THIRD QUARTER FINANCIAL REPORT

FISCAL 2020

NARRATIVE DISCUSSION

BASIS OF PRESENTATION

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

The Mint prepared these unaudited condensed consolidated financial statements for the 13 and 39 weeks ended September 26, 2020 and September 28, 2019 in compliance with International Financial Reporting Standards (IFRS). Although the Mint's year end of December 31 matches the calendar year end, the Mint's quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Mint's quarters contains 13 weeks. Financial results reported in this narrative are presented in Canadian dollars and rounded to the nearest million, unless otherwise noted. The information in this narrative is current to November 18, 2020, unless otherwise noted.

MATERIALITY

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

FORWARD LOOKING STATEMENTS

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

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

OVERVIEW OF THE CORE MANDATE AND THE BUSINESS

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

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

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

The Bullion Products & Services business supports Canada's financial and mining sectors with agility and resiliency to serve the global market augmenting bullion sales with related offerings. The Mint provides its customers with market-leading precious metal investment coin and bar products, supported by integrated precious metal refining, storage and exchange traded receipts (ETR) capabilities. These products include the Maple Leaf family of gold and silver coins, as well as other precious metal products and services for investment and manufacturing purposes. As a market leader in the industry with bullion coins of the highest quality and security, the Mint is well positioned to capture a leading share of any increase in demand while sustaining volumes during soft markets. The Canadian Gold and Silver Reserves ETR products listed on the Toronto Stock Exchange allow retail and institutional investors to hold title to precious metals covered under ETRs and stored at the Mint while reducing Mint lease costs.

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

SIGNIFICANT CORPORATE EVENTS

Donation to Breakfast Club of Canada

On June 29, 2020, the Mint launched the Recognition Medal to recognize essential workers and everyone else who has worked to keep Canadians safe, healthy and connected during the COVID-19 pandemic. The Mint will donate the net proceeds from the sale of each medal to Breakfast Club of Canada's emergency funding in support of children and families who are facing food insecurity, due to the repercussions of COVID-19. To date the Mint has donated $300,000.

COVID-19 Pandemic

On July 6, 2020, the Mint re-opened its Winnipeg boutique, and on July 13, 2020 it resumed tour operations at its Winnipeg location. The Mint continues to take all necessary precautions to safeguard employee and visitor health and safety, while prioritizing critical manufacturing operations to support trade and commerce, and the essential mining and financial sectors.

Canada's Safest Employer

On October 22, 2020, the Mint was named Canada's Safest Manufacturing Employer by Canadian Occupational Safety magazine. The Mint is committed to health and safety in the workplace and is proud to join the distinguished group of past winners of this award and this year's honourees.

OPERATING HIGHLIGHTS AND ANALYSIS OF RESULTS

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

	13 weeks ended				39 weeks ended			
	September 26, 2020	September 28, 2019	$ Change	% Change	**September 26, 2020**	September 28, 2019	$ Change	% Change
Revenue	**$ 795.4**	$ 370.1	$ 425.3	115%	**$ 1,823.3**	$ 999.2	$ 824.1	82%
Profit before income tax and other items[1]	**$ 10.2**	$ 6.7	$ 3.5	52%	**$ 18.5**	$ 25.8	$ (7.3)	(28%)
Profit before income tax and other items margin	**1.3%**	1.8%			**1.0%**	2.6%		
Profit for the period	**$ 16.3**	$ 9.5	$ 6.8	72%	**$ 25.6**	$ 22.0	$ 3.6	16%

[1]A reconciliation from profit for the period to profit before income tax and other items is included on page 11.

Profit before income tax and other items for the 13 weeks ended September 26, 2020 was $3.5 million higher than the same period in 2019. The increase in profit for the quarter was primarily driven by higher revenue from the Bullion Products and Services business. The Bullion Products and Services business saw a 146% increase in revenue during the quarter as the Mint demonstrated agility to execute on exceptionally strong global market demand for bullion products in 2020, while the Mint’s other businesses had lower revenue over the same fixed cost base as 2019 resulting in the decrease in profit margin quarter over quarter.

Profit before income tax and other items for the 39 weeks ended September 26, 2020 decreased $7.3 million compared to the same period in 2019. Over the second and third quarter of 2020, the Mint proactively managed the COVID-19 pandemic to prevent cases in its production facility with a long-term mindset of sustainability. The Mint focused its production capacity to serve the financial and mining sectors in Canada and around the world in 2020 resulting in a 109% increase in revenue from Bullion Products and Services business year to date. Lower revenue from the Numismatics and Foreign Circulation businesses, and the Canadian Circulation program, over the same fixed cost base as 2019, combined with incremental costs related to the COVID-19 pandemic, all contributed to the decreases in profit and profit margin year over year.

	As at			
	September 26, 2020	December 31, 2019	$ Change	% Change
Cash and cash equivalents	**$ 91.1**	$ 65.5	$ 25.6	39%
Inventories	**$ 58.0**	$ 94.9	$ (36.9)	(39%)
Capital assets	**$ 162.9**	$ 173.9	$ (11.0)	(6%)
Total assets	**$ 388.2**	$ 429.9	$ (41.7)	(10%)
Working capital	**$ 124.7**	$ 102.5	$ 22.2	22%

Working capital remained strong having increased 22% from December 31, 2019. Cash and cash equivalents increased 39% from December 31, 2019 mainly due to the stable cash flows from operations and favourable timing of cash collected from customers. Inventories decreased $37 million compared to December 31 2019 due principally to the settlement of significant bullion transactions from 2019, partially offset by increases in inventory supporting on-going production for Foreign Circulation contracts with deliveries through the rest of 2020 and into 2021.

Revenue by program and business

	13 weeks ended				39 weeks ended			
	September 26, 2020	September 28, 2019	$ Change	% Change	**September 26, 2020**	September 28, 2019	$ Change	% Change
Canadian Circulation	**$ 22.9**	$ 25.4	$ (2.5)	(10%)	**$ 65.2**	$ 72.4	$ (7.2)	(10%)
Foreign Circulation	**$ 13.2**	$ 19.2	$ (6.0)	(31%)	**$ 33.1**	$ 42.3	$ (9.2)	(22%)
Bullion Products and Services	**$ 737.3**	$ 299.5	$ 437.8	146%	**$ 1,669.5**	$ 799.2	$ 870.3	109%
Numismatics	**$ 22.0**	$ 26.0	$ (4.0)	(15%)	**$ 55.5**	$ 85.3	$ (29.8)	(35%)

Canadian Circulation

During the 13 and 39 weeks ended September 26, 2020, revenue from the Canadian Circulation program decreased by $2.5 million and $7.2 million, respectively, over the same periods in 2019. These decreases were mainly due to a change in the mix of coin denominations and a lower volume of coins issued and sold to the Department of Finance in 2020 combined with lower fixed costs billed under the 2018 memorandum of understanding, and lower revenue from the alloy recovery program.

On July 28, 2020, the Mint issued a new $2 circulation coin honouring the ground-breaking contributions to contemporary Indigenous art of the late Bill Reid, the legendary artist and advocate of Haida culture also known by the Haida name Iljuwas.

On September 2, 2020, the Mint launched a new $2 circulation coin celebrating the 75th anniversary of the end of the Second World War and the Canadians who defeated enemies of freedom after six long years of service on the battlefield and on the home front.

Coin supply

	13 weeks ended				39 weeks ended			
(in millions of coins)	**September 26, 2020**	September 28, 2019	Change	% Change	**September 26, 2020**	September 28, 2019	Change	% Change
Financial institutions deposits	**332**	650	(318)	(49%)	**1,116**	1,944	(828)	(43%)
Recycled coins	**19**	47	(28)	(60%)	**70**	126	(56)	(44%)
New coins sold to financial institutions and others	**192**	182	10	5%	**279**	299	(20)	(7%)
Total coin supply	**543**	879	336	(38%)	**1,465**	2,369	(904)	(38%)

Demand is met through the three main sources of supply outlined in the above table and is subject to variability across regions of the country and seasonality depending on the time of the year. Although the supply for Canadian circulation coins decreased 38% for both the 13 and 39 weeks ended September 26, 2020, when compared to the same periods in 2019, the Mint leveraged its life cycle management expertise to ensure regions were adequately stocked and coins were available to meet Canadians' trade and commerce needs. Sales of new coins to financial institutions were lower year to date compared to the same period last year due to lower coin requirements at the outset of the COVID-19 pandemic. However, sales of new coin increased and were strong throughout the 13 weeks ended September 26, 2020 as a result of a decrease in financial institution deposits and growing demand for circulation coins as COVID-19 pandemic restrictions begin to ease and businesses re-open.

Department of Finance Inventory

	As at			
(in millions of dollars)	**September 26, 2020**	September 28, 2019	$ Change	% Change
Opening inventory	**$ 102**	$ 98	$ 4	4%
New coins produced	**64**	74	(10)	(14%)
New coins sold to financial institutions and others	**(94)**	(102)	8	(8%)
Ending inventory	**$ 72**	$ 70	$ 2	3%

The Mint actively manages inventory levels in response to changes in demand, financial institution deposits and recycling volumes to ensure coinage demand is met throughout the year. The face value of the Department of Finance owned inventory at September 26, 2020 was $72 million, which was within the inventory limit outlined in the Mint's MOU with the Department of Finance. To replenish inventories held on behalf of the Department of Finance, the Mint produced 158 million coins in the first 39 weeks of 2020 compared to 344 million for the same period in 2019.

Foreign Circulation

Revenue from the Foreign Circulation business decreased 31% and 22% to $13.2 million and $33.1 million, respectively, during the 13 and 39 weeks ended September 26, 2020 compared to $19.2 million and $42.3 million in the same periods in 2019. Foreign Circulation production throughput over these time periods was reduced due to COVID-19 prevention measures and production adjustments associated with a new coin denomination.

The decrease in Foreign Circulation revenue for the 13 weeks ended September 26, 2020 reflected lower volumes and changes in the mix of contracts which consisted of shipments of 98 million (2019 – 350 million) coins and blanks to 7 (2019 – 5) countries compared to 2019. The decrease for the 39 weeks ended September 26, 2020 reflected the shipment of 555 million (2019 – 830 million) coins and blanks to 10 (2019 – 10) countries. During the first 39 weeks of 2020, the Mint was awarded 6 new production contracts for an aggregate of 1,486 million coins.

Bullion Products and Services

	13 weeks ended				39 weeks ended			
	September 26, 2020	September 28, 2019	$ Change	% Change	**September 26, 2020**	September 28, 2019	$ Change	% Change
Gross revenue	**$ 1,127.1**	$ 410.5	$ 716.6	175%	**$ 2,472.6**	$ 1,086.9	$ 1,385.7	127%
Less: customer inventory deals	**(389.8)**	(111.0)	(278.8)	251%	**(803.1)**	(287.7)	(515.4)	179%
Net revenue	**$ 737.3**	$ 299.5	$ 437.8	146%	**$ 1,669.5**	$ 799.2	$ 870.3	109%

	13 weeks ended				39 weeks ended			
(thousands of ounces)	**September 26, 2020**	September 28, 2019	Change	% Change	**September 26, 2020**	September 28, 2019	Change	% Change
Gold	**300.1**	96.3	203.8	212%	**694.8**	304.7	390.1	128%
Silver	**8,197.6**	6,615.7	1,581.9	24%	**21,962.5**	16,446.6	5,515.9	34%
Gross ounces	**8,497.7**	6,712.0	1,785.7	27%	**22,657.3**	16,751.3	5,906.0	35%
Less: ounces from customer inventory deals	**(1,127.5)**	(481.4)	(646.1)	134%	**(3,665.3)**	(971.2)	(2,694.1)	277%
Net ounces	**7,370.2**	6,230.6	1,139.6	18%	**18,992.0**	15,780.1	3,211.9	20%

Bullion Products and Services net revenues for the 13 and 39 weeks ended September 26, 2020 increased 146% and 109%, respectively, as compared to the same periods in 2019. The increases in revenue were mainly attributable to an extraordinary increase in global market demand for bullion products combined with higher precious metal market prices and the Mint's agility to execute on these changes in the bullion market in 2020. The Corporation adapted to this increase in demand by reallocating resources to the Bullion Products and Services business to support the financial and mining sectors during the COVID-19 pandemic.

Numismatics

Numismatics revenue decreased 15% and 35%, respectively, to $22.0 million and $55.5 million during the 13 and 39 weeks ended September 26, 2020. In 2020, as a result of the COVID-19 pandemic, the Mint prioritized production capacity to serve the financial and mining sectors resulting in the suspension of numismatic coin production from mid-March to late May 2020. The temporary suspension of numismatic coin production combined with a planned smaller, more resonant numismatic product portfolio in 2020, in particular for silver products, were the main drivers of lower Numismatics revenue in 2020.

	13 weeks ended				39 weeks ended			
	September 26, 2020	September 28, 2019	$ Change	% Change	**September 26, 2020**	September 28, 2019	$ Change	% Change
Gold	**$ 8.9**	$ 7.6	$ 1.3	17%	**$ 21.2**	$ 20.5	$ 0.7	3%
Silver	**11.4**	15.9	(4.5)	(28%)	**27.3**	58.1	(30.8)	(53%)
Other revenue[1]	**1.7**	2.5	(0.8)	(32%)	**7.0**	6.7	0.3	4%
Total revenue	**$ 22.0**	$ 26.0	$ (4.0)	(15%)	**$ 55.5**	$ 85.3	$ (29.8)	(35%)

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

Expenses, other income and income tax

	13 weeks ended				39 weeks ended			
	September 26, 2020	September 28, 2019	$ Change	% Change	**September 26, 2020**	September 28, 2019	$ Change	% Change
Cost of sales	**$ 749.7**	$ 335.1	$ 414.6	124%	**$ 1,724.8**	$ 900.1	$ 824.7	92%
Operating expenses:								
Marketing and sales	**$ 7.2**	$ 7.1	$ 0.1	1%	**$ 20.4**	$ 22.7	$ (2.3)	(10%)
Administration	**$ 16.5**	$ 15.1	$ 1.4	9%	**$ 49.0**	$ 46.0	$ 3.0	7%
Net foreign exchange loss (gain)	**$ 1.0**	$ (0.7)	$ 1.7		**$ (3.5)**	$ 0.8	$ (4.3)	
Finance (income) costs, net	**$ (0.2)**	$ 0.2	$ (0.4)		**$ (0.7)**	$ (0.5)	$ (0.2)	
Other income	**$ -**	$ -	$ -		**$ -**	$ (0.2)	$ 0.2	
Income tax expense	**$ 5.0**	$ 3.7	$ 1.3		**$ 7.7**	$ 8.3	$ (0.6)	

Cost of sales for the 13 and 39 weeks ended September 26, 2020 increased to $750 million and $1,725 million, respectively, compared to $335 million and $900 million during the same periods in 2019. The overall increase in cost of sales was mainly due to higher gold and silver bullion volumes sold which increased 18% and 20%, respectively, in the 13 and 39 weeks ended September 26, 2020, combined with higher precious metal sourcing costs in 2020. The Mint also incurred approximately $6 million of non-revenue generating costs during the two week production shutdown and eight weeks of modified production due to the COVID-19 pandemic. The positive impact of the decrease in the Face Value redemptions liability from the increase in the price of silver in the quarter decreased cost of sales by $6.2 million in both the 13 and 39 weeks ended September 26, 2020.

Overall, operating expenses for the 13 and 39 weeks ended September 26, 2020 increased $1.5 million and $0.7 million compared to the same periods in 2019. Administration expenses increased 9% and 7%, respectively, mainly due to compensation cost increases, including resources focused on enhanced organizational resiliency, COVID-19 related costs and the donation of net proceeds from sales of the Recognition Medal to Breakfast Club of Canada. Selling and marketing expenses fluctuations during these periods were mainly due to the timing of spending on marketing and advertising campaigns combined with planned lower overall spending on marketing and advertising campaigns in 2020.

Net foreign exchange gain increased $4.3 million for the 39 weeks ended September 26, 2020 when compared to the same period in 2019. The net foreign exchange gain of $3.5 million in the first 39 weeks of 2020 was mainly due to a stronger US dollar in relation to the Canadian dollar and the resulting positive impact on the translation of the Mint's US dollar balances.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

	13 weeks ended			39 weeks ended		
	September 26, 2020	September 28, 2019	$ Change	**September 26 2020**	September 28, 2019	$ Change
Cash and cash equivalents, at the end of the period	**$ 91.1**	$ 103.1	$ (12.0)	**$ 91.1**	$ 103.1	$ (12.0)
Cash flow from operating activities	**$ 13.3**	$ 15.4	$ (2.1)	**$ 32.3**	$ 46.9	$ (14.6)
Cash flow used in investing activities	**$ (1.7)**	$ (3.2)	$ 1.5	**$ (5.9)**	$ (7.6)	$ 1.7
Cash flow used in financing activities	**$ (0.6)**	$ (0.7)	$ 0.1	**$ (2.4)**	$ (2.2)	$ (0.2)

Cash from operating activities for the 13 and 39 weeks ended September 26, 2020 decreased $2.1 million and $14.6 million, respectively, compared to the same periods in 2019 primarily due to the timing of inventory purchases, cash collected from customers, and payments to vendors partially offset by savings on Canadian income tax instalment payments.

Cash used in investing activities decreased $1.5 million and $1.7 million, respectively, for the 13 and 39 weeks ended September 26, 2020 mainly due delays in capital spending due to the COVID-19 pandemic.

Cash used in financing activities was consistent for both periods. Year over year results included a $0.5 million lease termination payment for Ottawa office space.

Borrowing facilities

See note 18 in the December 31, 2019 audited consolidated financial statements for details on the Mint's borrowing facilities. The Mint entered the period with total outstanding long term loans of $9.0 million, as well as total lease liability of $9.6 million, and closed the period with total outstanding long term loans of $9.0 million and total lease liability of $7.1 million, which is within the Mint's approved borrowing limit as prescribed by the *Royal Canadian Mint Act*. The Mint entered and closed the period with a long-term debt-to-equity ratio of 1:16.

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

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

	13 weeks ended			39 weeks ended		
	September 26, 2020	September 28, 2019	$ Change	**September 26, 2020**	September 28, 2019	$ Change
Profit for the period	**$ 16.3**	$ 9.5	$ 6.8	**$ 25.6**	$ 22.0	$ 3.6
Add (deduct):						
Income tax expense	**5.0**	3.7	1.3	**7.7**	8.3	(0.6)
Other income	**-**	-	-	**-**	(0.2)	0.2
Net foreign exchange loss (gain)	**1.0**	(0.7)	1.7	**(3.5)**	0.8	(4.3)
Face Value revaluation gain[1]	**(12.1)**	(5.8)	(6.3)	**(11.3)**	(5.1)	(6.2)
Profit before income tax and other items	**$ 10.2**	$ 6.7	$ 3.5	**$ 18.5**	$ 25.8	$ (7.3)

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

RISKS TO PERFORMANCE

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

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

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

During the second quarter of 2020, the Mint's Board of Directors and management conducted an in-depth review of the risks, the progress of the various mitigation activities, and the changes to the internal and external environments. The following updates were made to the risk profile of the Mint's key strategic risks identified in the Mint's 2019 Annual Report:

E-Payment adoption rate

The risk that the Mint is not prepared for the impacts of accelerated e-payment adoption to its business model and mandate.

Diversification of customer base

The risk that the Mint may have overreliance or dependency on a limited number of customers for significant portions of our revenue stream. This risk statement combines the previously identified risks related to the numismatic value proposition, as well as bullion and foreign market dynamics.

System capability and information management

The risk that legacy applications fail and become unavailable to the business teams or cause significant data loss or data integrity issues.

Security (physical and cyber)

The risk of theft or inappropriate access to and use of our information or assets, including for fraudulent purposes.

Agility

The risk of lack of agility to react, implement changes and adapt to the evolving internal and external environments to stay competitive. This risk statement includes the previously identified risk related to change management.

COVID-19

In enacting its business continuity plan in response to COVID-19, the Mint also faces uncertainty with the state of the markets in a post COVID-19 environment. The Mint's Executive Emergency Oversight Committee continues to meet on a regular basis and monitors all aspects of the market, as well as the impact of the extended pandemic period on its workforce, very closely.

There are no other material changes to the substance of the remaining risks previously identified in the Mint's 2019 Annual Report.

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

See note 4 in the audited consolidated financial statements for the year ended December 31, 2019 for a discussion of key sources of estimation uncertainty and critical judgements, as well as note 4 in the accompanying unaudited condensed consolidated financial statements for the 39 weeks ended September 26, 2020 for a discussion regarding the adoption of new accounting standards.

OUTLOOK

The financial goal for 2020, as approved in the Mint's 2020-2024 Corporate Plan, is $25.5 million. The Mint is working diligently to mitigate the impacts of COVID-19 on its business performance while following government guidance and prioritizing the health and safety of its employees. Since the start of the pandemic, the Mint has successfully implemented more than 30 separate measures to protect the health and safety of employees and maintain production. As part of its business continuity plan, the Mint continues to actively monitor its global supply chain and logistics networks in support of its continued operations.

While still lower than historical levels, Canadian coin activity has started to trend upwards as business activity has improved, and more retail locations reopen. Within the coin ecosystem, the majority of coin demand is fulfilled by deposits of coin that circulate back to the financial institutions. Since deposits have been disrupted due to the pandemic, these coins have been slow to make their way back to the system.

With market activities still uncertain, the Mint has modelled several scenarios for Canadian coin requirements in the coming months. In addition to scenario planning, the Mint has also leveraged its international resources to better understand trends and experiences abroad, allowing the Mint to increase its preparedness during the pandemic. Domestically, all regions in Canada are well stocked with inventory, and additional raw materials have been secured to support potential surges in market demand. The Mint and ecosystem stakeholders continue to closely monitor the situation and collaborate to ensure that Canada's circulation coin system remains well positioned to handle the range of likely outcomes while ensuring all regions are adequately stocked and coins are available to meet Canadians' trade and commerce needs.

The Mint continues to closely monitor international circulation coin market conditions, cash usage trends, and continued disruptions to coin supply and demand as a result of the global COVID-19 pandemic. The Mint has a solid international contract position and is anticipating improved revenue and margins for the remainder of 2020 as production challenges faced earlier in 2020 are overcome, with the current production plan extending to mid-2022. Global coin demand is expected to remain strong, despite anticipated reductions in demand in advanced economies, as a result of continued strong demand from emerging economies. The Mint estimates that central banks will issue tenders for four billion nickel plated steel coins and coin blanks over the next 12 months. Commoditization and industry overcapacity, however, continue to put pressure on margins. The Mint will continue to pursue opportunities where it has a competitive advantage, and can leverage innovative technologies for 2021 and beyond.

The Mint continues to monitor bullion coin market and supply conditions closely and will work to position itself to be able to meet demand relating to continued strong market conditions for gold and silver bullion coins. The Mint will continue to focus on customer and market strategies in support of its strong market share, including a renewed focus on gold refining and coin products and additional storage opportunities, while carefully managing operating costs to mitigate the impact of uncertainty in the global bullion coin market.

The Mint reduced and realigned its Numismatics product plan, product launch activities and schedule for the balance of 2020 and 2021. The Mint's direct sales, including e-commerce, are expected to continue to be consistent with e-commerce trends during the COVID-19 pandemic period. The Mint continues to prioritize being a customer-centric organization focused on enhancing the customer experience and improving the long-term performance of the Numismatics business. This is being achieved through targeted marketing and sales activities to new and existing customers and identifying other areas to reduce costs in the business in support of sustainable profitability.

FORWARD LOOKING STATEMENTS

The unaudited condensed consolidated financial statements and the narrative, contain forward-looking statements that reflect management's expectations regarding the Mint's objectives, plans, strategies, future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as "plans", "anticipates", "expects", "believes", "estimates", "intends", and other similar expressions. These forward-looking statements are not facts, but only estimates regarding expected growth, results of operations, performance, business prospects and opportunities (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Mint expects. These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth above in the Risks to Performance, as well as in Note 9 – Financial Instruments and Financial Risk Management to the Mint's unaudited condensed consolidated financial statements.

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

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

The forward-looking statements included in the unaudited condensed consolidated financial statements and narrative are made only as of November 18, 2020, and the Mint does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

Statement of Management Responsibility by Senior Officials

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

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

Marie Lemay

President and Chief Executive Officer

Jennifer Camelon, CPA, CA

Senior Vice-President, Finance and Administration and Chief Financial Officer

Ottawa, Canada
November 18, 2020

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

	Notes	As at September 26, 2020	As at December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 91,078**	$ 65,506
Trade receivables, net and other receivables	5	**14,404**	38,343
Income tax receivable		**5,398**	7,748
Prepaid expenses		**4,450**	4,018
Inventories	6	**57,980**	94,901
Contract assets	7	**17,726**	11,778
Derivative financial assets	8	**2,337**	684
Total current assets		**193,373**	222,978
Non-current assets			
Trade receivables, net and other receivables	5	**320**	519
Prepaid expenses		**450**	404
Derivative financial assets	8	**1,812**	35
Deferred income tax assets		**29,336**	32,031
Property, plant and equipment	9	**151,535**	159,507
Investment property		**236**	236
Intangible assets	9	**5,024**	6,339
Right-of-use assets	10	**6,140**	7,856
Total non-current assets		**194,853**	206,927
Total assets		**$ 388,226**	$ 429,905
Liabilities			
Current liabilities			
Trade payables, other payables and accrued liabilities	11	**$ 41,549**	$ 44,616
Provisions	12	**3,148**	1,918
Face Value redemptions liability	13	**573**	1,091
Contract liabilities	7	**13,931**	64,294
Loan payable		**3,005**	3,000
Derivative financial liabilities	8	**929**	-
Lease liabilities	10	**2,257**	2,452
Employee benefit obligations		**3,266**	3,101
Total current liabilities		**68,658**	120,472
Non-current liabilities			
Trade payables, other payables and accrued liabilities	11	**154**	215
Provisions	12	**1,225**	1,373
Face Value redemptions liability	13	**120,059**	133,024
Loan payable		**5,998**	5,993
Derivative financial liabilities	8	**143**	-
Lease liabilities	10	**4,875**	7,146
Employee benefit obligations		**11,476**	11,476
Total non-current liabilities		**143,930**	159,227
Total liabilities		**212,588**	279,699
Shareholder's equity			
Share capital (authorized and issued 4,000 non-transferable shares)		**40,000**	40,000
Retained earnings		**135,743**	110,179
Accumulated other comprehensive (loss) income		**(105)**	27
Total shareholder's equity		**175,638**	150,206
Total liabilities and shareholder's equity		**$ 388,226**	$ 429,905

Commitments, contingencies and guarantees (Note 22)

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

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

	Notes	13 weeks ended **September 26, 2020**	13 weeks ended September 28, 2019	39 weeks ended **September 26, 2020**	39 weeks ended September 28, 2019
Revenue	15	**$ 795,407**	$ 370,054	**$ 1,823,323**	$ 999,159
Cost of sales	16,17	**749,700**	335,120	**1,724,829**	900,097
Gross profit		**45,707**	34,934	**98,494**	99,062
Marketing and sales expenses	16,17	**7,213**	7,108	**20,420**	22,739
Administration expenses	16,17,18	**16,493**	15,116	**49,018**	46,009
Operating expenses		**23,706**	22,224	**69,438**	68,748
Net foreign exchange (loss) gain		**(1,010)**	696	**3,524**	(769)
Operating profit		**20,991**	13,406	**32,580**	29,545
Finance income (costs), net		**243**	(211)	**717**	479
Other income		**1**	-	**3**	222
Profit before income tax		**21,235**	13,195	**33,300**	30,246
Income tax expense	19	**(4,977)**	(3,704)	**(7,736)**	(8,266)
Profit for the period		**16,258**	9,491	**25,564**	21,980
Net unrealized gain (loss) on cash flow hedges		**18**	9	**(132)**	(90)
Other comprehensive income (loss), net of tax		**18**	9	**(132)**	(90)
Total comprehensive income		**$ 16,276**	$ 9,500	**$ 25,432**	$ 21,890

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

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

13 weeks ended September 26, 2020

	Notes	**Share capital**		**Retained earnings**		**Accumulated other comprehensive (loss) income (Net gains on cash flow hedges)**		**Total**
Balance as at June 29, 2020		$ 40,000	$	119,485	$	(123)	$	159,362
Profit for the period		**-**		**16,258**				**16,258**
Other comprehensive income, net[1]		**-**		**-**		**18**		**18**
Balance as at September 26, 2020		**$40,000**	**$**	**135,743**	**$**	**(105)**	**$**	**175,638**

[1]Amounts are net of income tax

13 weeks ended September 28, 2019

	Notes	Share capital		Retained earnings		Accumulated other comprehensive (loss) income (Net gains on cash flow hedges)		Total
Balance as at June 29, 2019		$ 40,000	$	128,847	$	(7)	$	168,840
Profit for the period		-		9,491		-		9,491
Other comprehensive income, net[1]		-		-		9		9
Balance as at September 28, 2019		$40,000	$	138,338	$	2	$	178,340

[1]Amounts are net of income tax

39 weeks ended September 26, 2020

	Notes	**Share capital**		**Retained earnings**		**Accumulated other comprehensive income (loss) (Net gains on cash flow hedges)**		**Total**
Balance as at December 31, 2019		$ 40,000	$	110,179	$	27	$	150,206
Profit for the period		**-**		**25,564**				**25,564**
Other comprehensive loss, net[1]		**-**		**-**		**(132)**		**(132)**
Balance as at September 26, 2020		**$ 40,000**	**$**	**135,743**	**$**	**(105)**	**$**	**175,638**

[1]Amounts are net of income tax

39 weeks ended September 28, 2019

	Notes	Share capital		Retained earnings		Accumulated other comprehensive income (loss) (Net gains on cash flow hedges)		Total
Balance as at December 31, 2018		$ 40,000	$	116,358	$	92	$	156,450
Profit for the period		-		21,980		-		21,980
Other comprehensive loss, net[1]		-		-		(90)		(90)
Balance as at September 28, 2019		$ 40,000	$	138,338	$	2	$	178,340

[1]Amounts are net of income tax

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

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

	Notes	13 weeks ended September 26, 2020	13 weeks ended September 28, 2019	39 weeks ended September 26, 2020	39 weeks ended September 28, 2019
Cash flows from operating activities					
Profit for the period		**$ 16,258**	$ 9,491	**$ 25,564**	$ 21,980
Adjustments to reconcile profit to cash flows from operating activities:					
Depreciation and amortization	16	**5,131**	5,047	**15,446**	15,123
Income tax expense	19	**4,977**	3,704	**7,736**	8,266
Finance (income) cost, net		**(243)**	211	**(717)**	(479)
Other income		**(1)**	-	**(3)**	(222)
Net foreign exchange loss (gain)		**55**	(688)	**(6,882)**	(422)
Adjustments to other revenues, net	20	**(4,381)**	(6,783)	**(17,126)**	(19,689)
Changes in Face Value redemptions liability		**(12,180)**	(6,105)	**(11,776)**	(6,114)
Net changes in operating assets and liabilities	20	**4,078**	15,006	**21,887**	39,987
Cash from operating activities before interest and income tax		**13,681**	19,883	**34,129**	58,430
Income tax paid, net of income tax received	20	**(365)**	(4,565)	**(2,959)**	(12,230)
Interest received, net of interest paid	20	**(58)**	69	**1,088**	702
Net cash from operating activities		**13,271**	15,387	**32,258**	46,902
Cash flows used in investing activities					
Acquisition of property, plant and equipment		**(1,048)**	(2,757)	**(4.563)**	(6,487)
Acquisition of intangible assets		**(627)**	(436)	**(1,292)**	(1,088)
Net cash used in investing activities		**(1,675)**	(3,193)	**(5,855)**	(7,575)
Cash flows used in financing activities					
Lease principal payments	15	**(556)**	(681)	**(2,353)**	(2,168)
Net cash used in financing activities		**(556)**	(681)	**(2,353)**	(2,168)
Effect of changes in exchange rates on cash and cash equivalents		**(522)**	161	**1,522**	(424)
Increase in cash and cash equivalents		**10,518**	11,674	**25,572**	36,735
Cash and cash equivalents at the beginning of the period		**80,560**	91,425	**65,506**	66,364
Cash and cash equivalents at the end of the period		**$ 91,078**	$ 103,099	**$ 91,078**	$ 103,099

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

1. NATURE AND DESCRIPTION OF THE CORPORATION

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

The Corporation is complying with the directive and subsequent amendments of (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments.

The Corporation is one of the world's foremost producers of circulation, collector and bullion investment coins for the domestic and international marketplace. It is also one of the largest gold refiners in the world. The addresses of its registered office and principal place of business are 320 Sussex Drive, Ottawa, Ontario, Canada, K1A 0G8 and 520 Lagimodière Blvd, Winnipeg, Manitoba, Canada, R2J 3E7.

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

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

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

These condensed consolidated financial statements were prepared in accordance with *IAS 34 Interim Financial Reporting ("IAS 34")* of the *International Financial Reporting Standards ("IFRS")* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. As permitted under these standards, these condensed consolidated financial statements do not include all of the disclosure requirements for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended December 31, 2019.

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

2.2 Basis of presentation

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

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

These condensed consolidated financial statements were approved for public release by the Board of Directors of the Corporation on November 18, 2020.

2.3 Consolidation

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

2.4 Foreign currency translation

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

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

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

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

Significant judgements and estimates as at September 26, 2020 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended December 31, 2019.

4. APPLICATION OF NEW AND REVISED IFRS

4.1 New and revised IFRS pronouncements affecting amounts reported and/or disclosed in the condensed consolidated financial statements for the 39 weeks ended September 26, 2020.

The Corporation reviewed the new and revised accounting pronouncements that were issued and had mandatory effective dates of annual periods beginning on or after January 1, 2020. The following amendments were adopted by the Corporation on January 1, 2020 and did not have a material impact on the condensed consolidated financial statements.

Conceptual Framework for Financial Reporting

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

Definition of Material

In October 2018, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* (IAS 1) and IAS 8 – *Accounting policies, changes in estimates and errors* (IAS 8). The amendments clarify the definition of material and align the definition in both standards.

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

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

Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* (IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023.

Property, Plant and Equipment — Proceeds before Intended Use

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

Onerous Contracts — Cost of Fulfilling a Contract

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

Annual Improvements to IFRS Standards 2018–2020

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

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

5. TRADE RECEIVABLES, NET AND OTHER RECEIVABLES

	As at			
	September 26, 2020		December 31, 2019	
Receivables and accruals from contracts with customers	**$**	**11,931**	$	36,403
Receivables from contracts with related parties (Note 21)		**1,504**		650
Allowance for expected credit losses		**(19)**		(42)
Net trade receivables	**$**	**13,416**	$	37,011
Lease receivables	**$**	**263**	$	251
Other current financial receivables		**549**		880
Other receivables		**176**		201
Total current trade receivables, net and other receivables	**$**	**14,404**	$	38,343
Non-current lease receivables	**$**	**320**	$	519
Total non-current trade receivables, net and other receivables	**$**	**320**	$	519
Trade receivables, net and other receivables	**$**	**14,724**	$	38,862

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

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

	As at			
	September 26, 2020		December 31, 2019	
Opening balance	**$**	**770**	$	1,004
Interest income		**17**		30
Sublease payments received		**(204)**		(264)
Closing balance	**$**	**583**	$	770

Total cash inflow from leases included in lease receivables for the 13 weeks and 39 weeks ended September 26, 2020 was $0.1 million (September 28, 2019 – $0.1 million) and $0.2 million (September 28, 2019 - $0.2 million), respectively.

6. INVENTORIES

	As at			
	September 26, 2020		December 31, 2019	
Total inventories	**$**	**57,980**	$	94,901

The Corporation recognized write-downs of inventory to net realizable value for the 13 weeks and 39 weeks ended September 26, 2020 of $1.4 million (September 28, 2019 - $1.1 million) and $2.4 million (September 28, 2019 - $3.7 million), respectively.

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

7. CONTRACT ASSETS AND LIABILITIES

The contract assets relate to the Corporation's rights to consideration for work completed, but not billed as at September 26, 2020. The Corporation reviewed its credit risk exposure related to contract assets as at September 26, 2020 and evaluated the risk to be minimal as each related contract is subject to a contract specific risk assessment process. The contract liabilities relate to the consideration received in advance from customers for which revenue has not yet been recognized and accrued expenses related to contract assets, as well as amounts relating to the Corporation's customer loyalty program.

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

	As at September 26, 2020	
	Contract Assets	**Contract Liabilities**
Opening balance, January 1, 2020	**$ 11,778**	**$ 64,294**
Revenue recognized	**-**	**(55,750)**
Cash received, excluding amounts recognized during the period	**-**	**6,055**
Transfers from contract liabilities to payables	**-**	**(2,180)**
Foreign exchange revaluation	**815**	**195**
Transfers from contract assets to receivables	**(25,160)**	**-**
Increases resulting from changes in the measure of progress[1]	**30,293**	**1,317**
Closing balance	**$ 17,726**	**$ 13,931**

[1] Increases resulting from changes in the measure of progress in contract liabilities include $1.0 million related to the Corporation's Memorandum of Understanding with the Department of Finance (Note 21)

	As at December 31, 2019	
	Contract Assets	Contract Liabilities
Opening balance, January 1, 2019	$ 17,304	$ 14,590
Revenue recognized	-	(6,976)
Cash received, excluding amounts recognized during the period	(2,492)	57,155
Transfers from contract liabilities to payables	-	(4,533)
Foreign exchange revaluation	(691)	(127)
Transfers from contract assets to receivables	(49,678)	-
Increases resulting from changes in the measure of progress[1]	47,335	4,185
Closing balance	$ 11,778	$ 64,294

[1] Increases resulting from changes in the measure of progress in contract liabilities include $0.6 million related to the Corporation's Memorandum of Understanding with the Department of Finance (Note 21)

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

8.1 Capital risk management

The Corporation may borrow money from the Consolidated Revenue Fund, subject to the approval of the Minister of Finance with respect to the time and term and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed $75 million. For the 39 weeks ended September 26, 2020, approved short-term borrowings for working capital needs within this limit were not to exceed $25 million (39 weeks ended September 28, 2019 - $25 million) or its US dollar equivalent.

To support such short-term borrowings, as may be required from time to time, the Corporation has various commercial borrowing lines of credit, made available to it by Canadian financial institutions. These lines are unsecured and provide for borrowings up to 364 days in term based on negotiated rates. No amounts were borrowed under these lines of credit as at September 26, 2020 or December 31, 2019.

The Corporation employs a dividend framework to calculate dividends payable to its Shareholder. The calculated dividend amount represents projected excess year end cash over a pre-determined cash reserve requirement and is generally paid in the fourth quarter of each year. On November 18, 2020, the Corporation’s Board of Directors approved a dividend ranging from $11.5 million to $25.2 million. The dividend amount will be finalized and paid before December 31, 2020.

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

8.2 Classification and fair value measurements of financial instruments

8.2.1 Carrying amount and fair value of financial instruments

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

	As at			
	September 26, 2020		December 31, 2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Amortized cost				
Cash and cash equivalents	**$ 91,078**	**$ 91,078**	$ 65,506	$ 65,506
Trade receivables, net and other receivables	**$ 13,965**	**$ 13,965**	$ 37,891	$ 37,891
Derivatives at FVTPL				
Derivative financial assets:				
Foreign currency forwards	**$ 4,149**	**$ 4,149**	$ 684	$ 684
Derivatives at FVOCI				
Derivative assets:				
Interest rate swap	**$ -**	**$ -**	$ 35	$ 35
Financial Liabilities				
Amortized cost				
Trade payables, other payables and accrued liabilities	**$ 41,164**	**$ 41,164**	$ 44,473	$ 44,473
Loan payable	**$ 9,003**	**$ 8,999**	$ 8,993	$ 8,996
Derivatives at FVTPL				
Derivative financial liabilities:				
Foreign currency forwards	**$ 929**	**$ 929**	$ -	$ -
Derivatives at FVOCI				
Derivative financial liabilities:				
Interest rate swap	**$ 143**	**$ 143**	$ -	$ -

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

8.2.2 Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

The fair value measurement of cash and cash equivalents was classified as Level 1 of the fair value hierarchy as at September 26, 2020 and December 31, 2019. The fair value measurements of all other financial instruments held by the Corporation were classified as Level 2 of the fair value hierarchy as at September 26, 2020 and December 31, 2019. There were no transfers of financial instruments between levels for the 39 weeks ended September 26, 2020.

8.2.3 Classification and fair value techniques of financial instruments

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

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

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

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

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

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

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

	As at	
	September 26, 2020	December 31, 2019
Derivative financial assets		
Foreign currency forwards	**$ 4,149**	$ 684
Interest rate swap	**-**	35
Total derivative financial assets	**$ 4,149**	$ 719
Derivative financial liabilities		
Foreign currency forwards	**$ 929**	$ -
Interest rate swap	**143**	-
Total derivative financial liabilities	**$ 1,072**	$ -

8.3 Financial risk management objectives and framework

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

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

8.3.1 Credit risk management

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

The carrying amount of financial assets recorded in the condensed consolidated financial statements as at September 26, 2020 and December 31, 2019 represents the Corporation's maximum credit exposure.

8.3.1.1 Credit risk management of receivables from customers

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

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

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

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

	As at	
	September 26, 2020	December 31, 2019
Canada	**$ 7,614**	$ 8,367
Europe, Middle East and Africa	**3,547**	307
United States	**2,268**	1,778
Latin America and Caribbean	**482**	11,055
Asia and Australia	**54**	16,384
Total financial trade receivables, net and other financial receivables	**$ 13,965**	$ 37,891

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

	As at	
	September 26, 2020	December 31, 2019
Consumers, dealers and others	**$ 7,157**	$ 5,768
Central and institutional banks	**4,400**	28,287
Governments (including governmental departments and agencies)	**2,408**	3,836
Total financial trade receivables, net and other financial receivables	**$ 13,965**	$ 37,891

The Corporation established an allowance for ECLs based on a provision matrix that reflected the estimated impairment of financial trade receivables and other financial receivables. The provision matrix was based on historical observed default rates and was adjusted for forward-looking estimates. The Corporation sets different payment terms depending on the customer and product, and excluding prepayments, the Corporation's standard payment terms are generally 30 days. As at September 26, 2020, the Corporation's rate of credit losses was 1% of total financial trade receivables and other financial receivables.

8.3.2 Liquidity risk

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

8.3.3 Market risk

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

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

Foreign exchange risk

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

Interest rate risk

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

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

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

Commodity price risk

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

	As at	
	September 26, 2020	December 31, 2019
Cost	**$ 438,101**	$ 434,776
Accumulated depreciation and impairment	**(286,566)**	(275,269)
Net book value	**$ 151,535**	$ 159,507

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

Net book value by asset class

	As at	
	September 26, 2020	December 31, 2019
Land and land improvements	**$ 3,060**	$ 3,063
Buildings and building improvements	**83,529**	86,482
Equipment	**62,177**	67,686
Capital projects in process	**2,769**	2,276
Net book value	**$ 151,535**	$ 159,507

During the 39 weeks ended September 26, 2020, the Corporation acquired $3.3 million (39 weeks ended September 28, 2019 - $5.2 million) worth of building and building improvements and equipment. No capital assets were transferred to different categories within property, plant and equipment.

Included in property, plant and equipment additions for the 39 weeks ended September 26, 2020 is a total accrual of $1.2 million (December 31, 2019 - $2.4 million).

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

No asset is pledged as security for borrowings as at September 26, 2020.

Intangible assets

	As at	
	September 26, 2020	December 31, 2019
Cost	**$ 36,890**	$ 35,579
Accumulated amortization and impairment	**(31,866)**	(29,240)
Net book value	**$ 5,024**	$ 6,339

During the 39 weeks ended September 26, 2020, the Corporation acquired $1.3 million (39 weeks ended September 28, 2019 - $1.1 million) worth of software. No capital assets were transferred to different categories within intangible assets.

No accruals were included in intangible asset additions for the 39 weeks ended September 26, 2020 (December 31, 2019 - $0.1 million).

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

10. LEASES

Right-of-use assets

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

	As at			
	September 26, 2020		December 31, 2019	
Cost	**$**	**9,946**	$	9,946
Derecognition		**(222)**		-
Renewal		**29**		-
Accumulated depreciation		**(3,613)**		(2,090)
Net book value	**$**	**6,140**	$	7,856

Net book value by asset class

	As at			
	September 26, 2020		December 31, 2019	
Buildings	**$**	**4,345**	$	5,252
Equipment		**1,795**		2,604
Net book value	**$**	**6,140**	$	7,856

Lease liabilities

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

As at September 26, 2020

		Buildings		**Equipment**		**Total**
Opening balance, January 1, 2020	**$**	**6,952**	**$**	**2,646**	**$**	**9,598**
Interest expense		**158**		**58**		**216**
Lease payments[1]		**(1,683)**		**(887)**		**(2,570)**
Derecognition		**(141)**		**-**		**(141)**
Renewal		**-**		**29**		**29**
Closing balance	**$**	**5,286**	**$**	**1,846**	**$**	**7,132**

[1] Building lease payments include a termination payment of $0.5M related to leased office space.

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

As at December 31, 2019

	Buildings	Equipment	Total
Opening balance, January 1, 2019	$ 8,198	$ 3,753	$ 11,951
Interest expense	259	109	368
Lease payments	(1,505)	(1,208)	(2,713)
Transfer to Property, Plant and Equipment	-	(8)	(8)
Closing balance	$ 6,952	$ 2,646	$ 9,598

	As at	
	September 26, 2020	December 31, 2019
Buildings	**$ 1,149**	$ 1,359
Equipment	**1,108**	1,093
Current	**$ 2,257**	$ 2,452
Buildings	**4,137**	5,593
Equipment	**738**	1,553
Non-current	**$ 4,875**	$ 7,146
Total lease liabilities	**$ 7,132**	$ 9,598

Total cash outflow for leases included in lease liabilities for the 13 weeks and 39 weeks ended September 26, 2020 was $0.5 million and $2.4 million (13 weeks and 39 weeks ended September 28, 2019 was $0.7 million and $2.2 million, respectively).

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

	As at	
	September 26, 2020	December 31, 2019
Trade payables	**$ 7,042**	$ 3,960
Employee compensation payables and accrued liabilities	**18,997**	23,956
Other current financial liabilities[1]	**14,971**	16,342
Other accounts payable and accrued liabilities	**539**	358
Total current trade payables, other payables and accrued liabilities	**$ 41,549**	$ 44,616
Other non-current financial liabilities[1]	**154**	215
Total non-current trade payables, other payables and accrued liabilities	**$ 154**	$ 215
Trade payables, other payables and accrued liabilities	**$ 41,703**	$ 44,831

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

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

12. PROVISIONS

The following table presents the changes in the provisions:

	As at	
	September 26, 2020	December 31, 2019
Opening balance	**$ 3,291**	$ 7,920
Additional provisions recognized	**2,287**	3,392
Payments	**(219)**	(6,170)
Derecognition of provisions	**(858)**	(1,839)
Revaluation gain	**(128)**	(12)
Closing balance	**$ 4,373**	$ 3,291

Provisions include the following**:**

	As at	
	September 26, 2020	December 31, 2019
Sales returns and warranty	**$ 3,257**	$ 2,427
Employee compensation	**256**	-
Other provisions	**860**	864
Total provisions	**$ 4,373**	$ 3,291

	As at	
	September 26, 2020	December 31, 2019
Current portion	**$ 3,148**	$ 1,918
Non-current portion	**1,225**	1,373
Total provisions	**$ 4,373**	$ 3,291

13. FACE VALUE REDEMPTIONS LIABILITY

	As at	
	September 26, 2020	December 31, 2019
Face Value redemptions liability	**$ 177,999**	$ 178,616
Precious metal recovery	**(57,367)**	(44,501)
Face Value redemptions liability, net	**$ 120,632**	$ 134,115
Less: Current portion	**(573)**	(1,091)
Non-current Face Value redemptions liability, net	**$ 120,059**	$ 133,024

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

	As at	
	September 26, 2020	December 31, 2019
Opening balance	**$ 134,115**	$ 139,819
Redemptions, net	**(454)**	(1,256)
Revaluation	**(13,029)**	(4,448)
Closing balance	**$ 120,632**	$ 134,115

As at September 26, 2020, the Corporation determined that it continues to be unable to reliably estimate the redemptions of Face Value coins.

The Face Value redemptions liability represents the expected cash outflows if all Face Value coins are redeemed, including the costs of redemptions offset by the precious metal content that will be reclaimed by the Corporation when the coins are redeemed. The precious metal recovery component of the liability is based on the market value of silver as at the end of each reporting period. The impact of the revaluation of the precious metal component of the liability for the 13 and 39 weeks ended September 26, 2020 were decreases of $11.2 million (September 28, 2019 - $6.3 million) and $13.0 million (September 28, 2019 - $4.0 million), respectively.

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

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

14. EMPLOYEE BENEFITS

Pension benefits

The Corporation made total contributions of $2.5 million and $7.8 for the 13 and 39 weeks ended September 26, 2020 (13 weeks and 39 weeks ended September 28, 2019 was $2.4 and $7.9 million, respectively).

See Note 19 in the audited consolidated financial statements for the year ended December 31, 2019 for details on the Corporation’s pension and other post-employment benefit plans, including the sensitivity analysis of the impact of changes in the discount rate on the employee benefits liabilities.

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

15. REVENUE

15.1 Revenue by performance obligation

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Performance obligations satisfied at a point in time				
Sale of goods	**$ 748,015**	$ 331,074	**$ 1,695,807**	$ 884,765
Rendering of services	**10,291**	3,519	**23,182**	11,877
Total revenue recognized at a point in time	**$ 758,306**	$ 334,593	**$ 1,718,989**	$ 896,642
Performance obligations satisfied over time				
Sale of goods	**$ 11,342**	$ 9,808	**$ 30,292**	$ 26,218
Rendering of services	**25,759**	25,653	**74,042**	76,299
Total revenue recognized over time	**$ 37,101**	$ 35,461	**$ 104,334**	$ 102,517
Total revenue	**$ 795,407**	$ 370,054	**$ 1,823,323**	$ 999,159

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

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Gross revenue from the sale of goods	$ **1,149,118**	$ 451,838	**$ 2,529,173**	$ 1,198,651
Less: Customer inventory deals	**(389,761)**	(110,956)	**(803,074)**	(287,668)
Net revenue from the sale of goods	$ **759,357**	$ 340,882	**$ 1,726,099**	$ 910,983

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

15.2 Disaggregation of Revenue

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

	13 weeks ended		39 weeks ended	
Primary Geographic Regions	**September 26, 2020**	September 28, 2019	**September 26, 2020**	September 28, 2019
North America	**$ 563,794**	$ 210,402	**$ 1,174,328**	$ 624,547
Europe, Middle East and Africa	**167,413**	100,100	**506,361**	260,349
Asia and Australia	**62,756**	52,627	**138,063**	99,159
Latin America and Caribbean	**1,444**	6,925	**4,571**	15,104
Total revenue	**$ 795,407**	$ 270,054	**$ 1,823,323**	$ 999,159

	13 weeks ended		39 weeks ended	
Program and Businesses	**September 26, 2020**	September 28, 2019	**September 26, 2020**	September 28, 2019
Canadian Circulation program	**$ 22,941**	$ 25,393	**$ 65,237**	$ 72,347
Foreign Circulation	**13,175**	19,142	**33,133**	42,310
Bullion Products and Services	**737,258**	299,524	**1,669,437**	799,240
Numismatics	**22,033**	25,995	**55,516**	85,262
Total revenue	**$ 795,407**	$ 370,054	**$ 1,823,323**	$ 999,159

For the 13 weeks and 39 weeks ended September 26, 2020 and September 28, 2019, two and four customers each, respectively, made up 10% or more of the Corporation's revenue.

15.3 Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as at September 26, 2020:

	2020	**2021**	**2022**	**Total**
Total revenue	**$ 66,551**	**$ 209,718**	**$ 94,347**	**$ 370,616**

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

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

16. DEPRECIATION AND AMORTIZATION EXPENSE

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Depreciation of property, plant and equipment	**$ 3,798**	$ 3,548	**$ 11,297**	$ 10,689
Amortization of intangible assets	**837**	972	**2,626**	2,852
Depreciation of right-of-use assets	**496**	527	**1,523**	1,582
Total depreciation and amortization expense	**$ 5,131**	$ 5,047	**$ 15,446**	$ 15,123

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

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Cost of sales	**$ 3,082**	$ 3,039	**$ 9,280**	$ 9,112
Marketing and sales expenses	**744**	718	**2,226**	2,148
Administration expenses	**1,305**	1,290	**3,940**	3,863
Total depreciation and amortization expense	**$ 5,131**	$ 5,047	**$ 15,446**	$ 15,123

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

17. EMPLOYEE COMPENSATION EXPENSES

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Included in cost of sales:				
Salaries and wages including short term employee benefits	**$ 7,113**	$ 8,485	**$ 21,596**	$ 25,691
Pension costs	**1,186**	1,211	**3,925**	3,964
Other long term employee and post-employment benefits	**615**	644	**1,824**	1,806
Termination benefits	**-**	-	**-**	(26)
Included in marketing and sales expenses:				
Salaries and wages including short term employee benefits	**3,276**	3,289	**10,011**	10,385
Pension costs	**318**	337	**1,131**	1,179
Other long term employee and post-employment benefits	**122**	131	**377**	325
Termination benefits	**40**	-	**287**	(16)
Included in administration expenses:				
Salaries and wages including short term employee benefits	**8,857**	8,517	**26,562**	25,571
Pension costs	**797**	735	**2,833**	2,672
Other long term employee and post-employment benefits	**407**	367	**1,238**	1,001
Termination benefits	**-**	88	**168**	155
Total employee compensation and benefits expense	**$ 22,731**	$ 23,804	**$ 69,952**	$ 72,707

18. SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT EXPENSES (SRED), NET

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
SRED expenses	**$ 1,159**	$ 1,224	**$ 3,654**	$ **3,925**
SRED investment tax credit	**(63)**	(26)	**(317)**	**(356)**
SRED expenses, net	**$ 1,096**	$ 1,198	**$ 3,337**	$ **3,569**

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

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

19. INCOME TAXES

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Current income tax expense	**$ 2,197**	$ 1,231	**$ 4,997**	$ 5,914
Deferred income tax expense	**2,780**	2,473	**2,739**	2,352
Income tax expense	**$ 4,977**	$ 3,704	**$ 7,736**	$ 8,266

The Corporation's effective income tax expense on profit before income tax differs from the amount that would be computed by applying the federal statutory income tax rate of 25% (2019 – 25%) mainly due to temporary differences between income for accounting and tax purposes.

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Expenses				
Employee benefits expenses	**$ 2,302**	$ 1,877	**$ 7,875**	$ 7,388
Employee benefits paid	**(2,458)**	(2,432)	**(8,073)**	(7,958)
Inventory write-downs	**304**	(1,928)	**(1,023)**	(2,809)
Prepaid expenses	**969**	456	**1,082**	1,334
Provisions	**(465)**	149	**(1,381)**	1,070
Other non-cash expenses, net	**485**	(231)	**376**	91
Revenue				
Foreign circulation revenue	**(2,811)**	(2,969)	**(7,797)**	(8,439)
Bullion service revenue	**(2,707)**	(1,705)	**(8,185)**	(10,336)
Adjustments to other (revenue) expenses, net	**$ (4,381)**	$ (6,783)	**$ (17,126)**	$ (19,689)

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

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

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Trade receivables, net and other receivables	**$ 16,709**	$ 1,815	**$ 49,275**	$ 39,972
Inventories	**(12,067)**	8,082	**(30,613)**	8,198
Prepaid expenses	**1,384**	531	**318**	(3,193)
Trade payables, other payables and accrued liabilities	**882**	1,116	**(3,367)**	(9,844)
Contract liabilities	**(3,038)**	3,665	**6,055**	6,301
Provisions	**208**	(203)	**219**	(1,447)
Net change in operating assets and liabilities	**$ 4,078**	$ 15,006	**$ 21,887**	$ 39,987

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

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Income tax paid	**$ (365)**	$ (4,595)	**$ (2,959)**	$ (12,281)
Income tax received	**-**	30	**-**	51
Income tax paid, net	**$ (365)**	$ (4,565)	**$ (2,959)**	$ (12,230)

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

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Interest received	**$ 53**	$ 217	**$ 1,431**	$ 1,167
Interest paid	**(111)**	(148)	**(343)**	(465)
Interest received, net	**$ (58)**	$ 69	**$ 1,088**	$ 702

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

21. RELATED PARTY TRANSACTIONS

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

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

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

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

The transactions with the Department of Finance were as follows:

	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	**September 26, 2020**	September 28, 2019
Revenue	**$ 22,200**	$ 23,465	**$ 61,034**	$ 66,439

	As at	
	September 26, 2020	December 31, 2019
Receivable (Note 5)	**$ 1,504**	$ 650
Contract liability (Note 7)	**$ 957**	$ 598

During the 39 weeks ended September 26, 2020 and September 28, 2019, the majority of transactions with Crown corporations were for the sale of numismatic products.

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

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

22.1 Precious metal commitments

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments, as well as precious metal leases. As at September 26, 2020, the Corporation had $28.3 million in outstanding precious metal purchase commitments (December 31, 2019 – $23.0 million).

As at September 26, 2020, the Corporation had entered into precious metal leases as follows:

	As at	
Ounces	**September 26, 2020**	December 31, 2019
Gold	**277,364**	178,941
Silver	**5,007,010**	6,581,392
Platinum	**17,352**	14,558

The fees for these leases are based on the market value of the underlying precious metals. The fees expensed for these leases for the 13 and 39 weeks ended September 26, 2020, were $2.5 million (September 28, 2019 - $0.6 million) and $5.6 (September 28, 2019 - $1.9 million), respectively. The value of the precious metals under these leases is not reflected in the Corporation's condensed consolidated financial statements as stated in note 4 of the audited consolidated financial statements for the year ended December 31, 2019.

22.2 Trade finance bonds and bank guarantees

The Corporation has various outstanding bank guarantees and trade finance bonds associated with the production of foreign circulation coin contracts. These were issued in the normal course of business. The guarantees and bonds are delivered under standby facilities available to the Corporation through various financial institutions. Performance guarantees generally have a term up to one year depending on the applicable contract, while warranty guarantees can last up to five years. Bid bonds generally have a term of less than three months, depending on the length of the bid period for the applicable contract. The various contracts to which these guarantees or bid bonds apply generally have terms ranging from one to two years. Any potential payments that might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As at September 26, 2020, under the guarantees and bid bonds, the maximum potential amount of future payments was $16.6 million (December 31, 2019 - $16.5 million).

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

22.3 Other commitments and contingencies

As at September 26, 2020, the total estimated minimum remaining future commitments were as follows:

	2020	2021	2022	2023	2024	2025 and thereafter	Total
Operating leases[1]	$ 151	$ -	$ -	$ -	$ -	$ -	$ 151
Other commitments	25,596	23,276	1,562	995	178	65	51,672
Base metal commitments	16,952	24,895	-	-	-	-	41,847
Capital commitments	2,420	52	-	-	-	-	2,472
Total	**$45,119**	**48,223**	**$1,562**	**$ 995**	**$ 178**	**$ 65**	**$96,142**

[1] Operating leases include low value leases

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

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

The Corporation committed to spend approximately $2.5 million as at September 26, 2020 (December 31, 2019 - $2.3 million) in the next 12 months on capital projects.

In addition, there are various legal claims against the Corporation. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's condensed consolidated financial statements. A $0.9 million provision for potential legal obligations was included in other provisions (Note 12) as at September 26, 2020 (December 31, 2019 - $0.8 million). The amount and timing of the settlement of the provision is uncertain.

There have been no other material changes to the Corporation's commitments, contingencies and guarantees since December 31, 2019.