

# Annual Financial Statements - December 31, 2018



## Precious Metals and Mining Trust

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by CI Investments Inc., the Manager of the Precious Metals and Mining Trust (the "Trust"), and approved by the Board of Governors of the Manager. The Trust's Manager is responsible for the information and representations contained in these financial statements and other sections of this report. CI Investments Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Trust are described in Note 2 to the financial statements.

Toronto, Ontario  
March 7, 2019



Sheila A. Murray  
President  
**CI Investments Inc.**



Douglas J. Jamieson  
Chief Financial Officer  
**CI Investments Inc.**

## Independent Auditor's Report

To the Unitholders of Precious Metals and Mining Trust (the "Trust")

### Opinion

We have audited the financial statements of the Trust, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of income, comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management Report of Fund Performance

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Trust's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mervyn Ramos.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized, cursive font followed by "LLP" in a simpler, bold font.

Chartered Professional Accountants  
Licensed Public Accountants  
March 7, 2019

# Precious Metals and Mining Trust

## Financial Statements

### Statements of Financial Position

as at December 31 (in \$000's except for per unit amounts and units outstanding)

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Investments*	25,031	38,208
Cash	2,826	875
Unrealized gain on futures and foreign currency forward contracts	-	-
Swaps, swaptions and options	-	-
Fees rebate receivable	1	-
Margin for short sales	-	-
Dividends receivable	1	7
Receivable for distribution from investments	-	-
Interest receivable	-	-
Receivable for investments sold	-	-
Receivable for unit subscriptions	-	5
	27,859	39,095
<b>Liabilities</b>		
<b>Current liabilities</b>		
Investments sold short**	-	-
Bank overdraft	-	-
Unrealized loss on futures and foreign currency forward contracts	-	-
Swaps, swaptions and options	-	-
Dividends payable on investments sold short	-	-
Interest payable on investments sold short	-	-
Payable for investments purchased	-	5
Payable for unit redemptions	-	-
Distributions payable to holders of redeemable units	369	385
Management fees payable	53	45
Administration fees payable	41	-
Service fees payable	30	-
Accrued liabilities	60	127
	553	562
<b>Net assets attributable to holders of redeemable units</b>	<b>27,306</b>	<b>38,533</b>
*Investments at cost	32,220	37,599
**Investments sold short at cost	-	-
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class A	1.48	2.00
<b>Number of redeemable units outstanding:</b>		
Class A	18,469,946	19,268,769

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

# Precious Metals and Mining Trust

## Financial Statements

### Statements of Comprehensive Income

for the years ended December 31 (in \$000's except for per unit amounts and number of units)

	2018	2017
<b>Income</b>		
Net gain (loss) on investments and derivatives		
Dividends	42	115
Interest for distribution purposes	35	18
Derivative income (loss)	-	-
Income distributions from investments	-	-
Dividends expense on financial assets (liabilities) sold short	-	-
Interest expense on financial assets (liabilities) sold short	-	-
Net realized gain (loss) on sale of investments and derivatives	3,005	(9,012)
Change in unrealized appreciation (depreciation) in value of investments and derivatives	(7,798)	7,766
<b>Total net gain (loss) on investments and derivatives</b>	<b>(4,716)</b>	<b>(1,113)</b>
Other income		
Commitment fee income	-	-
Foreign exchange gain (loss) on cash	43	-
Gain (loss) on redemption	-	-
<b>Total other income</b>	<b>43</b>	<b>-</b>
<b>Total income</b>	<b>(4,673)</b>	<b>(1,113)</b>
<b>Expenses</b>		
Management fees (Note 4)	360	464
Administration fees (Note 4)	17	28
Commissions and other portfolio transaction costs	110	110
Unitholders reporting costs	12	21
TSX listing fees	31	27
Audit fees	30	31
Transfer agent fees	23	24
Legal fees	7	3
Custody fees	13	16
Service fees (Note 4)	127	164
Independent review committee fees	-	-
Interest expense	1	1
Withholding taxes	-	-
Harmonized sales tax	57	70
<b>Total expenses</b>	<b>788</b>	<b>959</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(5,461)</b>	<b>(2,072)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>		
Class A	(0.30)	(0.11)
<b>Weighted average number of units:</b>		
Class A	19,076,119	19,274,710

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

# Precious Metals and Mining Trust

## Financial Statements

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Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
for the years ended December 31 (in \$000's)

	2018	2017
<b>Class A</b>		
<b>Net assets attributable to holders of redeemable units at the beginning of year</b>	38,533	45,184
Increase (decrease) in net assets attributable to holders of redeemable units	(5,461)	(2,072)
<b>Distributions to holders of redeemable units</b>		
From net investment income	-	-
From net realized gains	-	-
Return of capital	(4,579)	(4,627)
<b>Total distributions to holders of redeemable units</b>	(4,579)	(4,627)
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	-	-
Reinvestment of distributions to holders of redeemable units	29	149
Redemption of redeemable units	(1,216)	(101)
<b>Net increase (decrease) from redeemable unit transactions</b>	(1,187)	48
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	(11,227)	(6,651)
<b>Net assets attributable to holders of redeemable units at the end of year</b>	27,306	38,533

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

# Precious Metals and Mining Trust

## Financial Statements

### Statements of Cash Flows

for the years ended December 31 (in \$000's)

	2018	2017
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(5,461)	(2,072)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(3,005)	9,012
Unrealized foreign exchange (gain) loss on cash	(50)	-
Commissions and other portfolio transaction costs	110	110
Change in unrealized (appreciation) depreciation in value of investments and derivatives	7,798	(7,766)
Proceeds from sale and maturity of investments and derivatives	35,755	22,231
Purchase of investments and derivatives	(27,486)	(16,167)
Non-cash distributions from investments	-	-
(Increase) decrease in margin for short sales	-	-
(Increase) decrease in dividends receivable	6	(7)
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	8	-
Increase (decrease) in administration fees payable	41	-
Change in other accounts receivable and payable	(38)	(29)
<b>Net cash from (used in) operating activities</b>	<b>7,678</b>	<b>5,312</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(4,595)	(4,627)
Proceeds from issuance of redeemable units	34	144
Amounts paid on redemption of redeemable units	(1,216)	(101)
<b>Net cash from (used in) financing activities</b>	<b>(5,777)</b>	<b>(4,584)</b>
Unrealized foreign exchange gain (loss) on cash	50	-
Net increase (decrease) in cash	1,901	728
Cash (bank overdraft), beginning of year	875	147
<b>Cash (bank overdraft), end of year</b>	<b>2,826</b>	<b>875</b>
<b>Supplementary Information:</b>		
Dividends received, net of withholding tax*	48	109
Interest received, net of withholding tax*	35	18
Dividends paid*	-	-
Interest paid*	1	-
Tax recoverable (paid)	-	-

\*Dividends and interest received as well as dividends and interest paid relate to operating activities of the Trust.  
The accompanying notes are an integral part of these financial statements.

# Precious Metals and Mining Trust

Schedule of Investment Portfolio as at December 31, 2018

No. of Shares/ Par Value	Description	Average Cost (\$)	Fair Value (\$)
<b>GOLD (65.3%)</b>			
10,000	Agnico-Eagle Mines Ltd.	547,117	551,000
309,434	Alamos Gold Inc.	1,567,268	1,519,321
92,368	Argonaut Gold Inc.	276,442	144,094
1,033,736	Atlantic Gold Corp.	1,646,468	1,705,664
2,086,672	Barkerville Gold Mines Ltd.	1,304,132	834,669
177,417	Bonterra Resources Inc.	776,125	459,510
291,460	Contact Gold Inc.,	291,460	99,096
564,840	Dacian Gold Ltd.	1,457,411	1,357,554
27,000	Detour Gold Corp.	279,687	311,310
462,399	GT Gold Corp.	515,596	282,063
1,239,141	Guyana Goldfields Inc.	4,780,706	1,982,626
39,748	Kirkland Lake Gold Ltd.	683,735	1,415,029
7,503	OceanaGold Corp.	29,112	37,365
931,293	Roxgold Inc.	1,324,313	754,347
322,244	Sandstorm Gold Ltd.	2,041,881	2,036,582
16,732	SSR Mining Inc.	174,077	276,078
1,106,948	Superior Gold Inc.	1,081,632	929,836
295,278	TMAC Resources Inc.	1,882,143	2,025,607
84,508	Torex Gold Resources Inc.	1,071,465	1,097,759
		<b>21,730,770</b>	<b>17,819,510</b>
<b>PRECIOUS METALS &amp; MINERALS (11.0%)</b>			
328,500	Dundee Precious Metals Inc.	1,026,946	1,182,600
700,225	Gold Standard Ventures Corp.	1,453,800	1,197,385
2,061,700	Mandalay Resources Corp.	2,098,983	154,628
8,003	Osisko Mining Inc.	20,613	24,569
91,300	Osisko Mining Inc., Restricted	155,210	280,291
363,430	Rio2 Ltd.	1,352,587	174,446
		<b>6,108,139</b>	<b>3,013,919</b>
<b>SILVER (6.6%)</b>			
67,500	Wheaton Precious Metals Corp.	1,498,469	1,798,875
<b>COMMODITY CHEMICALS (5.6%)</b>			
519,888	SEMAFO Inc.	1,725,250	1,533,668
<b>DIVERSIFIED METALS &amp; MINING (3.2%)</b>			
50,000	Aldebaran Resources Inc.	-	25,000
269,836	Havilah Mining Corp.	133,246	78,252
1,040,752	Lachlan Star Ltd.	-	6,003
94,000	Lundin Mining Corp.	652,544	530,160
265,452	Orex Minerals Inc.	226,960	21,236
150,000	Regulus Resources Inc.	285,000	204,000
		<b>1,297,750</b>	<b>864,651</b>
<b>Commissions and other portfolio transaction costs</b>		<b>(140,382)</b>	
<b>Total Investment Portfolio (91.7%)</b>		<b><u>32,219,996</u></b>	<b>25,030,623</b>
<b>Other Net Assets (Liabilities) (8.3%)</b>			<b>2,275,649</b>
<b>Net Assets Attributable to Holders of Redeemable Units (100.0%)</b>			<b><u>27,306,272</u></b>

Percentages shown in brackets relate investments at fair value to net assets attributable to holders of redeemable units of the Trust.

# Precious Metals and Mining Trust

## Trust Specific Notes to Financial Statements

### Commissions (Note 2)

for the years ended December 31 (in \$000's)

	2018	2017
Brokerage commissions	110	110
Soft dollar commissions <sup>†</sup>	13	13

### Redeemable Unit Transactions (Note 5)

for the years ended December 31

	2018	2017
<b>Class A</b>		
<b>Number of redeemable units at the beginning of year</b>	19,268,769	19,253,416
Redeemable units issued for cash	-	-
Redeemable units issued for reinvested distributions	15,703	64,215
Redeemable units redeemed	(814,526)	(48,862)
<b>Number of redeemable units at the end of year</b>	<b>18,469,946</b>	<b>19,268,769</b>

### Loss Carry Forwards (Note 8)

as at December 31 (in \$000's)

	2018
<b>Net capital loss carried forward:</b>	46,045
<b>Non-capital losses expiring:</b>	
2028	150
2029	2,196
2030	-
2031	-
2032	577
2033	282
2034	2,381
2035	604
2036	710
2037	673
2038	-
<b>Total</b>	<b>7,573</b>

<sup>†</sup>A portion of brokerage commissions paid was used to cover research and market data services, termed soft dollar commissions. This amount has been estimated by the Manager of the Trust. The accompanying notes are an integral part of these financial statements.

# Precious Metals and Mining Trust

## Trust Specific Notes to Financial Statements

### Financial Instruments Risks (Note 9)

#### Concentration Risk

For Concentration Risk as at December 31, 2018, refer to the Schedule of Investment Portfolio.

The Trust's investments were concentrated in the following segments:

as at December 31, 2017

Categories	Net Assets (%)
Gold and Silver	86.5
Intermediate Precious Metals and Minerals Producers	6.6
Precious Metals and Minerals Exploration	4.2
Junior Precious Metals and Minerals	1.8
Other Net Assets (Liabilities)	0.9

#### Credit Risk

As at December 31, 2018 and 2017, the Trust did not have a significant exposure to credit risk as substantially all of its assets were invested in equities.

#### Other Price Risk

As at December 31, 2018 and 2017, the Trust was predominantly invested in Canadian equities and therefore the Trust was sensitive to changes in general economic conditions in Canada.

As at December 31, 2018, had the equities in the investment portfolio increased or decreased by 10% (December 31, 2017 - 5%), with all other variables held constant, net assets attributable to holders of redeemable units of the Trust would have increased or decreased, respectively, by approximately \$2,503,000 (December 31, 2017 - \$1,910,000). In practice, actual results may differ from this analysis and the difference may be material.

#### Currency Risk

The table below summarizes the Trust's exposure to currency risk.

as at December 31, 2018

Currency	Financial Instruments Exposure (in \$000's)	Derivatives (in \$000's)	Net Exposure (in \$000's)	Net Assets (%)
Australian Dollar	1,364	-	1,364	5.0
U.S. Dollar	1,248	-	1,248	4.6
<b>Total</b>	<b>2,612</b>	<b>-</b>	<b>2,612</b>	<b>9.6</b>

As at December 31, 2018, had the Canadian dollar strengthened or weakened by 10% in relation to all other foreign currencies held in the Trust, with all other variables held constant, net assets attributable to holders of redeemable units of the Trust would have decreased or increased, respectively, by approximately \$261,000. In practice, the actual results may differ from this analysis and the difference may be material.

As at December 31, 2017, the Trust's investments were denominated in Canadian dollars, the functional currency of the Trust. As a result, the Trust's exposure to currency risk was insignificant.

#### Interest Rate Risk

As at December 31, 2018 and 2017, the Trust did not have a significant exposure to interest rate risk as substantially all of its assets were invested in equities.

# Precious Metals and Mining Trust

## Trust Specific Notes to Financial Statements

### Fair Value Hierarchy

The tables below summarize the inputs used by the Trust in valuing the Trust's investments and derivatives carried at fair value.

Long Positions at fair value as at December 31, 2018

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Equities	24,751	280	-	25,031
<b>Total</b>	24,751	280	-	25,031

There were no transfers between Level 1, 2 and 3 during the year ended December 31, 2018.

Long Positions at fair value as at December 31, 2017

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Equities	38,148	-	-	38,148
Warrants	-	-	60	60
<b>Total</b>	38,148	-	60	38,208

During the year ended December 31, 2017, investments with a fair value of \$3,071,000 were transferred from Level 2 to Level 1 as quoted market prices became available for these investments.

### Level 3 Reconciliation

The tables below summarize the movement in Level 3 financial instruments at fair value using unobservable inputs.

for the year ended December 31, 2018

	Balance at Dec. 31, 2017 (in \$000's)	Purchases (in \$000's)	Sales (in \$000's)	Transfers In (in \$000's)	Transfers Out (in \$000's)	Realized Gain (Loss) (in \$000's)	Unrealized Gain (Loss) (in \$000's)	Balance at Dec. 31, 2018 (in \$000's)
<b>Long Positions/Assets:</b>								
Warrants	60	-	(35)	-	-	-	(25)	-
<b>Total</b>	60	-	(35)	-	-	-	(25)	-

for the year ended December 31, 2017

	Balance at Dec. 31, 2016 (in \$000's)	Purchases (in \$000's)	Sales (in \$000's)	Transfers In (in \$000's)	Transfers Out (in \$000's)	Realized Gain (Loss) (in \$000's)	Unrealized Gain (Loss)* (in \$000's)	Balance at Dec. 31, 2017 (in \$000's)
<b>Long Positions/Assets:</b>								
Equities	-	320	-	-	(320)	-	-	-
Warrants	-	-	-	3	-	-	57	60
<b>Total</b>	-	320	-	3	(320)	-	57	60

\*Change in unrealized gain (loss) related to investments held at December 31, 2017 was \$56,538.

During the year ended December 31, 2017, warrants with a fair value of \$3,000 were transferred out of Level 2 into Level 3 as observable market inputs were no longer available for these investments and equities with a fair value of \$320,000 were transferred out of Level 3 into Level 1 as observable market inputs became available for these investments.

Investments classified as Level 3 are valued at fair value based on unobservable inputs and assumptions, which may include credit spreads, industry multipliers, and discount rates. Management has assessed that the effect of changing these inputs to reasonably possible alternatives would not have a significant impact on the net assets attributable to holders of redeemable units of the Trust as at December 31, 2018 and 2017.

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

# Precious Metals and Mining Trust

## Notes to the Financial Statements

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### 1. THE TRUST

Precious Metals and Mining Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated October 24, 2014. The address of the Trust's registered office is 2 Queen Street East, Twentieth Floor, Toronto, Ontario, M5C 3G7.

On June 1, 2018, Sentry Investments Inc. was amalgamated with CI Investments Inc. (the "CI"). Effective June 1, 2018, CI became the trustee (the "Trustee") and the manager (the "Manager") of the Trust. Effective July 23, 2018, RBC Investor & Treasury Services replaced StateStreet Bank as the custodian (the "Custodian") of the Trust.

These financial statements were approved and authorized for issue by Manager on March 7, 2019.

The Trust's investment objective is to provide unitholders with (i) long-term capital appreciation; and (ii) monthly cash distributions.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as published by the *International Accounting Standards Board* ("IASB"). The following is a summary of the significant accounting policies of the Trust:

#### **Transition to IFRS 9**

Effective January 1, 2018, the Trust retrospectively without restatement adopted IFRS 9, *Financial Instruments* ("IFRS 9"). The new standard requires financial assets to be either carried at amortized cost or at fair value with changes in fair value recognized in profit and loss ("FVTPL") or in other comprehensive income ("FVOCI") based on the Trust's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

The Trust manages its investments in financial assets with the objective of realizing cash flows through both the sale of the assets and income generated from those assets. The Portfolio Manager makes decisions based on the assets' fair values and manage the assets to realize those fair values.

Upon transition to IFRS 9, the Trust's financial assets and financial liabilities previously designated as FVTPL or classified as held for trading under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for any of the Trust's financial assets and financial liabilities upon transition to IFRS 9.

#### **IFRS 10**

In accordance with IFRS 10: *Consolidated Financial Statements*, the Manager has determined that the Trust meets the definition of an Investment Entity which requires that the Trust obtains funds from one or more investors for the purpose of providing investment management services, commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measure and evaluate the performance of its investments on a fair value basis. Consequently, the Trust does not consolidate its investment in subsidiaries, if any, but instead measure these at FVTPL, as required by the accounting standard.

#### **a. Classification and recognition of financial instruments**

The Trust classifies and measure its investments (such as fixed-income securities, equity securities, investment funds, exchange-traded funds and derivatives) based on both the Trust's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Trust's portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Trust is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Trust's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Trust's business model's objective. Consequently, all investments and derivatives are measured at FVTPL. Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

The Trust's obligations for net assets attributable to holders of redeemable units are presented at the redemption amount, which approximates their fair value. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the effective rate of interest.

# Precious Metals and Mining Trust

## Notes to the Financial Statements (cont'd)

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Financial assets and liabilities are offset and the net amount is presented in the Statements of Financial Position when, and only when, the Trust has a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously. In the normal course of business, the Trust enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

### **b. Fair value of financial investments**

At the financial reporting date, listed securities are valued based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the existing market conditions. Unlisted securities are valued based on price quotations received from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, and terms of the warrant.

### **c. Cash**

Cash is comprised of cash on deposit and bank overdraft.

### **d. Cost of investments**

Cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and transaction costs.

### **e. Investment transactions and income recognition**

Investment transactions are recorded on the trade date – the date on which the Trust commits to purchase or sell the investment. The "Interest for distribution purposes" shown on the Statements of Comprehensive Income represents the coupon interest received by the Trust and is accounted for on an accrual basis.

Dividends from investments are recognized on the ex-dividend/ex-distribution date.

### **f. Foreign exchange**

The Trust's functional and presentation currency is Canadian dollar. Foreign currency amounts are translated into the functional currency as follows: fair value of investments, foreign currency forward contracts and other assets and liabilities at the closing rate of exchange on each business day; income and expenses, purchases and sales and settlements of investments at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) relating to cash are presented as "Foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities are presented within "Net realized gain (loss) on sale of investments and derivatives" and "Change in unrealized appreciation (depreciation) in value of investments and derivatives" in the Statements of Comprehensive Income.

### **g. Unit valuation**

Net asset value ("NAV") per unit is calculated at the end of each day on which the Toronto Stock Exchange is open for business by dividing the total NAV by outstanding units.

As at December 31, 2018 and December 31, 2017, there were no differences between the NAV used for transactions with unitholders and the net assets attributable to holders of redeemable units used for reporting purposes under IFRS.

### **h. Classification of units**

The units of the Trust 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.

### **i. Commissions and other portfolio transaction costs**

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in "Commissions and other portfolio transaction costs" in the Statements of Comprehensive Income.

# Precious Metals and Mining Trust

Notes to the Financial Statements (cont'd)

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## **j. Increase (decrease) in net assets attributable to holders of redeemable units per unit**

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" in the Statements of Comprehensive Income is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year.

## **k. Harmonized sales tax**

Certain provinces including Ontario, Prince Edward Island, Nova Scotia, New Brunswick and Newfoundland and Labrador (each a Participating Tax Jurisdiction) have harmonized their provincial sales tax ("PST") with the federal goods and services tax ("GST"). The Harmonized Sales Tax ("HST") combines the federal GST rate of 5% with the PST rate of the participating province. The province of Quebec also applies the Quebec sales tax ("QST") of 9.975%. The Provincial HST liability or refund is calculated using the residency of unitholders and the value of their interest in the Trust as at specific times, rather than the physical location of the Trust. The effective sales tax rate charged to the Trust is based on the unitholders' proportionate investments by province, using each province's HST rate, GST rate in the case of non-participating provinces and/or QST rate. All amounts are presented as "Harmonized sales tax" in the Statements of Comprehensive Income.

## **3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. The following discusses the most significant accounting judgments and estimates that the Trust has made in preparing its financial statements:

### ***Fair value measurement of investments and derivatives not quoted in active market***

The Trust may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. The fair value of private securities is determined by using valuation models that may be based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indications of value. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Valuation models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

The Trust considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## **4. FEES AND OTHER EXPENSES**

### **Management fees**

The Trust pays to the Manager an annual fee equal to 1.10% of the NAV of the Trust plus an amount equal to the service fee (described below) payable to the registered dealers. Fees payable to the Manager are calculated and payable monthly, plus applicable taxes.

### **Administrative fees**

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

### **Service fees**

The Manager will pay to registered dealers of the Trust an annual service fee of 0.40% of the NAV per unit for units held by clients of the sales representatives of the registered dealers, calculated and payable quarterly in arrears, plus applicable taxes.

# Precious Metals and Mining Trust

*Notes to the Financial Statements (cont'd)*

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## 5. REDEEMABLE UNITS

The authorized capital of the Trust consists of an unlimited number of redeemable units. The units represent an undivided interest in the net assets of the Trust. All units are the same class with equal rights and privileges and are entitled to one vote at any meeting of the holders of units and to equal participation in any distributions made by the Trust.

### Annual redemption

Units may be surrendered for redemption annually (the "Annual Redemption"), during the period from the first day of September until 5:00 p.m. (Toronto time) on the tenth business day before the last business day in September (the "Annual Notice Period") by the unitholder to the registrar and transfer agent of the Trust, subject to the Trust's right to suspend redemptions. Units surrendered for redemption by a unitholder during the Annual Notice Period will be redeemed on the last business day in September (the "Annual Redemption Date") and the unitholder will receive payment on or before the 15th business day following the applicable Annual Redemption Date. Redeeming unitholders will be entitled to receive a redemption price per unit equal to the Trust's NAV per unit on such Annual Redemption Date, less any brokerage fees and commissions (if applicable) associated with the redemption.

### Monthly redemption

Units may also be surrendered at any time other than during the Annual Notice Period to the registrar and transfer agent for redemptions (a "Monthly Redemption"), subject to the Trust's right to suspend redemptions. If such demand for a Monthly Redemption is received before the 10th business day before the last business day of a month, the redemption will be implemented on the last business day of the month and if received after that date, the redemption will be implemented on the last business day of the following month (each a "Monthly Redemption Date"). Unitholders shall be entitled to receive a price per unit (the "Monthly Redemption Price") equal to the lesser of 90% of the market price of the units on the principal market on which the units 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 units are quoted for trading on the Monthly Redemption Date.

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

Effective for the distribution payable to unitholders on record on September 29, 2006, the Trust offered the distribution reinvestment plan ("DRIP") so that at the election of each unitholder, all distributions shall be automatically reinvested on each unitholder behalf pursuant to the DRIP. The price paid for the reinvested units will not exceed the higher of the NAV per unit on the relevant distribution date and 95% of the closing price of the units on the Toronto Stock Exchange on the trading day immediately preceding the relevant distribution date. During the year ended December 31, 2018, 15,703 (2017 - 64,215) units were reinvested under the DRIP at an average price of \$1.86 (2017 - \$2.32) per unit for a total reinvestment amount of \$29,319 (2017 - \$149,269).

Redeemable unit transactions information appears in the Trust Specific Notes to Financial Statements.

## 6. MARKET PURCHASE PROGRAM

In accordance with the Trust's prospectus, and to enhance liquidity and to provide support to the units, the Trust has a mandatory market purchase program under which the Trust has the right (but not the obligation), exercisable in its sole discretion, to purchase in the market for cancellation up to 10% of the units outstanding at the beginning of such period at prices not exceeding the NAV per unit (the "Program"). The Trust will offer to purchase units offered on the Toronto Stock Exchange at prices that are less than 95% of the latest determined NAV per unit where the Manager determines that such purchases are in the best interest of unitholders, up to a maximum amount in any three-month-period of 1.25% of the number of units outstanding at the beginning of such period. Purchases of units by the Trust will be subject to compliance with any applicable regulatory requirements and limitations. During the year ended December 31, 2018 and 2017, the Trust did not purchase any units for cancellation under the market purchase program.

## 7. RELATED PARTY TRANSACTIONS

The Trust may have direct or indirect holdings in CI Financial Corp. or its affiliates or other funds managed by the Manager as identified in the Schedule of Investment Portfolio and the Trust Specific Notes to Financial Statements.

# Precious Metals and Mining Trust

*Notes to the Financial Statements (cont'd)*

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## **8. TAXATION**

The Trust qualifies as a mutual fund trust under the *Income Tax Act* (Canada). All of the Trust's net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes. Since the Trust does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Income tax on net realized capital gains not paid or payable will generally be recoverable by virtue of refunding provisions contained in the *Income Tax Act* (Canada) and provincial income tax legislation, as redemptions occur. Occasionally, the Trust may distribute more than it earns. This excess distribution is a return of capital and is not taxable to unitholders.

Refer to Trust Specific Notes to Financial Statements for further information relating to Loss Carry Forwards.

## **9. FINANCIAL INSTRUMENTS RISK**

### **Risk Management**

The Trust is exposed to a variety of financial instruments risks: credit risk, liquidity risk and market risk (including other price risk, currency risk and interest rate risk). The level of risk to which the Trust is exposed to depends on the investment objective and the type of investments held by the Trust. The value of the investments within the portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company specific news related to investments held by the Trust. The Manager of the Trust may minimize potential adverse effects of these risks on the Trust's performance by, but not limited to, regular monitoring of the Trust's positions and market events, diversification of the investment portfolio by asset type, country, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

### **Concentration Risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, product type, industry sector or counterparty.

### **Credit Risk**

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The credit risk exposure of the Trust's other assets is represented by their carrying amount as disclosed in the Statements of Financial Position.

Cash balances as disclosed in the Statements of Financial Position are maintained by the Custodian. The Manager monitors the credit worthiness of the Custodian on a regular basis. The credit rating of the Custodian as at December 31, 2018 was AA-.

All transactions executed by the Trust 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 that the Trust may not be able to settle or meet its obligations, on time or at a reasonable price. The Trust is exposed to monthly and annual cash redemptions of redeemable units. Therefore, the Trust aims to invest the majority of its assets in investments that are traded in active markets and can be readily disposed of. In addition, the Trust aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All financial liabilities are due within three months.

### **Market Risk**

The Trust's investments are subject to market risk which is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market conditions.

#### *Other Price Risk*

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital. Except for options written, future contracts sold short and investments sold short, the maximum risk resulting from financial instruments is equivalent to their fair value.

# Precious Metals and Mining Trust

## Notes to the Financial Statements (cont'd)

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Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to significant other price risk.

### *Currency Risk*

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, the functional currency of the Trust. As a result, the Trust may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates.

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of interest-bearing investments and interest rate derivative instruments will fluctuate due to changes in prevailing levels of market interest rates. If interest rates fall, the fair value of existing debt securities may increase due to increase in yield. Alternatively, if interest rates rise, the yield of existing debt securities may decrease which may then lead to a decrease in their fair value. The magnitude of the decline will generally be greater for long-term debt securities than for short-term debt securities.

Interest rate risk also applies if the Trust invests in convertible securities. The fair value of these securities varies inversely with interest rates, similar to other debt securities. However, since they may be converted into common shares, convertible securities are generally less affected by interest rate fluctuations than other debt securities.

### **Fair Value Hierarchy**

The Trust is required to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level may include publicly traded equities, exchange-traded and retail mutual funds, exchange-traded warrants, futures contracts, traded options, American depository receipts ("ADRs") and Global depository receipts ("GDRs").

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. These may include fixed-income securities, mortgage-backed securities ("MBS"), short-term instruments, non-traded warrants, over-the-counter options, structured notes of indexed securities, foreign currency forward contracts and swap instruments.

Investments classified as Level 3 have significant unobservable inputs. Level 3 instruments may include private equities, private term loans, private equity funds and certain derivatives. As observable prices are not available for these securities, the Trust may use a variety of valuation techniques to derive their fair value.

The Trust'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.

Details of the Trust's exposure to concentration risk are available in the Trust Specific Notes to Financial Statements.

Details of the Trust's exposure to financial instruments risks including the fair value hierarchy classification are available in the Trust Specific Notes to Financial Statements section of the financial statements.

### **10. SUBSEQUENT EVENT**

Effective January 4<sup>th</sup>, 2019 monthly distribution rate was reduced from \$0.020 to \$0.010.

# Precious Metals and Mining Trust

## *Legal Notice*

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