capital assets were transferred to different categories within property, plant and equipment.

Included in property, plant and equipment additions for the 26 weeks ended July 2, 2022 is a total accrual of $0.5 million (December 31, 2021 - $1.9 million).

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

No asset is pledged as security for borrowings as at July 2, 2022.

**Intangible assets**

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Cost | **$ 40,467** | $ 38,846 |
| Accumulated amortization and impairment | **(35,156)** | (34,108) |
| Net book value | **$ 5,311** | $ 4,738 |

During the 26 weeks ended July 2, 2022, the Corporation acquired $1.6 million (26 weeks ended July 3, 2021 - $1.4 million) worth of software. No capital assets were transferred to different categories within intangible assets.

Included in intangible asset additions for the 26 weeks ended July 2, 2022 is a total accrual of $0.1 million (December 31, 2021 - $0.1 million).

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

## 10. LEASES

### Right-of-use assets

The composition of the net book value of the Corporation's right-of-use assets, is presented in the following table:

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Cost | **$ 11,224** | $ 11,224 |
| Renewals | **25** | - |
| Accumulated depreciation | **(6,608)** | (6,088) |
| Net book value | **$ 4,641** | $ 5,136 |

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Buildings | **$ 4,183** | $ 4,630 |
| Equipment | **458** | 506 |
| Net book value | **$ 4,641** | $ 5,136 |

### Lease liabilities

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

### As at July 2, 2022

| | **Buildings** | **Equipment** | **Total** |
|---|---|---|---|
| Opening balance, January 1, 2022 | **$ 5,253** | **$ 529** | **$ 5,782** |
| Interest expense | **75** | **8** | **83** |
| Lease payments | **(729)** | **(81)** | **(810)** |
| Renewal | **-** | **25** | **25** |
| Closing balance | **$ 4,599** | **$ 481** | **$ 5,080** |

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

As at December 31, 2021

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Buildings | **$ 1,000** | $ 1,252 |
| Equipment | **135** | 136 |
| Current | **$ 1,135** | $ 1,388 |
| Buildings | **3,599** | 4,001 |
| Equipment | **346** | 393 |
| Non-current | **$ 3,945** | $ 4,394 |
| Total lease liabilities | **$ 5,080** | $ 5,782 |

Total cash outflow for leases included in lease liabilities for the 13 weeks and 26 weeks ended July 2, 2022 is $0.4 million and $0.8 million (13 weeks and 26 weeks ended July 3, 2021 is $0.6 and $1.2 million, respectively).

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Trade payables | **$ 7,487** | $ 8,925 |
| Employee compensation payables and accrued liabilities | **21,172** | 30,948 |
| Other current financial liabilities[1] | **12,281** | 15,950 |
| Other accounts payable and accrued liabilities | **448** | 477 |
| Total current trade payables, other payables and accrued liabilities | **$ 41,388** | $ 56,300 |
| Other non-current financial liabilities[1] | **66** | 95 |
| Total non-current trade payables, other payables and accrued liabilities | **$ 66** | $ 95 |
| Trade payables, other payables and accrued liabilities | **$ 41,454** | $ 56,395 |

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

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

## 12. PROVISIONS

The following table presents the changes in the provisions:

| | As at | | | |
|---|---|---|---|---|
| | | **July 2, 2022** | | December 31, 2021 |
| Opening balance | **$** | **3,009** | $ | 4,334 |
| Additional provisions recognized | | **1,168** | | 1,290 |
| Payments | | **(197)** | | (503) |
| De-recognition of provisions | | **(606)** | | (2,312) |
| Foreign exchange revaluation | | **74** | | 200 |
| Closing balance | **$** | **3,448** | $ | 3,009 |

Provisions include the following:

| | As at | | | |
|---|---|---|---|---|
| | | **July 2, 2022** | | December 31, 2021 |
| Sales returns and warranty | **$** | **2,191** | $ | 2,241 |
| Employee compensation | | **610** | | - |
| Other provisions | | **647** | | 768 |
| Total provisions | **$** | **3,448** | $ | 3,009 |

| | As at | | | |
|---|---|---|---|---|
| | | **July 2, 2022** | | December 31, 2021 |
| Current portion | **$** | **2,418** | $ | 2,043 |
| Non-current portion | | **1,030** | | 966 |
| Total provisions | **$** | **3,448** | $ | 3,009 |

## 13. FACE VALUE REDEMPTIONS LIABILITY

| | As at | | | |
|---|---|---|---|---|
| | | **July 2, 2022** | | December 31, 2021 |
| Face Value redemptions liability | **$** | **176,621** | $ | 176,980 |
| Precious metal recovery | | **(47,735)** | | (55,074) |
| Face Value redemptions liability, net | **$** | **128,886** | $ | 121,906 |
| Less: Current portion | | **(445)** | | (434) |
| Non-current Face Value redemptions liability, net | **$** | **128,441** | $ | 121,472 |

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

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Opening balance | **$ 121,906** | $ 113,986 |
| Redemptions, net | **(251)** | (476) |
| Revaluation | **7,231** | 8,396 |
| Closing balance | **$ 128,886** | $ 121,906 |

As at July 2, 2022, the Corporation determined that it continues to be unable to reliably estimate the redemptions of Face Value coins.

The Face Value redemptions liability represents the expected cash outflows if all Face Value coins are redeemed, including the costs of redemptions offset by the precious metal content that will be reclaimed by the Corporation when the coins are redeemed. The precious metal recovery component of the liability is based on the market value of silver as at the end of each reporting period. The impact of the revaluation of the precious metal component of the liability was an increase of $10.3 million and an increase of $7.2 million, respectively, for the 13 and 26 weeks ended July 2, 2022 (13 and 26 weeks ended July 3, 2021 – a decrease of $3.4 million and an increase of $2.6 million). Based on the Face Value redemptions liability as at July 2, 2022, and assuming that all other variables remain constant, a hypothetical 10% appreciation in the market value of silver in Canadian dollars would increase profit for the year by $4.8 million (July 3, 2021 - $6.1 million). A hypothetical 10% weakening in the market value of silver in Canadian dollars would have the equal, but opposite effect.

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

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

## 14. EMPLOYEE BENEFITS

### Pension benefits

The Corporation made total contributions of $6.6 million in the 26 weeks ended July 2, 2022 (26 weeks ended July 3, 2021 - $6.0 million).

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

See Note 18 in the audited consolidated financial statements for the year ended December 31, 2021 for details on the Corporation's pension and other post-employment benefit plans, including the sensitivity analysis of the impact of changes in the discount rate on the employee benefits liabilities.

## 15. REVENUE

### 15.1 Revenue by performance obligation

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| **Performance obligations satisfied at a point in time** | | | | |
| Sale of goods | **$ 782,683** | $ 889,773 | **$ 1,597,267** | $ 1,728,683 |
| Rendering of services | **12,753** | 13,082 | **23,866** | 23,724 |
| Total revenue recognized at a point in time | **$ 795,436** | $ 902,855 | **$ 1,621,133** | $ 1,752,407 |
| **Performance obligations satisfied over time** | | | | |
| Sale of goods | **$ 23,471** | $ 24,491 | **$ 40,017** | $ 52,033 |
| Rendering of services | **23,006** | 26,181 | **45,754** | 51,934 |
| Total revenue recognized over time | **$ 46,477** | $ 50,672 | **$ 85,771** | $ 103,967 |
| Total revenue | **$ 841,913** | $ 953,527 | **$ 1,706,904** | $ 1,856,374 |

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Gross revenue from the sale of goods | **$ 1,281,022** | $ 1,438,033 | **$ 2,589,357** | $ 2,712,381 |
| Less: Customer inventory deals | **(474,868)** | (523,769) | **(952,073)** | (931,665) |
| Net revenue from the sale of goods | **$ 806,154** | $ 914,264 | **$ 1,637,284** | $ 1,780,716 |

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

### 15.2 Disaggregation of Revenue

The following table shows revenue disaggregated by primary geographical region and program or business:

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| **Primary Geographic Regions** | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| North America | **$ 633,630** | $ 672,296 | **$ 1,218,488** | $ 1,261,011 |
| Europe, Middle East and Africa | **173,108** | 234,842 | **444,274** | 480,268 |
| Asia and Australia | **34,622** | 46,343 | **43,297** | 114,662 |
| Latin America and Caribbean | **553** | 46 | **885** | 433 |
| Total revenue | **$ 841,913** | $ 953,527 | **$ 1,706,904** | $ 1,856,374 |

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| **Program and Businesses** | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Canadian Circulation program | **$ 24,519** | $ 21,531 | **$ 46,173** | $ 42,458 |
| Foreign Circulation | **23,779** | 26,619 | **41,728** | 56,466 |
| Total Circulation | **48,298** | 48,150 | **87,901** | 98,924 |
| Bullion Products and Services | **761,680** | 880,598 | **1,556,733** | 1,701,136 |
| Numismatics | **31,935** | 24,779 | **62,270** | 56,314 |
| Total Precious Metals | **793,615** | 905,337 | **1,619,003** | 1,757,450 |
| Total revenue | **$ 841,913** | $ 953,527 | **$ 1,706,904** | $ 1,856,374 |

For the 13 weeks and 26 weeks ended July 2, 2022, three (13 weeks and 26 weeks ended July 3, 2021 – four) customers each made up 10% or more of the Corporation’s revenue.

The revenue earned from significant customers was reported in the Precious Metals business and primary geographic regions North America and Europe, Middle East and Africa for the 13 and 26 weeks ended July 2, 2022 and July 3, 2021.

### 15.3 Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as at July 2, 2022:

| | **2022** | **2023** | **2024** | **2025** | **Total** |
|---|---|---|---|---|---|
| Total revenue | **$ 63,558** | **$ 64,422** | **$ 61,118** | **$ 60,431** | **$ 249,529** |

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

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

### 16. DEPRECIATION AND AMORTIZATION EXPENSE

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Depreciation of property, plant and equipment | **$ 3,981** | $ 4,052 | **$ 7,922** | $ 8,110 |
| Amortization of intangible assets | **542** | 570 | **1,049** | 1,141 |
| Depreciation of right-of-use assets | **259** | 496 | **520** | 987 |
| Total depreciation and amortization expenses | **$ 4,782** | $ 5,118 | **$ 9,491** | $ 10,238 |

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Cost of sales | **$ 3,163** | $ 3,368 | **$ 6,216** | $ 6,739 |
| Marketing and sales expenses | **430** | 626 | **873** | 1,252 |
| Administration expenses | **1,189** | 1,124 | **2,402** | 2,247 |
| Total depreciation and amortization expenses | **$ 4,782** | $ 5,118 | **$ 9,491** | $ 10,238 |

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

## 17. EMPLOYEE COMPENSATION EXPENSES

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| **Included in cost of sales:** | | | | |
| Salaries and wages including short-term employee benefits | **$ 7,658** | $ 7,885 | **$ 16,063** | $ 15,774 |
| Pension costs | **1,877** | 1,713 | **3,055** | 2,928 |
| Other long-term employee and post-employment benefits | **800** | 742 | **1,454** | 1,385 |
| Termination benefits | **-** | - | **-** | 5 |
| **Included in marketing and sales expenses:** | | | | |
| Salaries and wages including short-term employee benefits | **3,343** | 3,233 | **6,922** | 6,574 |
| Pension costs | **668** | 544 | **973** | 819 |
| Other long-term employee and post-employment benefits | **128** | 126 | **242** | 248 |
| **Included in administration expenses:** | | | | |
| Salaries and wages including short-term employee benefits | **10,357** | 10,217 | **21,690** | 20,323 |
| Pension costs | **1,883** | 1,468 | **2,736** | 2,272 |
| Other long-term employee and post-employment benefits | **495** | 440 | **1,001** | 929 |
| Termination benefits | **11** | - | **11** | 22 |
| Total employee compensation and benefits expense | **$ 27,220** | $ 26,368 | **$ 54,147** | $ 51,279 |

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Scientific research and experimental development expenses | **$ 1,486** | $ 1,237 | **$ 2,561** | $ 2,473 |
| Scientific research and experimental development investment tax credit | **(319)** | (175) | **(444)** | (262) |
| Scientific research and experimental development expenses, net | **$ 1,167** | $ 1,062 | **$ 2,117** | $ 2,211 |

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

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Cost of sales | **$ 533** | $ - | **$ 968** | $ - |
| Administration expenses | **634** | 1,062 | **1,149** | 2,211 |
| Scientific research and experimental development expenses, net | **$ 1,167** | $ 1,062 | **$ 2,117** | $ 2,211 |

## 19. INCOME TAXES

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Current income tax expense | **$ 4,999** | $ 5,686 | **$ 9,676** | $ 11,983 |
| Deferred income tax (recovery) expense | **(4,275)** | 1,169 | **(4,154)** | (556) |
| Income tax expense | **$ 724** | $ 6,855 | **$ 5,522** | $ 11,427 |

The Corporation's effective income tax expense on profit before income tax differs from the amount that would be computed by applying the federal statutory income tax rate of 25% (2021 – 25%). The difference in the tax expense is due to temporary differences between accounting and taxable income, mainly due to the Face Value redemptions liability.

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

## 20. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Expenses | | | | |
| Employee benefits expenses | **$ 4,420** | $ 3,725 | **$ 6,651** | $ 6,019 |
| Employee benefits paid | **(4,565)** | (3,891) | **(6,626)** | (5,978) |
| Inventory write downs | **(212)** | (581) | **(203)** | (353) |
| Provisions | **364** | 133 | **439** | (1,773) |
| Loss on disposal of assets | **72** | - | **406** | 130 |
| Other non-cash expenses, net | **(319)** | (144) | **(444)** | (169) |
| Revenue | | | | |
| Foreign circulation revenue | **(4,369)** | (3,552) | **(7,424)** | (8,695) |
| Bullion service revenue | **(1,803)** | (2,753) | **(4,645)** | (5,324) |
| Adjustments to other (revenue) expenses, net | **$ (6,412)** | $ (7,063) | **$ (11,846)** | $ (16,143) |

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Trade receivables, net and other receivables | **$ 4,708** | $ 19,890 | **$ 23,646** | $ 43,035 |
| Inventories | **17,148** | (28,607) | **13,667** | (53,266) |
| Prepaid expenses | **(1,472)** | (3,992) | **(925)** | (4,912) |
| Trade payables, other payables and accrued liabilities | **(20,390)** | (17,907) | **(15,233)** | (6,781) |
| Contract liabilities | **(3,081)** | 7,517 | **2,572** | 9,031 |
| Provisions | **(197)** | - | **(197)** | (438) |
| Net change in operating assets and liabilities | **$ (3,284)** | $ (23,099) | **$ 23,530** | $ (13,331) |

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Income tax paid | **$ (5,434)** | $ (1,960) | **$ (24,740)** | $ (3,415) |
| Income tax received | **-** | 280 | **-** | 280 |
| Income tax paid, net of income tax received | **$ (5,434)** | $ (1,680) | **$ (24,740)** | $ (3,135) |

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

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

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Interest received | **$ (332)** | $ 1,239 | **$ 358** | $ 1,271 |
| Interest paid | **222** | (31) | **(348)** | (61) |
| Interest received, net of interest paid | **$ (110)** | $ 1,208 | **$ 10** | $ 1,210 |

## 21. RELATED PARTY TRANSACTIONS

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

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

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

The majority of transactions with the Government of Canada were with the Department of Finance related to the production, management and delivery of Canadian circulation coins which are governed by the terms outlined in the memorandum of understanding which is effective from January 1, 2022 to December 31, 2025 (2021 – January 1, 2018 to December 31, 2021)

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

The transactions with the Department of Finance were as follows:

| | 13 weeks ended | | 26 weeks ended | |
|---|---|---|---|---|
| | **July 2, 2022** | July 3, 2021 | **July 2, 2022** | July 3, 2021 |
| Revenue | **$ 21,747** | $ 20,786 | **$ 42,576** | $ 40,749 |

| | As at | |
|---|---|---|
| | **July 2, 2022** | December 31, 2021 |
| Trade receivable (Note 5) | **$ 3,280** | $ 403 |
| Contract liability (Note 7) | **$ -** | $ 456 |

During the 26 weeks ended July 2, 2022 and July 3, 2021, the majority of transactions with Crown corporations were for the sale of numismatic products.

## 22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

### 22.1 Precious metal commitments

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments, as well as precious metal leases and supply arrangements for precious metal bullion products. As at July 2, 2022, the Corporation had $24.2 million in outstanding firm fixed-price precious metal purchase commitments and firm commitments for precious metal bullion product supply arrangements (December 31, 2021 – $24.7 million).

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

| | As at | |
|---|---|---|
| *Ounces* | **July 2, 2022** | December 31, 2021 |
| Gold | **430,886** | 591,186 |
| Silver | **16,712,149** | 10,470,977 |
| Platinum | **12,531** | 22,076 |

The fees for these leases are based on the market value. The precious metal lease payments expensed for the 13 and 26 weeks ended July 2, 2022 were $5.0 million and $8.6 million (July 3, 2021 - $2.8 million and $5.5 million), respectively. The value of the precious metals under these leases is not reflected in the Corporation's condensed consolidated financial statements as stated in note 3.2.5 of the audited consolidated financial statements for the year ended December 31, 2021.

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

### 22.2 Trade finance bonds and bank guarantees

The Corporation has various outstanding bank guarantees and trade finance bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to two years depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than six months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments that might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As at July 2, 2022, under the guarantees and bid bonds, the maximum potential amount of future payments was $18.1 million (December 31, 2021 - $19.8 million).

### 22.3 Other commitments and contingencies

As at July 2, 2022, the total estimated minimum remaining future commitments were as follows:

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|---|---|---|---|---|---|---|---|
| Other commitments | **$ 40,856** | **$ 7,992** | **$ 3,201** | **$ 2,258** | **$ 798** | **$ 243** | **$ 55,348** |
| Base metal commitments | **2,864** | **1,767** | **-** | **-** | **-** | **-** | **4,631** |
| Capital commitments | **17,641** | **3,144** | **-** | **-** | **-** | **-** | **20,785** |
| Total | **$ 61,361** | **$ 12,903** | **$ 3,201** | **$ 2,258** | **$ 798** | **$ 243** | **$ 80,764** |

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

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

The Corporation committed to spend approximately $20.8 million as at July 2, 2022 (December 31, 2021 - $4.9 million) in 2022 and 2023 on capital projects.

In addition, there are various legal claims against the Corporation. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's condensed consolidated financial statements. A $0.6 million provision for potential legal obligations is included in other provisions (Note 12) as at July 2, 2022 (December 31, 2021 - $0.6 million). The amount and timing of the settlement of the provision is uncertain.

Other than the changes noted above, there have been no other material changes to the Corporation's commitments, contingencies and guarantees since December 31, 2021.