



Sentry Select Primary Metals Corp.

TSX: PME

Annual Financial Statements

December 31, 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF SENTRY SELECT PRIMARY METALS CORP. (THE "FUND"):

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable shares and statements of cash flows, for the years ended December 31, 2017 and 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
March 21, 2018
Toronto, Ontario

Sentry Select Primary Metals Corp.
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Statements of Financial Position

As at December 31,	2017	2016
Assets		
Current assets		
Investments, at fair value through profit or loss	\$ 39,633,913	\$ 42,415,775
Cash and cash equivalents	1,419,056	6,310,434
Due from broker	446	358,640
Accrued interest and dividends receivable	6,892	153
Prepaid expenses	-	30,264
Total assets	41,060,307	49,115,266
Liabilities		
Current liabilities		
Due to broker	184,510	-
Management fees payable (Note 5)	47,267	48,498
Distributions payable	384,035	394,500
Accounts payable and accrued liabilities	179,912	203,360
Total liabilities (excluding net assets attributable to holders of redeemable shares)	795,724	646,358
Net assets attributable to holders of redeemable shares	\$ 40,264,583	\$ 48,468,908
Number of redeemable shares outstanding (Note 4)	15,361,411	15,780,001
Net assets per redeemable share	\$ 2.62	\$ 3.07

Approved on behalf of Sentry Select Primary Metals Corp.

“signed”

“signed”

Sheila Murray
Director

Douglas Jamieson
Director

Statements of Comprehensive Income

For the years ended December 31,	2017	2016
Investment income (loss)		
Dividend income	\$ 119,202	\$ 228,397
Interest for distribution purposes	20,318	16,431
Net realized loss on financial assets at fair value through profit or loss	(9,347,066)	(7,526,880)
Net change in unrealized gain on financial assets at fair value through profit or loss	7,942,850	31,637,205
Net realized loss on foreign currencies and other assets	(2,659)	(190)
Total investment income (loss)	(1,267,355)	24,354,963
Investment expenses (Note 3)		
Management fees (Note 5)	489,841	626,288
Servicing fees (Note 5)	172,310	228,433
Brokerage commissions (Note 6)	110,468	156,042
Harmonized sales tax and other taxes	82,776	98,832
Administration fees	45,269	41,719
Insurance fees	40,450	41,074
Audit fees	36,702	34,559
Director fees	35,095	44,883
Listing fees	24,974	29,675
Securityholder reporting costs	17,430	18,000
Transfer agency fees	16,542	15,971
Custodian fees	16,081	16,276
Interest expense	505	-
Legal and consulting fees	373	4,239
Independent Review Committee	286	610
Total investment expenses	1,089,102	1,356,601
Net investment profit (loss)	(2,356,457)	22,998,362
Increase (decrease) in net assets attributable to holders of redeemable shares	\$ (2,356,457)	\$ 22,998,362
Weighted average number of redeemable shares outstanding during the year	15,499,030	16,820,651
Increase (decrease) in net assets attributable to holders of redeemable shares per share	\$ (0.15)	\$ 1.37

The accompanying notes are an integral part of these financial statements.

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Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares

For the years ended December 31,	2017	2016
Net assets attributable to holders of redeemable shares, at the beginning of the year	\$ 48,468,908	\$ 40,901,200
Increase (decrease) in net assets attributable to holders of redeemable shares	(2,356,457)	22,998,362
Distributions to holders of redeemable shares		
Return of capital	(4,650,282)	(4,132,317)
Redeemable shares transactions (Note 4)		
Redemption of redeemable shares	(1,197,586)	(11,298,337)
Net assets attributable to holders of redeemable shares, at the end of the year	\$ 40,264,583	\$ 48,468,908

Statements of Cash Flows

For the years ended December 31,	2017	2016
Cash flows provided by (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares	\$ (2,356,457)	\$ 22,998,362
Adjustments for:		
Dividend income	(119,202)	(228,397)
Interest for distribution purposes	(20,318)	(16,431)
Net (increase) decrease in financial assets at fair value through profit or loss	2,781,862	(3,935,469)
Net change in due from/to brokers	542,704	(376,120)
Net change in other assets and liabilities	5,585	22,457
	834,174	18,464,402
Dividend income received	112,412	228,397
Interest received	20,369	16,312
Net cash provided by operating activities	966,955	18,709,111
Cash flows used in financing activities		
Payment on redemption of redeemable shares	(1,197,586)	(11,298,337)
Distributions to holders of redeemable shares	(4,660,747)	(4,021,346)
Net cash (used in) financing activities	(5,858,333)	(15,319,683)
Net increase (decrease) in cash and cash equivalents	(4,891,378)	3,389,428
Cash and cash equivalents, at the beginning of the year	6,310,434	2,921,006
Cash and cash equivalents, at the end of the year	\$ 1,419,056	\$ 6,310,434
Cash	\$ 119,056	\$ 110,434
Short-term investments	1,300,000	6,200,000
Total cash and cash equivalents	\$ 1,419,056	\$ 6,310,434
Supplemental disclosure of cash flow information:		
Purchase of investments	\$ 16,352,657	\$ 10,439,478
Proceeds from investments sold	\$ 17,730,303	\$ 30,614,334
Interest paid	\$ 505	\$ -

The accompanying notes are an integral part of these financial statements.

Sentry Select Primary Metals Corp.
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Schedule of Investment Portfolio

As at December 31, 2017

Investments	Expiration Date	Shares	Average Cost	Fair Value	% of Net Assets
Gold and Silver					
Argonaut Gold Inc.		607,200	\$ 2,364,613	\$ 1,457,280	3.62
Asanko Gold Inc.		13,300	9,323	11,837	0.03
Atlantic Gold Corporation		459,300	666,879	702,729	1.75
BonTerra Resources Inc.		655,000	337,211	379,900	0.94
Coeur Mining, Inc.		100,000	928,243	940,388	2.34
Dacian Gold Limited		77,000	196,869	211,155	0.52
Detour Gold Corporation		192,800	1,803,000	2,849,584	7.08
Gold Standard Ventures Corp.		50,000	92,855	110,000	0.27
Golden Star Resources Ltd.		1,079,500	1,528,575	1,198,245	2.98
Guyana Goldfields Inc.		555,400	3,263,292	2,821,432	7.01
Kirkland Lake Gold Ltd.		339,518	1,909,679	6,542,512	16.25
Klondex Mines Ltd.		1,158,900	2,432,974	3,778,014	9.38
Mandalay Resources Corporation		2,209,400	2,251,885	596,538	1.48
OceanaGold Corporation		558,000	2,180,241	1,802,340	4.48
Roxgold Inc.		1,490,400	2,110,354	2,086,560	5.18
Sandstorm Gold Ltd.		500,494	3,637,340	3,143,102	7.81
SEMAFO Inc.		310,300	1,109,115	1,107,771	2.75
SSR Mining Inc.		80,896	665,989	895,519	2.22
Superior Gold Inc.		715,000	716,326	765,050	1.90
Tahoe Resources Inc.		224,782	2,122,280	1,355,435	3.37
TMAC Resources Inc.		51,300	517,314	495,558	1.23
Torex Gold Resources Inc.		122,000	2,051,271	1,455,460	3.61
			32,895,628	34,706,409	86.20
Precious Metals and Minerals Exploration					
African Gold Group Inc.		338,200	260,962	15,219	0.04
Atacama Pacific Gold Corporation		861,200	2,109,615	607,146	1.51
Atacama Pacific Gold Corporation, Warrants ¹	17-Nov-18	75,000	2,970	24,390	0.06
Aurion Resources Ltd.		87,800	148,083	190,526	0.47
Contact Gold Corp.		340,000	340,000	178,500	0.44
Orex Minerals Inc.		294,850	250,623	39,805	0.10
Osisko Mining Inc.		168,000	734,016	569,520	1.41
Osisko Mining Inc., Warrants ¹	28-Aug-18	30,000	-	3,738	0.01
			3,846,269	1,628,844	4.04
Intermediate Precious Metals and Minerals Producers					
Alamos Gold Inc., Cl. A		316,514	1,540,260	2,592,250	6.44
Junior Precious Metals and Minerals					
Barkerville Gold Mines Ltd.		900,000	855,000	675,000	1.68
Barkerville Gold Mines Ltd., Warrants ¹	18-Nov-18	450,000	-	31,410	0.07
			855,000	706,410	1.75
Total portfolio of investments			\$ 39,137,157	\$ 39,633,913	98.43
Cash and cash equivalents and other assets, net of liabilities				\$ 630,670	1.57
Total net assets attributable to holders of redeemable shares				\$ 40,264,583	100.00

¹ Published market quotations for these investments are not readily available (see Note 2).

Note: Percentage of net assets shown relates to the amounts at fair value to the Fund's net assets attributable to holders of redeemable shares.

Sentry Select Primary Metals Corp.
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Other Information

A. Financial Assets at Fair Value through Profit or Loss

The following is Sentry Select Primary Metals Corp.'s (the "Fund") categories of financial assets at fair value through profit or loss.

	December 31, 2017	December 31, 2016
Financial assets at fair value through profit or loss		
Designated as fair value through profit or loss:		
Equity securities	\$ 39,574,375	\$ 42,409,275
Warrants	59,538	6,500
Total financial assets at fair value through profit or loss	\$ 39,633,913	\$ 42,415,775

During the years ended December 31, 2017 and 2016, the Fund did not reclassify any financial assets or financial liabilities.

B. Net Gain and Loss on Financial Assets at Fair Value through Profit or Loss

The following is a summary of the Fund's net gain and loss on financial assets at fair value through profit or loss for the years ended December 31, 2017 and 2016.

	2017	2016
Net realized loss on financial assets at fair value through profit or loss		
Designated as fair value through profit or loss	\$ (9,347,066)	\$ (7,526,880)
Total net realized loss on financial assets at fair value through profit or loss	\$ (9,347,066)	\$ (7,526,880)
Net change in unrealized gain on financial assets at fair value through profit or loss		
Designated as fair value through profit or loss	\$ 7,942,850	\$ 31,637,205
Total net change in unrealized gain on financial assets at fair value through profit or loss	\$ 7,942,850	\$ 31,637,205

C. Level Classification of Financial Assets at Fair Value through Profit or Loss

The following is a summary of the Fund's financial assets at fair value through profit or loss, classified using a three-level fair value hierarchy framework, based on the relative reliability of the inputs used to estimate their fair value, as described in Note 2.

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Designated as fair value through profit or loss:				
Equity securities	\$ 39,574,375	\$ -	\$ -	\$ 39,574,375
Warrants	-	-	59,538	59,538
Total financial assets at fair value through profit or loss	\$ 39,574,375	\$ -	\$ 59,538	\$ 39,633,913
	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Designated as fair value through profit or loss:				
Equity securities	\$ 42,355,949	\$ 53,326	\$ -	\$ 42,409,275
Warrants	6,500	-	-	6,500
Total financial assets at fair value through profit or loss	\$ 42,362,449	\$ 53,326	\$ -	\$ 42,415,775

Sentry Select Primary Metals Corp.
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Other Information (continued)

C. Level Classification of Financial Assets at Fair Value through Profit or Loss (continued)

During the year ended December 31, 2017, equity investments of \$3,132,000 (2016 – \$1,345,998) were transferred from Level 2 to Level 1, as a result of these securities now being traded in active markets. During the year ended December 31, 2017, equity investments of \$340,000 (2016 – \$Nil) were transferred from Level 3 to Level 1, as a result of these securities now being traded in active markets. During the year ended December 31, 2017, warrants of \$2,970 (2016 – \$Nil) were transferred from Level 2 to Level 3, as a result of these warrants not being traded in active markets.

During the years ended December 31, 2017 and 2016, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Equities		Warrants	
	2017	2016	2017	2016
Beginning balance	\$ -	\$ -	\$ -	\$ -
Purchases	340,000	-	-	-
Sales	-	-	-	-
Net transfers into and/or out of Level 3	(340,000)	-	2,970	-
Realized gains (losses) included in net income	-	-	-	-
Change in unrealized appreciation (depreciation) of investments	-	-	56,568	-
Ending balance	\$ -	\$ -	\$ 59,538	\$ -
Total change in unrealized appreciation (depreciation) during the year for assets held at December 31	\$ -	\$ -	\$ 56,568	\$ -

The significant unobservable inputs and valuation technique used to determine the fair value measurements for Level 3 investments are indicated below:

Asset Type	Valuation Technique	Significant Unobservable Input	Fair value	
			December 31, 2017	December 31, 2016
Warrants	Black-Scholes model	Underlying equity security price volatility	\$ 59,538	\$ -

The most significant unobservable inputs used in determining the fair value of the Fund's Level 3 warrants is the underlying equity security price volatility and a 10% increase or decrease in the volatility would result in an increase or decrease in fair value of approximately \$12,960 and \$12,008, respectively (2016 – \$Nil).

Sentry Select Primary Metals Corp.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – ORGANIZATION OF THE FUND, INVESTMENT OBJECTIVE AND FINANCIAL REPORTING DATES

Organization of the Fund

The Fund is a corporation incorporated under the laws of the Province of Ontario by articles of incorporation dated April 23, 2007, as amended on June 13, 2007, March 26, 2008 and March 26, 2010. The Fund commenced operations with the closing of an initial public offering on June 14, 2007. The registered office of the Fund is at 2 Queen Street East, Twentieth Floor, Toronto, ON M5C 3G7.

Sentry Investments Inc. (the “Manager” or “Sentry”), a corporation incorporated under the laws of the Province of Ontario, is the manager of the Fund.

Investment objective

The Fund invests in an actively managed portfolio consisting primarily of securities of mining and exploration issuers, with a current focus on gold issuers. The Fund’s investment objective is to provide the holders of Class A Shares (the “Redeemable Shares”) of the Fund (the “Holders of Redeemable Shares”) with long-term capital appreciation. Beginning in August 31, 2009, the Fund began paying a monthly distribution.

Financial reporting dates

The information provided in these financial statements and notes thereto is for the years ended or as at December 31, 2017 and 2016.

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the “functional currency”). The Fund’s financial statements are presented in Canadian dollars, which is the Fund’s functional and presentation currency.

These financial statements were approved and authorized for issue by the Fund’s board of directors on March 21, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed, where applicable, in the *Critical accounting estimates and judgments* note.

The significant accounting policies of the Fund are as follows:

Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. The cost of investments purchased consists of the fair value of consideration paid for the investments, less brokerage commissions which are included as an expense in the Statements of Comprehensive Income. Distributions are recorded on the ex-distribution date. Interest for distribution purposes represents the cash interest on investments held, accounted for on an accrual basis. The discount on deep discount bonds is amortized on a straight line basis. Realized gains or losses arising from the sale of investments and unrealized appreciation or depreciation of investments are determined on an average cost basis.

Distributions from investments that are treated as a return of capital for income tax purposes are used to reduce the average cost of the underlying investments in the Schedule of Investment Portfolio.

Investments at fair value through profit or loss

(a) Classification

The Fund classifies its investments in debt and equity securities, open-ended investment funds and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are either held for trading or designated by the Manager at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking. All derivatives and short positions are also included in this category. The Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund’s investment strategy, as documented in its prospectus and most recent annual information form, and information about these financial assets and financial liabilities are evaluated by the Manager of the Fund on a fair value basis together with other relevant financial information.

Sentry Select Primary Metals Corp.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Recognition

Financial assets and financial liabilities at fair value through profit or loss are recognized when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Dividend income and interest for distribution purposes relating to the Fund's investments in debt and equity securities is recognized according to the explanation in the *Investment transactions and income recognition* note.

(c) Measurement

At initial recognition, financial assets and financial liabilities are measured at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed as "Brokerage commissions" in the Statements of Comprehensive Income.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in the Statements of Comprehensive Income for the year in which they arise. Dividend or interest earned on financial assets at fair value through profit or loss and interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the Statements of Comprehensive Income. Fair value is determined in the manner described in the *Fair value of financial instruments* note.

(d) Derecognition

Financial assets at fair value through profit or loss are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Realized gains and realized losses on derecognition are determined on an average cost basis and are included in profit or loss for the year in which they arise.

(e) Offsetting

The Fund only offsets financial assets and financial liabilities if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets held by the Fund is the closing price for equities and the closing bid price for debt securities, provided such closing price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of the fair value. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis.

The fair value of financial assets and financial liabilities that are not traded in an active market are determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

Sentry Select Primary Metals Corp.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The Fund is required to classify fair value measurements using a three-level fair value hierarchy framework (the “Framework”) that reflects the relative reliability of the inputs used in making the measurements (Level 1, Level 2 and Level 3 inputs as defined below). The inputs and methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. This does not affect the valuation of assets and liabilities held by the Fund, but does result in enhanced and increased disclosure requirements.

The Framework used is summarized as follows:

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

Financial instruments classified as level 2 investments are valued based on quoted prices provided by an independent reputable pricing services company and they are adjusted for the restrictions on sale based on standard market convention practice.

The Fund’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

A summary of the Fund’s investments carried at fair value classified under the Framework as of December 31, 2017 and 2016 can be found in *Other Information – C. Level Classification of Financial Assets at Fair Value through Profit or Loss*.

Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted out but not yet settled or delivered on the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities less than 90 days from the date of acquisition. Short-term investments are carried at amortized cost plus accrued interest, which approximates fair value.

Other assets and liabilities

Accrued interest and dividends receivable and prepaid expenses are designated as loans and receivables and are carried at amortized cost. Distributions payable, accounts payable and accrued liabilities and management fees payable are designated as other liabilities and are carried at amortized cost. Due to their short-term nature, the carrying value of these financial assets and financial liabilities approximates fair value.

Net Asset Value

National Instrument 81-106 – *Investment Fund Continuous Disclosure* (“NI 81-106”) requires all investment funds to calculate net asset value (“NAV”) for purposes other than for financial statements in accordance with part 14.2. There was no material difference between the Fund’s net assets per Redeemable Share calculated based on IFRS and the Fund’s NAV per Redeemable Share in accordance with NI 81-106 as at December 31, 2017 and 2016.

Income taxes

The Fund is a mutual fund corporation as defined in the *Income Tax Act* (Canada). The general taxation rules applicable to a corporation apply to the Fund with the exception of the following:

- Any income taxes payable on capital gains are refundable on a formula basis when capital gains dividends are paid; and
- The Fund is subject to a tax of 38½% on the amount of taxable dividends received after December 31, 2015 from taxable Canadian corporations, which is refundable when the Fund pays taxable dividends to Holders of Redeemable Shares.

The Fund follows the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the year that the change occurs.

Where a deferred tax asset is generated, a full valuation allowance is taken to offset this asset given the uncertainty that such deferred tax assets will ultimately be realized, such that no net benefit is recorded in the Statements of Comprehensive Income. It is the intention of the Fund to declare sufficient dividends so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable.

Foreign currency

The fair value of foreign currency denominated investments, currency holdings and other assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the prevailing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign

Sentry Select Primary Metals Corp.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of such transactions.

The portion of the results of operations arising from changes in foreign exchange rates on portfolio investments is not isolated from the fluctuations arising from changes in market prices. Realized and unrealized foreign currency gains or losses on investments are included in “Net realized gain (loss) on financial assets at fair value through profit or loss” or “Net change in unrealized gain (loss) on financial assets at fair value through profit or loss” in the Statements of Comprehensive Income. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) are included in “Net realized gain (loss) on foreign currencies and other assets” or “Net change in unrealized gain (loss) on foreign currencies and other assets”.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of increases and decreases in net assets from operations during the year. The following discusses the most significant accounting estimates and judgments that the Fund has made in preparing the financial statements:

- (a) Fair value measurement of securities not quoted in an active market and over-the-counter derivative instruments
The Fund may hold financial instruments that are not quoted in active markets, including derivatives. As discussed in the *Fair value of financial instruments* note, the Manager uses its judgment in selecting an appropriate valuation technique for financial instruments that are not quoted in active markets and these values may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Where no market data is available, the Fund may value positions using valuation models generally recognized as standard within the industry. The resulting values may materially differ from values that would have been used had a readily available market existed for the investments and the prices at which the investments may be sold. For derivative instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.
- (b) Functional currency
The Manager considers the currency of the primary economic environment in which the Fund operates to be the Canadian dollar, as it is the currency which the Fund measures its performance and issues and redeems its Redeemable Shares.

Increase (decrease) in net assets attributable to Holders of Redeemable Shares per share

Increase (decrease) in net assets attributable to Holders of Redeemable Shares per share in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to Holders of Redeemable Shares, divided by the weighted average number of Redeemable Shares outstanding during the year.

NOTE 3 – MANAGEMENT FEES AND OPERATING EXPENSES

The Manager is paid a fee at an annual rate of 1.10% of the NAV plus an amount equal to the servicing fee (described below) payable to the registered dealers. Fees payable to the Manager are calculated and payable monthly based on the average NAV calculated at each valuation time during that month. The management fee is paid for investment advisory and administrative services.

The Manager pays registered dealers a servicing fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per Redeemable Share for each Redeemable Share held by clients of the registered dealers.

The Fund is responsible for all expenses incurred in connection with, but not limited to, the operation and administration of the Fund.

NOTE 4 – REDEEMABLE SHARES

The Fund is authorized to issue an unlimited number of Redeemable Shares. Each Redeemable Share represents an undivided interest in the net assets of the Fund. All Redeemable Shares have equal rights and privileges and are entitled to equal participation in any distributions made by the Fund.

Annual redemption

Holders of Redeemable Shares may tender their Redeemable Shares annually for redemption on the last business day of April (the “Annual Redemption Date”) at the NAV per Redeemable Share. The proceeds of an annual redemption received by Holders of Redeemable Shares (the “Annual Net Redemption Proceeds”) will be an amount equal to 100% of the Fund’s NAV per Redeemable Share on the applicable Annual Redemption Date. Payment of the Annual Net Redemption Proceeds will be paid to Holders of Redeemable Shares within 15 days of the applicable Annual Redemption Date, provided that all necessary redemption documents have been properly completed and sent to the registrar and transfer agent of the Fund during the applicable redemption notice period, subject to the Fund’s right to suspend redemption.

Sentry Select Primary Metals Corp.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 4 – REDEEMABLE SHARES (CONTINUED)

Monthly redemption

Redeemable Shares may also be surrendered at any time by Holders of Redeemable Shares for redemption on the relevant monthly redemption date, which is the second last business day of the month in which the Redeemable Shares were surrendered for a monthly redemption in that month (the “Monthly Redemption Date”), subject to the Fund’s right to suspend redemptions. Holders of Redeemable Shares shall be entitled to receive a price per Redeemable Share (the “Monthly Redemption Price”) equal to the lesser of 90% of the market price of the Redeemable Shares on the principal market on which the Redeemable Shares are quoted for trading during the 20-trading-day period ending immediately before the Monthly Redemption Date, and 100% of the closing market price on the principal market on which the Redeemable Shares are quoted for trading on the Monthly Redemption Date. If Holders of Redeemable Shares makes such surrender within the last ten business days in the case of monthly redemption, the Redeemable Shares will be redeemed on the Monthly Redemption Date in the next month and the Holders of Redeemable Shares will receive the Monthly Redemption Price determined with reference to the Monthly Redemption date in the next month.

Notwithstanding the Monthly Redemption Price formula above, at no time, will the Fund pay out redemption proceeds greater than the Fund’s NAV per Redeemable Share as determined on the Monthly Redemption Date for each Redeemable Share being redeemed on such Monthly Redemption Date.

Redeemable Share transactions

During the year ended December 31, 2017, 418,590 (2016 – 3,121,950) Redeemable Shares were redeemed at an average price of \$2.86 (2016 – \$3.62) per Redeemable Share for a total of \$1,197,586 (2016 – \$11,298,337).

The following is a summary of the Redeemable Shares transactions during the years ended December 31:

	2017	2016
Balance, beginning of year	15,780,001	18,901,951
Redemption of Redeemable Shares	(418,590)	(3,121,950)
Balance, end of year	15,361,411	15,780,001

International Accounting Standards (“IAS”) 7 requires disclosures related to changes in liabilities arising from financing activities for annual periods beginning on or after January 1, 2017. The Redeemable Shares are classified as financial liabilities in accordance with IAS 32, as they do not

meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes. However, the Redeemable Shares are considered liabilities for the purposes of the IAS 7 disclosures, regardless of their classification for financial reporting purposes under IAS 32.

A reconciliation between the opening and closing balances of the Redeemable Shares of the Fund is presented in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares for the year ended December 31, 2017, including changes from cash flows and non-cash changes.

Distributions to Holders of Redeemable Shares are recognized in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares. Income not distributed is included in the net assets attributable to Holders of Redeemable Shares.

NOTE 5 – RELATED PARTY TRANSACTIONS

Sentry is the manager of the Fund. Pursuant to the management agreement between the Fund and Sentry, Sentry is responsible for the day-to-day operations of the Fund, and in return, the Fund pays Sentry management fees. Management fees are presented in the Statements of Comprehensive Income and Management fees payable is presented in the Statements of Financial Position.

During the year ended December 31, 2017, management fees of \$489,841 (2016 – \$626,288) and servicing fees of \$172,310 (2016 – \$228,433) were incurred by the Fund. The amount owing but unpaid to the Manager as at December 31, 2017 was \$47,267 (2016 – \$48,498).

On October 2, 2017, CI Financial Corp. acquired all of the outstanding shares of Sentry Investments Corp. (“SIC”) and Sentry Investments Inc. Following this acquisition, the voting shares of the Fund are held through the CI Investments’ trustees. CI Financial Corp. and its affiliates are now considered related parties to the Fund. In accordance with standing instructions approved by the Independent Review Committee relating to the Manager’s policies and procedures in respect of perceived conflict of interest matters, the Fund may have direct or indirect holdings in CI Financial Corp. or its affiliates.

The Fund may, from time to time, engage in inter-fund trading where the Fund may enter into security trades with other mutual funds managed by Sentry. These trades, if any, were executed through market intermediaries and under prevailing market terms and conditions and in accordance with Sentry’s applicable policies and procedures.

Sentry Select Primary Metals Corp.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 6 – COMMISSIONS AND OTHER TRANSACTION COSTS

The brokerage commissions paid to dealers during the year ended December 31, 2017 included an amount of \$14,548 (2016 – \$18,483) that was available for payment to third party vendors for the provision of investment decision making services. These amounts represented 13.17% (2016 – 11.84%) of the total commissions and other transaction costs paid.

NOTE 7 – RISK MANAGEMENT

The Manager uses a combination of a top-down and value driven, bottom-up analysis to identify investment opportunities and will draw from expertise in the metals and minerals mining industry available to the Manager to assist in the evaluation of the underlying properties held by the issuers. The Manager also determines the timing to rotate the Fund's portfolio within the metals and minerals sectors to enhance the Fund's portfolio performance and/or limit risk.

The Fund's investment activities expose it to a variety of financial risks. The Fund's exposures to financial risks are concentrated in its investment holdings. The Fund's risk management includes the monitoring of the Fund's investment portfolio to ensure compliance with the Fund's investment guidelines. The Manager manages the potential effects of financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions and market events, and diversify investment portfolios within the constraints of the investment guidelines.

Market risk

Market risk represents the potential loss that can be caused by a change in the fair value of a financial instrument. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in the commodities market. As the Fund invests in companies in the metals and minerals mining industry, changes in the prices of underlying commodities will impact the net assets of the Fund. In particular, the Fund had 86.20% exposure to the gold and silver sector as at December 31, 2017. A portion of securities within the Fund's portfolio will be subject to regulation, and there is risk attributed to the actions of regulators or political intervention that may influence the prices of those securities. In addition, the Fund had large investments in two securities which collectively represented 25.63% of the Fund's net assets as at December 31, 2017: Kirkland Lake Gold Ltd. (16.25%) and Klondex Mines Ltd. (9.38%). The Fund intends to continue to invest with a long-term perspective while focusing on quality businesses that consistently deliver strong returns for the Holders of Redeemable Shares. The Fund's investment portfolio is monitored on a daily basis by the Manager.

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to other price risks arises from investments in equity securities and commodities, if applicable. As at December 31, 2017, approximately 98.43% (2016 – 87.51%) of the Fund's net assets were invested in these asset types. If prices of these investments had decreased or increased by 5%, with all other factors remaining constant, net assets would have decreased or increased, respectively, by approximately \$1,981,696 (2016 – \$2,120,789). In practice, actual results will differ from this sensitivity analysis and the difference could be material.

Credit risk

Credit risk represents the potential loss that the Fund would incur if a counterparty failed to perform in accordance with the terms of their obligations to the Fund. The Fund maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Redemption requests from Holders of Redeemable Shares are the main liquidity risk for the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly. In addition, the Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the Fund is monitored by the Manager to ensure it does not significantly affect the liquidity required to meet the Fund's financial obligations.

Sentry Select Primary Metals Corp.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 7 – RISK MANAGEMENT (CONTINUED)

The Fund is exposed to monthly and annual cash redemptions of Redeemable Shares. However, the Fund maintains liquid investments that are traded in an active market and can be readily disposed of, and sufficient cash equivalent positions to maintain adequate liquidity.

Accounts payable and accrued liabilities are generally due within 90 days.

Interest rate risk

Interest rate risk is the risk that the market value of the Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The majority of the Fund's assets are non-interest-bearing. The Fund is also exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its investments. Excess cash and cash equivalents are invested in overnight deposits.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The assets and liabilities of the Fund are predominately held in the functional currency of the Fund, which is the Canadian dollar. The Fund is not exposed to significant foreign currency risks.

Capital management

The Manager manages the capital of the Fund which consists of its assets and liabilities, in accordance with the Fund's investment objective. The relevant capital movements are shown in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares and the Statements of Cash Flows. The Fund has no externally imposed regulatory capital requirements.

NOTE 8 – INCOME TAXES

The Fund had losses for tax purposes in 2017 and 2016.

As at December 31, 2017, the Fund has non-capital losses of approximately \$21,120,944; \$1,413,423 will expire in 2028, \$4,539,511 will expire in 2029, \$4,757,457 will expire in 2032, \$2,918,848 will expire in 2033, \$2,588,099 will expire in 2034, \$2,147,966 will expire in 2035, \$1,796,093 will expire in 2036 and \$959,547 will expire in 2037.

The Fund has capital losses, which do not expire, available for application against future years' capital gains of \$79,596,444 (2016 – \$70,158,005).

A deferred income tax asset relating to these items has not been recognized on the Statements of Financial Position due to the uncertainty of realization.

NOTE 9 – FUTURE ACCOUNTING STANDARDS

The final version of IFRS 9 – *Financial Instruments* was issued by the International Accounting Standards Board ("IASB") in July 2014 and will replace IAS 39 related to the classification and measurement of financial assets and financial liabilities. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. The new single, principle based approach for determining the classification of financial assets is based on the business model in which the financial assets are held and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Based on the Manager's evaluation, the new standard is not expected to have a significant impact to the June 2018 and December 2018 financial statements.

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