

**SENTRY SELECT PRIMARY METALS CORP.**

**2010 ANNUAL INFORMATION FORM**

**March 25, 2011**

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## **SENTRY SELECT PRIMARY METALS CORP.**

*Note that certain terms used in this Annual Information Form are defined in the Glossary found at the end of this Annual Information Form.*

### **1. SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This Annual Information Form may contain forward-looking information relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate”, “may” and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. By its nature, forward-looking information requires us to make assumptions which include, among other things that (i) Sentry Select Primary Metals Corp. (the “Corporation”) will have sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by Sentry Select Capital Inc. (“Sentry” or “Sentry Investments”), and (iii) the markets will react and perform in a manner consistent with the investment strategies. Forward-looking information is subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking information will not prove to be accurate. We caution readers of this Annual Information Form not to place undue reliance on our forward-looking information as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking information.

Actual results may differ materially from management’s expectations as projected in such forward-looking information for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Corporation may invest and the risks detailed from time to time in the Corporation’s prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking information to make decisions with respect to investing in the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information. Due to the potential impact of these factors, Sentry does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

### **2. NAME, FORMATION AND HISTORY OF THE CORPORATION**

The Corporation was incorporated under the laws of Ontario pursuant to articles of incorporation dated April 23, 2007 and amended as of June 13, 2007, March 26, 2008 and March 26, 2010. Prior to January 1, 2009, the manager of the Corporation was Sentry Select Capital Corp. (“SSCC”). Effective January 1, 2009, Sentry became the manager (the “Manager”) of the Corporation. The custodian of the Corporation’s assets is State Street Trust Company Canada (the “Custodian”). The Corporation’s head office is 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4. The fiscal year end of the Corporation is December 31.

The Corporation completed its initial offering on June 14, 2007 with the placement of 17,500,000 units of the Corporation (“Units”) for gross proceeds of \$175,000,000. An additional 1,000,000 Units were issued pursuant to the exercise of an over-allotment option on July 18, 2007 at a price of \$10.00 per Unit for gross proceeds of \$10,000,000 (the initial offering and the over-allotment, collectively, the “Offering”). Each Unit was comprised of a Class A Share and a full Class A Share purchase warrant (the “Warrants”). The Class A Share purchase warrants expired on June 30, 2009 in accordance with their terms. No Class A Share purchase warrants were exercised.

On July 18, 2007 the Corporation announced its intention to purchase up to 1,842,900 Class A Shares for cancellation by way of a normal course issuer bid (“NCIB”) through the facilities of the TSX. The 1,842,900 Class A Shares, at the time, represented 10% of the public float. The purchases were allowed to commence on July 20, 2007 and the NCIB expired on July 19, 2008.

On March 25, 2008 the Shareholders voted in favour of amending the articles of incorporation of the Corporation to provide for a mandatory market purchase program (“MMPP”). Under the program, the Corporation was obligated to purchase any Class A Shares offered in the market at the prevailing market price, if Class A Shares were offered at prices that are less than 95% of the latest determined net asset value (“NAV”) per Class A Share. The purchases were subject to a maximum amount in any three-month period of 1.25% of the number of Class A Shares outstanding at the beginning of such period.

On July 17, 2008 the Corporation announced its intention to purchase up to 1,709,690 Class A Shares for cancellation by way of a NCIB through the facilities of the TSX. The 1,709,690 Class A Shares, at the time, represented approximately 10% of the public float of the Corporation. The purchases were allowed to commence on July 21, 2008 and the NCIB expired on July 10, 2009.

On April 30, 2009 the Corporation announced that the independent members of the board of directors of the Corporation (the “Independent Directors”) were commencing a review to consider strategic alternatives that may be available to the Corporation with the objective of seeking to maximize Shareholder value.

On August 11, 2009 the Corporation announced that, as part of the ongoing strategic review process being carried out by the Independent Directors, it would commence paying a cash dividend of \$0.05 per Class A Share per month.

On September 30, 2009 the Corporation announced that it had struck a special committee (the “Special Committee”) comprised of the Independent Directors to assist the Corporation in completing its strategic review process.

On November 20, 2009 the Corporation announced the results of its review of strategic alternatives for the Corporation. The Corporation’s Special Committee recommended (which recommendation was approved by the Corporation’s board of directors) that the approval of the Shareholders be sought to restructure the Corporation. The restructuring of the Corporation would:

- (a) reduce the annual management fee payable to the Manager, from 1.60% of the Corporation's NAV, to 1.10% of the Corporation's NAV;
- (b) eliminate any performance fees payable to the Manager and brokers under the Management Agreement;
- (c) eliminate the Manager's right to receive a termination fee;
- (d) eliminate the Manager's right to resign as manager of the Corporation upon 60 days' notice;
- (e) provide Shareholders with an unlimited annual right to redeem their Class A Shares at NAV per Class A Share (the "Annual Redemption"), subject to a declining redemption fee schedule (the "Annual Redemption Fee"); and
- (f) remove the Corporation's MMPP,

(collectively, the "Proposal", as further described in the Information Circular).

On January 28, 2010, the Corporation announced an increase in the monthly cash dividend per Class A Share from \$0.05 to \$0.07.

On January 28, 2010, the Corporation also advised that a Special Meeting of Shareholders would be held on March 25, 2010, to consider the Proposal. The Information Circular containing details of the Proposal was sent on March 2, 2010 to the Corporation's shareholders of record as of February 22, 2010.

On March 25, 2010, the Shareholders voted in favour of amending the articles of amendment in order to affect the Proposal. Following such approval, the Proposal was affected through amendments to the Management Agreement and amendments to the articles of amendment of the Corporation.

On September 1, 2010, the Corporation announced an increase in the monthly cash dividend per Class A Share from \$0.07 to \$0.085 effective October 15, 2010 to Shareholders of record on September 30, 2010.

### **3. INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS**

#### **Investment Objective**

The Corporation's investment objective is to provide Shareholders with long-term capital appreciation. The Corporation is invested in an actively managed portfolio consisting primarily of securities of mining and exploration issuers, with a focus on gold issuers. For at least the first three years, the Manager intended to focus on issuers that are engaged in the production of and/or exploration for uranium, nickel and molybdenum. However, due to equity price pressures in the uranium and nickel sectors and, to a lesser extent, in molybdenum companies, the Corporation is now heavily invested in the gold sector.

## **Investment Methodology and Strategy**

The assets of the Corporation are invested in a portfolio consisting primarily of securities of issuers that are engaged in the production and/or exploration of metal and minerals. The Manager will actively manage the Corporation's investments that will include rotation of weightings within the different metals.

The Manager uses a combination of a top-down and value driven, bottom-up analysis to identify issuers for the Portfolio. This approach involves the use of computer based research, incorporating and rating a number of factors including profitability, liquidity, operating and administrative costs, cash flow and management. The Manager's research process also includes the performance of specific resource property analysis. The Manager draws from expertise in the metals and minerals mining industry available to it to assist in the evaluation of the underlying properties held by issuers. The Manager intends to focus on equities with:

- high cash flow and free cash flow yields on invested capital;
- those with low multiples to NAV based on below market metal price assumptions;
- those that have undervalued, in-development metal and mineral deposits that are expected to grow in value as they advance to production;
- those with advanced exploration deposits that the Manager considers to have a high probability of commercial viability and substantial potential for expansion prior to commencement of feasibility studies and production financing; and
- those that represent discounted financing opportunities, particularly those with additional leverage from warrants.

From time to time the Portfolio will include cash and cash equivalents which may at times constitute a significant portion of the Portfolio. The Manager believes that in ordinary market conditions cash and cash equivalents would constitute less than 10% of the NAV of the Portfolio.

Subject to the Corporation's investment restrictions, the Manager may from time to time purchase physical metals and/or minerals. The Manager may, on behalf of the Corporation, from time to time purchase futures, forward contracts, options on metals and/or minerals, and any other derivative contract relating to metals and/or minerals. The Manager may update the investment focus to securities of issuers that are engaged in the production of and/or exploration for, Other Metals.

The Portfolio may have a high turnover rate. This can increase trading costs, which lower the Corporation's return. It also increases the possibility that Shareholders will receive capital gains dividends.

The Manager continually reviews the Portfolio to determine the appropriate composition and to ensure that the Corporation is complying with its investment objective and investment restrictions. In making these determinations, the Manager uses a process that includes assessment and analysis of the overall capital markets, business conditions, asset quality, price

fluctuations, market conditions for assets underlying the investment in the Portfolio, the interest rate environment, current yields and the liquidity and volatility of the Portfolio.

### **Investment Restrictions**

The Corporation may not:

- (a) purchase any security issued by any issuer (other than short-term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Corporation's total assets would consist of securities issued by such issuer;
- (b) borrow money in excess of 5% of the Corporation's total assets after giving effect to the borrowing;
- (c) make loans or guarantee obligations, except that the Corporation may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers' acceptances and fixed time deposits) in accordance with its investment objective;
- (d) purchase securities on margin or sell securities short;
- (e) invest for the purpose of exercising control over management of any issuer;
- (f) invest more than 10% of its total assets (on a fair market value basis) in securities of Private Issuers or any other investment that would be "taxable Canadian property" within the meaning of the Tax Act;
- (g) invest in any securities of an entity that would be a foreign affiliate of the Corporation for purposes of the Tax Act;
- (h) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (i) hold securities of any non-resident corporation or trust or other entity (or of a partnership which holds such securities) if the Corporation (or partnership) would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 or 94.3 of the Tax Act, or invest in any interest in a non-resident trust other than an "exempt foreign trust" as defined in proposed section 94 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities and non-resident trusts released on November 9, 2006 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (j) undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Corporation failing to qualify as a "mutual fund corporation" within the meaning of the Tax Act;

- (k) purchase real estate or real estate mortgage loans (other than securities issued by issuers that invest in real estate);
- (l) act as an underwriter except to the extent that the Corporation may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (m) purchase or sell derivatives except as permitted by NI 81-102 (as if the Corporation were subject to NI 81-102); or
- (n) invest in mutual funds (within the meaning of NI 81-102).

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the total assets of the Corporation will not be considered a violation of the restriction (except for the restrictions in paragraphs (f), (g), (h), (i) and (j) which must be complied with at all times and may necessitate the selling of securities from time to time). If the Corporation receives from an issuer subscription rights to purchase securities of that issuer, and if the Corporation exercises such subscription rights at a time when the Portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Corporation has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The foregoing investment restrictions may not be changed without the approval of the Shareholders, by a resolution passed by two-thirds of the votes cast at a meeting of Shareholders called for such purpose, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time. See “Shareholder Matters”.

### **Borrowing**

The Corporation may borrow from an arm's length financial institution an amount not exceeding 5% of the value of the total assets of the Corporation for the purpose of making investments in accordance with its investment objective and restrictions, for working capital purposes and to pledge its assets to secure the borrowings.

## **4. DESCRIPTION OF THE CLASS A SHARES AND CLASS J SHARES**

The Corporation is authorized to issue an unlimited number of Class A Shares and 100 Class J Shares.

There are currently 100 Class J Shares issued and outstanding. The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J Shares are entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. The Class J Shares rank prior to Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Corporation to the extent of \$1.00 per Class J Share.

A trust established for the benefit of the Shareholders from time to time owns all of the issued and outstanding Class J Shares.

The Corporation may issue securities from time to time, at the discretion of the Corporation's board of directors.

### **Class A Shares**

The Corporation is authorized to issue an unlimited number of Class A Shares. Shareholders have rights of redemption as described under "Redemption of Class A Shares" and shall be entitled to receive dividends and other distributions declared by the Corporation as described under "Dividends".

Except as described under "Shareholder Matters", Shareholders shall not have voting rights. On termination or liquidation of the Corporation, the Shareholders of record are entitled to receive on a *pro rata* basis all of the assets of the Corporation remaining after payment of all debts and liabilities of the Corporation and the liquidation rights of the Class J Shares. See "Other Material Information - Termination of the Corporation".

### **Dividends**

The Corporation, at the discretion of the Manager, is entitled to pay dividends or other distributions from time to time.

On August 11, 2009, the Corporation announced the commencement of a monthly cash dividend of \$0.05 per Class A Share, payable on September 15, 2009 to Shareholders of record on August 31, 2009, and thereafter payable to Shareholders of record on the last Business Day of each month. On January 28, 2010, the Corporation announced an increase in the monthly cash dividend per Class A Share from \$0.05 to \$0.07. On September 1, 2010, the Corporation announced a further increase in the monthly cash dividend per Class A Share from \$0.07 to \$0.085 effective October 15, 2010 to Shareholders of record on September 30, 2010. Based on the NAV per Class A Share on March 24, 2011 of \$11.55, the monthly cash dividend represents a cash-on-cash yield of 8.83%. In order to ensure that the Corporation will not be liable for income tax under Part I of the Tax Act, an Additional Dividend will be automatically payable in each year to Shareholders of record on December 31. The Additional Dividend will be satisfied by the issuance of additional Class A Shares or cash, at the discretion of the Manager. Any Additional Dividend payable in Class A Shares will increase the aggregate adjusted cost base to holders of Class A Shares of such shares. Immediately following payment of such a dividend on the Class A Shares, the Class A Shares outstanding will be automatically consolidated such that the number of Class A Shares outstanding after the consolidation will be equal to the number of Class A Shares outstanding immediately prior to the payment of such dividend.

Each Shareholder will be mailed annually, on or about March 31, the information necessary to enable such Shareholder to complete an income tax return with respect to amounts paid or payable by the Corporation to the Shareholder in the preceding taxation year of the Corporation. See "Income Tax Considerations".

## **5. SHAREHOLDER MATTERS**

### **Meetings of Shareholders**

A meeting of Shareholders may be convened by the Manager at any time and must be convened if requisitioned by the holders of not less than 5% of the Class A Shares then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Shareholders. The quorum at any such meeting is two Shareholders present in person or by proxy except for the purpose of any meeting called to consider item (d) under "Shareholder Matters - Acts Requiring Shareholder Approval" in which case the quorum shall be Shareholders holding 20% of the outstanding Class A Shares. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Shareholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Shareholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Shareholder will be entitled to one vote for each whole Class A Share registered in the Shareholder's name.

The Corporation does not intend to hold annual meetings of Shareholders.

### **Acts Requiring Shareholder Approval**

The following matters require the approval of two-thirds of the votes cast by Shareholders voting thereon (other than item (e) which requires approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the investment objective of the Corporation as described under "Investment Objective";
- (b) change in the investment restrictions of the Corporation as described under "Investment Restrictions";
- (c) any change in the basis of calculating fees or other expenses that are charged to the Corporation which could result in an increase in charges to the Corporation other than a fee or expense charged by a person or company that is at arm's length to the Corporation;
- (d) a change of the manager of the Corporation, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the trustee of the Corporation, other than a change resulting in an affiliate of such person assuming such position;
- (e) a reduction in the frequency of calculating the NAV per Class A Share; and
- (f) any approval required by corporate or other applicable law.

## **Reporting to Shareholders**

The Corporation will deliver to Shareholders financial statements of the Corporation as required by the applicable securities legislation.

## **Proxy Voting Guidelines**

The Manager's proxy voting guidelines can be summarized as follows:

Sentry believes the right to vote is one of the most effective tools for promoting good corporate governance. Promoting sound corporate governance policies in the companies in which Sentry invests is a responsibility it takes very seriously. Sentry sees strong corporate governance as an essential element in the realization of growth potential of companies which, ultimately, increases shareholder value.

Sentry has developed guidelines to illustrate how it intends to vote on both routine issues and on issues that are not routine and, in fact, may be potentially contentious. Generally, Sentry attempts to vote all proxies:

- on routine, or commonly raised issues, the portfolio manager for the investment fund will usually vote according to management's recommendations. This standing policy will be deviated from if Sentry believes there is sufficient and worthy reason to suspect that the management recommendation should not be supported in that it is not in the best interests of the shareholders of that particular company.
- on non-routine issues, and issues which may be potentially contentious, the matter is delegated to the portfolio manager for the investment fund for further consideration and, if necessary, the matter will be directed to Sentry's Investment Committee (defined below). At that time, the issue is reviewed in detail. It is then the Investment Committee's decision on whether to consult with, and obtain the opinion of, external industry experts or independent proxy research services. Ultimately, the Investment Committee is responsible for making the judgment as to how to vote or to refrain from voting.

Sentry's proxy voting guidelines are not viewed by it as a strict set of rules but, rather, are utilized as guidance regarding Sentry's treatment of most issues that result in a vote. Ultimately, these guidelines communicate Sentry's general voting practice on most matters.

The policies and procedures that the Manager follows when voting proxies relating to securities in the Portfolio are available on request, at no cost, by calling 1-888-730-4623 or by writing to Sentry Investments, 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4.

The Manager's proxy voting record for the most recent period ended June 30, 2010 is available free of charge to any Shareholder upon request at any time. The information is also available on the Internet site of Sentry at [www.sentry.ca](http://www.sentry.ca).

## 6. REDEMPTION OF CLASS A SHARES

### Annual Redemption

On March 25, 2010, Shareholders voted in favour of the Proposal. As such, commencing in 2010, Shareholders may tender their Shares annually for redemption on the last Business Day of April (the “Annual Redemption Date”) at the NAV per Class A Share, subject to the declining Annual Redemption Fee. There is no limit to the aggregate number of Class A Shares permitted to be redeemed on each Annual Redemption Date.

The net proceeds of the Annual Redemption received by Shareholders (the “Annual Net Redemption Proceeds”), as a percentage of NAV per Class A Share are shown in the following table:

<b>Annual Redemption</b>	<b>Annual Net Redemption Proceeds</b>	<b>Annual Redemption Fee</b>
2010	95%	5%
2011	96%	4%
2012	97%	3%
2013	98%	2%
2014	99%	1%
2015 onwards	100%	0%

The Annual Redemption Fee will be paid to the Manager and is equal to the percentage of NAV per Class A Share as of the applicable redemption date as shown in the table above.

The Annual Redemption Fee is paid from the gross redemption proceeds payable to any redeeming Shareholder. Payment of Annual Net Redemption Proceeds will be paid to the redeeming Shareholder within 15 days of the applicable Annual Redemption Date, provided that all necessary redemption documents have been properly completed and sent to the Transfer Agent, during the applicable redemption notice period. The Annual Redemption notice period commences each year on the first day in April and ends at 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day in April.

The Manager may suspend any Annual Redemption of Class A Shares or the payment of redemption proceeds (i) during any period when normal trading is suspended on a stock exchange, or other market on which securities owned by the Corporation are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Corporation without allowance for liabilities and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Corporation; or for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Corporation or which impair the ability of the Manager to determine the value of the assets of the Corporation.

The suspension may, at the sole discretion of the Manager, apply to all requests for redemptions received prior to the suspension but as to which payment has not been made, as well as to all

requests received while the suspension is in effect. All Shareholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected on the basis of the NAV per Class A Share determined on the first Business Day following the termination of the suspension. All such Shareholders shall have and shall be advised that they have the right to withdraw their requests for redemption in such circumstances. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Corporation, any declaration of suspension made by the Manager shall be conclusive.

### **Monthly Redemption**

Class A Shares may be surrendered at any time by the holders thereof for redemption on the relevant Monthly Redemption Date as is described below. Upon receipt by the Corporation of the redemption notice, in the manner described below under the heading “Redemption of Class A Shares - Exercise of Redemption Right”, the holder thereof shall be entitled to receive a price per Class A Share (the “Monthly Redemption Price”) equal to the lesser of:

- (a) 90% of the “market price” of the Class A Shares on the principal market on which the Class A Shares are quoted for trading during the 20 trading day period ending immediately before the Monthly Redemption Date; and
- (b) 100% of the “closing market price” on the principal market on which the Class A Shares are quoted for trading on the Monthly Redemption Date.

For the purposes of this calculation, “market price” will be an amount equal to the weighted average of the closing price of the Class A Shares for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Class A Shares traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the “market price” shall be the average of the following prices established for each of the 20 trading days: the average of the last bid and last asking prices of the Class A Shares for each day there was no trading; the closing price of the Class A Shares for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Class A Shares for each day that there was trading if the market provides only the highest and lowest prices of Class A Shares traded on a particular day. The “closing market price” shall be an amount equal to the closing price of the Class A Shares if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Class A Shares if there was trading and the exchange or other market provides only the highest and lowest prices of Class A Shares traded on a particular day; or the average of the last bid and last asking prices of the Class A Shares if there was no trading on that date.

The Monthly Redemption Price payable by the Corporation in respect of any Class A Shares surrendered for redemption shall be satisfied by way of a cash payment on the applicable Monthly Redemption payment date, provided that the entitlement of Shareholders to receive cash upon the redemption of their Class A Shares is subject to the limitations that: (i) at the time such Class A Shares are tendered for redemption, the outstanding Class A Shares shall be listed for trading on a stock exchange or traded or quoted on another market which the Manager considers, in its sole discretion, provides representative fair market value prices for the Class A Shares; and (ii) the normal trading of Class A Shares is not suspended or halted on any stock exchange on which the Class A Shares are listed (or, if not listed on a stock exchange, on any market on which the Class A Shares are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

It is anticipated that the Monthly Redemption will not be the primary mechanism for Shareholders to dispose of their Class A Shares.

The Corporation has entered into an agreement (a “Recirculation Agreement”) with Canaccord Capital Corporation (the “Recirculation Agent”) whereby the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Class A Shares tendered for redemption pursuant to a Monthly Redemption prior to the relevant Monthly Redemption payment date provided that the holder of the Class A Shares so tendered has not withheld consent thereto. The Corporation may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Shareholder on the applicable Monthly Redemption payment date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission, provided that such amount will not be less than the Monthly Redemption Price.

Subject to the Corporation's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Class A Shares tendered for redemption prior to the relevant Monthly Redemption Date, any and all Class A Shares which have been surrendered to the Corporation for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Monthly Redemption Date, unless not redeemed thereon, in which event such Class A Shares will remain outstanding.

The Monthly Redemption right must be exercised by causing written notice to be given at least ten Business Days prior to a Monthly Redemption Date and in the manner described below. If a Shareholder makes such a surrender within the last 10 Business Days in the case of a Monthly Redemption, the Class A Shares will be redeemed on the Monthly Redemption Date in the next month and the Shareholder will receive the Monthly Redemption Price determined with reference to the Monthly Redemption Date in the next month. Such surrender will be irrevocable upon the delivery of notice to the Transfer Agent or CDS Clearing and Depository Services Inc. or its nominee (“CDS”) through a CDS Participant, except with respect to those Class A Shares which are not paid for by the Corporation on the relevant Monthly Redemption payment date.

A Shareholder who holds his, her or its Class A Shares through a CDS Participant and who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of a Shareholder, a written notice of a

Shareholder's intention to redeem Class A Shares. A Shareholder who desires to redeem Class A Shares should ensure that the CDS Participant is provided with notice (the "Monthly Redemption Notice") of his, her or its intention to exercise his, her or its redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Monthly Redemption Notices will be for the account of the owner exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a notice of the Shareholder's intention to redeem such Class A Shares, a Shareholder shall be deemed to have irrevocably surrendered his, her or its Class A Shares for redemption and appointed such CDS Participant to act as his, her or its exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Monthly Redemption Notice delivered regarding an owner's intent to redeem which CDS or the Transfer Agent determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Corporation to the CDS Participant or to the owner.

### **Mandatory Market Purchases**

On March 25, 2010, the Shareholders voted in favour of amending the articles of amendment of the Corporation to remove the MMPP. Under the MMPP, the Corporation was obligated to purchase any Class A Shares offered in the market at the prevailing market price, if Class A Shares were offered at prices that were less than 95% of the latest determined NAV per Class A Share. The purchases were subject to a maximum amount in any three-month period of 1.25% of the number of Class A Shares outstanding at the beginning of such period. Following March 25, 2010, no further purchases were made under the MMPP.

## **7. CALCULATION OF NET ASSET VALUE**

For reporting purposes other than financial statements, the NAV of the Corporation on a particular date will be equal to (i) the total assets of the Corporation, less (ii) the aggregate value of the liabilities of the Corporation (the Warrants, when applicable, were not treated as liabilities for these purposes), less (iii) the stated capital of the Class J Shares (\$1.00 per share). NAV will be calculated weekly. If the Corporation uses specified derivatives, the Corporation will calculate NAV daily.

NAV of the Corporation on a particular date will be calculated at the close of such date by determining the total market value of the Corporation's assets and subtracting the Corporation's liabilities. The value of a Class A Share is established by dividing the NAV of the Corporation by the number of Class A Shares of the Corporation owned by Shareholders that day. That amount is known as the net asset value per Class A Share ("Net Asset Value per Class A Share") of the Corporation. The Corporation is valued in Canadian dollars.

Unless otherwise required by law, the value of the assets held by the Corporation is determined as follows:

- (a) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to Shareholders of record on a date before the date as of which the NAV of the Corporation is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager shall have determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or interest is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager shall determine to be the reasonable value thereof;
- (b) the value of any security which is listed or dealt in upon a stock exchange shall be determined by (a) in the case of a security which was traded on the day as of which the NAV of the Corporation is being determined, the closing sale price; (b) in the case of a security which was not traded on the day as of which the NAV of the Corporation is being determined, a price which is the average of the closing recorded bid and asked prices; or (c) if no bid or asked quotation is available, the price last determined for such security for the purpose of calculating the NAV of the Corporation. The value of interlisted securities shall be computed in accordance with directions laid down from time to time by the Manager; and provided however that if, in the opinion of the Manager, stock exchange or over the counter quotations do not properly reflect the prices which would be received by the Corporation upon the disposal of shares or securities necessary to effect any redemptions of securities, the Manager may place such value upon such shares or securities as appears to the Manager to most closely reflect the fair value of such shares or securities;
- (c) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Corporation or by the predecessor in title of the Corporation, shall be the lesser of (a) the value based on reported quotation in common use and (b) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Corporation was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (d) the value of all assets of the Corporation valued in terms of a currency other than Canadian currency and liabilities payable in a currency other than Canadian currency shall be translated to Canadian currency using the closing rate of exchange as quoted by customary banking sources on the date of valuation;
- (e) upon writing any covered clearing corporation option, option on futures or over the counter option, the premium received by the Corporation shall be reflected as

- a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over the counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized loss or gain on investment. The deferred credit will be deducted in calculating the NAV of the Corporation. Any securities that are subject of a written option shall be valued at their current market value;
- (f) a long position in an option or a debt like security shall be valued at the current market value of the position;
  - (g) physical uranium, molybdenum, nickel or Other Metals which are not traded on a recognized public exchange will be valued based upon prices published by industry sources;
  - (h) physical metals traded on a recognized public exchange will be valued based on the last price for each particular type of physical metals as determined by the closing price of the nearest month contract;
  - (i) the value of a forward contract or swap shall be the gain or loss on the contract that would be realized if, on the date that valuation is made, the position in the forward contract or swap were to be closed out;
  - (j) the value of a standardized future shall be:
    - (i) if daily limits imposed by the futures exchange through which the standardized future was issued are not in effect, the gain or loss on the standardized future that would be realized if, on the date that valuation is made, the position in the standardized future were to be closed out; or
    - (ii) if daily limits imposed by the futures exchange through which the standardized future was issued are in effect, based on the current market value of the underlying interest of the standardized future;
  - (k) margin paid or deposited in respect of standardized futures or forward contracts shall be reflected as an account receivable and, if not in the form of cash, shall be noted as held for margin;
  - (l) each transaction of purchase or sale of Portfolio Securities effected by the Corporation shall be reflected in the computation of the NAV of the Corporation not later than the first computation of the NAV of the Corporation made after the date on which the transaction becomes binding; and
  - (m) the issue or redemption of Class A Shares of the Corporation shall be reflected in the computation of the NAV of the Corporation not later than the next computation of the NAV of the Corporation made after the time as at which the NAV per Class A Share is determined for the purpose of the issue or redemption of the Class A Shares of the Corporation.

The liabilities of the Corporation include:

- (a) all bills and accounts payable;
- (b) all administrative expenses payable and/or accrued;
- (c) all obligations for the payment of money or property, including the amount of any declared but unpaid dividends;
- (d) all allowances authorized or approved by the Manager for taxes or contingencies; and
- (e) all other liabilities of the Corporation of whatever kind and nature.

During any period of suspension there will be no calculation of the NAV per Class A Share and the Corporation will not be permitted to issue or redeem any Class A Share. The calculation of the NAV per Class A Share will resume when trading in the Corporation's securities and specified derivatives resumes.

The NAV per Class A Share on each Thursday (or if a Thursday is not a Business Day, the Business Day following such Thursday) will be provided by Sentry to Shareholders on request by calling toll-free 1-888-730-4623 or to the public at no cost through Sentry's Internet site at [www.sentry.ca](http://www.sentry.ca).

## **8. PURCHASES AND TRANSFERS OF CLASS A SHARES**

### **Book-Based System**

The Class A Shares are listed on the Toronto Stock Exchange and trade under the symbol "PME". The Corporation is authorized to issue an unlimited number of Class A Shares. On the conclusion of the Offering, the Corporation delivered to CDS a certificate evidencing the aggregate number of Class A Shares subscribed for under the Offering. Class A Shares must be purchased, transferred and surrendered for retraction only through a CDS Participant and all rights of an owner of Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Class A Shares. Upon purchase of any Class A Shares, the owner will receive only the customary confirmation.

Neither the Corporation, the Custodian nor the Manager will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Class A Shares or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Class A Shares to pledge such Class A Shares or otherwise take action with respect to such owner's interest in such Class A Shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

## **9. RESPONSIBILITY FOR OPERATIONS OF THE CORPORATION**

### **The Manager**

Pursuant to the Management Agreement, Sentry is the Manager of the Corporation. The Manager was incorporated on May 5, 2008. Prior to January 1, 2009, SSCC was the Manager of the Corporation. SSCC was incorporated on March 20, 1986. The Manager is presently engaged in the business of sponsoring and managing investment funds in Canada. The Manager is responsible for managing the Portfolio of the Corporation, including providing or arranging for the provision of investment analysis and making decisions relating to the investment of assets of the Corporation.

The Manager's principal address is 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4. The Manager's telephone number is (416) 861-8729 or toll-free 1-888-730-4623, its e-mail address is info@sentry.ca and its Internet site is www.sentry.ca.

Sentry is the manager of the Corporation and, as such, is responsible for making all investment decisions of the Corporation in accordance with the investment objective, strategy and criteria and for arranging for the execution of all Portfolio transactions. The Manager is also responsible for providing or arranging for required administrative services to the Corporation including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Corporation; preparing financial statements and financial and accounting information as required by the Corporation; ensuring that Shareholders are provided with financial statements and other reports as are required by applicable law from time to time; ensuring that the Corporation complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Corporation's reports to Shareholders and the Canadian securities regulatory authorities; determining the amount of dividends to be made by the Corporation; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

Sentry is required to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Corporation, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in the circumstances.

The Management Agreement between the Corporation and Sentry had an initial term commencing on June 14, 2007 and has an expiry date on the fifth anniversary thereof. The Management Agreement will renew automatically for successive five-year terms following the initial term provided that there has been no breach or material default of the terms of the Management Agreement by Sentry, subject to termination on any expiry date upon not less than 180 days' prior written notice from the Corporation or Sentry to the other.

Prior to the approval of the Proposal on March 25, 2010, pursuant to the Management Agreement, if the Corporation terminated the Management Agreement in certain circumstances, the Manager was entitled to receive from the Corporation an amount equal to the sum of: (i) 8% of the NAV calculated as at the close of business on the date of termination of the Management Agreement, and (ii) five times the performance fee paid in respect of the calendar year

immediately preceding the year in which the Management Agreement is terminated, and (iii) applicable taxes (collectively, the “Termination Payment”). Following the amendments to the Management Agreement made as of March 25, 2010, no Termination Payment is payable by the Corporation to the Manager.

Prior to the approval of the Proposal by Shareholders on March 25, 2010, the Manager was able resign as manager of the Corporation upon 60 days’ notice to the Shareholders (the “Resignation Right”). Following the approval of the Proposal, pursuant to the amended and restated Management Agreement, the Manager no longer has a Resignation Right. This does not affect the Shareholders’ existing right to replace the Manager in accordance with the conditions outlined in the Management Agreement.

Sentry is entitled to fees for its services under the Management Agreement as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by Sentry on behalf of the Corporation. In addition, Sentry and each of its directors, officers, employees and agents will be indemnified by the Corporation for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Sentry or any of its officers, directors, employees or agents in the exercise of its duties as Manager, if they do not result from Sentry's wilful misconduct, bad faith, negligence or breach of its obligations under the Management Agreement and the Corporation has reasonable grounds to believe that the action or inaction that gave rise to the claim was in the best interests of the Corporation.

The management services of Sentry under the Management Agreement are not exclusive and nothing in the Management Agreement prevents Sentry from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Corporation) or from engaging in other activities. See “Conflicts of Interest”.

The name, municipality and province of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupations at, and within the five years preceding the date of this Annual Information Form, are as follows:

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Administrator</b>	<b>Principal Occupation for the Last Five Years</b>
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<p>JOHN F. DRISCOLL Toronto, Ontario</p>	<p>Chairman, Chief Executive Officer and Director</p>	<p>Chairman, Chief Executive Officer and Director, Sentry since January, 2011.</p> <p>Chairman, President, Chief Executive Officer and Director, Sentry from May, 2008 to January, 2011.</p> <p>Chairman, President, Chief Executive Officer and Director, SSCC from January, 2004.</p> <p>President and Chief Executive Officer, NCE Resources Group since September, 1990.</p>
<p>J.A. (SANDY) McINTYRE Toronto, Ontario</p>	<p>Director, President and Chief Investment Officer</p>	<p>Director, President and Chief Investment Officer, Sentry since January, 2011.</p> <p>Director, Sentry since December, 2009.</p> <p>Senior Vice-President and Chief Investment Officer, Sentry from May, 2008 to January, 2011.</p> <p>Senior Portfolio Manager, Sentry from May, 2008 to June, 2008.</p> <p>Senior Vice-President and Chief Investment Officer, SSCC from April, 2008 to January, 2009.</p> <p>Senior Vice-President and Senior Portfolio Manager, SSCC from June, 2006 to March, 2008.</p> <p>Senior Portfolio Manager, SSCC from August, 2000 to June, 2006.</p>

<p>SEAN DRISCOLL Toronto, Ontario</p>	<p>Director, Executive Vice-President</p>	<p>Director, Executive Vice-President, Sentry since January, 2011.</p> <p>Director, Sentry since December, 2009.</p> <p>Vice-President, Corporate Development, Sentry since January, 2009.</p> <p>Manager, Corporate Development, SSCC from November, 2007 to January, 2009.</p>
<p>RICHARD D'ARCHIVIO Vaughan, Ontario</p>	<p>Chief Financial Officer, Vice-President and Treasurer</p>	<p>Chief Financial Officer, Vice-President and Treasurer, Sentry since May, 2008.</p> <p>Chief Financial Officer, Vice-President and Treasurer, SSCC since January, 2008.</p> <p>Vice-President, Finance, SSCC from July, 2005 to December, 2007.</p>

<p>PHILIP YUZPE Toronto, Ontario</p>	<p>Chief Operating Officer</p>	<p>Chief Operating Officer, Sentry since January, 2011.</p> <p>Vice-President, Operations and Strategy, Sentry from April, 2010 to January, 2011.</p> <p>Vice-President, Product Development &amp; Corporate Strategy, Sentry from May, 2008 to April, 2010.</p> <p>Vice-President, Product Development &amp; Corporate Strategy, SSCC from January, 2008 to January, 2009.</p> <p>Manager, Strategic Planning and Research, SSCC from October, 2006 to December, 2007.</p> <p>Senior Management Consultant/Project Manager, Managerial Design Corporation (consulting firm) from August, 2004 to January, 2006.</p>
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<p>RYAN CAUGHEY Toronto, Ontario</p>	<p>General Counsel and Corporate Secretary</p>	<p>General Counsel and Corporate Secretary, Sentry since January, 2009.</p> <p>Associate General Counsel and Corporate Secretary, Sentry from May, 2008 to January, 2009.</p> <p>Corporate Secretary, SSCC since January, 2009.</p> <p>Associate General Counsel and Corporate Secretary, SSCC from January, 2008 to January, 2009.</p> <p>Corporate Secretary and Legal Counsel, SSCC from December, 2006 to January, 2008.</p> <p>Legal Counsel, SSCC from July, 2006 to December, 2006.</p> <p>Lawyer, Osler, Hoskin &amp; Harcourt LLP (law firm) from September, 2003 to June, 2006.</p>
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<p>ANDREW GUY Toronto, Ontario</p>	<p>Vice-President. Chief Risk and Compliance Officer</p>	<p>Vice-President, Chief Risk and Compliance Officer, Sentry since July, 2010.</p> <p>Vice-President, Sentry from November, 2009 to July, 2010.</p> <p>Chief Compliance Officer, Sentry from January, 2009 to July, 2010.</p> <p>Portfolio Manager, Sentry from May, 2008 to November, 2009.</p> <p>Portfolio Manager, SSCC from July, 2006 to January, 2009.</p> <p>Senior Investment Analyst, SSCC from January, 2006 to June, 2006.</p> <p>Associate Director, Portfolio Advisory Group, Scotia MacLeod (investment counsel firm) from May, 2004 to January, 2006.</p>
<p>DENNIS MITCHELL Brampton, Ontario</p>	<p>Deputy Chief Investment Officer and Senior Portfolio Manager</p>	<p>Deputy Chief Investment Officer and Senior Portfolio Manager, Sentry since January, 2011.</p> <p>Vice-President and Senior Portfolio Manager, Sentry from January, 2010 to January, 2011.</p> <p>Portfolio Manager, Sentry from May, 2008 to January, 2010.</p> <p>Portfolio Manager, SSCC from February, 2007 to January, 2009.</p> <p>Senior Research Analyst, SSCC from September, 2006 to January, 2007.</p> <p>Research Analyst, SSCC from May, 2005 to August, 2006.</p>

<p>RHONDA KLATIK Vancouver, British Columbia</p>	<p>Vice President, National Sales and Managing Director, Sentry Mutual Funds</p>	<p>Vice-President, National Sales and Managing Director, Sentry Mutual Funds, Sentry since March, 2009.</p> <p>Vice-President, Western Canada Sales, Sentry from January, 2009 to March, 2009.</p> <p>Vice-President, Western Canada Sales, SSCC from May, 2007 to January, 2009.</p> <p>Regional Vice-President, Western Canada Sales, SSCC from June, 2003 to May, 2007.</p>
<p>BRIAN MCOSTRICH Oakville, Ontario</p>	<p>Vice-President, Marketing and Investor Relations</p>	<p>Vice-President, Marketing and Investor Relations, Sentry since May, 2008.</p> <p>Vice-President, Marketing and Investor Relations, SSCC from May, 2008 to January, 2009.</p> <p>Vice-President, Marketing, SSCC from March, 2004 to May, 2008.</p>
<p>WOLFGANG KRUNING Toronto, Ontario</p>	<p>Vice-President, Dealer Relations</p>	<p>Vice-President, Dealer Relations, Sentry since December, 2010.</p> <p>Vice-President, International Dealer Relations, Sentry from May, 2008 to December, 2010.</p> <p>Vice-President, International Dealer Relations, SSCC from June, 2006 to January, 2009.</p> <p>Vice-President, Dealer Relations, SSCC from December, 2005 to May, 2006.</p>

<p>BRUCE TUCKER Toronto, Ontario</p>	<p>Vice-President, Trading</p>	<p>Vice-President, Trading, Sentry since August, 2008.</p> <p>Vice-President, Trading, SSCC from February, 2007 to January, 2009.</p> <p>Senior Trader, SSCC from January, 2005 to January, 2007.</p>
<p>GRAEME LLEWELLYN Toronto, Ontario</p>	<p>Vice-President, Finance</p>	<p>Vice-President, Finance, Sentry since July, 2010.</p> <p>Director, Investment Finance, Sentry from May, 2008 to July, 2010.</p> <p>Director, Investment Finance, SSCC from December, 2007 to January, 2009.</p> <p>Senior Manager, Investment Finance, SSCC from March, 2006 to December, 2007.</p>
<p>KEVIN MacLEAN Oakville, Ontario</p>	<p>Vice-President and Senior Portfolio Manager</p>	<p>Vice-President and Senior Portfolio Manager, Sentry since May, 2008.</p> <p>Vice-President and Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.</p> <p>Senior Portfolio Manager, SSCC from August, 2004 to June, 2006.</p>
<p>MICHAEL SIMPSON Markham, Ontario</p>	<p>Vice-President and Senior Portfolio Manager</p>	<p>Vice-President and Senior Portfolio Manager, Sentry since May, 2008.</p> <p>Vice-President and Senior Portfolio Manager, SSCC from February, 2008 to January, 2009.</p> <p>Senior Portfolio Manager, SSCC from January, 2006 to January, 2008.</p>

<p>SHANE STUCK Toronto, Ontario</p>	<p>Vice-President and Senior Portfolio Manager</p>	<p>Vice-President and Senior Portfolio Manager, Sentry since January, 2010.</p> <p>Director, Fixed Income Derivatives and Currency, Scotia Asset Management from February, 2007 to January, 2010.</p>
<p>LAURA LAU Toronto, Ontario</p>	<p>Senior Portfolio Manager</p>	<p>Senior Portfolio Manager, Sentry since May, 2008.</p> <p>Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.</p> <p>Portfolio Manager, SSCC from May, 2004 to June, 2006.</p>
<p>ANDREW MCCREATH Toronto, Ontario</p>	<p>Senior Portfolio Manager</p>	<p>Senior Portfolio Manager, Sentry since February, 2009.</p> <p>Senior Portfolio Manager, Sentry Select Investments Inc. since August, 2008.</p> <p>President &amp; Chief Executive Officer, Waterfall Investments Inc. from April, 2004 to July, 2008.</p>

<p>DENNIS MITCHELL Brampton, Ontario</p>	<p>Deputy Chief Investment Officer and Senior Portfolio Manager</p>	<p>Deputy Chief Investment Officer and Senior Portfolio Manager, Sentry since January, 2011.</p> <p>Vice-President and Senior Portfolio Manager, Sentry from January, 2010 to January, 2011.</p> <p>Portfolio Manager, Sentry from May, 2008 to January, 2010.</p> <p>Portfolio Manager, SSCC from February, 2007 to January, 2009.</p> <p>Senior Research Analyst, SSCC from September, 2006 to January, 2007.</p> <p>Research Analyst, SSCC from May, 2005 to August, 2006.</p>
<p>MASON GRANGER Toronto, Ontario</p>	<p>Portfolio Manager</p>	<p>Portfolio Manager, Sentry since February, 2009.</p> <p>Portfolio Manager, SSCC from June, 2008 to January, 2009.</p> <p>Executive Director, Resource Group of Middlefield Capital Corp. from January, 2005 to June, 2008.</p>

Certain individuals have been charged with the responsibility of making investment decisions relating to the Portfolio. The name, municipality and province of residence, title and business experience, for the last five years, of the individuals responsible for the day-to-day management of a material portion of the Portfolio is as follows:

<p><b>Name, Municipality and Province of Residence</b></p>	<p><b>Position held with Manager</b></p>	<p><b>Principal Occupation for the Last Five Years</b></p>	<p><b>Length of Time of Service</b></p>
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<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Length of Time of Service</b>
KEVIN MacLEAN Oakville, Ontario	Vice-President and Senior Portfolio Manager	Vice-President and Senior Portfolio Manager, Sentry since May, 2008.  Vice-President and Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.  Senior Portfolio Manager, SSCC from August, 2004 to June, 2006.	6 years 7 months
PETER BURES	Associate Portfolio Manager	Associate Portfolio Manager, Sentry since November, 2009.  Investment Analyst, Sentry from May, 2008 to November, 2009.  Investment Analyst, SSCC from December, 2007 to November, 2009.	3 years, 4 months

## 10. MANAGEMENT OF THE CORPORATION

### Directors and Officers of the Corporation

The name, municipality and province of residence, office and principal occupation of each of the directors and officers of the Corporation are as follows:

<u>Name and Municipality and Province of Residence</u>	<u>Office with the Corporation</u>	<u>Principal Occupation</u>
JOHN F. DRISCOLL Toronto, Ontario	President, Chief Executive Officer and Director	Chairman and Chief Executive Officer, Sentry
JACK MCOUAT Toronto, Ontario	Director	Mr. McOuat was one of the initial founders of Watts, Griffis and McOuat Limited (an engineering and geological consulting firm) in 1962 and was with the firm until his retirement in 2004.

<u>Name and Municipality and Province of Residence</u>	<u>Office with the Corporation</u>	<u>Principal Occupation</u>
RICHARD ZARZECZNY Stouffville, Ontario	Director	President, Canadian Enerdata Limited, an energy and economic consulting firm specializing in oil and natural gas market analysis and price forecasting. Mr. Zarzeczny founded Canadian Enerdata Limited in 1984.
PHILIP JOHNSON Toronto, Ontario	Director	President, Pinnacle Reefs Ltd., a private consulting company that provides management consulting and financial services largely to emerging and senior oil and gas companies. Mr. Johnson has been the President of Pinnacle Reefs Ltd. since 1988.

During the past five years, all of the directors and officers of the Corporation have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company.

### **Brokerage Arrangements**

Decisions on the purchase or sale of Portfolio Securities and decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions are made by the Manager. In effecting portfolio transactions, overall service and prompt execution of orders on favourable terms will be a primary consideration. To the extent that the executions and prices offered by more than one dealer are comparable, the Manager may, in its discretion, choose to effect portfolio transactions with dealers who provide “order execution goods and services” and/or “research goods and services” (as defined by National Instrument 23-102 — *Use of Client Brokerage Commissions*) to the Trust.

The Manager may be provided with order execution goods and services and/or research goods and services in return for the allocation of portfolio transactions. Research goods and services may include advice relating to the value of a security or the advisability of effecting a transaction in a security, an analysis or report, concerning a security, portfolio strategy, issuer, industry, or an economic or political factor or trends; and a database or software, to the extent that it supports these services: news service, equity research publications, investment strategy research, newsletters, company and industry databases, technology research, commodities newsletters and opinions data. Order execution goods and services may include any good or service designed to enhance the speed or accuracy of executing a portfolio transaction.

The Manager must ensure that in selecting a registered dealer and in using commissions it achieves a fair and reasonable result for the Corporation and is acting in the best interest of the

Corporation. Senior management of the Manager will use a good faith determination as to whether the Corporation receives a reasonable benefit considering both the use of the research goods and services and/or order execution goods and services and the amount of the commission payable, using best execution as the primary factor.

The following lists the persons who have provided any material amount of investment decision-making services to the Manager in return for the allocation of portfolio transactions in 2010:

Name of Service Provider	Summary of Services
BCA Research	Global Investment Strategy
Bloomberg LP	Bloomberg Terminals
Browning Newsletter	E-Mail Sub Browning Newsletter

### **Custodian**

State Street Trust Company Canada, a trust company organized under the laws of Canada, acts as custodian of the assets of the Corporation pursuant to a custodian agreement (the “Custodian Agreement”) and has the power to appoint sub-custodians. The Custodian also provides certain accounting services to the Corporation pursuant to an accounting services agreement (the “Accounting Services Agreement”). Pursuant to the Custodian Agreement and the Accounting Services Agreement, the Custodian also carries out, on behalf of the Manager, certain aspects of the day-to-day administrations of the Corporation, including calculating NAV, net income and net realized capital gains of the Corporation and maintaining the books and records of the Corporation concerning the assets of the Corporation that are under its custodianship. Both the Accounting Services Agreement and the Custodian Agreement may be terminated by either Sentry or the Custodian by an instrument in writing delivered or mailed, such termination to take effect not sooner than 90 days after the date of such delivery, unless a different period is agreed to in writing by the parties.

The Custodian’s principal office is located in Toronto, Ontario.

### **Auditor**

The auditors of the Corporation are Deloitte & Touche LLP, Toronto, Ontario.

### **Registrar and Transfer Agent**

Computershare Investor Services Inc. in Toronto, Ontario has been appointed the registrar and transfer agent for the Class A Shares.

### **Other Service Providers**

SSCC provides certain day to day administrative services to the Manager pursuant to a services agreement dated January 1, 2009. SSCC’s principal office is in Toronto, Ontario. The members of the board of directors of SSCC are John F. Driscoll (Chairman), H. Garfield Emerson, Hon. Michael A. Meighen, N. Frank Potter, Simon B. Scott and Donald J. Worth.

## **11. CONFLICTS OF INTEREST**

### **Principal Shareholders**

As at March 25, 2011, CDS was the registered holder of 100% of the outstanding Class A Shares. To the knowledge of the Manager, as at March 25, 2011, no person beneficially owns, either directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Class A Shares.

To the knowledge of the Manager, as at March 25, 2011, the directors and senior officers of the Manager beneficially owned, in the aggregate, directly or indirectly, less than 10% of the outstanding Class A Shares.

To the knowledge of the Manager, as at March 25, 2011, the members of the Corporation's IRC (as defined below) beneficially owned, in the aggregate, directly or indirectly, less than 10% of the outstanding Class A Shares.

### **Conflicts of Interest**

The management services of Sentry under the Management Agreement are not exclusive and nothing in the Management Agreement prevents Sentry from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Corporation) or from engaging in other activities. Investments in securities purchased by the Manager on behalf of the Corporation and other investment funds managed by the Manager will be allocated to the Corporation and such other investment funds on a *pro rata* basis according to the size of the order and the applicable investment restrictions and policies of the Corporation and the other investment funds.

Certain directors of the Manager may become insiders of certain issuers in which the Manager may consider as an investment for the Corporation and, as such, may from time to time have knowledge of undisclosed material information with respect to such issuers. The Manager has implemented and maintains policies and procedures to prevent any such director from making or influencing investment decisions made by the Manager and to prevent the transmission of such information to those officers and employees of the Manager who make or participate in making such investment decisions including those made on behalf of the Corporation.

### **Independent Review Committee**

The Corporation's Independent Review Committee ("IRC"), established pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107"), has three members. The IRC reviews conflict of interest matters referred to it by the Manager, including any related policies and procedures, and provides recommendations or approvals, as applicable, to the Manager regarding whether the proposed action of the Manager in respect of a conflict of interest matter achieves a fair and reasonable result for the Corporation. With respect to certain conflict of interest matters, the IRC may also issue standing instructions. The Manager is not required to refer a conflict of interest matter nor its proposed action to the IRC if the Manager complies with the terms of a standing instruction that is in effect.

The Corporation's IRC is currently comprised of the following members: Michael Gourley (Chair), David Gavsie and Marie Rounding. The Chair of the IRC receives \$50,000 per annum, and each other member of the IRC receives \$40,000 per annum, as compensation for their services. In addition, each member of the IRC is paid \$1,500 for each IRC meeting that he or she attends. This compensation is in connection with their services for all investment funds managed by Sentry, including the Corporation. For the financial year of the Corporation ended December 31, 2010, the aggregate amount of fees and expenses paid to members of the IRC for all investment funds managed by Sentry was \$188,524.56.

## **12. GOVERNANCE OF THE CORPORATION**

Responsibility for the oversight of the Corporation and ensuring the implementation of appropriate policies, procedures and guidelines rests with the board of directors of the Manager. The Manager has adopted a Code of Ethics for Personal Investing to ensure the fair treatment of the Corporation and their investors when "access persons" make personal trades.

Senior management of the Manager and internal compliance staff monitor compliance with all internal policies and procedures which are reviewed and updated at least annually.

Senior management ensures that the investment management activities of the Corporation comply with the Corporation's investment objectives and restrictions at quarterly meetings with portfolio managers. At these meetings, portfolio holdings, performance, concentration and other risk measures are discussed in addition to the compliance with objectives and restrictions. Day-to-day monitoring of the Corporation is undertaken by the Risk and Compliance team in conjunction with Sentry's Investment Committee (the "Investment Committee", which consists of the Chief Investment Officer, the senior portfolio managers and representatives of the compliance and legal departments). Derivative transactions on behalf of the Corporation may be initiated only by authorized investment personnel approved by the Investment Committee who ensure that these individuals have the necessary proficiency to use derivatives. Derivative positions will be monitored daily to ensure compliance with all regulatory requirements, including cash cover requirements. As any use of derivatives by the Corporation will be limited, the Manager will not conduct simulations to test the portfolio under stress conditions. Senior management will also review any use of derivatives at the quarterly meetings with the Investment Department.

The Corporation has no policies to monitor, detect or deter short-term trades in Class A Shares.

For the Manager's proxy voting guidelines please see "Shareholder Matters – Proxy Voting Guidelines".

## **13. FEES AND EXPENSES**

### **Fees and Other Expenses**

On March 25, 2010, Shareholders approved the Proposal. As such the annual management fee payable to the Manager pursuant to the terms of the Management Agreement was reduced, as of March 25, 2010, from 1.60% of the Corporation's NAV, to 1.10% of the Corporation's NAV. Under the amended Management Agreement, Sentry is now entitled to a fee at an annual rate of

1.10% of NAV, plus an amount equal to the Servicing Fee payable to registered dealers of 0.40% of NAV plus applicable taxes. Prior to March 25, 2010 the Manager was entitled to receive 1.60% of NAV, plus an amount equal to the Servicing Fee payable to registered dealers of 0.40% of NAV plus applicable taxes. Fees payable to Sentry will be calculated and payable monthly based on the average NAV calculated at each Valuation Time during that month. The Manager will pay to registered dealers the Servicing Fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per Class A Share for each Class A Share held by clients of the dealers. The management fee will be paid in cash.

On March 25, 2010, pursuant to the approval of the Proposal, the performance fees payable to the Manager and brokers under the Management Agreement were removed. Prior to March 25 2010, the Corporation was required to pay the Manager a performance fee calculated as at December 31 of each year, commencing with December 31, 2008. The performance fee was an amount for each Class A Share then outstanding equal to 20% of the amount by which the NAV per Class A Share of the Corporation (calculated without taking into account the performance fee) (the “Adjusted NAV per Class A Share”) exceeded the Threshold Amount. For December 31, 2008, the Threshold Amount was \$12. Thereafter the Threshold Amount was the greater of 110% of the previous Threshold Amount and 110% of the NAV per Class A Share at December 31 of the previous year less the amount of any cash dividends payable for the year in respect of which the Threshold Amount was being determined.

Prior to March 25, 2010, the Manager was required to pay to registered brokers a performance fee equal to their *pro rata* share, based on the number of Class A Shares held by their client on December 31 in any year, of 20% of the performance fee that the Manager was paid from the Corporation as of such December 31 (commencing with December 31, 2008 and only in respect of a December 31 as of which the Manager was paid a performance fee). Subsequent to the approval of the Proposal such broker performance fee was removed and is no longer paid or payable by the Manager.

The Corporation pays for all expenses incurred in connection with the operation and administration of the Corporation. All fees and expenses of the Corporation will be paid in cash. It is expected that these expenses include, without limitation: (a) mailing and printing expenses for periodic reports to Shareholders; (b) fees payable to the Transfer Agent; (c) fees payable to the Custodian for acting as custodian of the assets of the Corporation; (d) banking fees and interest with respect to any borrowing; (e) fees payable to the auditors and legal advisors of the Corporation; (f) regulatory filing, stock exchange and licensing fees; and (g) expenditures incurred upon the termination of the Corporation. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Sentry is entitled to indemnity by the Corporation. See “Management of the Corporation”. The Corporation will also be responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Corporation which may be incurred from time to time.

#### **14. INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who is an individual (other than a trust) who holds and acquires the Class A Shares and who, for the purposes of the Tax

Act, is resident in Canada, deals at arm's length with the Corporation, is not affiliated with the Corporation, and who holds the Class A Share as capital property.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposed Amendments"), and an understanding of the current administrative practices of the CRA made publicly available prior to the date hereof. This summary assumes that the Proposed Amendments will be enacted as currently proposed although no assurance can be given in that regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law or administrative practice, whether by way of legislative, governmental or judicial decision or action.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Class A Shares and does not deal with foreign income tax considerations. Moreover, the income and other tax consequences of acquiring, holding or disposing of Class A Shares will vary according to the status of the investor, the province or provinces in which the investor resides and, generally, the investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Class A Shares, based upon the investor's particular circumstances.**

### **Tax Treatment of the Corporation**

The Manager has advised that the Corporation qualifies as a "mutual fund corporation" and a "financial intermediary corporation" as defined in the Tax Act.

The Corporation will be required to include in income the amount of all taxable capital gains (net of allowable capital losses) and all dividends (but generally excluding dividends received from taxable Canadian corporations) and will be taxable on its income at the corporate rates applicable to a mutual fund corporation. As a mutual fund corporation, the Corporation is entitled in certain circumstances to a refund of tax paid by it in respect of net realized capital gains. Also, as a mutual fund corporation, the Corporation is entitled to maintain a capital gains dividend account in respect of its realized net capital gains and from which it may elect to pay dividends ("capital gains dividends") which are treated as capital gains in the hands of the Shareholders of the Corporation.

The Corporation is generally subject to a refundable tax of 33 ⅓% under Part IV of the Tax Act on taxable dividends received by the Corporation during the year to the extent that such dividends were deductible in computing the Corporation's taxable income for the year. This tax is refundable upon payment by the Corporation of sufficient Ordinary Dividends.

The Corporation is required to compute all amounts, including all interest, dividends, costs of property and proceeds of disposition of securities, in Canadian dollars for purposes of the Tax Act at the exchange rate prevailing at the time of the relevant transaction. The Corporation may

realize gains and losses by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Generally, in computing the amount of its Canadian income taxes, the Corporation will be entitled to claim credits in respect of foreign taxes paid by the Corporation and foreign taxes withheld at source to the extent permitted by the detailed rules in the Tax Act. To the extent that a tax credit is not claimed, the Corporation will be able to deduct any foreign withholding taxes paid.

In computing its income for tax purposes, the Corporation may deduct reasonable administrative, interest and other expenses incurred to earn income and may deduct over a five-year period the costs and expenses of the initial public offering paid by the Corporation and not reimbursed. Any non capital losses incurred by the Corporation may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Corporation.

The Manager has advised that the Corporation has purchased the Portfolio Securities with the objective of earning long-term capital appreciation and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Manager has advised that the Corporation elected in accordance with subsection 39(4) of the Tax Act to have each of its “Canadian securities” (as defined in the Tax Act) treated as capital property. Such election will ensure that gains or losses realized by the Corporation on the disposition of Canadian securities are taxed as capital gains or capital losses.

Generally, the Corporation will include gains and deduct losses on income account in connection with any purchases of physical metals or minerals as well as in connection with investments made through futures, forwards, options or other derivative securities, except where such derivatives are used to hedge securities held on capital account, and will recognize such gains or losses for tax purposes at the time they are realized by the Corporation.

### **Tax Treatment of Shareholders**

Shareholders of the Corporation must include in computing their income the Ordinary Dividends paid to them by the Corporation. These dividends will be subject to the usual gross-up and dividend tax credit rules applicable to taxable dividends paid by taxable Canadian corporations. An enhanced gross-up and dividend tax credit is available for “eligible dividends” which are so designated by the Corporation.

The amount of any capital gains dividend received by a Shareholder from the Corporation will be considered to be a capital gain of the Shareholder, one-half of which would be included in income.

Where an Ordinary Dividend or a capital gains dividend is paid in Class A Shares, or paid in cash and reinvested in Class A Shares, the cost of such Class A Shares acquired by a Shareholder will be equal to the amount of the dividend, or the amount of cash so reinvested, as the case may be.

For the purposes of determining the adjusted cost base to a Shareholder, when Class A Shares are acquired, the cost of the newly acquired Class A Shares will be averaged with the adjusted cost base of all of the Class A Shares owned by the Shareholder as capital property immediately before that time.

The market value per Class A Share will likely reflect any income and gains of the Corporation that have accrued or have been realized but not made payable at the time the Class A Shares are acquired. Consequently, a Shareholder who acquires additional Class A Shares may become taxable on their share of income and capital gains of the Corporation that accrued or were realized before the Class A Shares were acquired, notwithstanding that such amounts were reflected in the price paid for the shares.

Upon the redemption or other disposition of a Class A Shares by a Shareholder, a capital gain (or a capital loss) will be realized by the Shareholder to the extent that the proceeds of disposition of the Class A Share net of any reasonable costs of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Class A Share. Generally, one half of a capital gain (a taxable capital gain) is included in computing income and one half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act.

Class A Shares will generally qualify as “Canadian securities” for purposes of making an election under the Tax Act to deem such shares held by the investor to be capital property and to deem any disposition of the shares held to be a disposition of a capital property for the purposes of the Tax Act.

Where the holder of a Class A Share is a corporation, a trust of which a corporation is a beneficiary or a partnership of which a corporation is a member, in certain circumstances the amount of any capital loss otherwise determined may be reduced by the amount of Ordinary Dividends previously received on the Class A Share. These rules may also apply where a trust or partnership is a member of a partnership or a beneficiary of a trust that owns Class A Shares.

Individuals (other than certain trusts) who realize net capital gains, or receive dividends on the Class A Shares, may be subject to an alternative minimum tax under the Tax Act on the disposition of Class A Shares as a consequence of receiving capital gains dividends. A “Canadian controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6  $\frac{2}{3}$ % on its “aggregate investment income” for a taxation year, which includes taxable capital gains.

## **15. ELIGIBILITY FOR INVESTMENT**

Provided that the Class A Shares are listed on a designated stock exchange (which includes the TSX), the Class A Shares will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plan, registered disability savings plans and tax-free savings accounts. However, investors are advised to consult with their tax advisors as to the consequences of acquiring Class A Shares in a trust governed by a registered education savings plan in light of the acquisition of an interest in the trust that holds the Class J Shares.

Provided that the holder of a tax-free savings account does not hold a significant interest (as defined in the Tax Act) in the Corporation or any person or partnership that does not deal at arm's length with the Corporation within the meaning of the Tax Act, and provided that such holder deals at arm's length with the Corporation within the meaning of the Tax Act, the Class A Shares will not be prohibited investments for a trust governed by such tax-free savings account. Shareholders should consult their own tax advisors in this regard.

## **16. REMUNERATION OF SENTRY**

Sentry will receive the fees described under "Fees and Expenses" for its services to the Corporation and will be reimbursed by the Corporation for all expenses incurred in connection with the operation and administration of the Corporation.

## **17. MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Class A Shares:

- (a) the Management Agreement dated March 25, 2010; described under "Responsibility for Operations of the Corporation — The Manager"; and
- (b) the Custodian Agreement dated January 1, 2009; described under "Responsibility for Operations of the Corporation — The Custodian".

Copies of the foregoing agreements may be inspected during business hours on any Business Day at the principal office of the Corporation upon reasonable prior notice and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **18. LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The Manager is not aware of any material litigation outstanding, threatened or pending by or against the Corporation or the Manager.

### **Penalties or Sanctions**

No director, officer or promoter of the Trust or the Manager, within the last 10 years, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

## **19. OTHER MATERIAL INFORMATION**

### **Termination of the Corporation**

The Corporation does not have a fixed termination date but may be terminated at any time with the approval of Shareholders by an Extraordinary Resolution and passed at a duly convened meeting of Shareholders called for the purpose of considering such Extraordinary Resolution.

## **20. RISK FACTORS**

An investment in Class A Shares is subject to certain risk factors, including but not limited to, the following:

### **Performance of Issuer**

The NAV per Class A Share will vary according to the value of the securities in which the Corporation invests, which will depend, in part, upon the performance of the issuers of such securities. The value of the securities acquired by the Corporation will be affected by business factors and risks that are beyond the control of the Manager or the Corporation. In addition, the performance of certain of the Portfolio Securities may be affected by business factors and risks other than their exposure to metal and mineral prices, which may be more determinative of such Portfolio Securities' performance. Some of these factors and risks are: (i) some of the issuers in which the Corporation invests may have limited operating histories; (ii) operational risks related to specific business activities of the respective issuers; (iii) quality of underlying assets; (iv) financial performance of the respective issuers and their competitors; (v) volatility in the price of metal and mineral prices; (vi) environmental risks; (vii) political risks; (viii) fluctuations in exchange rates; (ix) fluctuations in interest rates; and (x) government regulations, including regulations to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The amount of dividends available for payment to Shareholders will depend in part on the amount of dividends paid by the issuers of the Portfolio Securities.

The Corporation may make investments in securities that have low trading volumes. Accordingly, it may be difficult for the Corporation to make trades in these securities without adversely affecting the price of such securities and consequently the NAV of the Corporation.

The NAV per Class A Share, as calculated by the Manager, may not reflect the price for which the Class A Shares can actually be sold.

### **No Guaranteed Return**

There is no guarantee that an investment in the Corporation will earn any positive return in the short term or long term.

### **Loss of Entire Investment**

An investment in the Class A Shares is speculative and may result in the loss of a substantial portion of an investor's investment. Only potential investors who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in the securities of the Corporation.

### **Uninsurable Risks**

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, explosions, blow-outs, formations of abnormal pressure, flooding or other conditions may occur from time to time. A mining issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure

or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on such mining issuer's financial position.

### **Exploration and Mining Risks**

The business of exploration for metals and minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At the time of investment in a mining issuer by the Corporation, it may not be known if such mining issuer's properties have a known body of ore of commercial grade. Unusual or unexpected formations, formation pressures, fires, explosions, rock bursts, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of the mining issuer to obtain suitable machinery, equipment or labour are all risks which may occur during exploration for and development of mineral deposits. Substantial expenditures are required in order to establish reserves through drilling, to develop metallurgical processes to extract the metal from the ore, to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals, as applicable, will be discovered in sufficient quantities by the issuers in which the Corporation may invest to justify commercial operations or that such issuers will be able to obtain the funds required for development on a timely basis or at all. The economics of developing mining properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, and such other factors as land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. There is no certainty that the expenditures to be made by the mining issuer in the exploration and development of the interests described herein will result in discoveries of commercial quantities of a resource.

### **No Public Market for Molybdenum or Uranium**

There is no public market for the sale of molybdenum or uranium. The Corporation and the Manager, on behalf of the Corporation, may not be able to acquire molybdenum or uranium, or once acquired, sell it on economically acceptable terms. The pool of potential purchasers and sellers is limited and each transaction may require the negotiation of specific provisions.

### **High Turnover**

It is anticipated that the Corporation's Portfolio will have a high turnover rate. This can increase trading costs, which lower the Corporation's return. It also increases the possibility that a Shareholder will receive taxable capital gains.

### **Commodity Price and Currency Fluctuations**

The operations and financial condition of the majority of issuers in which the Corporation will invest and, accordingly, the amount of dividends paid on, and the value of, such securities, will be dependent significantly on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse

effect on the operations and financial condition of the issuers of such securities and the amount of dividends paid on, and the value of, such securities.

In particular, the operational results and financial condition of issuers included in the Portfolio are especially sensitive to metal and mineral prices. Metal and mineral prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Any decline in metal or mineral prices could have an adverse effect on the dividends received from the issuers included in the Portfolio and the value of such issuers' securities.

In addition, metal and mineral prices are denominated generally in U.S. dollars. Accordingly, a decrease in the value of the U.S. dollar against the Canadian dollar could reduce the amount of dividends paid on such securities.

As the Portfolio may include securities traded in U.S. dollars or other foreign currencies, the NAV of the Corporation and distributable cash, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

#### **No Assurance of Title or Boundaries, or of Access**

While a mining issuer may have registered its mining claims, as applicable, with the appropriate authorities and filed all pertinent information to industry standards, this can not be construed as a guarantee of title. In addition, a mining issuer's properties may consist of recorded mineral claims or licences which have not been legally surveyed, and therefore, the precise boundaries and locations of such claims or leases may be in doubt and may be challenged. A mining issuer's properties may also be subject to prior unregistered agreements or transfers or land claims, and a mining issuer's title may be affected by these and other undetected defects.

#### **Foreign Country Risk**

A mining issuer's mining property interests may be located in foreign jurisdictions, and its exploration operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the mining issuer.

#### **Government Regulation**

A mining issuer's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rate of exchange, return of capital and labour relations. Such factors may adversely affect the mining issuer's business and/or its mining property holdings. Although a mining issuer's exploration activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the mining issuer's operations. Amendments to current laws and regulations governing the operations of a mining issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the mining issuer.

## **Environmental Regulation**

A mining issuer's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas which would result in environmental pollution. A breach of such legislation may result in the imposition on the mining issuer of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of a mining issuer's operations.

## **Financial Investor Demand and Exchange Traded Funds of Issuers**

Increased financial investor demand and exchange traded funds may inflate demand for issuers which may contribute to increased volatility and in certain circumstances may contribute to significant reductions in the value of issuers.

## **Valuation of Molybdenum, Uranium, Nickel and Other Metals**

The valuation of molybdenum, uranium, nickel and Other Metals may be difficult to determine because independent pricing information may not be available. In addition, the Corporation may have some of its assets in other metals or minerals that by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Corporation to any such investment differs from the actual value, the fair market value of the Corporation may be understated or overstated, as the case may be.

## **Private Issuers**

Investments in Private Issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. This may impair the Corporation's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in Private Issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk.

The value attributed to securities of Private Issuers for the purposes of the calculation of the Net Asset Value will be the cost thereof, subject to adjustment in limited circumstances, and therefore may not reflect the amount for which they can actually be sold. The process of valuing investments in Private Issuers will inevitably be based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

## **Trading Price of the Class A Shares Relative to Net Asset Value**

Securities of certain exchange listed investment funds in Canada have traded at a discount from their net asset values. This risk associated with securities of a listed mutual fund is a risk separate

and distinct from the risk that the Corporation's NAV may decrease. The Corporation cannot predict whether the Class A Shares will trade at a discount from, a premium to, or at the NAV per Class A Share.

### **No Assurances on Achieving Objective**

There is no assurance that the Corporation will be able to achieve its capital appreciation objective.

### **Annual Redemption Right**

If holders of a substantial number of Class A Shares exercise their redemption right, the number of Class A Shares outstanding and the NAV of the Corporation could be significantly reduced with the effect of decreasing the liquidity of the Class A Shares in the market and increasing the management expense ratio of the Corporation.

### **Composition of Portfolio**

The composition of the Portfolio taken as a whole may vary widely from time to time but will be concentrated by type of security, commodity, industry or geography, resulting in the Portfolio being less diversified than other closed-end funds.

### **Reliance on Management**

Investors will be dependent on the management of the Manager. Investors who are not willing to rely on the management of the Manager should not invest in the Class A Shares.

There is no certainty that Sentry will not be terminated as Manager prior to the termination of the Corporation or that Kevin MacLean will not leave the employ of Sentry.

### **Illiquid Securities**

If the Manager is unable or determines that it is inappropriate to dispose of some or all of the Portfolio Securities prior to the Termination Date, Shareholders may, subject to applicable laws, receive distributions of securities *in specie* upon the termination of the Corporation, for which there may be an illiquid market or which may be subject to resale restrictions. In addition, if the Manager determines that it is appropriate to acquire certain securities for the Portfolio, the Manager may be unable to acquire such securities in quantities or at prices which are acceptable to the Manager, if the market for such securities is particularly illiquid.

### **Status of the Corporation**

As the Corporation is not a mutual fund as defined under Canadian securities laws, the Corporation is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

## **Conflict of Interest**

The directors and officers of the Manager and its affiliates and associates may engage in the promotion, management or investment management of any other investment fund which invests primarily in issuers.

## **Changes in Legislation**

There can be no assurance that income tax laws and government incentive programs relating to the businesses of issuers of Portfolio Securities and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the distributions received by the Corporation and the Shareholders and/or the value of the Class A Shares or the securities in which the Corporation invests.

## **Taxation of the Corporation**

The scope of the October 31, 2003 tax proposals announced by the Department of Finance and the announcement made by the Minister of Finance on February 23, 2005 that the Department of Finance would be developing an alternative proposal, both of which are intended to address the deductibility of losses, is uncertain. There can be no assurance that once the legislation is finalized that losses of the Corporation may be denied with the result that the taxable amount of distributions to Shareholders could be increased.

A condition to qualify as a mutual fund corporation for purposes of the Tax Act is that the Corporation may not be established or maintained primarily for the benefit of non-resident persons unless substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. If, for any reason, the Corporation ceases to qualify as a mutual fund corporation under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" and "Eligibility for Investment" would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund corporation will not be changed in a manner which adversely affects the Shareholders.

In determining its income for tax purposes, the Corporation will treat gains or losses on the disposition of securities in the Portfolio as capital gains and losses. In addition, in accordance with the CRA's published administrative practice, derivatives used to hedge capital items will be treated and reported for purposes of the Tax Act on capital account and paid by way of capital gains dividends to Shareholders on this basis. If these dispositions of non-Canadian securities or hedge transactions of the Corporation are not on capital account, the net income of the Corporation for tax purposes and the taxable component of dividends to Shareholders could increase.

## GLOSSARY

“Additional Dividend” means a dividend that, if necessary, will be made in each year to Shareholders of record on December 31 in order that the Corporation will generally not be liable to pay income tax, as described under “Dividends”.

“Business Day” means any day on which the TSX is open for business.

“CDS Participant” means a participant in the CDS book-based system.

“Class A Share” means a class A share of the Corporation.

“Class J Shares” means the class of shares of the Corporation designated as “Class J Shares”.

“CRA” means the Canada Revenue Agency.

“Custodian” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement.

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least 66⅔% of the votes cast, either in person or by proxy, at a meeting of Shareholders called for the purpose of considering such resolution.

“Information Circular” means the management information circular dated February 25, 2010 provided to Shareholders in connection with the special meeting of Shareholders dated March 25, 2010.

“Management Agreement” means: (i) for the period prior to March 25, 2010, the management agreement between the Corporation and the Manager dated as of January 1, 2009, as amended or amended and restated from time to time; and (ii) subsequent to March 25, 2010, the amended and restated management agreement between the Manager and the Corporation dated as of March 25, 2010, as amended or amended and restated from time to time.

“Manager” means the manager of the Corporation, Sentry.

“Monthly Redemption” means a redemption of Class A Shares pursuant to the procedures described under “Redemption of Class A Shares – Monthly Redemption”.

“Monthly Redemption Date” with respect to particular Class A Shares means the second last Business Day of the month in which the Class A Shares were surrendered for a Monthly Redemption in that month.

“NI 81-102” means National Instrument 81-102 *Mutual Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“Ordinary Dividends” means dividends other than capital gains dividends.

“Other Metals” refers to metal and mineral issuers that produce and/or engage in the exploration of metals and minerals other than uranium, nickel and molybdenum.

“Portfolio” means the assets held by the Corporation from time to time.

“Portfolio Securities” means the securities that are in the Portfolio.

“Private Issuer” means an issuer with securities for which a market quotation is not readily available.

“Servicing Fee” means the servicing fee paid by the Manager to investment dealers equal to 0.40% annually of the NAV per Class A Share for each Class A Share held by the clients of the registered dealer.

“Shareholders” means holders of Class A Shares.

“Tax Act” means the *Income Tax Act* (Canada) and the regulations thereunder.

“Threshold Amount” means the greater of 110% of the previous Threshold Amount and 110% of the NAV per Class A Share at December 31 of the previous year less the amount of any cash dividends payable for the year in respect of which the Threshold Amount is being determined.

“Transfer Agent” means Computershare Investor Services Inc. in its capacity as registrar and transfer agent for the Class A Shares, and any successor thereof.

“TSX” means the Toronto Stock Exchange.

“Valuation Time” means 4:15 p.m. (Toronto time) on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Days of March, June, September and December.

**SENTRY SELECT PRIMARY METALS CORP.**

- Additional information about the Corporation is available in the Corporation's management reports of fund performance and financial statements.
- You can get a copy of these documents, including a statement of portfolio transactions, at no cost by calling 1-888-730-4623, or from your dealer or by e-mail at [info@sentry.ca](mailto:info@sentry.ca).
- These documents and other information about the Corporation, such as information circulars and material contracts, are also available on the Manager's Internet site at [www.sentry.ca](http://www.sentry.ca) or at [www.sedar.com](http://www.sedar.com).

**Sentry Select Capital Inc.**

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