SECOND QUARTER FINANCIAL REPORT

FISCAL 2018

NARRATIVE DISCUSSION

BASIS OF PRESENTATION

The Royal Canadian Mint (the "Mint") has 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 has prepared these unaudited condensed consolidated financial statements for the 13 and 26 weeks ended June 30, 2018 and July 1, 2017 in compliance with International Financial Reporting Standards (IFRS). Financial results reported in this narrative are presented in Canadian dollars and rounded to the nearest million, unless otherwise noted. The information in this narrative is current to August 24, 2018, unless otherwise noted.

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.

OVERVIEW OF THE BUSINESS

The Royal Canadian Mint is Canada's national mint. Its core mandate is to produce circulation coins for Canada, manage the supporting distribution system and provide advice to the Government of Canada on all matters related to coinage. It accomplishes this mandate through a world-leading coin distribution network and inventory management system, as well as a high-tech high-volume manufacturing, plating and coining facility in Winnipeg. It is also responsible for safeguarding the integrity of Canada's coinage through ongoing research, development and implementation of increasingly sophisticated security features. The Mint is also responsible for the Alloy Recovery Program (ARP) where older-composition Canadian coins are removed from circulation and replaced by multi-ply plated steel (MPPS) coins, which are more durable and secure. This program also involves the systematic replacement of old alloy coins and international coins ensuring that there is consistency in the market and helping to streamline automated coin acceptance transactions. The Mint's activities also include the provision of

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

minting services to foreign countries, the production and marketing of bullion and related refinery products and services, numismatic coins and medals.

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, which allows countries to strike their own coins. These contracts leverage the infrastructure and industry-leading expertise in the Mint's Winnipeg manufacturing facility.

The Bullion Products & Services business provides 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, silver, palladium and platinum 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 unprecedented 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 access precious metals stored at the Mint while reducing Mint lease costs.

The Numismatics business creates and sells collectible coins and medals to customers in Canada and around the world. Due to its world-class designs, the Mint's global leadership in the art and science of minting is consistently recognized with prestigious international awards in large part due to innovative technology enhancements such as holograms, selective plating and vibrant colour that allow the Mint to create unique and compelling products. The Mint's innovation extends to its promotions, as well, which include leading edge messaging and media fostering an expanding reach in Canada.

SIGNIFICANT CORPORATE EVENTS

Largest single denomination coining win ever!

In May 2018, the Mint was announced as the winning bidder for a tender of over 800 million coins. This is the largest single denomination coining win in the Mint's history, and will maximize the utilization of its' Winnipeg manufacturing facility through the beginning of 2019.

Organizational update

The Mint's President and CEO Sandra Hanington announced her resignation from the Mint effective July 1, 2018. On the recommendation of the Mint's Board of Directors, the Minister of Finance William Morneau has confirmed the Mint's CFO and Vice-President of Finance and

Administration Jennifer Camelon will serve as interim president and CEO until the Government of Canada appoints a permanent replacement through an open and transparent selection process.

Appointments to the Royal Canadian Mint's Board of Directors

On June 13, 2018, the Minister of Finance William Morneau announced the appointment of Ms. Fiona L. Macdonald, Dr. Sandip K. Lalli and Dr. Gilles Patry to the Mint's Board of Directors. These appointments are for a four-year term.

Memorandum of understanding (MOU) with the Department of Finance

On June 13, 2018, the Mint signed a new MOU with the Department of Finance which is effective from January 1, 2018 to December 31, 2021.

Canada's top ten best corporate citizens

In June 2018, the Mint was ranked sixth among Corporate Knights' Best 50 Corporate Citizens in Canada. Corporate Knights measures companies' environmental leadership, innovation and diversity through an annual survey.

OPERATING HIGHLIGHTS AND ANALYSIS OF RESULTS

To achieve its objectives, the Mint continually strives to 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.

	13 weeks ended				26 weeks ended			
	June 30, 2018	July 1, 2017	$ Change	% Change	**June 30, 2018**	July 1, 2017	$ Change	% Change
Revenue	**$ 260.7**	$ 401.6	$ (140.9)	(35)	**$ 601.6**	$ 904.4	$ (302.8)	(33)
Profit before income tax and other items[1]	**6.4**	8.9	(2.5)	(28)	**13.2**	20.9	(7.7)	(37)
Profit before income tax and other items margin	**2%**	2%			**2%**	2%		
Profit for the period	**5.9**	5.3	0.6	11	**10.7**	16.4	(5.7)	(35)

[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 and 26 weeks ended June 30, 2018 decreased $2.5 million and $7.7 million, respectively, during the same periods in fiscal year 2017 while profit before income tax and other items margin remained consistent at 2%. The decrease in both periods reflected the positive impact of the Mint's highly successful Canada 150 numismatic coin campaign on the 2017 results. The decrease in Q2 2018 was partially offset by strong performance from the Foreign Circulation business.

	As at			
	June 30, 2018	December 31, 2017	$ Change	% Change
Cash and cash equivalents	**$ 37.1**	$ 56.3	$ (19.2)	(34)
Inventories	**83.8**	85.5	(1.7)	(2)
Capital assets	**173.0**	176.2	(3.2)	(2)
Total assets	**369.4**	377.8	(8.4)	(2)
Working capital	**98.5**	82.1	16.4	20

Working capital remains strong having increased 20% from December 31, 2017, while cash balances are down at June 30, 2018 mainly due to non-recurring compensation payments. Inventories were held fairly constant compared to December 31, 2017 balances due to planned purchases for precious metals.

Revenue by business

	13 weeks ended				26 weeks ended			
	June 30, 2018	July 1, 2017[1]	$ Change	% Change	**June 30, 2018**	July 1, 2017[1]	$ Change	% Change
Canadian Circulation	**$ 22.8**	$ 27.6	$ (4.8)	(17)	**$ 45.4**	$ 52.2	$ (6.8)	(13)
Foreign Circulation	**15.2**	9.1	6.1	67	**33.8**	19.2	14.6	76
Bullion Products and Services	**193.9**	319.6	(125.7)	(39)	**465.6**	740.8	(275.2)	(37)
Numismatics	**28.8**	45.3	(16.5)	(36)	**56.8**	92.2	(35.4)	(38)

[1] Prior year figures have been reclassified to reflect the grouping of ARP revenue with Canadian Circulation.

Canadian Circulation

During the 13 and 26 weeks ended June 30, 2018, revenues from the Canadian Circulation business decreased by $4.8 million and $6.8 million to $22.8 million and $45.4 million, respectively, over the same periods in 2017. The decreases were mainly due to a decrease in the volume of coins sold to the Department of Finance ("DOF") in both periods as compared to 2017 combined with the finalization of the MOU with the DOF in June 2018, which was retroactive to January 1, 2018.

Coin supply

	13 weeks ended				26 weeks ended			
(in millions of coins)	**June 30, 2018**	July 1, 2017	Change	% Change	**June 30, 2018**	July 1, 2017[1]	Change	% Change
Financial institutions deposits	**683**	714	(31)	(4)	**1,396**	1,491	(95)	(6)
Recycled coins	**37**	42	(5)	(12)	**77**	87	(10)	(11)
Coins sold to financial institutions and others	**128**	161	(33)	(20)	**147**	184	(37)	(20)
Total coin supply	**848**	917	(69)	(8)	**1,620**	1,762	(142)	(8)

[1] Prior year figures have been adjusted to conform to the current year presentation.

Demand is met through the three main sources of supply outlined in the above table and is subject to variability across regions of the country and seasonality depending on the time of the year. The net supply for Canadian circulation coins decreased 8% for the 13 and 26 weeks ended June 30, 2018, respectively, when compared to the same periods in 2017. Sales of new coins to financial institutions were lower than the same periods a year ago as 2018 market activity has returned to normal levels after Canada 150 in 2017. Demand seasonality for coinage continues to follow historical patterns with the highest periods being in the summer and winter holidays.

Coin inventory

	As at			
(in millions of coins)	**June 30, 2018**	July 1, 2017	Change	% Change
Opening inventory	**382**	308	74	24
Production	**202**	258	(56)	(22)
Coins sold to financial institutions and others	**(147)**	(184)	37	(20)
Ending inventory	**437**	382	55	14

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 DOF owned inventory at June 30, 2018 was $91.2 million which was within the inventory limit outlined in the Mint's MOU with the Department of Finance, with zero coin shortages for the 13 and 26 weeks ended June 30, 2018. To replenish inventories held on behalf of the DOF, the Mint produced 202 million coins in the first 26 weeks of 2018 compared to 258 million for the same period in 2017.

Foreign Circulation

Revenue for the Foreign Circulation business increased 67% and 76% to $15.2 million and $33.8 million, respectively, during the 13 and 26 weeks ended June 30, 2018 compared to $9.1 million and $19.2 million in the same periods of fiscal year 2017.

The increase in Foreign Circulation revenue for the 13 weeks ended June 30, 2018 reflected the shipment of 257 million (2017 – 294 million) coins and blanks to 6 (2017 – 6) countries with a higher revenue per coin earned compared to 2017. The increase for the 26 weeks ended June 30, 2018 reflected the shipment of 761 million (2017 – 563 million) coins and blanks to 9 (2017 – 12) countries. During the first 26 weeks of 2018, the Mint secured 4 new production contracts for an aggregate of 907 million coins.

Bullion Products and Services

	13 weeks ended				26 weeks ended			
	June 30, 2018	July 1, 2017	$ Change	% Change	**June 30, 2018**	July 1, 2017	$ Change	% Change
Gross revenue	**$ 284.0**	$ 387.0	$ (103.0)	(27)	**$ 618.1**	$ 938.1	$ (320.0)	(34)
Less: customer inventory deals	**(90.1)**	(67.4)	(22.7)	34	**(152.5)**	(197.3)	44.8	(23)
Net revenue	**$ 193.9**	$ 319.6	$ (125.7)	(39)	**$ 465.6**	$ 740.8	$ (275.2)	(37)

	13 weeks ended				26 weeks ended			
(thousands of ounces)	**June 30, 2018**	July 1, 2017[1]	Change	% Change	**June 30, 2018**	July 1, 2017[1]	Change	% Change
Gold	**99.0**	123.8	(24.8)	(20)	**207.5**	352.0	(144.5)	(41)
Silver	**3,286.0**	4,497.2	(1,211.2)	(27)	**8,087.8**	9,512.8	(1,425.0)	(15)
Gross ounces	**3,385.0**	4,621.0	(1,236.0)	(27)	**8,295.3**	9,864.8	(1,569.5)	(16)
Less: ounces from customer inventory deals	**(467.7)**	(223.1)	(244.6)	110	**(863.8)**	(1,308.6)	444.8	(34)
Net ounces	**2,917.3**	4,397.9	(1,480.6)	(34)	**7,431.5**	8,556.2	(1,124.7)	(13)

[1]Prior year figure has been revised to conform to the current year presentation.

Bullion Products and Services net revenues for the 13 and 26 weeks ended June 30, 2018 decreased 39% and 37% to $193.9 million and $465.6 million, respectively, from $319.6 million and $740.8 million in the same periods in 2017. The decline in revenue was mainly attributable to lower global market demand which impacted sales volumes for gold and silver bullion products. The decrease was offset by an increase in sales volumes for the Mint's Refinery and Storage Services revenue, which increased 61% and 49%, respectively, for the 13 and 26 weeks ended June 30, 2018 as compared to the same periods in 2017 as these ancillary services continue to expand.

Numismatics

Numismatics revenue decreased 36% and 38% to $28.8 million and $56.8 million during the 13 and 26 weeks ended June 30, 2018, respectively, from $45.3 million and $92.2 million in the same periods in 2017. The decrease in revenue was largely attributable to a decrease in the volume of silver and base metal numismatic products sold in 2018 in comparison to 2017 Numismatic revenue which was supported by the strong Canada 150 campaign.

	13 weeks ended				26 weeks ended			
	June 30, 2018	July 1, 2017	$ Change	% Change	**June 30, 2018**	July 1, 2017[1]	$ Change	% Change
Gold	**$ 6.2**	$ 5.1	$ 1.1	22	**$ 12.3**	$ 9.9	$ 2.4	24
Silver	**19.9**	33.1	(13.2)	(40)	**39.7**	68.2	(28.5)	(42)
Non Gold or Silver	**2.7**	7.1	(4.4)	(62)	**4.8**	14.1	(9.3)	(66)
Total revenue	**$ 28.8**	$ 45.3	$ (16.5)	(36)	**$ 56.8**	$ 92.2	$ (35.4)	(38)

[1]Prior year figures have been revised to conform to the current year presentation

Expenses, other income and income tax

	13 weeks ended				26 weeks ended			
	June 30, 2018	July 1, 2017[1]	$ Change	% Change	**June 30, 2018**	July 1, 2017[1]	$ Change	% Change
Cost of sales	**$ 231.8**	$ 368.4	$ 136.6	37	**$ 545.1**	$ 827.1	$ 282.0	34
Operating expenses:								
Marketing and sales	**9.0**	12.7	3.7	29	**17.8**	24.1	6.3	26
Administration	**14.0**	15.9	1.9	12	**27.6**	32.0	4.4	14
Net foreign exchange (gains) losses	**(0.6)**	0.6	1.2		**(2.7)**	2.3	5.0	
Income tax expense (recovery)	**0.6**	(0.9)	(1.5)		**3.3**	2.9	(0.4)	

[1]Prior year figures have been revised to conform to the current year presentation

Cost of sales for the 13 and 26 weeks ended June 30, 2018 decreased to $231.8 million and $545.1 million, respectively, compared to $368.4 million and $827.1 million during the same periods in fiscal year 2017.

The overall decrease in cost of sales was in line with the decreases in Bullion and Numismatic revenues in 2018 due to the lower global market demand for bullion gold and silver products and lower volumes of Numismatic products following the completion of the 2017 Numismatic campaign. The decreases in cost of sales were partially offset by an increase in cost of sales for the Foreign Circulation business during the period as contracts were fulfilled.

Operating expenses for the 13 and 26 weeks ended June 30, 2018 decreased 20% to $23.0 million and $45.4 million, respectively, compared to $28.6 million and $56.1 million during the same periods in fiscal year 2017. The decrease in administration expenses was largely due to lower compensation costs, as well as lower office rental costs combined with one-time costs incurred in 2017 attributable to the consolidation of office workspace in Ottawa. The decrease in sales and marketing expenses was largely due to lower advertising costs for Numismatic products.

Net foreign exchange gain increased $1.2 million and $5.0 million for the 13 and 26 weeks ended June 30, 2018, respectively, when compared to the same periods in 2017. The net foreign exchange gain of $2.7 million in the first 26 weeks of 2018 was mainly due to a weaker Canadian dollar in relation to the U.S. dollar and the resulting positive impact on the translation of the Mint's U.S. dollar balances. In comparison, the Canadian dollar was stronger in relation to the U.S. dollar in the first 26 weeks of 2017 resulting in a net foreign exchange loss of $2.3 million.

Income tax expense for the 13 and 26 weeks ended June 30, 2018 increased $1.5 million and $0.4 million, respectively, when compared to the same periods in 2017 mainly as a result of foreign tax credit refunds received in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

	13 weeks ended			26 weeks ended		
	June 30, 2018	July 1, 2017[1]	$ Change	**June 30, 2018**	July 1, 2017[1]	$ Change
Cash and cash equivalents, at the end of the period	**$ 37.1**	$ 85.8	$ (48.7)	**$ 37.1**	$ 85.8	$ (48.7)
Cash flows (used in) from operating activities	**(12.6)**	10.1	(22.7)	**(14.2)**	8.2	(22.4)
Cash flows used in investing activities	**(2.2)**	(3.5)	1.3	**(5.7)**	(6.5)	0.8
Cash flows used in financing activities	**-**	-	-	**-**	(29.0)	29.0

[1]Prior year figures have been revised to conform to the current year presentation as described in Note 19.1 of the unaudited condensed consolidated financial statements for the 26 weeks ended June 30, 2018.

Cash from operating activities for the 13 weeks and 26 weeks ended June 30, 2018 decreased $22.7 million and $22.4 million, respectively, compared to the same periods in 2017. The decreases were as a result of higher non-recurring compensation payments and vendor payments combined with higher income taxes paid in 2018 due to foreign tax credits received in 2017.

Cash used in investing activities for the 13 weeks and 26 weeks ended June 30, 2018 decreased $1.3 million and $0.8 million, respectively, compared to the same periods in 2017. The decreases primarily related to the enhancement of facilities carried out at the Mint's headquarters in Ottawa in 2017.

The $29 million decrease in cash used in financing activities for the 26 weeks ended June 30, 2018 as compared to 2017 represented a decrease in dividends paid to the Government of Canada due to timing, as dividend payments will be made on an annual basis, most likely in the fourth quarter of each year, beginning in 2018.

Borrowing facilities

See note 14 in the December 31, 2017 audited consolidated financial statements for details on the Mint's borrowing facilities. The Mint entered and closed the quarter with total outstanding long term loans of $19.5 million. The Mint entered and closed the period with a long-term loan-to-equity ratio of 1:7.

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 is as follows:

	13 weeks ended			26 weeks ended		
	June 30, 2018	July 1, 2017	$ Change	**June 30, 2018**	July 1, 2017	$ Change
Profit for the period	**$ 5.9**	$ 5.3	$ (0.6)	**$ 10.7**	$ 16.4	$ 5.7
Add (deduct):						
Income tax expense (recovery)	**0.6**	(0.9)	(1.5)	**3.3**	2.9	(0.4)
Other income	**(0.2)**	(0.2)	-	**(0.2)**	(0.2)	-
Net foreign exchange (gain) loss	**(0.6)**	0.6	1.2	**(2.7)**	2.3	5.0
FV Revaluation[1]	**0.7**	4.1	3.4	**2.1**	(0.5)	(2.6)
Profit before income tax and other items	**$ 6.4**	$ 8.9	$ 2.5	**$ 13.2**	$ 20.9	$ 7.7

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

RISKS TO PERFORMANCE

Management considers risks and opportunities at all levels of decision making. The Mint's performance is influenced by many factors, including: economic conditions, financial and commodity market volatility, and competitive pressures. Also, as a Crown corporation governed under a legislative framework, the Mint's performance could be impacted by changes to Government of Canada objectives or to the directions given by governing bodies.

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, as part of the Mint's enterprise risk management process. These registers are updated regularly and evolve as new risks are identified and existing ones are mitigated to a level acceptable to management.

The key corporate level risks that could materially impact the Mint's ability to achieve its strategy are identified in the Mint's 2017 Annual Report. There have been no material changes to the key corporate level risks since the filing of the 2017 Annual Report.

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

See note 3 in the audited consolidated financial statements for the year ended December 31, 2017 for a discussion of critical accounting estimates, as well as notes 3 and 5 in the accompanying unaudited condensed consolidated financial statements for the 13 and 26 weeks ended June 30, 2018 for a discussion of changes to accounting policies and adoption of new accounting standards.

OUTLOOK

The operating and financial results achieved during the year to date indicate that annual results will be slightly behind the financial goals established in the amended 2018-2022 Corporate Plan, approved by the Mint's Board of Directors, but pending approval of Governor in Council.

Demand seasonality for coinage continues to follow historical patterns with the highest periods being in the summer and winter holidays. Canada continues to be a leader in e-payment adoption and as such has already experienced a decline in demand for Canadian Circulation coins. With that in mind, we will continue to monitor coin demand as it is expected that demand will continue to decline modestly for the foreseeable future. One commemorative coin was approved for 2018.

The Mint has strong contracted business for its Foreign Circulation business in 2018. Over the next 12 months, Central Banks are expected to issue tenders for over 5 billion nickel plated steel coins and coin blanks. The Mint anticipates continued profitable utilization of its Winnipeg assets.

Global demand for gold and silver bullion has been weaker than expected in 2018 driving some uncertainty regarding the outlook for Bullion sales for the remainder of the year. The Mint continues to focus on customer/market strategies and product differentiation in support of its strong market-share, while carefully managing operating costs to mitigate the impact of uncertainty in the bullion coin market.

Numismatic sales are softer than planned in 2018 and are expected to continue at current levels for the next 12 months. The Mint's 2018 Numismatic plan is focused on modernizing its foundational tools and infrastructure, and refining its customer acquisition and retention strategies, while optimizing its cost structure to achieve efficiencies and improved productivity to ensure 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 August 24, 2018, 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.

Jennifer Camelon, CPA, CA
Interim President and Chief Executive Officer

Robert Zintel, CPA, CMA
Senior Director, Finance

Ottawa, Canada
August 24, 2018

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

	Notes	As at June 30, 2018	As at December 31, 2017
Current Assets			
Cash and cash equivalents		**$ 37,084**	$ 56,268
Accounts receivable	6	**20,459**	16,787
Prepaid expenses		**5,903**	3,615
Income taxes receivable		**6,129**	4,246
Inventories	7	**83,808**	85,455
Contract assets	8	**8,348**	-
Derivative financial assets	9	**140**	361
Total current assets		**161,871**	166,732
Non-current assets			
Prepaid expenses		**1,385**	2,336
Derivative financial assets	9	**143**	111
Deferred income tax assets		**33,029**	32,379
Property, plant and equipment	10	**163,894**	166,071
Investment property		**236**	236
Intangible assets	10	**8,866**	9,930
Total non-current assets		**207,553**	211,063
Total assets		**$ 369,424**	$ 377,795
Current Liabilities			
Accounts payable and accrued liabilities	12	**$ 42,411**	$ 60,803
Loans payable		**7,504**	7,507
Face Value redemptions	11	**1,274**	1,789
Deferred revenue		**4,005**	11,013
Contract liabilities	8	**4,476**	-
Employee benefits		**3,114**	2,874
Derivative financial liabilities	9	**604**	597
Total current liabilities		**63,388**	84,583
Non-current liabilities			
Accounts payable and accrued liabilities	12	**2,108**	1,881
Loans payable		**11,990**	11,994
Face Value redemptions	11	**139,199**	139,346
Employee benefits		**11,765**	11,765
Total non-current liabilities		**165,062**	164,986
Total liabilities		**228,450**	249,569
Shareholder's equity			
Share capital (authorized and issued 4,000 non-transferable shares)		**40,000**	40,000
Retained earnings		**100,837**	88,127
Accumulated other comprehensive income		**137**	99
Total shareholder's equity		**140,974**	128,226
Total liabilities and shareholder's equity		**$ 369,424**	$ 377,795

Commitments, contingencies and guarantees (Note 21)
The accompanying notes are an integral part of these condensed consolidated financial statements.

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

		13 weeks ended		26 weeks ended	
	Notes	**June 30, 2018**	July 1, 2017 (Note 22)	**June 30, 2018**	July 1, 2017 (Note 22)
Revenue	14	**$ 260,734**	$ 401,621	**$ 601,613**	$ 904,370
Cost of sales	15,16	**231,829**	368,422	**545,133**	827,109
Gross profit		**28,905**	33,199	**56,480**	77,261
Marketing and sales expenses	15,16	**9,022**	12,662	**17,767**	24,050
Administration expenses	15,16,17	**13,994**	15,931	**27,606**	31,980
Operating expenses		**23,016**	28,593	**45,373**	56,030
Net foreign exchange gain (loss)		**619**	(557)	**2,723**	(2,324)
Operating profit		**6,508**	4,049	**13,830**	18,907
Finance (costs) income, net		**(204)**	164	**(95)**	157
Other income		**227**	223	**228**	223
Profit before income tax		**6,531**	4,436	**13,963**	19,287
Income tax (expense) recovery	18	**(648)**	883	**(3,277)**	(2,854)
Profit for the period		**5,883**	5,319	**10,686**	16,433
Net unrealized gains on cash flow hedges		**7**	126	**38**	143
Other comprehensive income, net of tax		**7**	126	**38**	143
Total comprehensive income		**$ 5,890**	$ 5,445	**$ 10,724**	$ 16,576

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

13 weeks ended June 30, 2018

	Notes	**Share Capital**	**Retained earnings**	**Accumulated other comprehensive income (Net gains on cash flow hedges)**	**Total**
Balance as at March 31, 2018		$ 40,000	$ 94,954	$ 130	$ 135,084
Profit for the period		**-**	**5,883**	**-**	**5,883**
Other comprehensive income, net[1]		**-**	**-**	**7**	**7**
Balance as at June 30, 2018		**$ 40,000**	**$ 100,837**	**$ 137**	**$ 140,974**

[1]Amounts are net of income tax

13 weeks ended July 1, 2017

	Notes	Share Capital	Retained earnings	Accumulated other comprehensive (loss) income (Net gains(losses) on cash flow hedges)	Total
Balance as at April 1, 2017		$ 40,000	$ 127,731	$ (244)	$ 167,487
Profit for the period		-	5,319	-	5,319
Other comprehensive income, net[1]		-	-	126	126
Balance as at July 1, 2017		$ 40,000	$ 133,050	$ (118)	$ 172,932

[1] Amounts are net of income tax.

26 weeks ended June 30, 2018

	Notes	**Share Capital**	**Retained earnings**	**Accumulated other comprehensive income (Net gains on cash flow hedges)**	**Total**
Balance as at December 31, 2017		$ 40,000	$ 88,127	$ 99	$ 128,226
Balance as at January 1, 2018, as previously reported		40,000	88,127	99	128,226
Impact of change in accounting policy[1]	3.1.4	**-**	**2,024**	**-**	**2,024**
Adjusted balance as at January 1, 2018		**40,000**	**90,151**	**99**	**130,250**
Profit for the period		**-**	**10,686**	**-**	**10,686**
Other comprehensive income, net[1]		**-**	**-**	**38**	**38**
Balance as at June 30, 2018		**$ 40,000**	**$ 100,837**	**$ 137**	**$ 140,974**

[1]Amounts are net of income tax

26 weeks ended July 1, 2017

	Notes	Share Capital	Retained earnings	Accumulated other comprehensive (loss) income (Net gains(losses) on cash flow hedges)	Total
Balance as at December 31, 2016		$ 40,000	$ 145,617	$ (261)	$ 185,356
Profit for the period		-	16,433	-	16,433
Other comprehensive income, net[1]		-	-	143	143
Dividends paid	9.1	-	(29,000)	-	(29,000)
Balance as at July 1, 2017		$ 40,000	$ 133,050	$ (118)	$ 172,932

[1] Amounts are net of income tax.

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

		13 weeks ended		26 weeks ended	
	Notes	**June 30, 2018**	July 1, 2017 (Note 19.1)	**June 30, 2018**	July 1, 2017 (Note 19.1)
Cash flows (used in) from operating activities					
Profit for the period		**$ 5,883**	$ 5,319	**$ 10,686**	$ 16,433
Adjustments to reconcile profit to cash flows from operating activities:					
Depreciation and amortization	15	**4,394**	5,097	**8,718**	9,972
Income tax expense (recovery)	18	**648**	(883)	**3,277**	2,854
Finance income, net		**204**	(164)	**95**	(157)
Other income		**(227)**	(223)	**(228)**	(223)
Net foreign exchange (gain) loss		**(1,632)**	1,791	**(3,386)**	(14)
Adjustments to other revenues, net	19	**(2,255)**	(1,099)	**(3,682)**	(1,104)
Changes in liability for Face Value redemptions		**267**	3,548	**1,377**	(1,314)
Net changes in operating assets and liabilities	19	**(16,068)**	(4,999)	**(24,704)**	(14,969)
Cash (used in) from operating activities before interest and income tax		**(8,786)**	8,387	**(7,847)**	11,478
Income tax (paid) received	19	**(4,017)**	1,405	**(6,812)**	(3,689)
Interest received, net of interest paid	19	**240**	342	**461**	424
Net cash (used in) from operating activities		**(12,563)**	10,134	**(14,198)**	8,213
Cash flows used in investing activities					
Acquisition of property, plant and equipment		**(2,053)**	(3,338)	**(5,379)**	(6,217)
Acquisition of intangible assets		**(151)**	(202)	**(333)**	(291)
Net cash used in investing activities		**(2,204)**	(3,540)	**(5,712)**	(6,508)
Cash flows used in financing activities					
Dividends paid	9.1	**-**	-	**-**	(29,000)
Net cash used in financing activities		**-**	-	**-**	(29,000)
Effect of changes in exchange rates on cash and cash equivalents		**439**	(1,363)	**726**	(1,134)
(Decrease) increase in cash and cash equivalents		**(14,328)**	5,231	**(19,184)**	(28,429)
Cash at the beginning of the period		**51,412**	80,525	**56,268**	114,185
Cash and cash equivalents at the end of the period		**$ 37,084**	$ 85,756	**$ 37,084**	$ 85,756

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 in anticipation of profit 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 support distribution system for the Government of Canada. The Corporation is compliant with all Treasury Board's Directives regarding Travel, Hospitality, Conference and Event Expenditures.

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

The Corporation is a prescribed federal Crown corporation for 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, 2017.

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

2.2 Basis of presentation

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

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

These condensed consolidated financial statements were approved for public release by the Board of Directors of the Corporation on August 24, 2018.

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. CHANGES IN ACCOUNTING POLICIES

Significant accounting policies applied in these condensed consolidated financial statements are disclosed in Note 2 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2017. Except for the changes highlighted below, the Corporation has consistently applied these accounting policies in the current and comparative periods.

3.1 Revenue from Contracts with Customers

The Corporation has adopted IFRS 15 – *Revenue from Contracts with Customers* with a date of initial application of January 1, 2018. As a result, the Corporation has changed its accounting policy for revenue recognition as detailed below.

The Corporation has applied IFRS 15 using the modified retrospective method. Under this method, the Corporation applies the standard retrospectively only to the most current period presented in the condensed consolidated financial statements and recognizes the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at January 1, 2018. Therefore, the comparative information for 2017 presented in the Corporation's condensed consolidated financial statements for the 13 and 26 weeks ended June 30, 2018 has not been restated and continues to be reported under the accounting policies disclosed in Note 2.19 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2017. Under the modified retrospective method, only contracts that have remaining undelivered performance obligations as at January 1, 2018 were assessed under IFRS 15 based on the form of these contract as at January 1, 2018, including any contract modifications up to this date. The details of the significant changes and quantitative impact of these changes are set out below.

3.1.1 Revenue from contracts with customers recognized over time or at a point in time

IFRS 15 does not distinguish products from services, but rather defines performance obligations that encompass both. Performance obligations as defined under IFRS 15 can be satisfied over time or at a point in time depending on when control of the asset is transferred to the customer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Under IFRS 15, for certain contracts, the Corporation transfers the control of the asset to the customer over time. The assessment of whether revenue is recognized over time or at a point in time is made at contract inception.

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

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

Under IFRS 15, for certain contracts, the Corporation recognizes revenue as circulation coins are produced where the Corporation has established that there is no alternative use for the circulation coins and the Corporation has an enforceable right to payment for circulation coins produced at any point in time over the term of the contract.

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

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

3.1.2 Contract Costs

The Corporation previously recognized commission fees payable related to Foreign Circulation contracts as expenses when they were incurred. Under IFRS 15, these fees will be capitalized as costs of obtaining a contract when they are incremental and, if they are expected to be recovered, and will be amortized consistently with the pattern of revenue for the related contract. If the expected amortization period is one year or less the commission fee will continue to be expensed as incurred. There were no contract costs capitalized as at January 1, 2018 or June 30, 2018.

3.1.3 Contracts with a customer that include a significant financing component

The Corporation adjusts the promised amount of consideration to be received from a customer for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation transfers a promised good or service to a customer and when the customer pays for that good or service will be more than one year.

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

3.1.4 Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Corporation's condensed consolidated financial statements as at and for the 13 and 26 weeks ended June 30, 2018.

a) Condensed consolidated statement of financial position

As at June 30, 2018		**As reported**		**Adjustments**		**Balances without adoption of IFRS 15**
Income taxes receivable	$	6,129	$	(34)	$	6,095
Inventories		83,808		5,354		89,162
Contract assets		8,348		(8,348)		-
Deferred income tax asset		33,029		642		33,671
Total assets	**$**	**369,424**	**$**	**(2,386)**	**$**	**367,038**
Deferred revenue	$	4,005	$	5,002	$	9,007
Contract liabilities		4,476		(4,476)		-
Total liabilities	**$**	**228,450**	**$**	**526**	**$**	**228,976**
Retained earnings	$	100,837	$	(2,912)	$	97,925
Total shareholder's equity	**$**	**140,974**	**$**	**(2,912)**	**$**	**138,062**
Total liabilities and shareholder's equity	**$**	**369,424**	**$**	**(2,386)**	**$**	**367,038**

As at January 1, 2018		**Balances with adoption of IFRS 15**		**Adjustments**		**As reported**
Inventories	$	75,663	$	9,792	$	85,455
Contract assets		11,257		(11,257)		-
Deferred income tax asset		31,691		688		32,379
Total assets	**$**	**378,572**	**$**	**(777)**	**$**	**377,795**
Deferred revenue	$	6,203	$	4,810	$	11,013
Contract liabilities		3,563		(3,563)		-
Total liabilities	**$**	**248,322**	**$**	**1,247**	**$**	**249,569**
Retained earnings	$	90,151	$	(2,024)	$	88,127
Total shareholder's equity	**$**	**130,250**	**$**	**(2,024)**	**$**	**128,226**
Total liabilities and shareholder's equity	**$**	**378,572**	**$**	**(777)**	**$**	**377,795**

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

b) Condensed consolidated statement of comprehensive income

For the 13 weeks ended June 30, 2018	As reported	Adjustments	Balances without adoption of IFRS 15
Revenue	$ 260,734	$ 5,601	$ 266,335
Cost of sales	231,829	6,949	238,778
Net foreign exchange gain	619	405	1,024
Income tax expense	(648)	(46)	(694)
Profit for the period	**$ 5,883**	**$ (989)**	**$ 4,894**
Total comprehensive income	**$ 5,890**	**$ (989)**	**$ 4,901**

For the 26 weeks ended June 30, 2018	As reported	Adjustments	Balances without adoption of IFRS 15
Revenue	$ 601,613	$ 3,251	$ 604,864
Cost of sales	545,133	4,280	549,413
Net foreign exchange gain	2,723	221	2,944
Income tax expense	(3,277)	(80)	(3,357)
Profit for the period	**$ 10,686**	**$ (888)**	**$ 9,798**
Total comprehensive income	**$ 10,724**	**$ (888)**	**$ 9,836**

c) Condensed consolidated statement of cash flows

For the 13 weeks ended June 30, 2018	As reported	Adjustments	Balances without adoption of IFRS 15
Profit for the period	$ 5,883	$ (989)	$ 4,894
Adjustments to reconcile profit to cash flows from operating activities:			
Net foreign exchange gain	(1,632)	(405)	(2,037)
Adjustments to revenue, net	(2,255)	1,348	(907)
Income tax expense	648	46	694
Net cash used in operating activities	**$ (12,563)**	**$ -**	**$ (12,563)**

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

For the 26 weeks ended June 30, 2018	**As reported**	**Adjustments**	**Balances without adoption of IFRS 15**
Profit for the period	$ 10,686	$ (888)	$ 9,798
Adjustments to reconcile profit to cash flows from operating activities:			
Net foreign exchange gain	(3,386)	(221)	(3,607)
Adjustments to revenue, net	(3,682)	1,029	(2,653)
Income tax expense	3,277	80	3,357
Net cash used in operating activities	**$ (14,198)**	**$ -**	**$ (14,198)**

3.2 Financial Instruments

The Corporation has adopted *IFRS 9 – Financial Instruments ("IFRS 9")* and *IFRS 7 – Financial Instruments* – Disclosures ("IFRS 7") with a date of initial application of January 1, 2018. As a result, the Corporation has changed its accounting policy for the classification of its financial instruments.

The Corporation has applied IFRS 9 and IFRS 7 on a retrospective basis, but has decided not to restate its comparative condensed consolidated financial statements and has adjusted its condensed consolidated statement of financial position as at January 1, 2018 to reflect the application of the new requirements.

In addition, the Corporation has applied the simplified approach in its impairment testing for financial assets measured at amortized cost and for trade receivables and contract assets within the scope of IFRS 15.

3.2.1 Classification and fair value measurements of financial instruments

After the Corporation performed its assessment of IFRS 9 on its financial instruments, it concluded that:

- Financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit and loss ("FVTPL") are expected to continue to be measured at FVTPL;
- Financial instruments classified as loans and receivables under IAS 39 are expected to continue to be measured at amortized cost under IFRS 9.

Previously under IAS 39, the Corporation's financial assets and financial liabilities were classified and subsequently measured as follows:

Financial Instrument	Classification	Subsequent measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Derivative financial assets	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liability	Amortized cost
Loans payable	Other financial liability	Amortized cost
Derivative financial liabilities	Held for trading	Fair value

Under IFRS 9, the Corporation's financial assets and financial liabilities are now classified and subsequently measured as follows:

Financial Instrument	Classification	Subsequent measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Derivative financial assets	Derivatives at FVTPL	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Derivative financial liabilities	Derivatives at FVTPL and at fair value through other comprehensive income (FVOCI)	Fair value

There was no significant impact from the implementation of IFRS 9 on the Corporation's condensed consolidated financial statements as at January 1, 2018 or June 30, 2018.

4. 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 June 30, 2018 were consistent with those disclosed in

Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2017.

5. APPLICATION OF NEW AND REVISED IFRS

5.1 New and revised IFRS pronouncements affecting amounts reported and/or disclosed in the condensed consolidated financial statements for the 26 weeks ended June 30, 2018

a) IFRS 15 - *Revenue from Contracts with Customers*, IFRS 7 *Financial Instruments – Disclosures* and IFRS 9 - *Financial Instruments* were adopted by the Corporation on January 1, 2018. The disclosure of the impact of the application of these new pronouncements on the Corporation's condensed consolidated financial statements is included in Note 3.

b) The Corporation has reviewed the revised accounting pronouncements that have been issued which had mandatory effective dates of annual periods beginning on or after January 1, 2018. The following amendments were adopted by the Corporation on January 1, 2018 and did not have a material impact on the condensed consolidated financial statements.

IAS 40 Investment Property ("IAS 40")

An amendment was released in December 2016 to IAS 40 which states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs if the property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual improvements to IFRSs 2014-2016

In December 2016, the International Accounting Standards Board (IASB) issued annual improvements during the 2014-2016 cycles. The standards covered by the amendments are: IFRS 1 – *First time adoption of IFRS* which deletes the short-term exemptions in paragraphs E3-E7 because they have now served their intended purpose; IAS 28 – *Investments in Associates* which clarifies the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint-venture on an investment-by-investment basis, upon initial recognition.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

IFRIC 22 addresses foreign currency transactions or parts of transactions where: there is consideration that is denominated or priced in a foreign currency; the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary. The IFRS Interpretations committee concluded the date of the transaction for the purpose of determining the exchange rate is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

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

The Corporation has reviewed the revised accounting pronouncements that have been issued, but are not yet effective and has made the following assessments of their future impact on its consolidated financial statements.

a) The adoption of IFRS 16 – *Leases* ("IFRS 16") has been assessed as having a possible impact on the Corporation's consolidated financial statements in the future.

IFRS 16 was issued in January 2016 to replace IAS 17 - *Leases*. The new standard requires that leases be brought onto companies' statements of financial position, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases for lessees as either operating leases or finance leases, treating all leases as finance leases. Short-term leases (less than twelve months) and leases of low-value assets will have an optional exemption from the requirements. For lessors, IFRS 16 substantially carries forward the requirements of IAS 17 - *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. The Corporation expects to apply IFRS 16 on a retrospective basis with the cumulative effect of initial application shown in retained earnings instead of the restatement of the comparative information.

The Corporation is currently evaluating the impact of IFRS 16 on its consolidated financial statements and therefore the impact of its adoption is not yet determined. Based on the assessment completed to date, the Corporation expects the most significant impact of the new lease standard to be on its existing and future equipment and property leases which will be capitalized on the consolidated statement of financial position under IFRS 16. Under IFRS 16, short-term leases are not required to be accounted for as a finance lease, and as a result, the Corporation does not expect to have to capitalize its precious metal leases as these leases are generally entered into on a call basis or have a fixed lease term of less than 12 months.

A full assessment of all existing leases under IFRS 16, as well as an assessment of the impact of the financial statement presentation and disclosure requirements on the Corporation's consolidated financial statements is on-going. Based on the assessment completed to date, the Corporation estimates that approximately $16 million of right-of-use assets, with corresponding lease liabilities of the same amount, will be capitalized on consolidated statement of financial position on January 1, 2019.

b) The adoption of the following amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

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

Annual improvements to IFRSs 2015-2017

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle. The standards covered by the amendments are: IFRS 3 - *Business Combinations* which clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. IFRS 11 - *Joint Arrangements* which clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. IAS 12 - *Income Taxes* which clarifies that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises. IAS 23 - *Borrowing Costs* which clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The annual improvements are effective for annual periods beginning on or after January 1, 2019.

6. ACCOUNTS RECEIVABLE

	As at	
	June 30, 2018	December 31, 2017
Receivables and accruals from contracts with customers	**$ 16,847**	$ 11,956
Receivables from contracts with related parties (Note 20)	**1,608**	3,512
Allowance for credit losses	**(29)**	(28)
Net trade receivables	**18,426**	15,440
Other current financial receivables	**177**	205
Other receivables	**1,856**	1,142
Total accounts receivable	**$ 20,459**	$ 16,787

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

7. INVENTORIES

	As at	
	June 30, 2018	December 31, 2017
Total inventories	**$ 83,808**	$ 85,455

The Corporation recognized write-downs of inventory to net realizable value of $1.7 million for the 26 weeks ended June 30, 2018 (26 weeks ended July 1, 2017 - $2.6 million).

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

8. CONTRACT ASSETS AND LIABILITIES

The contract assets relate to the Corporation's rights to consideration for work completed, but not billed as at the reporting date. The contract liabilities relate to the advance consideration received from customers for which revenue has not yet been recognized and accrued expenses related to contract assets.

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

	As at June 30, 2018	
	Contract Assets	**Contract Liabilities**
Opening balance, January 1, 2018	$ 11,257	$ 3,563
Cash received, excluding amounts recognized during the period	-	665
Transfers from contract liabilities to payables	-	(6,659)
Foreign exchange revaluation	(202)	19
Transfers from contract assets to receivables	(22,725)	-
Increases resulting from changes in the measure of progress	20,018	6,888
Closing balance	**$ 8,348**	$ **4,476**

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

9.1 Capital risk management

The Corporation may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and terms and conditions. Since March 1999, following the enactment of changes to the *Royal Canadian Mint Act*, the aggregate of the amounts loaned to the Corporation and outstanding at any time shall not exceed $75 million. For the 26 weeks ended June 30, 2018, approved short-term borrowings for working capital needs within this limit were not to exceed $25.0 million (26 weeks ended July 1, 2017 - $25.0 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 June 30, 2018 or July 1, 2017.

The Corporation did not remit any dividends to its shareholder, the Government of Canada during the 26 weeks ended June 30, 2018. The Corporation employs a dividend framework to calculate dividends payable to its shareholder. The calculated dividend amount represents excess year end cash over a pre-determined cash reserve requirement and is expected to be paid in the fourth quarter of each year beginning in 2018.

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

9.2 Classification and fair value measurements of financial instruments

9.2.1 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 tables:

As at June 30, 2018	**Carrying Amount**	**Fair Value**
Financial Assets		
Amortized cost		
Cash and cash equivalents	**$ 37,084**	**$ 37,084**
Accounts receivable	**18,603**	**18,603**
Derivatives at FVTPL		
Derivative assets	**99**	**99**
Derivatives at FVOCI		
Derivative assets	**184**	**184**
Financial Liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**$ 38,438**	**$ 38,438**
Loans payable	**19,494**	**19,506**
Derivatives at FVTPL		
Derivative liabilities	**599**	**599**
Derivatives at FVOCI		
Derivative liabilities	**5**	**5**

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

As at December 31, 2017	Carrying Amount	Fair Value
Financial Assets		
Held for Trading		
Cash	$ 56,268	$ 56,268
Derivative financial assets	472	472
Loans and receivables		
Accounts receivable	15,645	15,645
Financial Liabilities		
Held for Trading		
Derivative liabilities	$ 597	$ 597
Other Financial Liabilities		
Accounts payable and accrued liabilities[1]	57,565	57,565
Loans payable	19,501	19,520

[1] Prior year figures have been reclassified to conform to the current year presentation.

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

9.2.2 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 is classified as Level 1 of the fair value hierarchy as at June 30, 2018 and December 31, 2017. The fair value measurements of all other financial instruments held by the Corporation are classified as Level 2 of the fair value hierarchy as at June 30, 2018 and

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

December 31, 2017. There were no transfers of financial instruments between levels for the 26 weeks ended June 30, 2018.

9.2.3 Classification and fair value techniques of financial instruments

The Corporation holds financial instruments in the form of cash and cash equivalents, accounts receivable, derivative assets, accounts payable and accrued liabilities, loans payable and derivative liabilities.

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

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

ii) The fair value of loans payable are estimated based on a discounted cash flow approach using current market rates appropriate as at the respective date presented.

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 risk and its own risk into consideration for the fair value of financial instruments.

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

	As at	
	June 30, 2018	December 31, 2017
Derivative financial assets		
Foreign currency forwards	**$ 99**	$ 334
Interest rate swaps	**184**	138
	$ 283	$ 472
Derivative financial liabilities		
Foreign currency forwards	**$ 599**	$ 587
Interest rate swaps	**5**	10
	$ 604	$ 597

9.3 Financial risk management objectives and framework

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

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

9.3.1 Credit risk management

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

The carrying amount of financial assets recorded in the condensed consolidated financial statements as at June 30, 2018 and December 31, 2017 represents the maximum credit exposure.

9.3.1.1 Credit risk management of receivables from customers

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

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

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

The maximum exposure to credit risk for accounts receivable by geographic regions was as follows:

	As at	
	June 30, 2018	December 31, 2017
Canada	**$ 11,183**	$ 10,324
Asia and Australia	**5,060**	3,948
Latin America and Caribbean	**2,822**	1,518
Europe, Middle East and Africa	**787**	348
United States	**607**	649
Total accounts receivable	**$ 20,459**	$ 16,787

The maximum exposure to credit risk for accounts receivable by type of customer was as follows:

	As at	
	June 30, 2018	December 31, 2017
Consumers, dealers and others	**$ 8,745**	$ 6,228
Central and institutional banks	**8,287**	6,191
Governments (including governmental departments and agencies)	**3,427**	4,368
Total accounts receivable	**$ 20,459**	$ 16,787

The Corporation establishes an allowance for estimated credit losses based on a provision matrix that reflects the estimated impairment of accounts receivables. The provision matrix is based on historical observed default rates and is adjusted for forward-looking estimates. The Corporation sets different payment terms depending on the customer and product, which results in an average of 30 day payment terms. The Corporation also reviewed its exposure related to contract assets as at June 30, 2018 and evaluated the risk to be minimal as each related contract is subject to a contract specific risk assessment process. As at June 30, 2018, the Corporation's rate of credit losses was less than 1% of total accounts receivable.

9.3.2 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.

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

Foreign exchange risk

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

Interest rate risk

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. There is no interest rate risk related to cash and cash equivalents as the short-term investments earn a fixed guaranteed interest rate if held over a prescribed term. The Corporation's Bankers Acceptance interest rate swap loan instruments expose the Corporation to cash flow interest rate risk. The Corporation has fully hedged the exposure to fluctuations in interest rates related to these instruments by entering into corresponding interest rate swaps, where the Corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swaps are designated as hedging instruments under the cash flow hedge accounting model.

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

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

Commodity price risk

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

The Corporation is not exposed to precious metal price risk related to the bullion sales program because the purchase and sale of precious metals used in this program are completed on the same date, using the same price basis in the same currency. For numismatic sales the Corporation enters into short term lease or purchase commitments for precious and base metals to mitigate the commodity price risk (Note 21.1 and Note 21.3).

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

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

10. CAPITAL ASSETS

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	
	June 30, 2018	December 31, 2017
Cost	**$ 421,723**	$ 417,012
Accumulated depreciation	**(257,829)**	(250,941)
Net book value	**$ 163,894**	$ 166,071

Net book value by asset class

	As at	
	June 30, 2018	December 31, 2017
Land and land improvements	**$ 3,070**	$ 3,073
Buildings and improvements	**91,733**	91,694
Equipment	**68,789**	70,346
Capital projects in process	**302**	958
Net book value	**$ 163,894**	$ 166,071

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

During the 26 weeks ended June 30, 2018, the Corporation acquired $4.7 million (26 weeks ended July 1, 2017 - $5.2 million) worth of building and leasehold improvements and equipment. No capital assets have been transferred to different categories within property, plant and equipment.

Included in property, plant and equipment additions for the 26 weeks ended June 30, 2018 is a total accrual of $0.7 million (December 31, 2017 - $1.0 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 June 30, 2018.

Intangible assets

	As at	
	June 30, 2018	December 31, 2017
Cost	**$ 32,817**	$ 32,052
Accumulated depreciation	**(23,951)**	(22,122)
Net book value	**$ 8,866**	$ 9,930

During the 26 weeks ended June 30, 2018, the Corporation acquired $0.8 million (26 weeks ended July 1, 2017 - $0.2 million) worth of software. No capital assets have been transferred to different categories within intangible assets.

Included in intangible asset additions for the 26 weeks ended June 30, 2018 is a total accrual of $0.1 million. (December 31, 2017 - $0.1 million).

11. FACE VALUE REDEMPTIONS

	As at	
	June 30, 2018	December 31, 2017
Face Value redemptions	**$ 181,083**	$ 182,060
Precious metal recovery	**(40,610)**	(40,925)
Face Value redemptions, net	**140,473**	141,135
Less: Current portion	**(1,274)**	(1,789)
Non-current Face Value redemptions, net	**$ 139,199**	$ 139,346

	As at	
	June 30, 2018	December 31,2017
Opening balance	**$ 141,135**	$ 141,017
Additions, net	**-**	643
Redemptions, net	**(767)**	(1,873)
Revaluation	**105**	1,348
Ending balance	**$ 140,473**	$ 141,135

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

As at June 30, 2018, the Corporation determined that it continues to be unable to reliably estimate the redemptions of Face Value coins.

Face Value redemptions represent 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 each financial statement reporting date. The impact of the revaluation of the precious metal component of the liability was an increase of $0.3 million and $0.1 million, respectively, for the 13 and 26 weeks ended June 30, 2018 (July 1, 2017 – a decrease of $4.2 million and an increase of $0.9 million).

The current portion of the liability for Face Value redemptions is based on the redemptions for the last 12 months, as the Corporation continues to determine that it is 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.

As of January 1, 2017, the Corporation is no longer selling Face Value coins and all back-orders are now complete.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at	
	June 30, 2018	December 31, 2017
Trade payables	**$ 4,130**	$ 2,207
Other current financial liabilities[1,3]	**33,633**	54,940
Other accounts payables and accrued liabilities [2,3]	**4,648**	3,656
Total current accounts payable and accrued liabilities	**$ 42,411**	$ 60,803
Other non-current financial liabilities	**675**	418
Other non-current accounts payable and accrued liabilities[2]	**1,433**	1,463
Total non-current accounts payable and accrued liabilities	**$ 2,108**	$ 1,881
Accounts payable and accrued liabilities	**$ 44,519**	$ 62,684

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

[2] Other accounts payables and accrued liabilities include amounts due for withholding, sales tax, legal provisions, and sales returns provisions. The provision for sales returns as at June 30, 2018 was $2.3 million (December 31, 2017 - $2.3 million). Also included is an accrual for a $1.8 million (December 31, 2017 - $1.6 million) tax penalty, $1.6 million of which was due to undercharged sales tax to the Department of Finance (Note 20).

[3] Prior year figures have been reclassified to conform to the current year presentation.

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

13. EMPLOYEE COMPENSATION AND BENEFITS

Pension benefits

The Corporation made total contributions of $5.5 million in the 26 weeks ended June 30, 2018 (26 weeks ended July 1, 2017 - $5.4 million).

See Note 17 in the audited consolidated financial statements for the year ended December 31, 2017 for details on the Corporation's pension and other post-employment benefit plans.

14. REVENUE

The Corporation has applied IFRS 15 using the modified retrospective method and therefore the comparative information for 2017 has not been restated and continues to be reported under the accounting policies disclosed in note 2.19 of the Corporation's annual audited consolidated financial statements. The impact of the implementation of IFRS 15 on the Corporation's condensed consolidated financial statements is disclosed in Note 3.

14.1 Revenue from contracts with customers

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017[1]	**June 30, 2018**	July 1, 2017[1]
Revenue from the sale of goods	**$ 252,321**	$ 395,979	**$ 586,337**	$ 891,156
Revenue from the rendering of services	**8,413**	5,642	**15,276**	13,214
Total revenue	**$ 260,734**	$ 401,621	**$ 601,613**	$ 904,370

[1]Prior year figures have been reclassified to move the sales of goods related to Refinery services from revenue from the rendering of services to revenue from the sale of goods.

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

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017[1]	**June 30, 2018**	July 1, 2017[1]
Gross revenue from the sale of goods	**$ 342,420**	$ 463,333	**$ 738,842**	$ 1,088,443
Less: Customer inventory deals	**(90,099)**	(67,354)	**(152,505)**	(197,287)
Net revenue from the sale of goods	**$ 252,321**	$ 395,979	**$ 586,337**	$ 891,156

[1]Prior year figures have been reclassified to move the sales of goods related to Refinery services from revenue from the rendering of services to revenue from the sale of goods.

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

14.2 Disaggregation of Revenue

In the following table, revenue is disaggregated by primary geographical region, business and timing of revenue recognition.

	13 weeks ended		26 weeks ended	
Primary Geographic Regions	**June 30, 2018**	July 1, 2017	**June 30, 2018**	July 1, 2017
North America	**$ 160,785**	$ 261,597	**$ 344,117**	$ 558,163
Europe, Middle East & Africa	**68,724**	113,235	**191,481**	261,262
Asia & Australia	**24,312**	25,141	**52,332**	82,787
Latin America & Caribbean	**6,913**	1,648	**13,683**	2,158
Total revenue	**$ 260,734**	$ 401,621	**$ 601,613**	$ 904,370

	13 weeks ended		26 weeks ended	
Business	**June 30, 2018**	July 1, 2017	**June 30, 2018**	July 1, 2017
Canadian Circulation	**$ 22,834**	$ 27,658	**$ 45,420**	$ 52,258
Foreign Circulation	**15,220**	9,039	**33,779**	19,130
Bullion Products and Services	**193,884**	319,635	**465,581**	740,808
Numismatics	**28,796**	45,289	**56,833**	92,174
Total revenue	**$ 260,734**	$ 401,621	**$ 601,613**	$ 904,370

	13 weeks ended		26 weeks ended	
Timing of Revenue Recognition	**June 30, 2018**	July 1, 2017	**June 30, 2018**	July 1, 2017
Performance obligations satisfied at a point in time	**$ 251,307**	$ 397,979	**$ 587,118**	$ 897,056
Performance obligations satisfied over time	**9,427**	3,642	**14,495**	7,314
Total revenue	**$ 260,734**	$ 401,621	**$ 601,613**	$ 904,370

14.3 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 are unsatisfied (or partially unsatisfied) as at June 30, 2018.

	2018	**2019**	**Total**
Foreign Circulation	**$ 54,167**	**$ 18,232**	**$ 72,399**

The Corporation has other contracts with terms longer than 12 months that include unsatisfied performance obligations that are dependent on volumes. These contracts are excluded from the table above as the Corporation cannot reliably measure the unsatisfied performance obligations.

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

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.

15. DEPRECIATION AND AMORTIZATION EXPENSE

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Depreciation of property, plant and equipment	**$ 3,489**	$ 4,280	**$ 6,888**	$ 8,235
Amortization of intangible assets	**905**	817	**1,830**	1,737
Total depreciation and amortization expense	**$ 4,394**	$ 5,097	**$ 8,718**	$ 9,972

Depreciation and amortization expense were reclassified to operating expense as follows:

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Cost of sales	**$ 2,644**	$ 2,509	**$ 5,244**	$ 5,067
Marketing and sales expenses	**706**	1,035	**1,401**	1,939
Administration expenses	**1,044**	1,553	**2,073**	2,966
Total depreciation and amortization expense	**$ 4,394**	$ 5,097	**$ 8,718**	$ 9,972

16. EMPLOYEE COMPENSATION EXPENSES

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017 (Note 22)	**June 30, 2018**	July 1, 2017 (Note 22)
Included in cost of sales:				
Salaries and wages including short term employee benefits	**$ 9,694**	$ 9,506	**$ 18,278**	$ 19,645
Pension costs	**1,732**	1,381	**2,917**	2,562
Other long term employee and post-employment benefits	**635**	527	**1,353**	1,133
Termination benefits	**3**	19	**40**	79
Included in marketing and sales expenses:				
Salaries and wages including short term employee benefits	**3,919**	4,245	**8,351**	8,721
Pension costs	**587**	613	**929**	969
Other long term employee and post-employment benefits	**146**	115	**312**	246
Termination benefits	**-**	140	**(33)**	445
Included in administration expenses:				
Salaries and wages including short term employee benefits	**7,255**	7,881	**14,997**	16,044
Pension costs	**1,103**	1,185	**1,722**	1,953
Other long term employee and post-employment benefits	**255**	279	**607**	655
Termination benefits	**(28)**	51	**61**	574
Total employee compensation and benefits expense	**$ 25,301**	$ 25,942	**$ 49,534**	$ 53,026

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

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

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
SRED expenses	**$ 1,009**	$ 1,224	**$ 1,960**	$ 2,486
SRED investment tax credit	**(293)**	(181)	**(412)**	(362)
SRED expenses, net	**$ 716**	$ 1,043	**$ 1,548**	$ 2,124

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

18. INCOME TAXES

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Current income tax expense	**$ 2,021**	$ 2,194	**$** 5,219	$ 4,770
Deferred income tax recovery	**(1,373)**	(3,077)	(1,942)	(1,916)
Income tax expense (recovery)	**$ 648**	$ (883)	**$** 3,277	$ 2,854

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% (2017 – 25%).

19. SUPPLEMENTAL CASH FLOW INFORMATION

19.1 Reclassification

The Corporation modified the condensed consolidated statement of cash flows during 2017 to better represent the realized and unrealized gain or loss related to financial instruments, specifically the realized portion of foreign exchange gains and losses. In addition, interest payments on loans were reclassified to operating activities.

The impacts of these reclassifications were the following:

	13 weeks ended July 1, 2017		
Increase (decrease)	As previously reported	Reclassification	As reclassified
Interest received, net of interest paid	$ 356	$ (14)	$ 342
Financing fees paid	(14)	14	-

	26 weeks ended July 1, 2017		
Increase (decrease)	As previously reported	Reclassification	As reclassified
Interest received, net of interest paid	$ 452	$ (28)	$ 424
Financing fees paid	(28)	28	-

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

19.2 Supplemental cash flow information

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

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Accounts receivable	**$ 1,039**	$ 3,573	**$ (4,377)**	$ 2,250
Inventories	**(5,664)**	280	**13**	(7,347)
Prepaid expenses	**(58)**	371	**(1,338)**	(413)
Accounts payable and accrued liabilities	**(10,743)**	(9,283)	**(17,661)**	(7,351)
Deferred revenue	**(1,307)**	60	**(2,006)**	(2,108)
Contract liability	**665**	-	**665**	-
	$ (16,068)	$ (4,999)	**$ (24,704)**	$ (14,969)

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

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Expenses				
Employee benefits expenses	**$ 3,422**	$ 2,094	**$ 5,539**	$ 4,397
Employee benefits paid	**(3,307)**	(3,998)	**(5,549)**	(5,351)
Inventory write-downs	**78**	1,568	**(490)**	2,586
Gain on disposal of assets	**(44)**	(8)	**(44)**	(13)
Other non-cash expenses, net	**338**	542	**457**	373
Revenue	**(2,742)**	(1,297)	**(3,595)**	(3,096)
	$ (2,255)	$ (1,099)	**$ (3,682)**	$ (1,104)

Income tax paid was comprised of the following:

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Income tax received	**$ -**	$ 4,699	**$ -**	$ 4,699
Income tax paid	**(4,017)**	(3,294)	**(6,812)**	(8,388)
	$ (4,017)	$ 1,405	**$ (6,812)**	$ (3,689)

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

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017[1]	**June 30, 2018**	July 1, 2017[1]
Interest received	**$ 364**	$ 526	**$ 674**	$ 719
Interest paid	**(124)**	(184)	**(213)**	(295)
	$ 240	$ 342	**$ 461**	$ 424

[1] Prior year figures have been reclassified as described in Note 19.1.

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

20. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada owned entities. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. In accordance with the disclosure exemption regarding “government related entities”, the Corporation is exempt from certain disclosure requirements of IAS 24 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 (“DOF”) related to the production, management and delivery of Canadian circulation coins which are governed by the terms outlined in the Memorandum of Understanding signed on June 13, 2018 which is effective from January 1, 2018 to December 31, 2021.

The transactions with DOF are as follows:

	13 weeks ended		26 weeks ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Revenue from DOF	**$ 21,064**	$ 25,919	**$ 41,517**	$ 48,711

	As at	
	June 30, 2018	December 31, 2017
Receivable from DOF	**$ 1,608**	$ 3,512

The majority of transactions with Crown corporations were for the sales of numismatic product.

Included in accounts payable and accrued liabilities on the condensed consolidated statement of financial position is an accrual for a $1.6 million (December 31, 2017 - $1.6 million) penalty which is due to undercharged sales tax to the DOF. The Corporation is awaiting the final assessment of the sales tax owed and will bill the DOF for the undercharged sales tax of $32 million which the Corporation will in turn remit to the Canada Revenue Agency. This amount is not included in the condensed consolidated statement of financial position.

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

21. COMMITMENTS, CONTINGENCIES AND GUARANTEES

21.1 Precious metal leases

In order to facilitate the production of precious metal coins and manage the risks associated with changes in metal prices, the Corporation may enter into firm fixed price purchase commitments, as well as precious metals leases. As at June 30, 2018, the Corporation had $8.5 million in outstanding precious metal purchase commitments (December 31, 2017 – $17.6 million).

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

	As at	
Ounces	**June 30, 2018**	December 31, 2017
Gold	**357,074**	73,370
Silver	**6,523,348**	5,892,387
Palladium	**243**	538
Platinum	**28,744**	24,165

The fees for these leases are based on market value. The precious metal lease payment expensed for the 26 weeks ended June 30, 2018 was $1.3 million (26 weeks ended July 1, 2017 - $1.5 million). The value of the metals under these leases has not been reflected in the Corporation's condensed consolidated financial statements since the Corporation intends to settle these commitments through receipt or delivery of the underlying metal.

21.2 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 which might become due under these commitments would relate to the Corporation's non-performance under the applicable contract. The Corporation does not anticipate any material payments will be required in the future. As at June 30, 2018, under the guarantees and bid bonds, the maximum potential amount of future payments is $14.8 million (December 31, 2017 - $11.3 million).

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

21.3 Other commitments and contingencies

Total estimated minimum remaining future commitments are as follows:

	2018	2019	2020	2021	2022	2023 and thereafter	Total
Operating leases	$ 1,618	$2,613	$2,285	$2,181	$1,200	$4,048	$13,945
Other commitments	20,766	4,556	3,361	1,970	7	20	30,680
Base metal commitments	17,811	-	-	-	-	-	17,811
Capital commitments	4,520	-	-	-	-	-	4,520
Total	**$44,715**	**$7,169**	**$5,646**	**$4,151**	**$1,207**	**$4,068**	**$66,956**

Other commitments include firm contracts with suppliers for goods and services, excluding precious metals commitments and operating leases.

Base metal commitments are firm fixed-price purchase commitments which 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 has committed as at June 30, 2018 to spend approximately $4.5 million (December 31, 2017 - $3.3 million) in 2018 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 $0.8 million provision for potential legal obligations is included in other accounts payables and accrued liabilities (Note 12) as at June 30, 2018 (December 31, 2017 - $0.9 million). The amount and timing of the settlement of the provision is uncertain.

There have been no other material changes to the Corporation's commitments, contingencies and guarantees since December 31, 2017.

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

22. RECLASSIFICATIONS

In 2018, the Corporation modified the condensed consolidated statement of comprehensive income classification for certain amounts between cost of sales, marketing and sales expenses and administration expenses to more appropriately reflect their nature. Comparative amounts in these condensed consolidated financial statements were reclassified for consistency.

The following table shows the combined impact of these reclassifications:

	13 weeks ended July 1, 2017		
	As reported	Reclassifications	As reclassified
Increase (Decrease)			
Cost of sales	$ 361,816	$ 6,606	$ 368,422
Marketing and sales expenses	18,186	(5,524)	12,662
Administration expenses	17,013	(1,082)	15,931

	26 weeks ended July 1, 2017		
	As reported	Reclassifications	As reclassified
Increase (Decrease)			
Cost of sales	$ 814,113	$ 12,996	$ 827,109
Marketing and sales expenses	34,855	(10,805)	24,050
Administration expenses	34,171	(2,191)	31,980