Sprott 2014-II Flow-Through Limited Partnership

A key element of your tax management strategy

Investment Objective

The Partnership's investment objective is to achieve capital appreciation and significant tax benefits for Limited Partners by investing in a diversified portfolio of flow-through shares of resource issuers.

Investment Highlights

Portfolio Management Team

Jason Mayer, Portfolio Manager
- Resource and flow-through specialist
- Experienced lead portfolio manager of resource and flow-through funds

Eric Nuttall, CIM, Portfolio Manager
- Energy specialist
- Expertise in new drilling technologies and unconventional resources

The Sprott 2014-II Flow-Through Advantage:

- Portfolio Managers, Jason Mayer and Eric Nuttall have significant experience in the natural resource sector
- The Managers are supported by Sprott's broader team of experienced resource investment professionals and in-house technical services team
- Ability to leverage Sprott's existing relationships with hundreds of Canadian resource companies
- Expected 100% tax deduction against 2014 taxable income

MONEY AT RISK [1]			
	2014	2015 AND BEYOND	TOTAL
Assumed marginal tax rate [2]	45.0%	45.0%	
Investment [2]	$1,000	-	$1,000
Income tax savings from deductions	($450)	($52)	($502)
Capital gains tax [3] [4]	-	$26	$26
Total income tax (savings)	**($450)**	**($26)**	**($476)**
Money at risk [5]			**$524**
Break-even proceeds of disposition [6]			**$676**
Downside protection (%) [7]			**32%**

Fund Details

Offering Size	Maximum: $20,000,000 (800,000 Units) Minimum: $5,000,000 (200,000 Units)
Issue Price	$25.00 per Unit
Minimum Subscription	$5,000 (200 Units)
Management Fee	2.0%
Performance Bonus	20% of amount that Net Asset Value per unit exceeds $28.00
Timing	Initial Closing: Mid-October 2014

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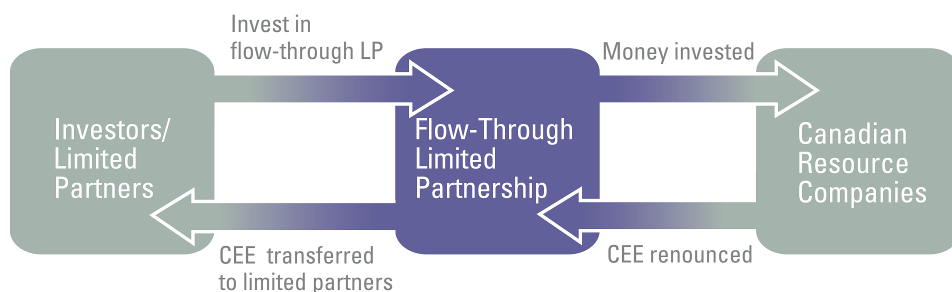
What are Flow-Through shares?

To encourage investment in the Canadian resource sector, the Federal Government allows Canadian resource companies that invest in the oil and gas, mining and renewable energy sectors to fully deduct certain exploration expenses, Canadian Exploration Expenses (CEE). To raise capital for exploration, those companies often issue flow-through shares and renounce the CEE to the purchasers of those shares. The shareholders are then able to deduct 100% of the CEE against their own income.

What is a Flow-Through Limited Partnership?

Flow-through limited partnerships are professionally managed diversified portfolios of flow-through shares. The amounts invested are generally 100% deductible against taxable income in the year the investment is made.



Most flow-through limited partnerships have a life span of less than two years. At termination of the partnership, unitholders receive shares of an open-ended mutual fund corporation on a tax-deferred basis. The adjusted cost base of their shares (ACB) is reduced by the tax deductions and increased by any capital gains from the investments sold within the limited partnership portfolio.

Tax benefits of flow-through limited partnerships

Tax Savings
The cost of flow-through limited partnerships is 100% tax-deductible in the year they are purchased. In addition, the proceeds from the disposition of the partnership are taxable as capital gains and taxable only at a rate 50% of regular income.

Tax Deferral
Investors can defer their tax liability until they redeem out of the mutual fund corporation. The investors can switch between the classes of the corporation without triggering any tax consequences.

Tax Efficiency
Investing in flow-through shares effectively converts income into capital gains, allowing investors to take advantage of any capital loss carry-forwards.

(1) Based on maximum offering
(2) For illustrative purposes only
(3) Assumed that 50% of capital gains are taxable in computing a Limited Partner's income
(4) Assumed that the Flow-Through Shares held by the Partnership are sold by the Partnership at the price at which the Partnership acquired the shares. If Flow-Through Shares are purchased at a premium to the market price, the market price must appreciate in order for the Partnership to sell the shares at the price at which the Partnership acquired the shares
(5) Calculated as total investment by Limited Partner less total income tax savings from deductions
(6) Represents the amount an investor must receive such that after paying capital gains tax, the investor would recover the money at risk. Calculated as money at risk divided by one minus the product of (i) an assumed 45% marginal tax rate multiplied by (ii) the rate at which capital gains are taxed in the year of disposition, which is currently 50%
(7) Calculated as the investment cost ($1,000 in this example) minus break-even proceeds of disposition, divided by investment cost

The following summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser of units of Sprott 2014-II Flow-Through Limited Partnership (the "Partnership"). Purchasers acquiring units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law and is able to determine optimal use of an investor's federal and provincial deductions and/or credits, as well as impact, if any, on an investor's liability for alternative minimum tax.

This offering is only made by prospectus. The Partnership's prospectus contains important detailed information about the securities being offered. Copies of the prospectus may be obtained from your IIROC registered financial advisor. Investors should read the prospectus before making an investment decision.

This is a speculative offering. The purchase of units involves significant risks. There is no assurance of a return on a subscriber's initial investment. Please refer to the prospectus for the complete list of risk factors associated with an investment in the units.

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