



2005 Annual Report

THRIVING



ROYAL CANADIAN MINT
MONNAIE ROYALE CANADIENNE

2005 ANNUAL REPORT

THRIVING

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Financial and operating highlights

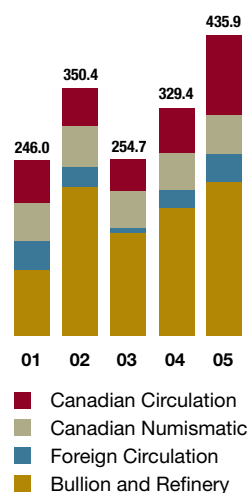
	2005	2004	% change
Key financial highlights (in millions of dollars)			
Revenue	435.9	329.4	32.3
Net income before income tax	13.2	15.3	(13.5)
Net income	8.7	10.6	(18.4)
Total assets	195.9	168.1	16.5
Capital expenditures	34.3	6.9	398.6
Cash flow from operating activities	(10.6)	18.6	(156.8)

Key operating highlights

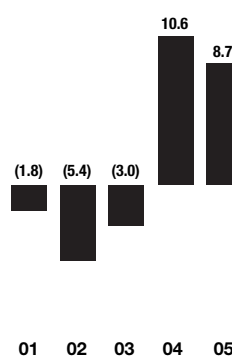
Circulation coins produced

(in millions of pieces)	1,519.5	1,378.7	10.2
Gold bullion sales (in thousands of ounces)	329.3	285.0	15.5
Number of employees (at December 31)	732	672	8.9
Gross profit	93.2	77.2	20.7
Value-added sales revenue per employee			
(in thousands of dollars)	165.0	154.0	7.1
Pre-tax return on equity	12.7%	15.8%	(19.8)
Debt to equity ratio	0.88:1	0.74:1	18.7
Shareholder's equity	104.2	96.6	7.9
Total production (millions of pieces)	2,587.5	2,060.8	25.6

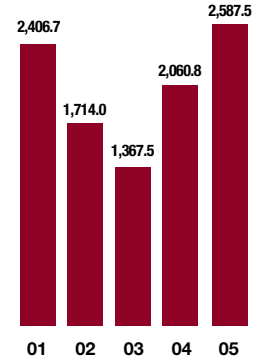
Revenue (segmented)
(\$ in millions)



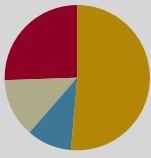
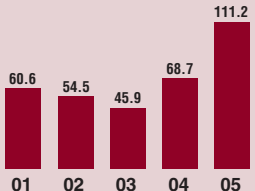
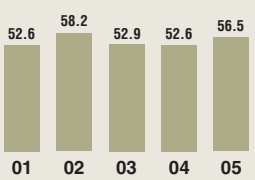
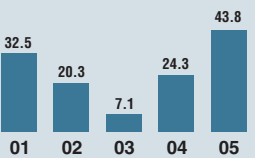
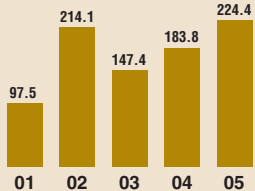
Net income (loss)
(\$ in millions)



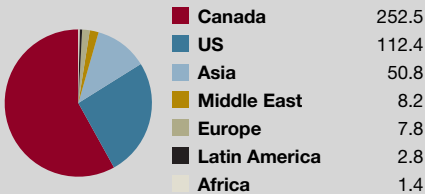
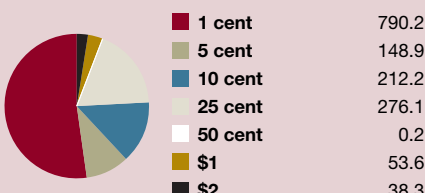
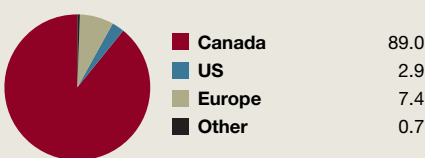
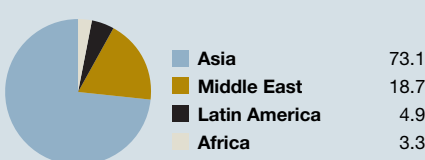
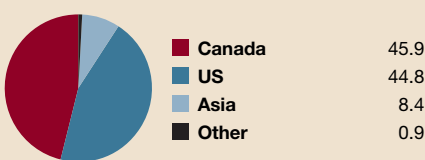
Total production
(millions of pieces)



The Mint at a glance

BUSINESS LINE	BUSINESS LINE RESULTS												
Royal Canadian Mint The Royal Canadian Mint is a commercial Crown corporation responsible for the production and distribution of all circulation coinage in Canada. It also produces foreign circulation, numismatic and bullion coins for domestic and international customers. As one of the largest refiners of precious metals in the world, it also refines, assays and stores gold and silver for Canadian and foreign customers.	Revenue by segment  <table border="1"> <thead> <tr> <th>Segment</th> <th>Revenue (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>Cdn. circulation</td> <td>111.2</td> </tr> <tr> <td>Foreign circulation and numismatic</td> <td>43.8</td> </tr> <tr> <td>Cdn. numismatic</td> <td>56.5</td> </tr> <tr> <td>Bullion products, Refinery and other</td> <td>224.4</td> </tr> </tbody> </table> In 2005, the Mint delivered revenue of \$435.9 million and net income of \$8.7 million compared to revenues of \$329.4 million and net income of \$10.6 million in 2004. The Mint completed 44 kaizen* to achieve cost savings and productivity enhancements throughout the Mint.	Segment	Revenue (\$ in millions)	Cdn. circulation	111.2	Foreign circulation and numismatic	43.8	Cdn. numismatic	56.5	Bullion products, Refinery and other	224.4		
Segment	Revenue (\$ in millions)												
Cdn. circulation	111.2												
Foreign circulation and numismatic	43.8												
Cdn. numismatic	56.5												
Bullion products, Refinery and other	224.4												
Canadian Circulation The Mint's responsibilities include: • Providing Canadians with high quality, cost-effective coins. • Managing the inventory and distribution of coins • Promoting awareness of people, places and events of importance in Canadian history.	Revenue (\$ in millions)  <table border="1"> <thead> <tr> <th>Year</th> <th>Revenue (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>60.6</td> </tr> <tr> <td>02</td> <td>54.5</td> </tr> <tr> <td>03</td> <td>45.9</td> </tr> <tr> <td>04</td> <td>68.7</td> </tr> <tr> <td>05</td> <td>111.2</td> </tr> </tbody> </table> Increased revenue was driven by strong economic growth in every region of Canada, structural changes and expansion in retailing, and the issue of five special coins minted to celebrate Canadian heroes and historical events.	Year	Revenue (\$ in millions)	01	60.6	02	54.5	03	45.9	04	68.7	05	111.2
Year	Revenue (\$ in millions)												
01	60.6												
02	54.5												
03	45.9												
04	68.7												
05	111.2												
Canadian Numismatic The Mint's numismatic products celebrate Canada's diverse culture, rich history, natural splendor and national achievements. The Mint also produces uncirculated, specimen and proof sets of circulation coins as well as consumer giftable products for gift-givers.	Revenue (\$ in millions)  <table border="1"> <thead> <tr> <th>Year</th> <th>Revenue (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>52.6</td> </tr> <tr> <td>02</td> <td>58.2</td> </tr> <tr> <td>03</td> <td>52.9</td> </tr> <tr> <td>04</td> <td>52.6</td> </tr> <tr> <td>05</td> <td>56.5</td> </tr> </tbody> </table> Increased revenue was driven by demand for coins decorated with advanced technologies such as enameling and double holograms. The Mint produced 42 new products in 2005; 19 were sold out by year-end.	Year	Revenue (\$ in millions)	01	52.6	02	58.2	03	52.9	04	52.6	05	56.5
Year	Revenue (\$ in millions)												
01	52.6												
02	58.2												
03	52.9												
04	52.6												
05	56.5												
Foreign Circulation The Mint designs and produces circulation and numismatic coins as well as ready-to-strike blanks for customers – mostly governments, central banks and treasuries. It also sells or licenses coin production technology, tooling and consulting services, including the management of alloy recovery and recycling programs.	Revenue (\$ in millions)  <table border="1"> <thead> <tr> <th>Year</th> <th>Revenue (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>32.5</td> </tr> <tr> <td>02</td> <td>20.3</td> </tr> <tr> <td>03</td> <td>7.1</td> </tr> <tr> <td>04</td> <td>24.3</td> </tr> <tr> <td>05</td> <td>43.8</td> </tr> </tbody> </table> Revenue growth was achieved through the leveraging of the Mint's innovative plating process offering low-cost, high quality products to customers.	Year	Revenue (\$ in millions)	01	32.5	02	20.3	03	7.1	04	24.3	05	43.8
Year	Revenue (\$ in millions)												
01	32.5												
02	20.3												
03	7.1												
04	24.3												
05	43.8												
Bullion products, Refinery and other The Mint produces and markets a family of gold, silver and palladium Maple Leaf bullion coins, as well as high purity precious metal products such as gold and silver granules and wafers. It also operates a refinery that provides customers with an integrated solution to gold and silver processing from refining to assaying and secure storage.	Revenue (\$ in millions)  <table border="1"> <thead> <tr> <th>Year</th> <th>Revenue (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>97.5</td> </tr> <tr> <td>02</td> <td>214.1</td> </tr> <tr> <td>03</td> <td>147.4</td> </tr> <tr> <td>04</td> <td>183.8</td> </tr> <tr> <td>05</td> <td>224.4</td> </tr> </tbody> </table> Gold hit a 24-year high of \$544.50 on December 12, 2005. This increase in the price of gold helped drive bullion and refinery revenues to \$224.4 million from \$183.8 million in 2004.	Year	Revenue (\$ in millions)	01	97.5	02	214.1	03	147.4	04	183.8	05	224.4
Year	Revenue (\$ in millions)												
01	97.5												
02	214.1												
03	147.4												
04	183.8												
05	224.4												

* An evaluation for continuous incremental improvement in process practices and efficiency.

	REGIONAL OR PRODUCTION STATISTICS	OUTLOOK														
	Revenue by region (\$ in millions)  <table><tr><td>Canada</td><td>252.5</td></tr><tr><td>US</td><td>112.4</td></tr><tr><td>Asia</td><td>50.8</td></tr><tr><td>Middle East</td><td>8.2</td></tr><tr><td>Europe</td><td>7.8</td></tr><tr><td>Latin America</td><td>2.8</td></tr><tr><td>Africa</td><td>1.4</td></tr></table>	Canada	252.5	US	112.4	Asia	50.8	Middle East	8.2	Europe	7.8	Latin America	2.8	Africa	1.4	The Mint anticipates continued growth in demand for coins, driven by the strength of the Canadian economy. Ongoing commitment to building a <i>lean</i> enterprise will ensure continued growth in net income and seigniorage.
Canada	252.5															
US	112.4															
Asia	50.8															
Middle East	8.2															
Europe	7.8															
Latin America	2.8															
Africa	1.4															
	Production (millions of pieces)  <table><tr><td>1 cent</td><td>790.2</td></tr><tr><td>5 cent</td><td>148.9</td></tr><tr><td>10 cent</td><td>212.2</td></tr><tr><td>25 cent</td><td>276.1</td></tr><tr><td>50 cent</td><td>0.2</td></tr><tr><td>\$1</td><td>53.6</td></tr><tr><td>\$2</td><td>38.3</td></tr></table>	1 cent	790.2	5 cent	148.9	10 cent	212.2	25 cent	276.1	50 cent	0.2	\$1	53.6	\$2	38.3	Fundamental demand for circulation coinage is expected to remain strong. The increased capacity in Winnipeg will allow the Mint to meet both foreign and domestic demand.
1 cent	790.2															
5 cent	148.9															
10 cent	212.2															
25 cent	276.1															
50 cent	0.2															
\$1	53.6															
\$2	38.3															
	Revenue (% by region)  <table><tr><td>Canada</td><td>89.0</td></tr><tr><td>US</td><td>2.9</td></tr><tr><td>Europe</td><td>7.4</td></tr><tr><td>Other</td><td>0.7</td></tr></table>	Canada	89.0	US	2.9	Europe	7.4	Other	0.7	In 2006, the Mint will issue coins incorporating advanced technologies, such as laser-etched photography.						
Canada	89.0															
US	2.9															
Europe	7.4															
Other	0.7															
	Revenue (% by region)  <table><tr><td>Asia</td><td>73.1</td></tr><tr><td>Middle East</td><td>18.7</td></tr><tr><td>Latin America</td><td>4.9</td></tr><tr><td>Africa</td><td>3.3</td></tr></table>	Asia	73.1	Middle East	18.7	Latin America	4.9	Africa	3.3	Reducing the cost of coinage remains one of the core objectives of all central banks. The expansion of the Mint's plating production capacity in Winnipeg and the implementation of a new ERP platform in 2007 will enhance the Mint's competitive advantages in the global market.						
Asia	73.1															
Middle East	18.7															
Latin America	4.9															
Africa	3.3															
	Revenue (% by region)  <table><tr><td>Canada</td><td>45.9</td></tr><tr><td>US</td><td>44.8</td></tr><tr><td>Asia</td><td>8.4</td></tr><tr><td>Other</td><td>0.9</td></tr></table>	Canada	45.9	US	44.8	Asia	8.4	Other	0.9	The economic and political issues that drove gold prices to historic highs have not moderated, leading to an expectation that demand for precious metals will remain strong.						
Canada	45.9															
US	44.8															
Asia	8.4															
Other	0.9															

Message from the Chairperson

I was truly honoured in November 2005 to become Chairperson of the Royal Canadian Mint's Board of Directors. The Mint is an important national institution with a long and valuable history and, at the same time, a modern enterprise with exceptional business strategies and a refreshing spirit of innovation.



The Mint's present vigour as a Crown corporation is the product of a major effort over the past few years by the Board, management and employees to refocus the Corporation, establish a sound governance framework, develop and implement effective policies and efficient processes, and deliver greater value to customers.

The Mint returned to profitability in 2004 and achieved substantial growth in revenues. That thrust continued in 2005, with sustained profitability and further significant revenue growth. These positive results are in no small measure due to the strong, diligent and professional leadership of Mr. Emmanuel Triassi, past Chairperson, and Mr. David Dingwall, former President and CEO, each of whom left the Corporation in 2005. They helped establish a strong foundation on which the Mint can grow and flourish.

In October, the Board welcomed Mrs. Marguerite Nadeau as Acting President and CEO. Mrs. Nadeau has more than 21 years of experience with the Corporation, most recently as Vice-President, General Counsel and Corporate Secretary. Her knowledge and expertise will assist the Corporation in staying the course to increased profitability.

In 2005, we saw other changes to the Board. We welcomed four new members, Keith Meagher, Richard Kwan, Carol Anne Lee and Darcia Schirr, who bring new experience and perspective to our team. We bid farewell to Ernie Gilroy, Hilary Goldenberg and Tim Spiegel. I extend sincerest thanks to them for their commitment of time and talent during their mandate.

The Mint has been producing high-quality medals for decades, including the prestigious Governor General's Performing Arts Awards medal since 1997.

Made of commercial bronze and plated with 99.99% gold, the design is the emblem of the Awards with the inscription "The arts uplift and inspire us."





Bravery and self-sacrifice define Canada's heroes of the past, present and future. 2005 marked the Year of the Veteran, and the Mint paid tribute to our veterans, both young and old, with a special 25-cent circulation coin in October.

Over the past few years, numerous studies regarding governance structures and processes have been undertaken. The results have been a strengthening of structures and processes, which in turn have led to an increase in involvement and accountability for Boards of Directors. This enhanced role and increased level of responsibility requires a greater commitment of time and energy by Board members.

In the coming months, the Board and management will work together on continued refinements and improvements to governance practices. The Board will build on the thorough work completed in recent years by the Strategic Planning, Audit, Human Resources, Governance, and Nominating Committees and will continue to provide appropriate governance and leadership.

Specifically, we will review the five-year Corporate Plan, including the models for all lines of business, and review communications plans to ensure they include open, timely and effective communications with our employees, customers and stakeholders. We will build on the risk identification process completed in 2005, ensuring that risk management plans are included in all business plans.

The Mint faces some significant challenges ahead, including a highly competitive environment and the impact of virtual payment technologies on its core business. But challenges present opportunities. By leveraging our tremendous assets—our talented people, recognized brand, world-leading facilities, business acumen, innovative technologies and market presence—I am confident we can generate further profitable growth.

The Board of Directors will work actively to encourage, promote and support the Mint's experienced, committed management team in the pursuit of that objective. With a complement of new and experienced directors, we look forward with confidence and enthusiasm.

Max Lewis
Chairperson, Board of Directors
Royal Canadian Mint

Message from the President and CEO

2005 was yet another momentous year for the Royal Canadian Mint. We experienced our second successive year of profitability, achieving a pre-tax profit of \$13.2 million, the third highest return since the Mint became subject to income tax. A significant accomplishment, this signals a new viability at the Mint and a sustained commitment to success. Moving forward, we will pursue bolder results, striving not just for profitability but also for growth.



Throughout the past year, we have taken steps to pave the way for growth in 2006. For example, we expanded our production infrastructure and refined our governance practices. We also redefined the Mint's mission, vision and values, which has led to improvements at virtually all levels of the organization.

In the circulation business line, the plating facility in Winnipeg underwent a significant expansion. This will allow the Mint to leverage its innovative plating technologies and respond to increased global demand for lower-cost plated coinage. Enhancements to the plating palette were made to allow for the production of coloured circulation coins. In addition, a new agreement governing domestic circulation coin production was struck allowing the Mint to share savings generated through production efficiencies and recycling.

The numismatics business line successfully increased its revenues in 2005, recording an impressive number of product sellouts. Nonetheless, as this market continues to decline, cost controls, customer retention and new customer acquisition will be key priorities.

Throughout the year, the Mint garnered impressive contract wins with several foreign customers, attesting to the competitive strength of the Mint's patented plating technology. Over the past 25 years, the Mint has produced more than 52 billion coins for 62 countries—a legacy in which we all take pride.

Bullion and Refinery Services also experienced growth in 2005. In response to customer demand and in fulfillment of internal requirements at the Mint, a state-of-the-art silver refinery was commissioned and will be fully operational in 2006.

Terry Fox became the first Canadian-born individual featured on a circulation coin in March, when the Mint issued a one-dollar coin commemorating the 25th anniversary of his Marathon of Hope. This coin was immediately embraced, clearly demonstrating that he continues to inspire Canadians everywhere.





Smooth rocks and windswept pines – both are synonymous with Ontario's southern Georgian Bay. Popular with collectors and nature enthusiasts alike, this third in a series featuring National Parks is highly sculpted in 99.99% proof fine silver.

At the Board level, Directors reviewed and approved the 2006-2010 Corporate Plan. The Plan sets out six core values of the Mint—customer focus, excellence, innovation, Canadian pride, integrity and a genuine concern for people. These values will guide our actions as we strive to meet the six objectives outlined for the planning periods.

The first objective is to elevate the Mint to a world-class brand recognized for quality, innovation and exceeding customer expectations. The second is to ensure that Canadian circulation products and services are cost-effective, accessible and relevant, and inspire Canadians to celebrate their history, culture and values. The third objective is to ensure that foreign coinage, bullion and refinery services, collectible and other related products and services lead in their respective markets. The fourth objective is to generate a profit and maintain long term viability through on-going commitment to customer satisfaction, growth and efficiency. The fifth is to ensure that health, safety and the environment are paramount considerations in providing the ideal workplace, and the sixth is to create an environment where all employees demonstrate the Corporation's values and celebrate success.

This last objective is a critical one. Our employees are our greatest asset. Without their hard work and dedication, we would not be in our current position of strength. I thank them for their engagement and sustained efforts in 2005.

I would also like to thank the Board of Directors for their active participation and generous contributions of time and expertise. In particular, I thank Mr. Emmanuel Triassi, whose term as Chairperson concluded in 2005, and Mr. David Dingwall, former President and CEO, who also left the Corporation during the year. Their pivotal role in effecting a substantial turnaround at the Mint is well recognized. I welcome incoming Board Chairperson, Mr. Max Lewis. His experience and stewardship will undoubtedly inspire progress.

The Royal Canadian Mint now stands poised for growth. Our customers and competitors, both, challenge us to be better. As leaders in innovation, we embrace that challenge, and move forward with conviction and confidence.

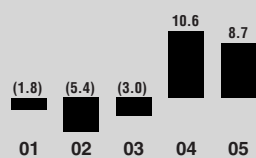
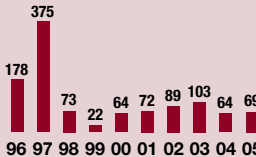
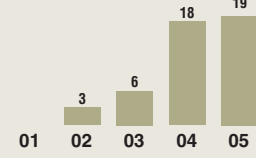
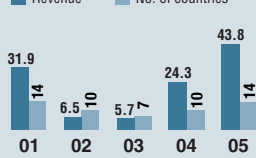
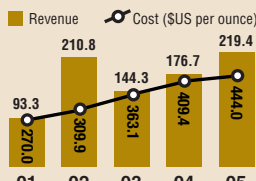
Marguerite F. Nadeau, Q.C.

Acting President and CEO

Royal Canadian Mint

Performance against objectives

BUSINESS LINE	2005 PERFORMANCE GOAL
 Royal Canadian Mint “Through our creative capabilities and continued commitment to building a <i>lean</i> enterprise, the Mint is poised for continued growth in revenue, income and seigniorage.” <i>Marguerite F. Nadeau, Q.C.</i> Acting President and CEO	1. Grow revenues and net income. 2. Increase value-added sales revenue per employee. 3. Create an environment in which all employees participate in building the Mint's position as a global leader in minting. 4. Protect the environment as well as the health and safety of employees.
 Canadian circulation coins “We have doubled the plating capacity of our plant in Winnipeg, expanding our ability to produce blanks for Canada's \$1 coin and meet increasing demand from domestic and foreign governments.” Manon Laplante Executive Director	1. Ensure Canadian circulation coins are cost-effective and available to ensure efficient trade commerce in Canada. 2. Increase demand and seigniorage by issuing new denominations or commemorative coins. 3. Continually improve operations and operating margins.
 Canadian numismatic coins “Our creative and technological capabilities continue to allow the Mint to issue coins that capture the imagination of collectors around the world.” Paul Lefebvre Executive Director	1. Increase revenue by expanding sales to each customer and our market reach. 2. Increase contribution by reducing costs through <i>lean</i> initiatives. 3. Strengthen the portfolio of products and investment value of the Mint's products through continued improvements in technology and a commitment to excellence in design and manufacturing.
 Foreign circulation “The decision to expand our sales capabilities in foreign markets will assure the Mint plays a leading role in the global marketplace.” Peter J. Ho Executive Director	1. Expand the sales force to effectively re-establish relationships with traditional customers and metal suppliers through more frequent customer visits. 2. Expand the sales force to focus sales efforts and resources on those countries most likely to require the Mint's services. 3. Expand the Mint's capabilities to meet the volume of demand from foreign customers.
 Bullion products, Refinery and other “The Mint's strong relationships within the industry, together with the flexibility to introduce new products and services, will ensure our continued success.” David Madge Executive Director	1. Enhance visibility in the marketplace. 2. Leverage Maple Leaf and Mint brand equity by issuing new products to expand the Mint's reach within the investment community. 3. Expand refining services and market share.

	2005 PERFORMANCE	2005 KEY PERFORMANCE MEASURE																						
	- Increased revenues to \$435.9 million and net income to \$8.7 million. Increased revenue in every business line. - Reduced the number of companies supplying the Mint to 640 from 6,000 at the beginning of 2004. - Completed 44 kaizen to achieve cost-savings of \$305,000. - Committed 3% of payroll to training in new technologies and processes. - Continued enterprise-wide succession planning.	Net Income (\$ in millions)  <table><tr><th>Year</th><th>Net Income (\$ in millions)</th></tr><tr><td>01</td><td>(1.8)</td></tr><tr><td>02</td><td>(5.4)</td></tr><tr><td>03</td><td>(3.0)</td></tr><tr><td>04</td><td>10.6</td></tr><tr><td>05</td><td>8.7</td></tr></table>	Year	Net Income (\$ in millions)	01	(1.8)	02	(5.4)	03	(3.0)	04	10.6	05	8.7										
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	- Increased production by 10.2% to 1,519 million pieces. Revenue increased by 61.9% to \$111.2 million. - Expanded plating capacity in Winnipeg to 7,000 metric tonnes, extending the facility's capabilities to produce yellow coins. - Improved technologies related to producing painted coins. - Reduced coin pool inventories by 16% without triggering any shortages. - Increased seigniorage to \$69 million from \$64 million in 2004. - Issued five commemorative circulation coins. - Completed training in the alloy recovery program and established operating sites in Toronto and Montreal. - Expanded the coin recycling project to Southern Ontario and Montreal.	Seigniorage (\$ in millions) <i>per Government of Canada year end</i>  <table><tr><th>Year</th><th>Seigniorage (\$ in millions)</th></tr><tr><td>96</td><td>178</td></tr><tr><td>97</td><td>375</td></tr><tr><td>98</td><td>73</td></tr><tr><td>99</td><td>22</td></tr><tr><td>00</td><td>64</td></tr><tr><td>01</td><td>72</td></tr><tr><td>02</td><td>89</td></tr><tr><td>03</td><td>103</td></tr><tr><td>04</td><td>64</td></tr><tr><td>05</td><td>69</td></tr></table>	Year	Seigniorage (\$ in millions)	96	178	97	375	98	73	99	22	00	64	01	72	02	89	03	103	04	64	05	69
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04	64																							
05	69																							
	- Increased revenues by 7.4% to \$56.5 million from \$52.6 million in 2004. - Sold out 19 of 42 new coins issued. - Improved order processing and fulfillment, including refinements to packaging and delivery of products sold through direct marketing. The number of customer complaints registered in 2005 was less than 1% of sales. - Reduced reject rates to 10% in 2005 from 27% in 2004 by stricter adherence to <i>lean</i> manufacturing. - Improved the Mint's ability to forecast sales, adopting a mixed inventory method to improve on-time delivery, plant efficiencies and reduce costs.	Numismatic sell outs  <table><tr><th>Year</th><th>Numismatic sell outs</th></tr><tr><td>01</td><td>3</td></tr><tr><td>02</td><td>6</td></tr><tr><td>03</td><td>18</td></tr><tr><td>04</td><td>19</td></tr></table>	Year	Numismatic sell outs	01	3	02	6	03	18	04	19												
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	- Production of foreign blanks and coins increased to 1.06 billion pieces from 676.7 million in 2004. - Revenues increased to \$43.8 million from \$24.3 million in 2004. - Submitted bids for 55 contracts and was awarded 14 of those contracts. - Produced 1 billion coins for Thailand and secured a contract to produce 400 million new 2 Baht coins in 2006. - Secured the contract to replace New Zealand's existing coinage, confirming the superior nature of the Mint's multi-ply technology. - Enhanced the Mint's global sales coverage with the establishment of a marketing relationship with Giesecke & Devrient GmbH.	Revenue* / Number of countries served  <table><tr><th>Year</th><th>Revenue*</th><th>No. of countries</th></tr><tr><td>01</td><td>31.9</td><td>14</td></tr><tr><td>02</td><td>6.5</td><td>10</td></tr><tr><td>03</td><td>5.7</td><td>7</td></tr><tr><td>04</td><td>24.3</td><td>10</td></tr><tr><td>05</td><td>43.8</td><td>14</td></tr></table> <i>* excluding numismatic</i>	Year	Revenue*	No. of countries	01	31.9	14	02	6.5	10	03	5.7	7	04	24.3	10	05	43.8	14				
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	- Continued geopolitical and economic uncertainty pushed sales of bullion products to 329,329 ounces from 285,000 ounces in 2004. - Launched a one-ounce palladium Maple Leaf and a half-ounce Silver Wolf. - Bullion coin revenue increased by 24.2% to \$219.4 million from \$176.7 million in 2004. - Commissioned a silver refinery with a two million ounce capability per year. - Volume of gold refined decreased by 7% to 3.8 million ounces from 4.1 million ounces in 2004, bringing revenue down to \$4.4 million from \$6.3 million in 2004.	Bullion revenue / Cost of gold  <table><tr><th>Year</th><th>Revenue</th><th>Cost (\$US per ounce)</th></tr><tr><td>01</td><td>93.3</td><td>270.0</td></tr><tr><td>02</td><td>210.8</td><td>309.9</td></tr><tr><td>03</td><td>144.3</td><td>363.1</td></tr><tr><td>04</td><td>176.7</td><td>409.4</td></tr><tr><td>05</td><td>219.4</td><td>441.0</td></tr></table>	Year	Revenue	Cost (\$US per ounce)	01	93.3	270.0	02	210.8	309.9	03	144.3	363.1	04	176.7	409.4	05	219.4	441.0				
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As part of a new product strategy aimed at increasing revenue and maximizing sales with the same fixed costs, the Mint established merchandising exchange agreements with other mints. As an initial test, three products from Britain's Royal Mint were made available to Royal Canadian Mint customers. Based on positive response, an Italian Torino Olympic numismatic release, and King Kong and Narnia Chronicles releases from the New Zealand Post were offered.

The Mint was awarded 14 foreign contracts in 2005, including a contract to produce 2 Baht coins for Thailand. Both Canadian and foreign circulation coins are produced at the Mint's Winnipeg coin plating facility, which has become one of the most modern and innovative in the world.



Attentive and inventive

In 2005, the Mint continued to introduce coins and coin products designed for broad appeal—circulation coins that celebrate Canada's culture, history and values, complementary consumer giftable items and limited mintage numismatic offerings created with innovative technologies.

Highly popular releases of circulation coins included: the Terry Fox commemorative one-dollar coin; the Victory Anniversary Nickel; the Alberta and Saskatchewan centennial 25-cent coins; and the Year of the Veteran 25-cent coin. Consumer giftable highlights included the Toronto Maple Leafs® and Montreal Canadiens® hockey coin sets—41,600 of which sold in the first month of sales—and the Holiday Gift Set, which yielded sales 90 percent greater than the 2004 edition. The Mint's poppy bookmark and pin set was another favourite, selling 30,000 units in just three weeks.

New collector products included the enamel silver dollar, specially wrapped rolls of circulation coins and first day strikes. Bullion test coins featuring unique Royal Canadian Mint marks were among the novel coin offerings. In total, the Corporation reported 19 sellouts during the calendar year.

coin technology

The Mint first applied hologram technology to coinage in 1999. Since then, it has issued several exceptional hologram offerings that marry beautiful coin design with rich colour and depth—such as this 2005 \$20 Three-masted Ship Silver Coin.



The 2005 Limited-Edition Proof Silver Dollar is the first RCM issue to feature an enamel effect. This technology allows the Mint to apply a thick coat of glossy epoxy to the coin, thereby raising up the design and enhancing the vibrancy of its colour.



Connected and collaborative

In 2005, the Mint launched a revitalized web presence. The new e-commerce site is fully flash-animated and features the latest platforms. It provides a user-friendly shopping experience for online customers. In fact, mint.ca won the Best Transactional Website Award in the 2005 Boomerang Contest for interactive communications in Quebec. Supported by engaging e-marketing campaigns and featuring microsites for individual commemorative circulation coin launches, the site has inspired an unprecedented number of visits and boosted sales substantially: web revenues reached \$5.9 million by year-end, an increase of 15.7% from 2004.

A secure partners' section was introduced toward the end of the year. It allows dealers and distributors to access pricing details, review pre-release product information and download product marketing material. Once integrated with the Mint's enterprise resource planning (ERP) system, it will become transactional, allowing partners to make online purchases and track orders.

Leveraging its web technology, the Mint initiated a novel competition: Canadians were invited to vote on their preferred choice of coin design for commemorative circulation coins marking Alberta's and Saskatchewan's centennials. The Mint worked with the Government of Alberta and the Saskatchewan Arts Board to commission local artists and select finalists. Over fifty thousand people cast web votes over a one-month period, and the final designs were launched in July.



In 2005, Alberta and Saskatchewan celebrated 100 years of heart, achievement and prosperity. For the first time, Canadians voted for which designs would be featured on a coin. Over 50,000 Canadians cast a vote and the results became the Alberta and Saskatchewan centennial 25-cent circulation coins.

The Mint reached out to youngsters in new ways last year. In association with the release of the Victory Anniversary Nickel, which marked the 60th anniversary of the end of World War II, the Corporation distributed a complementary elementary school kit for use in social studies and other classes.

In 2004, the Royal Canadian Mint became the first to issue a coloured circulation coin using a high-speed, computer-controlled, precision inkjet process. The Mint has since refined its coating and curing methods to augment colour adhesion, in preparation for a 2006 coloured circulation coin issue.



The Mint was among the first to adopt Physical Vapour Deposition (PVD) technology to coat its coin dies (top), extending die life well beyond that of chrome-coated predecessors (bottom). PVD is an advanced technology used in the aerospace industry to increase the durability of jet-engine turbines and other equipment.



In 2005, the Mint negotiated a new three-year Memorandum of Understanding with the federal Department of Finance. A radical departure from the cost-plus agreement in place since the Mint's inception, this business-modeled arrangement features incentives for efficiency, and shares savings generated through coin recycling.

Hockey is Canada's game. To celebrate this passion, the Mint produced two sterling silver four-coin sets.

Fans of the Montreal Canadiens® and Toronto Maple Leafs® could relive the magic with their all-time favourite hockey legends.



Enterprising and profitable

Demand for the Royal Canadian Mint's patented steel-plating technology reached unprecedented levels in 2005. Among the major foreign contracts secured, the Mint established agreements to produce circulation coins for the following countries: 50 million coins for both the Dominican Republic and Papua New Guinea, 400 million for Thailand, and all low-denomination circulation coins for New Zealand over the next five years. Plated coin is helping foreign customers incorporate electromagnetic signatures in their currency and meet the practical challenges of coin reading and processing faced by transit authorities.

The Mint also forged an important co-selling agreement with Giesecke & Devrient GmbH (G&D) last year. This agreement will allow the Corporation to expand sales efforts in Africa and Eastern Europe, where it lacks a physical presence.

The Mint's business strategies continued to pay off in 2005: for the second consecutive year, the Corporation reported a sizable pre-tax profit—\$13.2 million. Revenues grew considerably as well—from \$329 million in 2004 to \$436 million.

The Mint's patented multi-ply steel plating process has revolutionized the industry. Multi-ply technology allows electromagnetic signatures to be imbedded in the coins, assuring readability in the coin-processing industries.



Multi-ply technology delivers tremendous cost efficiencies and produces coins of increased durability and brilliance. The technology is in high demand with foreign circulation customers.



Progressive and accountable

Working collaboratively with its two unions, the Public Service Alliance of Canada and the Amalgamated Transit Union, in 2005 the Mint signed new three-year collective bargaining agreements that incorporate a benefit unique among Crown corporations: profit sharing for unionized employees.

The Mint maintained impressive momentum with its *lean* enterprise program, continuing to refine its operational systems. Another 44 improvement projects were initiated across the four business lines to eliminate waste and deliver optimal value to customers. As a result, the Mint realized efficiency gains of \$305,000, improved workflows and achieved tighter alignment. The Mint also began modernization of its ERP system. This effort will drive business intelligence down through the organization, allowing the Mint to enhance customer relations and access major cost savings. The Mint also completed implementation of the product lifecycle management (PLM) system developed in 2004.

In keeping with Canada's Financial Administration Act requiring Crown corporations to undergo a Special Examination every five years, the Mint participated in a review by the Office of the Auditor General that assessed governance, financial, management-control and information systems. The examination report concluded that the Mint had systems and practices that provided reasonable assurance that the Corporation's operations are carried out effectively, that its resources were managed efficiently and economically, and that its assets were properly safeguarded and controlled on behalf of Canadians. The Mint is actively addressing the 11 recommendations proposed in the examination report.



The Gold Maple Leaf coin embodies the passion for purity that is the hallmark of the Royal Canadian Mint. This is reflected in the "9999" symbol struck on every one of the Mint's 24-karat gold coins, which are instantly recognized and traded throughout the world.

As part of its 2006 corporate planning process, the Mint is increasing its training commitment from 3 percent of payroll to a remarkable 4 percent—far above the Canadian manufacturing average of 2.54 percent.

Selective plating is a slow and labour-intensive process of electrolysis. When a coin is dipped into the gold solution, unmasked portions attract the metal to their surface.



The 2005 \$300 Gold Standard Time Coin is a fine specimen of laser etching technology, which oxidizes a coin's surface at a prescribed rate to produce an array of colours in minute proportions.



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Board of Directors
Royal Canadian Mint



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Affairs (HSSE)



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Madeleine Bertrand
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Business Line Leaders



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Executive Director
Canadian Circulation



Paul Lefebvre
Executive Director
Numismatics



Peter J. Ho
Executive Director
Foreign Circulation



David Madge
Executive Director
Bullion and Refinery

Management's discussion and analysis

Corporate overview

The Royal Canadian Mint is a commercial Crown corporation responsible for the production of all circulation coins used in Canada and for the management of the supporting distribution system. The Mint is one of the world's foremost producers of circulation, numismatic and bullion investment coins. It also refines, assays and stores precious metals. The Mint operates along four business lines. The activities of these businesses include:

- The manufacturing and distribution of circulation coins to meet the needs of the Canadian marketplace;
- The design and manufacturing of Canadian numismatic coins and giftable products for sale to collectors and gift-givers;
- The manufacturing of circulation and numismatic coins for countries around the world;
- The production of bullion coins and wafers for the investment community, as well as providing refinery and storage services to Canadian and international customers.

Vision: Canadian to the core, the Mint is a world-class brand that exceeds expectations with outstanding products and services.

Mission: The Mint is a world-class provider of branded, investment, collectible and secure payment products and services that connect people and inspire celebration.

Values: The Mint is committed to and will attain its vision through the development of the following cultural values: customer focus; excellence; innovation; being Canadian; integrity; and people.

The six corporate objectives of the Mint are:

- Elevating the Mint into a world-class brand recognized for quality, innovation and exceeding customers' expectations.
- Ensuring Canadian circulation products and services are cost-effective, accessible, and relevant while inspiring Canadians to celebrate their history, culture and values.
- Ensuring foreign coinage, bullion and refinery services, collectible and other related products and services are leaders in their markets.
- Generating a profit to maintain the long-term viability of the Corporation through an on-going commitment to customer satisfaction, growth and efficiency.
- Creating an environment where all employees demonstrate the Corporation's values and celebrate their successes.
- Ensuring that health, safety and the environment are paramount considerations in providing the ideal workplace.

Management's discussion and analysis

Strategic and performance indicators

The Mint plans to continue to grow revenues and profits throughout the planning period and ensure a continuous flow of seigniorage to its shareholder – the Government of Canada.

To achieve its financial goals, the Mint strives to create a solid operating and financial foundation for growth through reduced lead times, inventory and costs, which lead to increased profitability. The Mint also measures performance using metrics meaningful to its shareholder, customers, business partners and employees. The measures below allow the Mint to monitor its capacity to improve and create value.

Performance measures	2004	2005	2006 target
Pre-tax return on equity			
from continued operations	16%	13%	16%
Gross profit as a % of revenue	23%	21%	18%
Return of seigniorage	\$64 million	\$69 million	\$80 million
Value added sales revenue per employee (\$000s)	\$154	\$165	\$205
Investment in training (as a % of payroll)	3%	3%	4%

The Mint's core strategy is adherence to the principles of *lean* enterprise to reduce waste and focus resources on increased productivity and growth. In 2005, the Mint achieved operating savings of \$305,000 through 44 *lean* initiatives. Dozens of *lean* projects were completed within the business lines. Corporate-wide *lean* strategies aimed at supporting the ability of each business line to grow revenue and income include:

- Reducing the number of companies supplying the Mint to 550 by 2006. The Corporation is well on its way to achieving this figure, having reduced its supplier list of 6,000 in 2004 to 640 by the end of 2005. The Mint believes that developing strong partnerships with fewer suppliers will result in better service, better quality and more timely delivery at reduced costs.
- Working with the plants in Winnipeg and Ottawa to achieve ISO 9001-2000 re-certification.
- Preparing for anticipated growth will require a more robust and easier-to-use Enterprise Resource Planning (ERP) system. Microsoft's Axapta system will be implemented by January 1, 2007 with enhanced customer relationship management and e-business systems scheduled for 2008.
- Committing 3% of payroll to training in new technologies and processes to ensure the requisite skills are in place to achieve the anticipated growth.

Corporate results

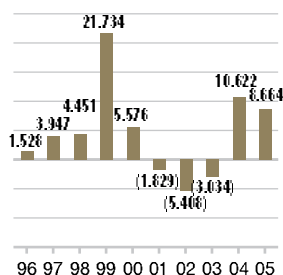
Consolidated results and financial performance

(in \$ millions)

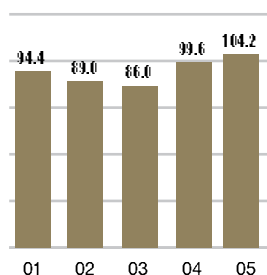
	2005	2004	% change	2003
Revenue	435.9	329.4	32%	254.7
Net income before tax	13.2	15.3	-13%	0.5
Net income (loss)	8.7	10.6	-18%	(3.0)
Total assets*	195.9	168.1	17%	140.2
Shareholder's equity	104.2	96.6	8%	86.0
Inventories*	33.0	18.0	83%	16.4

* at December 31

10-year net income (loss)
(\$ in millions)



Shareholder's equity
(\$ in millions)



Consolidated financial performance

The Mint's net income for the year was \$8.7 million compared to \$10.6 million in 2004. The key factors behind the year's results include:

- Revenue increased by 32.3% to \$435.9 million from \$329.4 million in 2004. Revenue increased in every business line: Canadian circulation (61.9%), foreign circulation (80.2%), numismatics (7.4%) and bullion products, refinery and other (22.1%).
- Operating costs, including cost of goods sold and the costs of marketing, administration and depreciation increased by 35.2% to \$422.1 million from \$312.1 million in 2004. Cost of goods sold, which represents 79% of total operating costs, increased by 35.9% to \$342.7 million from \$252.2 million in 2004. These increases reflect the increased volume in all major business lines.
- Administrative costs increased by 22.2% to \$26.9 million from \$22.0 million in 2004, with administrative costs as a percentage of revenue decreasing to 6% from 7%.
- Net income before income tax decreased by 13.5% to \$13.2 million from \$15.3 million in 2004. Gross profit margin decreased to 21% from 23% in 2004. The increase in the Mint's operating income reflects the substantial increase in revenue and the determination to restrain costs and improve productivity.
- Interest income decreased to \$393,000 from \$618,000 in 2004. Interest expense was \$1.1 million compared to \$1.4 million in 2004. Interest expense relates primarily to the debt for the plating facility.

Management's discussion and analysis

Explanation of corporate results

The major factors behind the year's results include:

- Strong demand for Canadian circulation coins pushed production to 1,519 million pieces and revenue to \$111.2 million compared to 1,379 million pieces and \$68.7 million in 2004.
- Continued geopolitical and economic uncertainty caused sales of bullion products to increase to 329,329 ounces from 285,000 ounces in 2004. Revenues increased by 22.0% to \$224.2 million from \$182.9 million in 2004.
- Of the 42 new numismatic coins launched in 2005, 19 sold out by the end of December.
- Production of foreign blanks and coins increased by 57% to 1.062 billion pieces from 677 million in 2004. The foreign circulation team secured contracts from 14 countries compared to ten countries in 2004. Revenue rose to \$43.8 million in 2005 from \$24.3 million in 2004.
- The volume of gold refined decreased by 7% to 3.8 million ounces from 4.1 million ounces in 2004, driving revenue to \$4.4 million from \$6.3 million in 2004.

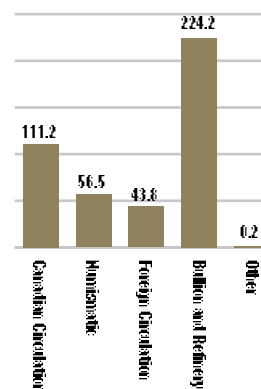
Business segment results

Canadian Circulation

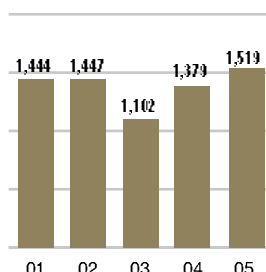
Canadian circulation coinage is the core business of the Royal Canadian Mint. While the Mint strives to promote pride in Canada's history, people and values through coin designs that are relevant to Canadians, it is also committed to providing Canadians with adequate coinage for efficient trade and commerce and increase seigniorage for the Government of Canada. Seigniorage is the difference between the face value of a coin and its cost of manufacture and distribution. In recent years, the Mint has increased seigniorage by reducing production costs and encouraging Canadians to recycle coins.

The Mint is responsible for forecasting the demand for coins by monitoring economic growth in each region across the country as well as the impact of changes in the national economic infrastructure, such as growth in e-commerce. It is also responsible for managing inventories and distribution to ensure an adequate supply of coins in the correct denominations in every region of Canada. This is done in conjunction with the National Coin Committee (NCC) through 12 regional coin pool sites managed by the Mint. The NCC, chaired by the Mint, is comprised of Canadian financial institutions and armoured car companies.

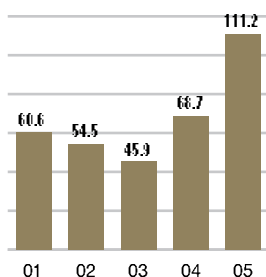
Gross operating revenue by business segment (\$ in millions)



Canadian circulation
coin production
(millions of pieces)



Canadian circulation coin
revenue (\$ in millions)



Summary of results: Revenue from Canadian circulation coins increased by 61.9% to \$111.2 million from \$68.7 million in 2004. Volume increased 10.2% to 1,519 million pieces from 1,379 million pieces in 2004, with the strongest demand growth for 25-cent, \$1 and \$2 coins. The increased revenues combined with the mix of coins produced and continued reductions in operating costs resulted in a 7.7% increase in seigniorage to \$69.0 million in 2005 compared to \$64.0 million in 2004.

Explanation of results: Demand for the Mint's circulation coins increased by 10.2% as the Canadian economy continued to experience strong growth in every region of the country. This growth, along with the inflation that accompanies economic growth, tends to stimulate demand for coins. Along with economic growth, evolving changes and expansion in retailing have also increased the need for coins. At the same time, emerging e-payment technologies reduce the amount of coinage circulating in the country, therefore reducing supply at a time when demand is increasing.

The Mint's revenue is also driven by the ability to produce coins that capture the imagination of Canadians. During 2005, the Mint issued five special commemorative circulation coins in the second year of a multi-year program celebrating Canadian heroes, historical places and events:

- \$1 coin issued honouring Terry Fox and commemorating the 25th anniversary of his Marathon of Hope.
- The Victory Anniversary Nickel marking the 60th anniversary of the end of WWII. This special circulation coin was a representation of the nickel issued from 1943 to 1945 to promote the Canadian war effort.
- Coins celebrating the Saskatchewan and Alberta centennials. For the first time in its history, the Royal Canadian Mint offered the public an opportunity to vote for a coin design. Over 50,000 Canadians cast a vote through the Mint's website for designs created by artists representing each province.
- A 25-cent Year of the Veteran coin honouring Canadian veterans and their decades of duty and sacrifice in World Wars I and II, the Korean War and more recent regions of turmoil, such as Afghanistan.

In order to meet growing demand and reduce costs, the Mint:

- Expanded the plating capacity in Winnipeg from 3,000 metric tons to 7,000 metric tons and extended its capabilities to produce yellow coins. In 2006, the Mint will be able to produce the blank for the \$1 Canadian coin. The expanded capacity will be used to meet the increased demand from Canadians and foreign countries.
- Continued to improve the technologies and processes related to producing high volumes of painted coins. Following the success of the 2004 Poppy coin, the Mint will issue its second coloured coin in March 2006. This coin will feature an improved colour-processing technology.

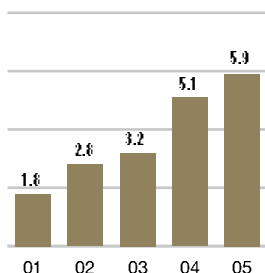
Management's discussion and analysis

- Improved its forecasting capabilities, reviewed packaging standards and clarified NCC rules, procedures, accountability and responsibility. An additional coin pool was created to ensure adequate distribution of coins in Quebec and a new relationship was established with an armoured car company in British Columbia. Inventories were successfully reduced by 16%, without incurring coin shortages in any region during the 2005 December holiday season.
- Continued to pursue *lean* activities by identifying and eliminating inefficient processes. In 2005, there were 44 projects completed and costs reduced by \$305,000 across all four business lines. The most significant was the creation of a manufacturing cell for a single denomination, to integrate production from ready-to-strike blanks to roll-and-wrap and shipping. By dedicating a line to one coin, the cell reduced downtime, labour, reject rates and die life while increasing employee accountability.
- Completed the coin recycling pilot project in Toronto, and selected Coinstar, Inc. as the corporate partner. A network of 150 coin-counting machines has been established in Southern Ontario and the program will be expanded to Montreal in 2006. This project encourages Canadians to recycle coins stored at home by dropping them into self-service counting machines at grocery stores in exchange for a voucher. In 2005, 150 million coins were recycled; 68% of the volume was 1-cent coins. The program gives the Mint more control over the inventory of coins in the market while reducing the need to produce new coins.
- Secured several contracts to process coins, including a five-year arrangement with Coinamatic Canada Inc., the largest provider of laundromat services in Canada.

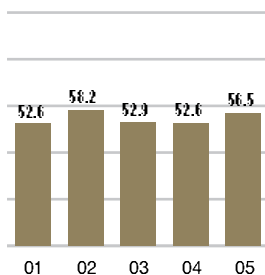
Outlook: The factors that drive demand for coinage are still evolving, and the eventual impact of these changes, such as e-commerce and shifts in method of micro payment, remains difficult to predict. However, the Mint expects fundamental demand for circulation coinage to remain high.

As the advisor to the Government of Canada on coinage requirements, the Mint joined Advanced Card Technologies (ACT) Canada in 2005 in order to participate in discussions about the evolution of e-payment technologies such as smart, stored value and prepaid cards. These technologies present both a challenge and an opportunity for the Mint. It is imperative that the Mint be aware of their potential impact on the need for coinage in Canadian commerce and the role that might be played by the Mint in micro payments in the future.

Web sales revenue
(\$ in millions)



Canadian numismatic
revenues (\$ in millions)



Numismatic coins

The Mint uses both the art and science of minting to produce numismatic coins of world-renown beauty and rarity. Core numismatic products include proof sets of circulation coins and limited-edition specialty coins that have been produced with gold, silver and palladium and embellished with special effects created with technologies such as holograms, enameling, selective plating, painting and laser-enhancement.

Within this business line, the Mint also produces consumer giftables, medals, medallions, tokens and coin watches. The core of the consumer giftable line are circulation coins packaged to celebrate life's special occasions such as a wedding, birthday, the birth of a child and Canada Day. Other products, such as the 2005 5-cent sterling silver coin and medallion set issued to commemorate Victory in Europe Day, were very popular with Canadians.

Numismatic coins are sold through direct marketing, including the Mint's website, as well as through the Mint's network of dealers and distributors and Canada Post outlets. Consumer gifts are sold through direct marketing and an expanding network of retail partners.

Summary of results: Numismatic revenues increased by 7% to \$56.5 million from \$52.6 million in 2004. The sale of core numismatic products, such as the proof silver dollar, the \$100 gold coin remained somewhat constant. The Mint continues to achieve sellouts of its products, including 19 in 2005, to help support secondary market value.

Explanation of results: The value of a numismatic coin depends upon several factors including the scarcity and the artistic merit of the product, as well as the relevance of the theme. In 2005, the selection of coin themes was based on comprehensive market research, while the available quantity was aimed at balancing short term revenue with a mintage established to generate a sell-out. These coins celebrated Canada's diverse culture, rich history, natural splendour and national achievements. Among the most successful coins issued in 2005 were:

- A 14-karat gold coin celebrating the 120th anniversary of the implementation of Sir Sandford Fleming's system of standard time. The coin was laser-etched with six different "time positions" for the time zones which exist in Canada.
- A 99.99% \$20 silver coin enhanced with a hologram of a full rigged three-masted ship, the kind of vessel that would have transported Canadian cargo and travellers all over the world in the 19th century.
- A 99.99% silver dollar celebrating the 40th anniversary of the Canadian flag. The flag on the coin was a rich, brilliant red, and was the Mint's first coin with an enameled effect.

Management's discussion and analysis

To support sales of its numismatic products, the Mint focused on:

- Improving relationships with customers through more frequent visits with dealers and distributors and increased contact with direct mail customers.
- Implementing refinements to the Mint's partner program and redesigning the discounts to improve margins for dealers and distributors.
- Reducing customer complaints through improved order processing and fulfilment, including continued refinements to the packaging and delivery of products sold through the Mint's direct marketing program. As a result, the number of customer complaints registered in 2005 was less than 1% of sales.
- Improving the Mint's ability to forecast sales. The Mint has adopted a mixed inventory method, in turn producing sufficient inventory to meet demand during the first month after the launch of a coin, followed with incremental amounts to keep pace with subsequent demand. Accurately forecasting the demand curve for a product improves on-time delivery, enhances plant efficiencies and reduces both costs and inventories.
- Implementing the Everest Customer Feedback System to record, track, manage and report comments received by the Mint from customers. The information collected is used to resolve customer complaints, improve customer service and identify opportunities to improve processes or develop new products.

To improve manufacturing efficiencies and reduce the cost of goods sold, the Mint:

- Focused on entrenching employee commitment to *lean* manufacturing by developing a "visual" factory.
- Reduced reject rates to 10% in 2005 from 27% in 2004 by stricter adherence to the principles of *lean* manufacturing.
- Automated tasks that have traditionally been done by hand, such as the burnishing of blanks.
- Extended the life of numismatic dies with an advanced technology coating adapted from the aerospace industry. This alloyed nitride technology allows the Mint to apply an exceptionally thin, yet resistant coating to the die.
- Introduced an automated plating process for lacquering numismatic coins. This new process not only eliminates the organic compounds created by the traditional lacquering process, it also reduces costs.

The Mint also produces medals, medallions and tokens. Organizations seeking the development and manufacture of medals tend to demand a product made with the quality craftsmanship that fits the Mint's corporate capabilities and character. It is a recognized leader in medals and is well positioned to remain the supplier of choice.

Leadership in the medallions and tokens sector is frequently driven by price. To position the Mint to be more competitive in this marketplace, this business has been restructured to improve the competitiveness of its quotes and speed of delivery. It has also launched a more aggressive sales effort, targeting select industries, manufacturers, incentive houses, entertainment venues and sports associations.

Outlook: Growth in numismatic revenues continues to depend upon the Mint's ability to develop coins with collector appeal. The most popular coins have been those enhanced by advanced technologies, many of which have been developed for the Mint's numismatic program. Over the past decade, more than a dozen coins have won prestigious international awards.

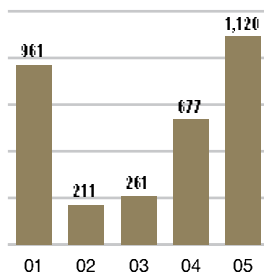
In 2005, the Mint continued to explore new technologies, such as laser-etched photography and enameling, while advancing the applications of technologies developed over the past decade. In 2006, the Mint will issue products that incorporate several technologies, including a coin with both a hologram and colour.

While the market for collectibles, including coins, is declining, the Canadian gift market is estimated to be worth \$18 billion a year and growing. This is a highly fragmented and competitive market, but Mint sales are strong and growing rapidly. Continued growth depends on developing products with relevant emotional themes that can compete effectively for retail space by offering compelling value to consumers and retailers.

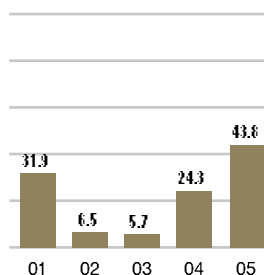
Foreign Coins

The Mint designs and produces circulation and numismatic coins and ready-to-strike blanks for customers – mostly governments, central banks and treasuries – around the world. It also sells or licenses coin production technology, tooling and consulting services, including the management of alloy recovery and recycling programs.

Foreign circulation coins sold
(millions of pieces)



Foreign circulation revenue* (\$ in millions)
* excluding numismatic



Summary of results: The Mint produced 1.062 billion coins and blanks for 14 countries in 2005, compared to 10 in 2004, with shipments increasing to 1.12 billion pieces from 677 million in 2004. Revenues increased to \$43.8 million from \$24.3 million in 2004, reflecting the increase in volume and the mix of denomination and metal content of coins produced.

Explanation of results: Over the past year, the Mint has been able to re-establish traditional customer relationships while demonstrating the effectiveness of its multi-ply technology. The major drivers behind performance in 2005 include:

- Production of 1 billion coins for Thailand. This contract was secured in 2004, with production extending from late 2004 to early 2005. The Mint has also secured the contract to produce 400 million new 2 Baht coins for Thailand.
- A contract to replace New Zealand's low denomination circulation coins. The contract was awarded after a thorough study of competing technologies by the Bank of New Zealand with the assistance of engineering consultants. New Zealand will withdraw its existing coinage and launch the new coins in 2006. The contract not only confirms the superior nature of the Mint's multi-ply technology, it extends the list of customers who have selected the Mint's plating technology.
- Submitted bids for 55 contracts, and was awarded 14 of those contracts.

Management's discussion and analysis

There are many competitors in the global minting marketplace. Competition is intense, and the key to securing contracts lies in the quality of the relationship between customers and suppliers as much as product excellence, customer service and integrity. At the same time, partnerships between mints, buyers and raw materials suppliers are creating substantial price advantages.

The Mint has responded to these challenges by re-organizing and expanding the foreign coin sales team to ensure focused coverage of four traditional market regions – Asia and the Pacific, the Middle East, Europe and Latin America. To support the expanded sales force, the Mint has:

- Enhanced visibility and marketing activities through visits to 20 targeted countries and participation in key bank and mint conferences around the world, including the Technical Meeting of Mints in ASEAN conference in Indonesia and the annual meeting of the Inter-American Development Bank in Japan.
- Established a marketing relationship with Giesecke & Devrient GmbH (G&D) in Munich, Germany. Worldwide, G&D ranks first in high-volume banknote processing and second in banknote production. G&D's strong presence around the world will expand the Mint's global reach, particularly in Africa, Eastern Europe and Central Asia.
- Expanded relationships with Canadian foreign trade and diplomatic representatives based domestically and abroad to ensure an awareness of the Mint's capabilities and relationships – existing and potential – with foreign central banks.
- Full implementation of the Product Lifecycle Management (PLM) project. Launched in 2004, the PLM project was designed to integrate four critical product development and manufacturing components.
- Expanded foreign coin product offering to include zinc-based materials. This expansion in the Mint's product line has been made possible through the establishment of a relationship with Jarden Zinc Products, Inc.
- Developed a comprehensive sales kit that includes information on the Mint's traditional alloy and multi-ply technologies, numismatic and token capabilities, zinc products and consultancy services. These kits were distributed at a meeting of the Mint's international sales representatives in Ottawa in June.

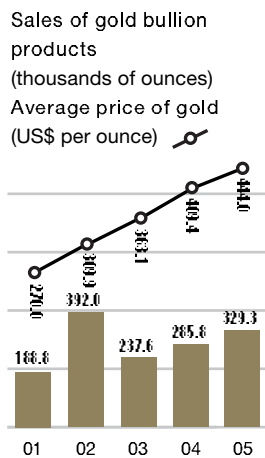
The Mint also expanded its abilities to offer foreign governments compelling price and quality advantages through the expansion in both capacity and capabilities at the multi-ply plating facility in Winnipeg. As the cost of copper and nickel continue to increase, the Mint's technology has become increasingly cost-effective. The multi-ply technology also offers many technical advantages over competitors' single-ply plated solutions, including higher production efficiencies and the customization of the electronic magnetic signature for additional security against unwanted imports or slugs.

Outlook: Reducing the cost of coinage is one of the core goals of all central banks, and as the cost of manufacturing coins from alloys continues to erode the revenue to be earned by their governments from circulation coinage, opportunities for the Mint will expand. The expansion of the facility in Winnipeg increases the production capacity of the plant. The implementation of a new ERP system will also allow the Mint to develop a comprehensive quoting system and pricing matrix to ensure a rapid quote response capability, which is essential in securing more contracts.

Having produced more than 52 billion coins for 62 countries over the past 25 years, the Mint has proven it can offer an alternate solution to customers seeking a traditional alloy or state-of-the-art plated solution.

Bullion and refinery

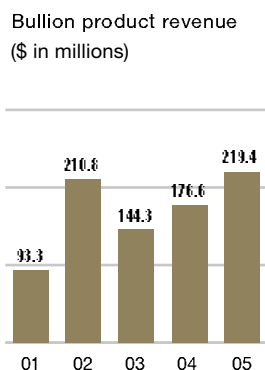
The Mint produces and markets a family of gold, silver and palladium Maple Leaf bullion coins as well as high purity 99.99% and 99.999% precious metal products, gold and silver granules for the jewellery industry and industrial applications, gold wafers and kilo bars. The Mint also operates a refinery that provides customers with an integrated solution to gold processing from peerless refining quality through to state-of-the-art assay capabilities and secure storage. As a Crown corporation, the Mint offers customers the industry's highest standard of financial security, ethics and governance.



Summary of results: Bullion and refinery revenues increased to \$224.2 million from \$182.9 million in 2004 with increased Gold and Silver Maple Leaf sales as a result of, higher precious metal prices and increased refinery volumes. The Mint sold 329,329 ounces of gold bullion coins, wafers and bars in 2005, an increase of 15.5% from sales of 285,000 ounces in 2004. Silver Maple Leaf sales increased 56% to 1,062,000 ounces from 681,000 ounces in 2004. The volume of gold refined decreased by 4.9% to 3.9 million ounces from 4.1 million ounces in 2004 due to the closure of a major mine. The Mint obtained new refining material from several sources in 2005 and anticipates refining volumes to increase in 2006.

Explanation of results: The price of gold, which hit a 24-year high of \$544.50 on December 12, 2005, continued to be driven by concerns surrounding geopolitical turmoil, the U.S. trade and fiscal deficits and the devaluation of the U.S. dollar. At the same time supply was limited. As in 2004, gold producers are not hedging their production and few governments are selling central bank gold holdings.

Despite the increased demand for precious metals, global demand for new gold coins declined by 20% as investors holding bullion coins flooded the secondary market. Although other mints experienced significant declines in sales, the Mint's focus on building strategic relationships within the industry protected it from a decline in demand.



The Mint remains susceptible to price and demand fluctuations, but it continues to pursue strategies to ambitiously grow its bullion and refining business. In 2005, the Mint:

- Continued to build and extend long-term strategic relationships within the industry to increase loyalty and reliance on Mint products.
- Launched a one-ounce Palladium Maple Leaf and a half-ounce Silver Wolf to capitalize on demand for bullion products in the North American market.
- Commissioned a state-of-the-art silver refinery with a two million ounce capacity. This new operation will allow the Mint to be more competitive when bidding for new refining contracts from customers with both gold and silver. It also allows for more control over the silver required for numismatic and bullion products.
- Continued to use *lean* initiatives to reduce both inventory levels and operating costs and provide better customer service.

Management's discussion and analysis

To increase visibility in the marketplace, the Mint participated in major industry conferences, including those held by the International Precious Metals Institute, the London Bullion Market Association, the Mining Association of Canada and the Prospectors and Developers Association of Canada.

Outlook: The economic and political issues that drove gold prices to historic highs in 2005 have not moderated, leading to an expectation that demand for precious metals will remain strong. Investors who captured profits as prices climbed in 2005 have left the marketplace, and the gold sold into the secondary markets has been removed to the safety deposit boxes of investors seeking a hedge against political and economic turmoil. With demand strong and supply removed from the secondary market, the demand for new coins is expected to strengthen.

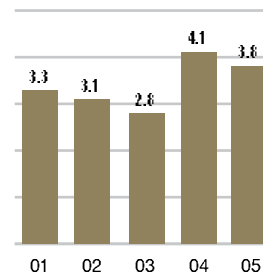
In Canada, demand will also be affected by the decision to include precious metals in the list of eligible investments for registered retirement savings plans (RRSPs). This change is expected to increase demand for bullion products and storage. New channels of distribution for finished products are being developed.

The Mint's refining performance will also be bolstered by the commissioning of a silver refinery, which will be fully operational in 2006. The refinery will allow for production of 99.99% pure silver without effluent. Capacity is anticipated to be two million ounces per year, with the provision for rapid expansion to 10 million ounces per year. Having a silver refining capability will allow the Mint to process a wider range of material, and to reduce costs by processing by-products containing silver from the gold refinery.

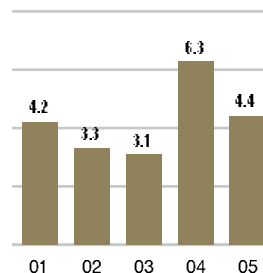
Other

As part of its Business Development initiative, the Mint set up a wholly owned subsidiary, RCMH-MRCF Inc., which was incorporated under the *Canada Business Corporations Act* in June 2002. This holding company was formed to help the Mint improve efficiency, manage the cost of products and increase profitability. RCHM-MRCF Inc. entered into an agreement with Travelway Group International Inc. to create a jointly owned packaging and specialty services company, called TGM Specialty Services Inc. (TGM). TGM RCMH-MRCE, 50% owned by the Mint with Travelway Group International Inc. (TGI), provides packaging products and services to the Mint and other domestic and international clients, including turnkey customer solutions which include assembly, distribution and retail management expertise. This corporate joint venture reflects the Mint's intention to expand through vertical integration and tactical alliances, as well as take advantage of lucrative markets that are natural extensions of its product lines.

Refining services
(gross weight received
in millions of troy ounces)



Refining services revenue
(\$ in millions)



In support of the business strategies

Marketing and Sales

Marketing and Sales costs increased by 48.8% to \$43.3 million in 2005 compared to \$29.1 million in 2004. The Marketing and Sales team undertook a number of projects to support and drive the substantially improved corporate performance. Initiatives during 2005 include:

- The introduction of standard packaging for all products, reducing costs by \$750,000 while enhancing productivity and brand recognition and reducing damage to products during shipment.
- The launch of a new website that enhanced the Mint's ability to interact with retail consumers, business partners and refinery customers. Sales through the website increased 15.7% to \$5.9 million from \$5.1 million in 2004.
- Continued customer research to develop themes that resonate with Canadians, while improving the Mint's understanding of coin collecting and the gift market.
- More lively designs for gift sets. New designs, lower prices and expanded distribution channels increased sales by 7.4% in 2005. New products and continued expansion in distribution channels are expected to continue to drive sales growth in 2006.

Information Technology

The Information Technology (IT) department provides day-to-day technical support for the Mint's computing and communication systems and implements new technologies and applications. With the Mint's focus on ambitious revenue and income growth while controlling costs, the establishment of an effective, easy to use ERP system became critical. Research on the specific requirements of the Mint's businesses was completed in 2005, and a system was selected for installation in 2006 and 2007.

Implementation of the PLM project which was launched in 2004, was completed. The PLM project is designed to integrate four critical product development and manufacturing components: three-dimensional modeling, virtual sculpting, knowledge management and automation of workflow between departments. As part of PLM, the Mint implemented SmarTeam, a tool that allows employees to collaborate more efficiently from the development of a quote to the design, manufacture, marketing and shipment of the final product.

The Mint launched a new website in May 2005. The site won the Best Transactional Website Award in the 2005 Boomerang Contest for interactive communications in Quebec. Although aimed at selling Mint products to retail customers, the site also contains login-controlled pages for the Mint's corporate partners. Access to refining information and assay results is under development for customers of the refinery.

Enhancements to the Mint's web-based Canadian coin distribution system initiated in 2004 continued throughout 2005. This system is designed to improve forecasting and the exchange of information between the Mint and the financial institutions that distribute Canada's coinage.

Management's discussion and analysis

Human Resources Management and *Lean Enterprise*

The Human Resources and *Lean Enterprise* division assists the Mint in meeting its corporate and strategic goals through recruitment, training, employee relations, organizational development and pay and benefits activities and programs. It also manages quality systems using the ISO 9001:2000 international standards to continuously improve the Corporation's operating performance.

Employment at the Mint increased to 732 employees by the end of 2005 compared to 672 at the end of 2004, including permanent and temporary employees. Wages and benefits increased to \$47.9 million from \$39.9 million in 2004. The increase reflects the substantial increase in the volume of coins produced by the Mint, particularly in Winnipeg, and the need to build a skilled labour force to meet the anticipated growth.

During the year, the Mint successfully negotiated collective agreements with the Public Service Alliance of Canada and the Amalgamated Transit Union. These unions represent approximately 473 employees at the Mint. The agreements are effective January 1, 2005 to December 31, 2007.

Spending on skills development increased to \$0.701 million from \$0.550 million in 2004. With the addition of "job shadowing", total investment in skills development is approximately \$1.035 million. Programs focused on the continued implementation of the Mint's succession program and the training of new employees hired to meet increased demand. In 2006, spending priorities for skills development will include training developers and users pending implementation of the new ERP system, customer skills and *lean enterprise* skills required for improving both operating processes and people-driven activities at the Mint.

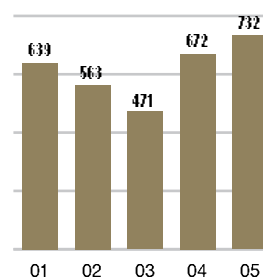
Health, Safety, Security and Environment

Protection of the environment and people is a core value of the Mint and the responsibility of every employee. The Health, Safety, Security and Environment (HSSE) department supports each business line and functional department to ensure operations comply with safety and environmental legislation. The HSSE department is also responsible for security operations and the protection of corporate assets.

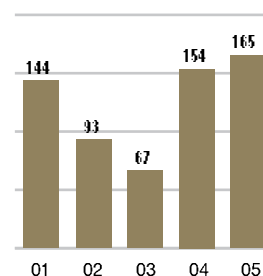
In 2005, the corporate accident frequency rate increased to 4.3% from 2.6% in 2004, while the severity rate decreased to 34.0% from 36.4% in 2004. The increase in accident frequency can be attributed to the expansion activity and the large numbers of new employees in both facilities. Efforts have been made to reduce and ultimately eliminate, accidents and injuries, including additional employee training and introduction of health and safety programs.

During 2005, the Mint participated in the National Intervention Model, a health and safety management initiative of Human Resource and Skills Development Canada (HRSDC). The program is aimed at promoting healthier and safer workplaces in the federal jurisdiction. HRSDC representatives visited the Mint's facility in Ottawa in 2005 and participation will be extended to Winnipeg in 2006. During 2005, the Mint also revised its health and safety policies, while also defining the responsibilities of every employee. It also clarified the function and reporting requirements of the Health and Safety Committee.

Number of employees
(at December 31)



Value-added sales
revenue per employee
(\$ in thousands)



Several initiatives were also undertaken to reduce the Mint's impact on the environment:

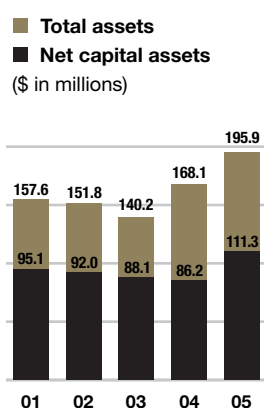
- New die coating technology introduced in Ottawa will eliminate health and safety risks and the generation of waste hexavalent chrome associated with traditional coating technology.
- A new lacquering process will reduce the amount of lacquer used by the Mint and reduce the generation of organic compounds.
- An asbestos management program was developed to ensure the asbestos present in the Winnipeg facility is appropriately managed.

Plans to recycle wastewater treatment sludge generated in Winnipeg were postponed pending the completion of the expansion. The capability to recycle sludge will be developed in 2006, allowing the Mint to recover metal content from the sludge while reducing the amount of waste sent to landfill.

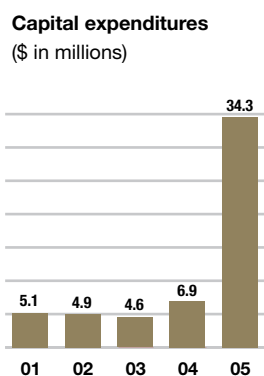
The Mint continuously assesses and mitigates security risks through a dedicated security management group, highly trained and experienced security officers, modern security equipment and controls, and strict adherence to secure operating procedures. During 2005, the Mint conducted a comprehensive assessment of security threats and risks to the Ottawa facility.

Liquidity and capital resources

At the end of 2005, the Mint had a bank indebtedness and cash and cash equivalents of \$19.0 million compared to a cash and investment balance of \$31.1 million at the end of 2004. This decrease reflects the significant capital investments made with cash flow from operations rather than new debt. These investments include the increase in plating capacity in Winnipeg and inventories, which increased along with sales volumes. During the year, the Mint funded its operations without short-term borrowing.



Financing: During the planning period, debt was reduced in accordance with planned principal repayment, restoring much of the Mint's \$75 million legislated borrowing limit. By December 31, 2005, the Mint had reduced the plating facility debt by \$3.1 million to \$12.4 million with a scheduled repayment of principal. It also made a scheduled \$1 million repayment of principal on a 10-year debt due December 2007, reducing the outstanding principal to \$2.0 million. At the end of 2005, total outstanding loans declined to \$14.4 million. The Mint's debt-to-equity ratio increased to 0.88:1 from 0.74:1 at the end of 2004.



Capital expenditures: Net capital expenditures increased to \$34.3 million from \$6.9 million in 2004. The most significant projects were:

- The expansion of the plating plant in Winnipeg.
- The establishment of a silver refinery in Ottawa.
- Continuing work on the energy-retrofit of the Mint's facilities in Ottawa. This project includes various energy-saving improvements.
- Implementation of titanium nitride die coating and the installation of new burnishing and drying equipment.
- Building repairs, including ongoing masonry repairs to the exterior walls of the Mint's facility in Ottawa.

Management's discussion and analysis

Information technology projects included continuing infrastructure upgrades at the Ottawa and Winnipeg facilities, and the implementation of statistical process control (SPC) and customer-feedback tracking systems.

The 2006 consolidated capital budget of \$30.4 million includes investments required to maintain the reliability, flexibility and capability of the Mint's equipment and protect employee health and safety and the Mint's environment. These investments also secure growth initiatives identified by the business lines by protecting the Mint's productivity, quality of customer service and ability to capture growth opportunities.

Risks to performance

Precious metal risk: The Mint purchases three precious metals – gold, silver and palladium. These metals are used in the Maple Leaf and numismatic coins. The Mint is not exposed to risk as a result of a change in price in the metals used for the bullion coins and wafers because the purchase and sale of metals used in these products are completed on the same date, using the same price in the same currency. For numismatic products, risk is mitigated through a precious metal risk management hedging program involving forward contracts. At the end of 2005, the Mint had four gold and four silver forward contracts in place related to 11,500 ounces of gold and 750,000 ounces of silver.

Base metal risk: The Mint purchases a wide range of alloys made from a handful of base metals for the production of domestic and foreign circulation coins. The most significant of these base metals are nickel, copper and steel, for which the market continues to be volatile. The Mint has developed relationships with strategic vendors to secure supplies and manage costs in these difficult market conditions. Locking in the metal value only when a contract is awarded reduces the Mint's exposure to metal price fluctuation.

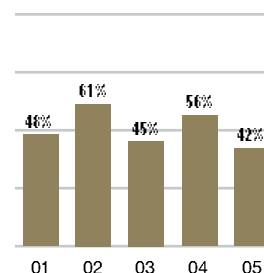
Foreign exchange rate risk: A portion of the Mint's revenue arises from exports. Any foreign exchange rate risk is mitigated by pricing contracts in the same currency as the expenses to be incurred and through an active currency-hedging program.

Outlook

Forecasts for 2006 anticipate continued economic growth and rising precious metal prices, which will support the Mint's continued profitability between 2006 and 2010. A rich palette of circulation and numismatic products have been developed combining both the Mint's artistic and technical skills and the capabilities of the Mint's plants in both Winnipeg and Ottawa which have been expanded to ensure the capacity to meet anticipated demand.

The Mint's financial condition is strong. In 2005, it achieved a second year of profitability and growth, including a 32% increase in revenue and an 18% decrease in net income. However, the Mint operates an international business that is affected by the health of the Canadian, U.S. and global economies, fluctuations in exchange rates, base and precious metal prices as well as intense competition from other mints around the world. These factors can impact anticipated profits. The Mint is planning to sustain profitability and continue to grow both revenue and income to 2010.

Exports sales
as a percentage of
total revenue



Statistics

Table 1—Canadian circulation coinage

Production in 2003, 2004 and 2005 ⁽¹⁾

	2005 Total Pieces	2004 Total Pieces	2003 Total Pieces
Coinage dated 2002			
\$2		—	12,000
\$1		—	(1,000)
50¢		—	—
25¢		—	4,880,000
10¢		—	1,285,000
5¢		—	1,598,000
1¢		—	325,000
Coinage dated 2003			
\$2		—	11,244,000
\$1		—	5,102,000
50¢		—	—
25¢		17,871,000	82,767,000
10¢		2,218,000	162,399,000
5¢		9,012,000	92,781,000
1¢		8,095,000	740,028,000
Coinage dated 2004			
\$2	1,000	12,907,000	—
\$1	960,000	9,934,000	—
50¢	—	—	—
25¢	6,552,000	203,495,000	—
10¢	1,100,000	211,925,000	—
5¢	840,000	123,085,000	—
1¢	62,358,000	780,128,000	—
Coinage dated 2005			
\$2	38,317,000	—	—
\$1	44,285,000	—	—
50¢	200,000	—	—
25¢	269,586,000	—	—
10¢	211,075,000	—	—
5¢	148,082,000	—	—
1¢	727,825,000	—	—
Coinage dated 2006			
\$2	—	—	—
\$1	8,350,000	—	—
50¢	—	—	—
25¢	—	—	—
10¢	—	—	—
5¢	—	—	—
1¢	—	—	—
Total (all dates)			
\$2	38,318,000	12,907,000	11,256,000
\$1	53,595,000	9,934,000	5,101,000
50¢	200,000	—	—
25¢	276,138,000	221,366,000	87,647,000
10¢	212,175,000	214,143,000	163,684,000
5¢	148,922,000	132,097,000	94,379,000
1¢	790,183,000	788,223,000	740,353,000
Total	1,519,531,000	1,378,670,000	1,102,420,000

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

Statistics

Table 2 – Canadian circulation coinage

Cumulative production up to December 31, 2005 ^{(1) (2)}

	2001	2002	2003	2004	2005
\$2	11,910,000	27,020,000	11,244,000	12,908,000	38,317,000
\$1	–	2,301,000	5,102,000	10,894,000	52,635,000
50¢	389,000	14,440,000	–	–	200,000
25¢	64,182,000	187,992,000	100,638,000	210,047,000	269,586,000
10¢	270,792,000	252,563,000	164,617,000	213,025,000	211,075,000
5¢	166,692,000	135,960,000	101,793,000	123,925,000	148,082,000
1¢	919,359,000	830,040,000	748,123,000	842,486,000	727,825,000

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

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

Table 3 – Canadian circulation coinage

Coinage issued in 2005 ⁽¹⁾ – Geographic distribution ⁽²⁾

Province							
City ⁽³⁾	\$2	\$1	50¢	25¢	10¢	5¢	1¢
Newfoundland							
St. John's	96,000	287,000	–	1,942,000	2,310,000	1,640,000	11,912,000
New Brunswick							
Saint John	1,600,000	1,975,000		3,360,000	3,557,000	1,194,000	18,198,000
Nova Scotia							
Halifax	62,500	184,000	–	4,422,000	9,255,000	6,539,000	49,902,000
Québec							
Montréal	3,982,500	4,626,000	–	54,586,000	47,153,000	28,456,000	126,562,000
Québec City	2,598,500	3,446,000		17,626,000	12,415,000	7,326,000	35,592,000
Ontario							
Ottawa	1,932,000	1,870,000	–	17,254,000	16,172,000	12,502,000	50,980,000
Toronto	12,325,000	12,645,000	–	18,656,000	77,330,000	62,296,000	339,537,000
Manitoba							
Winnipeg	575,000	3,707,000	–	5,594,000	8,695,000	5,312,000	39,195,000
Saskatchewan							
Regina	571,000	373,000	–	3,762,000	5,200,000	3,684,000	24,040,000
Alberta							
Calgary	1,192,000	4,379,000	–	18,600,000	14,910,000	8,564,000	51,423,000
Edmonton	3,861,000	5,346,000	–	19,860,000	25,885,000	14,288,000	83,870,000
British Columbia							
Vancouver	5,857,000	5,696,000	–	19,926,000	34,678,000	21,994,000	120,195,000
Sundry persons ⁽⁴⁾	124,500	1,344,000	200,000	29,028,000	405,000	2,256,000	2,320,000
Total	34,777,000	45,878,000	200,000	214,616,000	257,965,000	176,051,000	953,726,000

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

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

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

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

Table 4 – Canadian numismatic coinage

Issued as of December 31, 2005 bearing the dates 2004 and 2005 ⁽¹⁾

Product Group	2005	2004 ⁽²⁾
.99999 Gold Coin	1,624	1,845
1/25 Ounce Gold Maple Leaf 24-Karat	13,877	24,992
1/25 Ounce Gold Maple Leaf 24-Karat CAPS	11,000	–
1/4 Ounce Double Privy	500	–
1/4 Ounce Laser Privy	600	–
1/4-Karat Gold Coin	5,499	7,454
22-Karat Gold Coin	3,661	3,917
25-Cent Coloured Poppy First Day Cover	–	9,824
60th Anniversary Liberation of the Netherlands	3,500	–
60th Anniversary World War II	81,488	–
60th Anniversary World War II (8)	42,792	–
Almonte Bronze Plated	135	–
Almonte Copper Plated	135	–
Almonte Nickel Plated	10,010	–
Brilliant Uncirculated Dollar	52,556	42,582
Baby Gift Set (5)	42,459	53,726
Birthday Gift Set (5)	24,681	–
Britannia 14-Karat Coin	990	–
Butterflies	34,787	36,364
Canada Day 25-Cent	57,403	44,752
Canada Day Bundle	–	11,413
Canadian Achievements Gold	1,199	–
Canadian Flowers	17,418	24,495
Canadian Open Coin & Stamp	–	3,127
Canadian Open Coin/Stamp & Divot	–	4,387
Chinese Railworkers (8)	9,893	–
Citizenship 25-Cent	–	4,615
Collector Circulation First Day Cover \$1	1,944	–
Collector Circulation First Day Cover \$2	2,375	–
Collector Circulation First Day Cover 10-Cent	1,861	–
Collector Circulation First Day Cover 1-Cent	1,799	–
Collector Circulation First Day Cover 25-Cent	1,807	–
Collector Circulation First Day Cover 25-Cent Alberta	8,936	–
Collector Circulation First Day Cover 25-Cent Saskatchewan	6,926	–
Collector Circulation First Day Cover 25-Cent Veteran's	7,820	–
Collector Circulation First Day Cover 50-Cent	2,298	–
Collector Circulation First Day Cover 5-Cent	1,855	–
Collector Circulation First Day Cover 5-Cent Victory	10,955	–
Collector Circulation First Day Cover \$1 Terry Fox	19,949	–
Commemoration of Pope John Paul II	25,821	–
Different Effigies – 4 x 50-Cent Set (3)	–	12,230
Endangered Wildlife Set (3)	7,675	14,566
FIFA World Cup	–	21,542
Gold Maple Leaf Fractional Set – 25th Anniversary (3)	–	822
Gold Maple Leaf Privy Mark	1,316	–
Great Canadian Coin Collector 05	102	–
Graduation Gift Set (5)	12,716	22,094
Hockey Hall of Fame Medallion	24,000	30,000
Hockey Legends (5)	10,465	–
Holiday Gift Set (5)	85,131	62,777

Statistics

Canadian numismatic coinage (continued)

Land, Sea & Air	1,550	–
Lighthouses	13,812	18,476
Lucky Loonie	–	34,488
Lucky Loonie .925 Silver Coloured	–	19,994
Lucky Loonie Circulation & Pouch	–	2,537
Lunar Cameo	44,691	46,175
Lunar Hologram 18-Karat	3,733	3,392
Maple Leaf Foods Ltd. Medallion	325	–
Military 925 Silver 5-Cent	–	20,019
National Parks	21,378	–
Natural Wonders	21,159	76,707
Oh Canada! (5)	41,802	53,111
Palladium 1 Ounce Coin A	137	–
Palladium 1 Ounce Coin B	130	–
Platinum Set (3)	–	380
Poppy Bookmark	29,951	–
Proof Set (4)	62,286	57,614
Proof Set - American Numismatic Association (4)	–	500
Proof Set - Canadian Numismatic Association (4)	197	250
Proof Silver Dollar	94,039	106,974
Proof Silver Dollar Enameled	4,872	–
Quad Cameo	–	998
Royal Canadian Mint Boutique Token	18,468	69,199
Royal Canadian Mint – Canada Post Corporation \$1 Coin & Stamp	–	12,550
Royal Canadian Mint – Canada Post Corporation \$2 Coin & Stamp	–	12,607
Royal Canadian Mint – Canada Post Corporation \$5 Coin & Stamp	–	12,822
Royal Canadian Mint – Canada Post Corporation \$5 Deer Coin & Stamp	5,309	–
Royal Canadian Mint – Canada Post Corporation \$5 Walrus Coin & Stamp	4,578	–
Royal Canadian Mint – Canada Post Corporation \$8 Coin & Stamp	–	12,942
Silver Maple Leaf Battleship Privy	2,782	–
Silver Maple Leaf Coloured	19,412	26,763
Silver Maple Leaf Good Fortune	19,888	–
Silver Maple Leaf Set Privy Mark	–	13,859
Silver Maple Leaf Tank Privy	2,787	–
Silver Maple Leaf World War II Privy	–	11,698
Samuel & Son Token	10,010	–
Specimen Set (5)	39,908	46,493
St. Croix Coins & Stamp 2004	–	8,273
Tall Ships	17,634	–
Totem Pole 14-Karat Coin	863	–
Totem Pole Sterling Silver	9,904	–
Uncirculated Set (5)	112,878	96,847
World Mint Limited Silver Maple Leaf Battleship Privy	4,200	–
World Mint Limited Silver Maple Leaf Tank Privy	4,200	–
Wedding Gift Set (5)	12,565	18,660
Year of the Veteran	5,877	–
	1,283,283	1,221,852

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

(2) Revised figures.

(3) Four-coin set.

(4) Eight-coin set, including a \$2, \$1, (925 Ag) and a \$1 (aureate).

(5) Seven-coin set.

(6) Five-coin set.

(7) Six-coin set.

(8) Two-coin set.

Table 5 – Maple Leaf coinage

Sales in ounces for 2004 and 2005

	2005	2004
Gold Maple Leaf Coinage		
\$50 (9999 Au)	281,647	253,978
\$20 (9999 Au)	10,026	6,580
\$10 (9999 Au)	6,437	4,574
\$5 (9999 Au)	3,038	3,348
\$1 (9999 Au)	511	494
Total (ounces)	301,659	268,974
Silver Maple Leaf Coinage		
\$5 (9999 Ag)	955,694	680,925
Total (ounces)	955,694	680,925
Palladium Maple Leaf Coinage		
\$50 (9995 Pd)	62,919	—
Total (ounces)	62,919	—
Silver Bullion (ounces)		
\$1 (9999 Ag)	53,400	—
Total (ounces)	53,400	—

Table 6 – Refinery operations

For 2004 and 2005

	Gross weight (Troy ounces)		Refined gold (9999) produced (Troy ounces) ⁽¹⁾		Refined silver (999) produced (Troy ounces) ⁽²⁾	
	2005	2004	2005	2004	2005	2004
Deposits from Canadian Mines						
Québec	529,282	477,109	326,173	274,278	181,029	141,961
Ontario	481,703	522,041	306,446	323,558	47,270	50,579
Total	1,010,985	999,150	632,619	597,836	228,299	192,540
Deposits from other sources	2,757,943	3,053,979	1,504,048	2,317,764	361,932	132,844
Total	3,768,928	4,053,129	2,136,683	2,915,600	590,231	325,384

(1) Expressed in terms of Troy ounces of fine gold.

(2) These figures refer only to the silver produced as a by-product of the refining of gold.

Statistics

Table 7 – Canadian circulation coinage

Commemorative/regular designs and plated/non-plated coins 2001 – 2005

	2001	2002	2003	2004	2005
1-Cent (CPZ)	919,358,000	716,367,000	149,096,000	653,317,000	759,658,000
1-Cent (CPS)	–	114,212,000	591,257,000	134,906,000	30,525,000
5-Cent (N)	30,035,000	–	–	–	–
5-Cent (P)	136,656,000	134,368,000	92,781,000	132,097,000	89,664,000
5-Cent (Victory)	–	–	–	–	59,258,000
10-Cent (N)	–	–	–	–	–
10-Cent (P)	46,265,000	251,278,000	163,684,000	214,143,000	212,175,000
25-Cent Caribou (N)	8,415,000	–	–	–	–
25-Cent Caribou (P)	55,773,000	156,105,000	82,766,000	177,466,000	206,346,000
25-Cent Canada Day (P)	–	30,627,000	–	–	–
25-Cent Poppy	–	–	–	28,500,000	472,000
25-Cent L'Acadie	–	–	–	15,400,000	–
25-Cent Alberta	–	–	–	–	20,640,000
25-Cent Saskatchewan	–	–	–	–	19,290,000
25-Cent Veteran	–	–	–	–	29,390,000
One Dollar	–	2,302,000	5,101,000	3,408,000	32,336,000
One Dollar – Lucky Loonie	–	–	–	6,526,000	8,350,000
One Dollar – Terry Fox	–	–	–	–	12,909,000
Two Dollar	–	27,008,000	11,256,000	12,907,000	38,318,000

(CPS) Copper plated steel

(CPZ) Copper plated zinc

(N) Nickel

(P) Plated

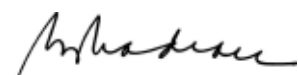
Management report

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

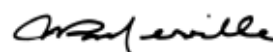
In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded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

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

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



Marguerite F. Nadeau, Q.C.
*Acting President and
CEO*



Richard J. Neville F.C.A.
*Vice President, Finance and
Administration & CFO*

Ottawa, Canada
February 24, 2006

Audit Committee Report

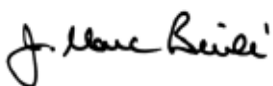
The Audit Committee's (Committee) role is to act on behalf of the Board of Directors (Board) and oversee all material aspects of the Corporation's reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The Committee's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

As at December 31, 2005, the Committee is comprised of four (4) independent directors who are neither officers nor employees of the corporation. These members are: Marc Brûlé (Chair), Thomas Taylor, Keith Meagher and Richard Kwan. Also, as an Ex-officio member, is Max Lewis, Chairperson of the Board. The Board believes that the composition of the Committee reflects a high level of financial literacy and expertise.

During the past fiscal year, the Committee held seven (7) meetings. In fulfilling its responsibility, the Committee:

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

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



J. Marc Brûlé

Chair, Audit Committee

Auditor's report

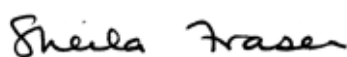
To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of the Royal Canadian Mint as at December 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and, as appropriate, the *Royal Canadian Mint Act*, the by-laws of the Corporation and the charter and the by-laws of its wholly-owned subsidiary.



Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
February 24, 2006

Consolidated balance sheet

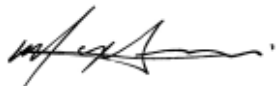
as at December 31 (in thousands of dollars)

	2005	2004 Restated (Note 3)
Assets		
Current		
Cash and cash equivalents	\$ 1,240	\$ 21,535
Short-term investments (note 4)	–	9,524
Accounts receivable	48,872	31,307
Prepaid expenses	752	504
Inventories (note 5)	33,026	18,042
	83,890	80,912
Deferred charges	650	918
Property, plant and equipment (note 6)	111,337	86,249
	\$ 195,877	\$ 168,079
Liabilities		
Current		
Bank indebtedness	\$ 20,198	\$ –
Accounts payable and accrued liabilities	41,219	38,433
Current portion of loans (note 7)	5,065	5,302
Deferred revenues	1,703	1,281
	68,185	45,016
Long-term		
Deferred revenues	1,778	2,384
Loans (note 7)	10,427	14,690
Future tax liabilities (note 8)	2,902	2,521
Employee future benefits (note 9)	8,345	6,892
	23,452	26,487
Shareholder's equity		
Share capital (authorised and issued, 4,000 non-transferable shares)	40,000	40,000
Retained earnings	64,240	56,576
	104,240	96,576
	\$ 195,877	\$ 168,079

Commitments and Guarantees (note 12)

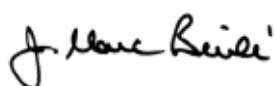
The accompanying notes are an integral part of these statements.

Approved on behalf of
the Board of Directors



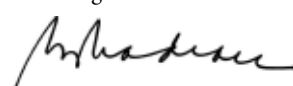
Max Lewis
Chairperson,
Board of Directors

Recommended for approval on
behalf of the Audit Committee



J. Marc Brûlé, CA
Chair

Approved by
Management



Marguerite F. Nadeau, Q.C.
Acting President and
CEO

Consolidated statement of operations and retained earnings

for the year ended December 31 (in thousands of dollars)

	2005	2004 Restated (Note 3)
Revenues	\$ 435,857	\$ 329,424
Cost of goods sold	342,675	252,216
Gross profit	93,182	77,208
Other operating expenses		
Marketing and sales	43,265	29,131
Administration	26,920	22,029
Amortization	9,256	8,734
	79,441	59,894
Income from operations	13,741	17,314
Net foreign exchange gain (losses)	170	(1,242)
Interest income	393	618
Interest expense	(1,104)	(1,437)
Net Income before income tax	13,200	15,253
Income tax expense (note 8)	(4,536)	(4,631)
Net income	8,664	10,622
Retained earnings beginning of year	56,576	45,954
Dividend paid	(1,000)	—
Retained earnings, end of year	\$ 64,240	\$ 56,576

The accompanying notes are an integral part of these statements.

Consolidated cash flow statement

for the year ended December 31 (in thousands of dollars)

	2005	2004 Restated (Note 3)
Cash flows from operating activities		
Cash receipts from customers	\$ 418,044	\$ 307,873
Cash paid to suppliers and employees	(423,415)	(285,858)
Interest received	457	611
Interest paid	(1,504)	(1,893)
Income taxes paid	(4,155)	(2,133)
	(10,573)	18,600
Cash flows from investing activities		
Maturities (purchase) of short-term investments	9,524	(5,455)
Purchase of property, plant and equipment	(34,344)	(6,888)
	(24,820)	(12,343)
Cash flows from financing activities		
Dividend	(1,000)	—
Repayment of loans	(4,100)	(4,100)
	(5,100)	(4,100)
Net (decrease) increase in cash and cash equivalents	(40,493)	2,157
Cash and cash equivalents at the beginning of year	21,535	19,378
Cash and cash equivalents at the end of year	\$ (18,958)	\$ 21,535
Represented by:		
Cash	\$ 1,240	\$ 1,933
Cash equivalents	\$ —	\$ 19,602
Bank indebtedness	\$ (20,198)	\$ —

The accompanying notes are an integral part of these statements.

Notes to consolidated financial statements

December 31, 2005

1. Authority and objectives

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

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

2. Summary of significant accounting policies

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

a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary. Its interest in the joint venture is proportionately consolidated.

b) Cash and cash equivalents

Cash includes cash equivalents, that are investments that are held to maturity and have terms to maturity of three months or less at the time of acquisition. Cash equivalents consist primarily of commercial paper. Cash and cash equivalents are carried at cost, which approximates their fair value.

c) Short-term investments

Short-term investments consist of investments in money market instruments with terms to maturity of 12 months or less. These investments are carried at cost, which approximates their fair value.

d) Inventories

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

e) Property, plant and equipment

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

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

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

Notes to consolidated financial statements

December 31, 2005

f) Revenues

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

g) Deferred revenues

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

h) Deferred charges

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

i) Employee future benefits

i) Pension benefits

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

ii) Other benefits

Employees are entitled to a severance benefit plan. There is also a supplementary retirement benefit plan including post retirement benefits for certain employees as well as post-employment benefits for employees in receipt of long-term disability benefits. The benefits are accrued as the employees render the services necessary to earn them. The cost of the benefits earned by the employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the severance and supplementary retirement benefit plans is 12 years and 11 years respectively (2004 – 12 years; 12 years). For the post employment benefits for employees on long-term disability, the average term of the liability is 5 years.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liability for workers' compensation benefits is actuarially determined based on known awarded disability and survivor pensions and other potential future awards in respect of accidents that occurred up to the value measurement date. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average expected period over which the benefits will be paid. The average expected period over which the benefits will be paid is 8 years. The benefit entitlements are based upon relevant provincial legislations in effect on that date.

The last full actuarial evaluation was done December 31, 2003 except for the post-employment benefits and post-retirement benefits which were fully evaluated in the current year. All plans are scheduled for a full actuarial evaluation in December 2006.

j) Foreign currency translation

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

k) Income tax

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

l) Derivative financial instruments

The Corporation uses derivative financial instruments such as forward contracts to hedge the adverse movements in foreign exchange related to purchases and sales denominated in foreign currencies, including anticipated transactions, as well as to manage its cash balances and requirements. The Corporation's policy is not to utilize freestanding derivative financial instruments for trading or speculative purposes.

All designated hedges are formally documented as to the Corporation's risk objective and strategy, the specific item being hedged, and the method in which effectiveness is measured. The settlement method of accounting is used by the corporation to account for its hedges.

Under the settlement method, gains and losses on hedges are deferred and recognized in the period of settlement as a component of the related transaction. In order to determine the effectiveness at offsetting changes in cash flow of the hedged item, the Corporation assesses both at inception and over the term of the hedging relationship, whether the critical terms of the hedge and hedged item match or the cumulative change in fair value of the hedge and hedged item remain within an acceptable range of 80 to 125 percent. If a hedge ceases to be effective or is terminated, hedge accounting is discontinued. The accumulated gains and losses continue to be deferred and recognized in the Consolidated Statement of Operations and Retained Earnings in the period of settlement of the related transaction; future gains or losses are recognized in the Consolidated Statement of Retained Earnings in the period they occur.

When derivative financial instruments that are held by the Corporation do not qualify as hedges or are not designated, they are carried at fair value on the Consolidated Balance Sheet, and any changes in the fair value or cash flow must be charged or credited to the Consolidated Statement of Operations and Retained Earnings.

m) Use of estimates

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

Notes to consolidated financial statements

December 31, 2005

n) Future accounting changes

In January 2005 the Canadian Institute of Chartered Accountants (CICA) issued the following three accounting standards that will impact the Corporation:

Section 3855 – Financial Instruments – Recognition and Measurement – This standard establishes criteria for the recognition, derecognition, measurement and classification of financial instruments. The Corporation will be required to categorize its financial assets as held for trading, held to maturity, available for sale, or as loans and receivables. The related accounting treatment will be dependent on the classification. Financial assets categorized as held for trading or available for sale are to be measured at fair value while financial assets held to maturity, and loans and receivables are to be measured at amortized cost.

Section 1530 – Comprehensive Income – This standard requires certain gains and losses such as those arising from the valuation of financial instruments; that would otherwise be recorded as part of net income, be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income. A new financial statement entitled Comprehensive Income may be required in order to record such amounts until they are realized.

Section 3865 – Hedges – Derivatives will be classified as held for trading unless designated as hedging instruments. All derivatives will be measured at fair value. For derivatives that hedge the changes in the fair value of an asset or liability, changes in the derivatives' fair value will be reported in the net income and offset by changes in the fair value of the hedged asset or liability. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognised in other comprehensive income, and will subsequently be reclassified to net income in the periods affected by the variability in the cash flows of the hedged item.

These new standards will come into effect for the Corporation's 2007 fiscal year, however early adoption provisions exist. The Corporation is in the process of determining the impact that these standards will have on its financial reporting.

3. Correction of error

In 2004, there was a clerical error in the allocation of recoverable expenses. As a result, revenue and accounts receivable were overstated by \$700,000. This also caused an overstatement in the Corporation's income tax expense of \$228,000. The overall impact to consolidated net income and retained earnings is a reduction of \$472,000. The Corporation has decided to retroactively correct this clerical error and consequently, the consolidated financial statements for the year ended December 31, 2004 have been restated. As a result, the previously reported 2004 Consolidated Net Income and Consolidated Retained Earnings have been restated from \$11,094,000 and \$57,048,000 to \$10,622,000 and \$56,576,000 respectively. This clerical error has no impact on the 2005 consolidated financial statements.

4. Short-term investments

In accordance with the Corporation's short-term investment policy, all investments in corporate entities must be rated R-1 low or better by the Dominion Bond Rating Service (DBRS) and investments in banking entities must be rated AA or better by Moody's or Standard and Poor's. The investment vehicles consist primarily of commercial paper. There were no short term investments outstanding as at December 31, 2005. Last year, the overall portfolio yield for investments outstanding as at December 31, 2004 was 2.66% with an average term to maturity at the time of acquisition of 97 days. The fair market value of the investment portfolio at year-end approximates the book value.

5. Inventories

(in thousands of dollars)

	2005	2004
Raw materials and supplies	\$ 13,000	\$ 7,188
Work in process	14,543	6,537
Finished goods	5,483	4,317
	\$ 33,026	\$ 18,042

6. Property, plant and equipment

(in thousands of dollars)

			2005	2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 3,226	\$ –	\$ 3,226	\$ 3,226
Land improvements	914	781	133	147
Buildings	81,350	29,026	52,324	49,556
Equipment	107,895	63,578	44,317	25,478
Hardware and software	16,813	11,788	5,025	4,853
Uncompleted capital projects	6,312	–	6,312	2,989
	\$ 182,652	\$ 96,403	\$ 111,337	\$ 86,249

7. Loans

(in thousands of dollars)

	2005	2004
10-year loan due December 2007, bearing interest at 5.840% calculated semi-annually with the principal repayable in ten equal annual instalments commencing December 1998	\$ 2,000	\$ 3,000
Amortizing bond with two-year interest holiday maturing December 2009, semi-annual coupon at 7.753% starting June 2000 with principal repayable in ten equal instalments commencing December 2000	12,400	15,500
Accrued interest on bond	1,092	1,497
	15,492	19,997
Less the current portion of loans	5,065	5,307
	\$ 10,427	\$ 14,690

The 10-year loan is with Export Development Canada (EDC). EDC is a Crown corporation and is related to the Royal Canadian Mint as a result of common ownership. The loan with EDC was transacted at fair value, and made on the same terms as those with third parties. The bond is with a non-related third party.

Notes to consolidated financial statements

December 31, 2005

8. Income taxes

(in thousands of dollars)

	2005	2004 Restated (Note 3)
Income tax expense	\$ 4,156	\$ 2,133
Future tax expense	380	2,498
	\$ 4,536	\$ 4,631

Income tax expense on net income before income tax differs from the amount that would be computed by applying the Federal statutory income tax rate of 32.52% (2004 – 32.52%). The reasons for the differences are as follows:

	2005	2004
Computed tax expense	\$ 4,448	\$ 4,960
Change in valuation allowance	–	(441)
Large Corporation Tax	–	15
Other net amounts	88	97
	\$ 4,536	\$ 4,631

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities in 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Employee future benefits	\$ 2,424	\$ 2,340
Inventories	402	402
	2,826	2,742
Future tax liability		
Capital assets	(5,728)	(5,062)
Investment tax credits	–	(201)
	(5,728)	(5,263)
Future tax liabilities	\$ (2,902)	\$ (2,521)

9. Employee future benefits

i) Pension benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's contributions to the Public Service Pension Plan for the year were as follows: \$4,419,000 (2004 - \$4,080,000).

ii) Other benefits

The Corporation provides severance benefits to its employees based on their years of service and final salary. The Corporation also provides workers' compensation benefits along with post-employment benefits for employees in receipt of long-term disability benefits. It also offers to certain employees a supplementary retirement benefits plan which provides benefits based on average earnings at retirement. These benefits plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future revenues earned by the Corporation.

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

Defined Benefit Plan Obligation

(in thousands of dollars)

	2005	2004
Accrued benefit obligation		
Balance at beginning of year	\$ 7,747	\$ 7,077
Current Service Cost	1,194	530
Interest Cost	510	423
Benefits Paid	(476)	(449)
Actuarial losses	177	166
Amortization of transitional obligation	170	—
Balance at end of year	\$ 9,322	\$ 7,747
Accrued benefit obligation at end of the year	\$ 9,322	\$ 7,747
Unamortized net actuarial losses	(673)	(552)
Accrued benefit liability at end of year	\$ 8,649	\$ 7,195
Short term portion (accounts payable and accrued liabilities)	\$ 304	\$ 303
Long term portion (employee future benefits)	\$ 8,345	\$ 6,892

Notes to consolidated financial statements

December 31, 2005

Significant Assumptions (weighted average)

	2005	2004
Accrued benefit obligation as of December 31:		
Discount rate	4.8%	5.5%
Rate of compensation increase	4.4%	4.3%
Benefit costs for year ended December 31:		
Discount rate	5.5%	6.0%
Rate of compensation increase	4.3%	4.4%
Assumed health care cost trend rates at December 31:		
Initial health care cost trend rate	6.0%	6.0%
Cost trend rate declines to	6.0%	6.0%
Year that the rate reaches the rate it is assumed to remain at	2006	2005

10. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada owned entities. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. Transactions with the Department of Finance related to the production and delivery of Canadian circulation coins are generally carried out on a cost plus basis.

11. Financial instruments

i) Foreign exchange contracts

In order to minimize or eliminate the speculative aspects of unprotected foreign exchange transactions associated with purchases and sales denominated in foreign currencies, the Corporation manages its exposure to currency rate risk through the use of foreign exchange contracts. The Corporation also uses such contracts in the process of managing its overall cash requirements. These contracts are commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

The primary risk to the Corporation when entering into foreign exchange contracts is represented by credit risk, wherein the counterparty fails to perform an obligation as agreed upon causing a financial loss. The Corporation manages its exposure to credit risk by contracting only with creditworthy counterparties who are rated AA or better by Moody's or Standard and Poor's. All of the Corporation's foreign exchange contracts are with major Canadian financial institutions.

Foreign exchange forward contracts with a notional amount of \$45.0 million were outstanding at the end of the year (2004 – \$9.3 million).

Fair value estimates for derivative contracts are based on quoted forward market prices at December 31, 2005. As at December 31, 2005, the fair value of the foreign exchange contracts is an asset of \$0.1 million (2004 – liability of \$0.5 million).

The anticipated transactions hedged are expected to occur within the 13-month period ending January 2007.

ii) Other financial instruments

The other financial instruments, which potentially subject the Corporation to a concentration of credit risk, consist principally of cash and cash equivalents and trade receivables. The Corporation primarily invests its excess cash in high quality financial instruments as described in Note 4 and mitigates potential receivables credit risk through credit evaluation and proper approval processes. Any anticipated bad debt loss has been recognized for in the consolidated financial statements.

The carrying amounts for cash and cash equivalents, short-term investments, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate fair market value due to the short term nature of these instruments.

The fair value of the loans payable is \$15.5 million (2004 – \$20.4 million). This estimation is based on a discounted cash flow approach using current market rates.

12. Commitments and Guarantees

i) Base metal commitments and precious metal leases

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation enters into firm fixed price purchase commitments, as well as precious metals leases. As at December 31, 2005, the Corporation had \$10.9 million (2004 – \$11.4 million) in purchase commitments outstanding. These commitments are to be completed by December 2006. In addition, at the end of the year, the Corporation had entered into precious metal leases for 113,954 ounces of gold; 1,704,740 ounces of silver; and 65,030 ounces of platinum (2004 – 77,338 ounces of gold; 746,899 ounces of silver; and 431 ounces of platinum). The fees for these leases are based on market value. The value of metals under both of these contractual arrangements have not been reflected in the Corporation's consolidated financial statements since the Corporation intends to settle these commitments through receipt or delivery of the underlying metal.

The Corporation also entered into a firm fixed price sale contract for base metal in 2005, which was outstanding at year-end in the amount of \$0.5 million (2004 – \$1.4 million). The contract will be fully executed by January 2006. This commitment has not been reflected in the consolidated financial statements.

Notes to consolidated financial statements

December 31, 2005

ii) Bid bonds and performance guarantees

The Corporation has outstanding various guarantees and bid bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bid bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term of up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments which might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As of December 31, 2005, under the guarantees and bid bonds, the maximum potential amount of future payments is \$11.3 million (2004 – \$8.2 million)

iii) Other commitments and guarantees

In 2005, the Corporation entered into a sales agreement, which contained a counter purchase requirement. As of December 31, 2005, the purchase commitment totals \$5.3 million (2004 – \$13.4 million). This purchase commitment is not reflected in the Corporation's financial statements.

The Corporation may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and terms and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed \$75 million. For the year ended December 31, 2005, approved short-term borrowings for working capital within this limit, were not to exceed \$25 million. (2004 – \$25 million).

To support such short-term borrowings as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates.

13. Non-monetary transaction

In December 2003, the Mint signed a contract where it exchanged certain inventory for service credits. These credits will be applied against services to be provided to the Corporation including advertising, marketing studies and printing. These credits are recognized as they are used by the Corporation. In 2005, the Mint utilized \$0.3 million of their credits outstanding. As a result, the balance of the credits outstanding at year end is \$1.0 million.

14. Interest in joint venture

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

(in thousands of dollars)	2005	2004
Assets		
Current assets	\$ 1,205	\$ 771
Long-term assets	240	258
Liabilities		
Current liabilities	392	93
Long-term liabilities	47	40
	2005	2004
Earnings		
Sales	\$ 2,079	\$ 4,121
Expenses	1,936	3,734
Net earnings	110	266
Cash flow		
Operating activities	265	103
Investing activities	(26)	(38)
Investing activities	11	—

76% of the joint venture's total sales for the year ended December 31, 2005 were to the Royal Canadian Mint (2004 – 81%). The Royal Canadian Mint's consolidated financial statements reflect only those sales and related expenses, which were sold to unrelated third parties.

15. Comparative figures

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