*No securities regulatory authority has expressed an opinion about the securities offered hereunder and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

**PROSPECTUS**

*Initial Public Offering* September 23, 2014

# SPROTT 2014-II FLOW-THROUGH LIMITED PARTNERSHIP

**$20,000,000 (maximum)**
**800,000 Limited Partnership Units**
**Price per Unit: $25**
**Minimum Subscription: $5,000 (200 Units)**

**The Partnership:** Sprott 2014-II Flow-Through Limited Partnership (the "**Partnership**") is a non-redeemable investment fund. This prospectus qualifies the distribution by the Partnership of a maximum of 800,000 limited partnership units (the "**Units**"). The Units will be sold at a price of $25.00 per Unit, subject to a minimum subscription of 200 Units for $5,000. Capitalized terms used in this prospectus are defined in the Glossary of Terms in this prospectus.

**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 and other securities, if any, of Resource Issuers. The Partnership will enter into Share Purchase Agreements with Resource Issuers under which such issuers will agree to issue Flow-Through Shares and other securities, if any, to the Partnership, incur Canadian Exploration Expense ("**CEE**") in carrying out activities in Canada and, for qualifying CEE, renounce CEE to the Partnership. Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes in respect of CEE incurred and renounced to the Partnership and may be entitled to certain investment tax credits deductible from tax payable. See "Investment Objective" and "Income Tax Considerations".

**The General Partner:** Sprott 2014-II Corporation is the general partner of the Partnership (the "**General Partner**") and has the authority to manage the operations and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. The General Partner has delegated the management of all day-to-day business, operations and affairs of the Partnership to the Manager pursuant to the Management Agreement. See "Organization and Management Details of the Partnership — General Partner of the Partnership".

**The Manager:** The Partnership has retained Sprott Asset Management LP ("**Sprott**" or the "**Manager**") to provide investment, management, administrative and other services. See "Organization and Management Details of the Partnership — Manager of the Partnership".

| | Price to the Public | Agents' Fee[(1)] | Proceeds to the Partnership[(2)] |
|---|---|---|---|
| Price Per Unit[(3)] | $25.00 | $1.4375 | $23.5625 |
| Minimum Offering[(4)] (200,000 Units) | $5,000,000 | $287,500 | $4,712,500 |
| Maximum Offering (800,000 Units) | $20,000,000 | $1,150,000 | $18,850,000 |

(1) The Agents' fee is 5.75% and will be paid by the Partnership from the proceeds of the Loan Facility.

(2) Before deducting the expenses of the Offering, estimated by the Manager to be $250,000 in the case of the minimum Offering and $350,000 in the case of the maximum Offering. The Partnership's share of such expenses will be $100,000 in the case of the minimum Offering because the Partnership will pay for any Offering expenses in an amount up to 2% of the Gross Proceeds and any Offering expenses in excess of that amount will be borne by the Manager. The Partnership's portion of the Offering expenses, together with the Agents' fee, will be paid by the Partnership from the proceeds of the Loan Facility and are not deductible in computing income of the Partnership pursuant to the Tax Act for the fiscal period ending December 31, 2014.

(3) The Manager established the subscription price per Unit.

(4) There will be no Closing unless a minimum of 200,000 Units are sold. If subscriptions for a minimum of 200,000 Units have not been received within 90 days after the date of issuance of the Receipt in respect of the final prospectus, the Offering may not continue and subscription proceeds will be returned to Subscribers, without interest or deduction, unless an amendment to this prospectus is filed. The proceeds from subscriptions will be received by the Agents or such other registered dealers or brokers as are authorized by the Agents pending the Initial Closing and any subsequent Closing, if any.

**THIS IS A BLIND POOL OFFERING. 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. The Units are more suitable for individuals whose incomes are subject to high marginal tax rates. There is no market through which the Units may be sold and purchasers may not be able to resell the securities purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. Limited Partners may lose their limited liability in certain circumstances. The Flow-Through Shares and other securities, if any, of Resource Issuers issued to the Partnership generally will be subject to resale restrictions. The Manager may not be able to identify a sufficient number of investments in Flow-Through Shares and other securities, if any, of Resource Issuers to fully invest the Available Funds by December 31, 2014. Therefore, the possibility exists that capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes. Fluctuations in the market price of securities acquired by the Partnership may occur for a number of reasons beyond the control of the Manager or the Partnership and there is no assurance that an adequate market will exist for such securities. The business activities of Resource Issuers are speculative and may be adversely affected by factors outside the control of those issuers. Limited Partners who sell their Units may not realize proceeds equal to their *pro rata* share of the Net Asset Value because of their liability for tax on capital gains arising as a result of a disposition of Units. The General Partner has nominal assets. See "Risk Factors", "Organization and Management Details of the Partnership — Conflicts of Interest" and "Income Tax Considerations". Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of this investment and, in addition to the tax benefits, should consider the investment merits of the Units.**

**Liquidity Event:** The Partnership intends to provide liquidity to Limited Partners prior to October 31, 2016. The Partnership currently intends to implement a Mutual Fund Rollover Transaction, but if the Manager determines not to proceed with a Mutual Fund Rollover Transaction, then the Partnership will convene a Special Meeting to consider an alternative liquidity transaction (a "**Liquidity Alternative**"), subject to approval by Extraordinary Resolution. Pursuant to the Mutual Fund Rollover Transaction, if any, Limited Partners will receive redeemable shares of the Designated Mutual Fund. The Partnership intends to complete the Mutual Fund Rollover Transaction, if any, pursuant to the terms of the Transfer Agreement. The Mutual Fund Rollover Transaction is a conflict of interest matter for the Manager under NI 81-107 that will be referred to the Independent Review Committee and the independent review committee of the Designated Mutual Fund. A Liquidity Alternative, if a conflict of interest matter for the Manager under NI 81-107, will be referred to the Independent Review Committee. Completion of the Mutual Fund Rollover Transaction or a Liquidity Alternative will require the receipt of all necessary regulatory and other approvals, including the recommendation to proceed of the Independent Review Committee and the independent review committee of Sprott Corporate Class Inc., as applicable. **There can be no assurance that the Mutual Fund Rollover Transaction or a Liquidity Alternative will receive the necessary approvals or be implemented.** See "Termination of the Partnership — Liquidity Event and the Mutual Fund Rollover Transaction" and "Risk Factors".

The federal tax shelter identification number for the Partnership is TS082412. The Québec tax shelter identification number for the Partnership is QAF-14-01552. The identification numbers issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification numbers is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. Les numéros d'inscription attribués à cet abri fiscal doivent figurer dans toute déclaration d'impôt sur le revenu produite par l'investisseur. L'attribution de ces numéros n'est qu'une formalité administrative et ne confirment aucunement le droit de l'investisseur aux avantages fiscaux découlant de cet abri fiscal.

RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Desjardins Securities Inc., Manulife Securities Incorporated, Raymond James Ltd. and Sprott Private Wealth LP as agents (collectively, the "**Agents**"), conditionally offer the Units for sale on a best efforts basis, if, as and when subscriptions are accepted by the Manager on behalf of the Partnership, subject to prior sale, in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Partnership and the General Partner by Baker & McKenzie LLP and on behalf of the Agents by Stikeman Elliott LLP. **The Partnership is considered to be a related issuer of Sprott Private Wealth LP, one of the Agents, because Sprott Private Wealth LP is an affiliate of the General Partner and the Manager. The Partnership may also be considered to be a connected issuer of BMO Nesbitt**

**Burns Inc., one of the Agents, because BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank which will, on the date of the Initial Closing, be a lender to the Partnership under a loan facility. See "Plan of Distribution", "Organization and Management Details of the Partnership – Conflicts of Interest" and "Fees and Expenses – Loan Facility".**

Subscriptions will be received subject to allotment by the Agents and subject to acceptance or rejection by the General Partner on behalf of the Partnership, in whole or in part, prior to Closing and subject to the right to close the subscription books at any time without notice. Registrations of interests in and transfers of Units will be made only through non-certificated interests issued under the Non-Certificated Inventory System administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Non-certificated interests representing the aggregate Units subscribed for under the Offering will be recorded in the name of CDS, or its nominee, on the register of the Partnership maintained by Equity Financial Trust Company on the date of each Closing. A Subscriber will receive only a customer confirmation from the registered dealer or broker which is a CDS Participant and through which such Subscriber purchased Units. It is expected that the Initial Closing will occur on or about September 29, 2014 and all subsequent Closings, if any, will be completed on or before the date that is 90 days after the issuance of the Receipt in respect of the final prospectus. Confirmation of the acceptance of a subscription will be forwarded to the Subscriber upon acceptance by the General Partner on behalf of the Partnership. See "Plan of Distribution" and "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Units".

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## FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "may", "will", "intend" and similar expressions, including negative variations thereof, to the extent they relate to the Partnership, the General Partner or the Manager. These forward-looking statements are not historical facts but reflect the Partnership's, the General Partner's, and/or the Manager's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, changes in the global economy, general economic and business conditions, existing governmental regulations, supply, demand and other market factors specific to the resource sector and to the securities of Resource Issuers, including those set out under "Risk Factors". See "Risk Factors".

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Forward-looking statements are made as of the date hereof, or such other date specified in such statements, and neither the General Partner, on behalf of the Partnership, nor any other person assumes any obligation to update or revise such forward-looking statements to reflect new information, events or circumstances, except as required by law.

## SCHEDULE OF EVENTS FOR THE PARTNERSHIP

| Event | Approximate Date |
|---|---|
| Initial Closing | September 29, 2014 |
| Tax deductions allocated to Limited Partners[(1)] | December 31, 2014 |
| Transfer of assets to the Designated Mutual Fund | prior to October 31, 2016 |
| Distribution of Mutual Fund Shares to Limited Partners[(2)] | prior to October 31, 2016 |

(1) Excludes tax deductions associated with expenses of the Offering and the Agents' fee deductible after 2014.

(2) The Mutual Fund Shares will be distributed as soon as practicable and in any event within 60 days after the transfer of assets to the Designated Mutual Fund pursuant to the Transfer Agreement.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used but not defined in this summary are defined on the face page of this prospectus or in the Glossary of Terms.*

| | |
|---|---|
| **Issuer:** | Sprott 2014-II Flow-Through Limited Partnership (the "**Partnership**"). |
| **Securities Offered:** | Units. |
| **Offering Size:** | Maximum: $20,000,000 (800,000 Units).<br>Minimum: $5,000,000 (200,000 Units). |
| **Price:** | $25.00 per Unit. See "Purchases of Securities". |
| **Minimum Subscription:** | 200 Units for $5,000. Additional subscriptions may be made in multiples of one Unit ($25.00). |
| **Payment of Subscription Price:** | The Subscription Price is payable in full on the Closing Date. See "Purchases of Securities". |
| **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 and other securities, if any, of Resource Issuers whose principal business will be: (i) mining exploration, development, and/or production, (ii) oil and gas exploration, development, and/or production or (iii) certain energy production that may incur CRCE. See "Investment Objective". |
| **Investment Strategies:** | The Partnership's investment strategy will be to invest in Flow-Through Shares and other securities, if any, of Resource Issuers whose principal business will be: (i) mining exploration, development, and/or production, (ii) oil and gas exploration, development, and/or production or (iii) certain energy production that may incur CRCE. To accomplish this strategy, a strong preference will be given to companies with existing production, which the Manager believes should mitigate downside risk relative to investing in earlier stage companies.<br><br>Investment in Resource Issuers will be primarily directed at companies that (a) have capable management teams; (b) have quality assets; (c) have a strong exploration program in place; and (d) offer the potential for future growth.<br><br>The Manager will be proactive in approaching companies to do financings, thereby attempting to obtain high-quality investment opportunities, and will seek to leverage the many existing relationships that the Manager and its portfolio management team have with natural resource companies.<br><br>The Partnership intends to invest Available Funds such that Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes in respect of the CEE incurred and renounced to the Partnership and may be entitled to certain investment tax credits deductible from tax payable, all of which will apply predominately to the 2014 taxation year.<br><br>*Flow Through Investing Overview*<br><br>Resource Issuers that incur CEE may deduct 100% of such expenditures from their income for tax purposes. These income tax deductions may be flowed through to investors who agree to purchase qualifying shares, or the right to such shares, from a Resource Issuer under an agreement whereby such issuer agrees to incur the CEE and renounce such expense to such investors. Shares issued in accordance with such an agreement are "flow-through shares" as defined in the Tax Act. CEE with respect to expenditures incurred during 2015 will be deemed to be incurred as of December 31, 2014 in certain circumstances. The use of a limited partnership permits income tax deductions to be allocated to, and utilized by, limited partners while at the same time providing for limited liability, subject to certain qualifications. See "Investment Objective", "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Limited Liability of Limited Partners", "Risk |

Factors" and "Income Tax Considerations".

Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes in respect of the CEE incurred and renounced to the Partnership and may be entitled to certain investment tax credits deductible from tax payable. The Partnership may invest in non-flow-through securities of Resource Issuers separately or in combination with Flow-Through Shares of the same Resource Issuer when they are offered at the same time in order to facilitate the acquisition of such Flow-Through Shares and reduce the average cost of the investment in such Resource Issuer.

The Partnership intends to obtain for Limited Partners the applicable income tax deductions associated with Flow-Through Shares and to reduce certain risks to Limited Partners by the diversification of the portfolio of equity securities of Resource Issuers to be owned by the Partnership by causing the Partnership to enter into Share Purchase Agreements with Resource Issuers pursuant to which each such issuer will undertake to incur CEE between the date on which such Resource Issuer entered into the applicable Share Purchase Agreement and December 31, 2015, inclusive. The Partnership will receive Flow-Through Shares and CEE will be renounced to the Partnership by the Resource Issuers. By investing in a number of Resource Issuers, the Partnership will benefit from the reduced risks associated with portfolio diversification.

**Investment Restrictions:** The Partnership will, as a general rule, at the time of investment, use its best efforts to observe the following guidelines in committing the Available Funds to Resource Issuers:

(a) at least 80% of the Available Funds will be invested in Resource Issuers that are listed on a stock exchange and at least 25% of the Available Funds will be invested in Resource Issuers that are listed on the TSX, the New York Stock Exchange, the NYSE MKT, NASDAQ, the London Stock Exchange (including the Alternative Investment Market), the Australian Stock Exchange or the South African JSE Securities Exchange, or any successor exchange thereto;

(b) the Partnership will invest a minimum of 50% of the Available Funds in Flow-Through Shares of Resource Issuers whose market capitalization (determined at the time of purchase) exceeds $50 million;

(c) not more than 20% of the Available Funds will be invested in any one Resource Issuer;

(d) the Partnership will not own more than 10% of any class of equity or voting securities of any Resource Issuer or purchase securities of any Resource Issuer for the purpose of exercising control or management over such issuer; provided that, for this purpose, all equity based securities held by the Partnership shall be deemed to have been converted or exercised into the underlying equity securities and all fully paid equity based securities issued by a Resource Issuer shall be deemed to have been exercised into the underlying equity securities; and

(e) except for the purpose of hedging the risks associated with particular securities that are, or pursuant to a corporate action will be, in the Partnership's portfolio, the Partnership may not sell securities short or maintain a short position in any security.

See "Investment Strategies".

**Loan Facility:** On the date of the Initial Closing, the Partnership will enter into a loan facility (the "**Loan Facility**") with a Canadian chartered bank that is an affiliate of BMO Nesbitt Burns Inc., one of the Agents. The Loan Facility will be used to fund the Agents' fee and the expenses of the Offering. As at the date of this prospectus, no amount of indebtedness is outstanding from the Partnership to such Canadian chartered bank. Pursuant to the Loan Facility, the Partnership will be able to borrow up to the amount of the aggregate of the Agents' fee and the expenses of the Offering, such amount not to exceed 10% of the Gross Proceeds. The maximum amount of leverage that the Partnership could be exposed to at any time pursuant to the Loan Facility is 1.25:1 ((total long positions (including leveraged positions) plus total short positions) divided by the net assets of the Partnership).

The General Partner will ensure that the interest rates, fees and expenses under the Loan

Facility will be typical of credit facilities of this nature. The Partnership's obligations under the Loan Facility will be secured by a pledge of the assets held by the Partnership. Prior to the dissolution of the Partnership, all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full.

See "Fees and Expenses — Loan Facility", "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Limited-Recourse Financings" and "Income Tax Considerations — Taxation of Securityholders — Computation of Income of Limited Partners".

**Use of Proceeds:**

The Partnership intends to use the Gross Proceeds as set forth in the table below. The table also shows an estimate of the Available Funds. The Partnership will endeavour to use the Available Funds to subscribe for Flow-Through Shares and other securities, if any, of Resource Issuers in accordance with its investment objective, guidelines and strategy described in this prospectus. See "Use of Proceeds — The Partnership". The Gross Proceeds, Agents' fee, Offering expenses and Available Funds are set forth in the following table:

| | Maximum Offering | Minimum Offering |
|---|---|---|
| **Net Proceeds** | | |
| Gross Proceeds | $20,000,000 | $5,000,000 |
| Agents' fee[(1)] | $(1,150,000) | $ (287,500) |
| Offering expenses[(2)] | $ (350,000) | $ (100,000) |
| Net Proceeds | $18,500,000 | $4,612,500 |
| **Available Funds** | | |
| Net Proceeds | $18,500,000 | $4,612,500 |
| Borrowed funds under the Loan Facility[(2)] | $ 1,500,000 | $ 387,500 |
| 2014 Partnership fees and expenses[(3)] | $ (200,000) | $ (65,000) |
| Available Funds | $19,800,000 | $4,935,000 |

Notes:

(1) The Agents' fee is 5.75% of the Subscription Price of each Unit sold.

(2) The expenses of this Offering are estimated by the General Partner to be $250,000 in the case of the minimum Offering and $350,000 in the case of the maximum Offering, but the Partnership's share of such expenses will be $100,000 in the case of the minimum Offering. This is because the Partnership will pay for any Offering expenses in an amount up to 2% of the Gross Proceeds and any Offering expenses in excess of that amount will be borne by the Manager. The Partnership's portion of the Offering expenses, together with the Agents' fee will be paid by the Partnership from the proceeds of the Loan Facility and are not deductible in computing income by the Partnership pursuant to the Tax Act for the fiscal period ended December 31, 2014. See "Fees and Expenses — Initial Fees and Expenses" and "Fees and Expenses — Loan Facility"

(3) The Partnership's ongoing fees and expenses for the 2014 calendar year have been estimated by the Partnership and include the management fee and all expenses incurred in connection with the Partnership's operation and administration. The Partnership will fund ongoing fees and expenses from either amounts reserved from the Gross Proceeds or the proceeds of the sale of Flow-Through Shares held by the Partnership. See "Fees and Expenses".

**Risk Factors:**

**This is a blind pool Offering. This is a speculative Offering. As of the date of this prospectus, the Partnership has not entered into any Share Purchase Agreements with any Resource Issuer. If any Closing occurs after the Initial Closing, it is likely that the Partnership will have then selected potential investments or made investments. Aside from tax benefits, Subscribers should consider whether the Units have sufficient merit solely as an investment. In addition, the purchase of Units involves significant risk factors.**

These risk factors include, but are not limited to:

a) an investment in Units is speculative in nature and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment;

b) there is no guarantee that an investment in the Partnership will earn a specified rate of return or any return in the short or long term;

c) there are certain risks inherent in oil and gas and resource exploration and investing in Resource Issuers; and Resource Issuers may not hold or discover commercial quantities of oil or gas, precious metals, minerals, and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities,

general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other taxes and government regulation;

d) in the event of a continued general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Resource Issuers in which the Partnership invests would not be materially adversely affected;

e) the Partnership and the General Partner are newly established entities that have no previous operating or investment history;

f) lack of an adequate market for securities owned by the Partnership due to fluctuations in trading volumes, market prices and limited trading volumes;

g) the purchase price per Unit paid by a Subscriber at a Closing subsequent to the Initial Closing may be less than or greater than the aggregate Net Asset Value per Unit at the time of purchase;

h) fluctuations in the value of the Units due to variations in the value of securities held by the Partnership due to changes in the market value of securities, lack of assurance of a positive return, market prices for commodities and adverse fluctuations in foreign exchange rates;

i) difficulties associated with the accurate valuation or sale of investments in certain small or non-listed Resource Issuers, resulting in such investments trading at a price significantly lower than their value;

j) the size of the offering will affect the amount of diversification and may affect the scope of the investment opportunities available to the Partnership;

k) because the Partnership will invest in Flow-Through Shares issued by Resource Issuers primarily engaged in (i) mining exploration, development and/or production, (ii) oil and gas exploration, development, and/or production industries or (iii) certain energy production that may incur CRCE (including junior issuers), its Net Asset Value may be more volatile than portfolios with a more diversified investment focus;

l) the sale of a Unit, prior to the Mutual Fund Rollover Transaction, could result in a failure to realize maximum tax savings and proceeds equal to the Limited Partner's share of the Net Asset Value, and possible liability for capital gains tax;

m) illiquidity of Flow-Through Shares and other securities, if any, of Resource Issuers owned by the Partnership due to resale and other restrictions under applicable securities laws;

n) the tax benefits resulting from an investment in the Partnership are greatest for an individual Limited Partner whose income is subject to the highest marginal income tax rate;

o) Limited Partners may receive allocations of income and/or capital gains in a year without receiving any cash distributions from the Partnership for that year to pay any tax that they may owe as a result of being a Limited Partner in that year;

p) if the Proposed Loss Limitation Rule is enacted in its current form and applies to the Partnership, losses realized by the Partnership and allocated to Limited Partners or losses realized by a Limited Partner from interest expense or following the dissolution of the Partnership could be denied;

q) there is no market through which the Units may be sold and investors may not be able to resell the Units purchased under this prospectus; no public market for the Units is expected to develop;

r) Flow-Through Shares may be issued to the Partnership at prices that exceed the market prices of similar common shares that do not permit CEE to be renounced in favour of the holders. Competition for the purchase of Flow-Through Shares may increase the premium at which such shares are available for purchase by the

Partnership;

s) Subscribers must rely on the discretion of the Manager in determining the composition of the investment portfolio of the Partnership, in negotiating the pricing of securities purchased by the Partnership and in disposing of securities;

t) the Manager will not always receive or review engineering or other technical reports prior to making investments;

u) there is no assurance that any Mutual Fund Rollover Transaction, or a Liquidity Alternative, will be implemented;

v) while the General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has nominal assets and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity;

w) possible adverse changes to or interpretations of federal or provincial legislation or possible amendment of proposed legislation or administrative practices resulting in an alteration of the tax and other consequences of holding or disposing of Units;

x) possible failure of Resource Issuers to comply with the provisions of the Share Purchase Agreements or with the provisions of applicable income tax legislation with respect to the nature of expenses renounced to the Partnership; Limited Partners may, as a result be reassessed by CRA;

y) the interest expense and banking fees incurred in respect of the Loan Facility, if any, by the Partnership may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares; there can be no assurance that the borrowing strategy employed by the Partnership will enhance returns;

z) the Partnership may short sell and maintain short positions in securities for the purpose of hedging securities held in the Partnership's investment portfolio that are subject to resale restrictions, which may expose the Partnership to losses if the value of the securities sold short increases;

aa) the Manager may not be able to identify a sufficient number of investments in Flow-Through Shares to fully invest the Available Funds by December 31, 2014 and, therefore, capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes;

bb) possible loss of limited liability for Limited Partners under certain circumstances; and

cc) continuing liability of a Limited Partner to repay any portion of the Subscription Price returned by the Partnership to such Limited Partner, with interest, as provided under the Partnership Agreement necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before such amount was returned.

See "Risk Factors" and "Organization and Management Details of the Partnership — Conflicts of Interest".

**Adjusted Cost Base of Flow-Through Shares:**

The adjusted cost base of Flow-Through Shares held by the Partnership is expected to be nil such that all proceeds net of selling costs of such securities will be capital gains. If the Partnership disposes of Flow-Through Shares in consideration for other securities, the Partnership's gain or loss on the disposition of these other securities will be calculated by reference to the acquisition cost of those securities. See "Income Tax Considerations — Taxation of Securityholders".

**Financial Aspects of an Investment in Units:**

The following tables set forth certain financial aspects, based on the estimates and assumptions in the notes to the tables below, for a Limited Partner who is an individual (other than a trust), who has invested $1,000, assuming marginal income tax rates for each province and territory as set forth in Table II below.

The following calculations and assumptions do not constitute a forecast, projection, estimate

of possible results, contractual undertaking or guarantee. An investment in Units is appropriate only for investors who have the capacity to absorb a loss of their investment. The tax benefits resulting from an investment in the Partnership are greatest for an individual Subscriber whose income is subject to the highest marginal income tax rate. Subscribers 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.

In order to qualify for income tax deductions available in respect of a particular year, a Subscriber must be a Limited Partner at the end of the year. It is assumed that the Limited Partner holds Units throughout all periods. The calculations do not take into account the time value of money. Any present value calculation should take into account the timing of cash flows, the investor's present and future tax position and any change in the market value of the portfolio of Flow-Through Shares held by the Partnership. The calculations do not take into account any subsequent reinvestment of any proceeds which may be realized by the Partnership in connection with dispositions of Flow-Through Shares. The following illustrations were prepared by the Manager and are not based on an independent opinion rendered by an accountant or lawyer. The actual tax savings, money at-risk and portfolio value of Flow-Through Shares and other securities, if any, of Resource Issuers may be different than those in the underlying tables below. The figures set forth are not a representation regarding the future value of Units. These figures are for illustrative purposes only and are not intended as a forecast of future events. There is no assurance that such results will in fact be realized.

**TABLE I**
**Tax Advantages per $1,000 Investment**
**Assuming the Maximum Offering ($20 Million)**

| Year | CEE | Other Deductions* | Total Deductions* | Taxable Capital Gain |
|---|---|---|---|---|
| 2014 | $991 | $9 | $1,000 | $0 |
| 2015 and beyond | $0 | $124 | $124 | $62 |
| | $991 | $133 | $1,124 | $62 |

**Assuming the Minimum Offering ($5 Million)**

| Year | CEE | Other Deductions* | Total Deductions* | Taxable Capital Gain |
|---|---|---|---|---|
| 2014 | $989 | $11 | $1,000 | $0 |
| 2015 and beyond | $0 | $145 | $145 | $72 |
| | $989 | $156 | $1,145 | $72 |

* Tax deductions available to a Limited Partner will be limited to his or her "at-risk amount," which will be $1,000 per $1,000 investment in 2014. Any amounts in excess of the at-risk amount may be carried forward and deducted in later years, subject to the rules in the Tax Act. See "Income Tax Considerations — Taxation of Securityholders — Limitation on Deductibility of Expenses or Losses of the Partnership".

## TABLE II
## Breakeven Calculations
## Highest Marginal Tax Rates

| | B.C. | Alta. | Sask. | Man. | Ont. | Qué. | N.B. | N.S. | P.E.I. | Nfld. | Nunavut | NWT | Yukon |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Highest Marginal Tax Rate** | | | | | | | | | | | | | |
| 2014 | 45.80% | 39.00% | 44.00% | 46.40% | 49.53% | 49.97% | 46.84% | 50.00% | 47.37% | 42.30% | 40.50% | 43.05% | 42.40% |
| 2015 and beyond | 45.80% | 39.00% | 44.00% | 46.40% | 49.53% | 49.97% | 46.84% | 50.00% | 47.37% | 42.30% | 40.50% | 43.05% | 42.40% |

### Assuming the Maximum Offering ($20 Million)

| | B.C. | Alta. | Sask. | Man. | Ont. | Qué. | N.B. | N.S. | P.E.I. | Nfld. | Nunavut | NWT | Yukon |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Less: Tax Savings from Deductions | $515 | $438 | $495 | $521 | $557 | $562 | $526 | $562 | $532 | $475 | $455 | $484 | $477 |
| Tax on capital gains | $28 | $24 | $27 | $29 | $31 | $31 | $29 | $31 | $29 | $26 | $25 | $27 | $26 |
| Money at Risk | $514 | $586 | $533 | $507 | $474 | $469 | $503 | $469 | $497 | $551 | $570 | $543 | $550 |
| Breakeven Proceeds of Disposition | $666 | $728 | $683 | $660 | $630 | $626 | $656 | $625 | $651 | $699 | $715 | $692 | $698 |

### Assuming the Minimum Offering ($5 Million)

| | B.C. | Alta. | Sask. | Man. | Ont. | Qué. | N.B. | N.S. | P.E.I. | Nfld. | Nunavut | NWT | Yukon |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Less: Tax Savings from Deductions | $524 | $446 | $504 | $531 | $567 | $572 | $536 | $572 | $542 | $484 | $464 | $493 | $485 |
| Tax on capital gains | $33 | $28 | $32 | $34 | $36 | $36 | $34 | $36 | $34 | $31 | $29 | $31 | $31 |
| Money at Risk | $509 | $582 | $528 | $502 | $469 | $464 | $498 | $464 | $492 | $546 | $566 | $538 | $545 |
| Breakeven Proceeds of Disposition | $660 | $723 | $677 | $654 | $623 | $619 | $650 | $618 | $645 | $693 | $709 | $686 | $692 |

Notes and Assumptions to Table I and Table II:

(1) It is assumed that 50% of capital gains are taxable in computing a Limited Partner's income.

(2) It is 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. See "Risk Factors".

(3) In Table II, the highest marginal tax rates used are for individuals and are based on current federal, provincial and territorial rates and existing proposals for 2014 and beyond. Future federal, provincial and territorial budgets may modify these rates and, consequently, the actual tax savings may be different than those illustrated.

(4) The Partnership will incur costs which it will deduct for income tax purposes, namely the Agents' fee, the expenses of the Offering, management fees, interest costs and administrative costs. To the extent that the Partnership borrows to pay any of such costs, the unpaid principal amount and interest thereon will be a limited-recourse amount of the Partnership and such costs will generally not be deductible until the borrowed amount is repaid, at which time the expense will be deemed to have been incurred to the extent of the amount repaid. The repaid principal amount borrowed in respect of expenses of the Offering, including the Agents' fee, will be fully deductible to the extent they are reasonable, as to 20% thereof in the year of repayment, and as to 20% thereof in each of the four subsequent years, pro-rated for short taxation years. See "Income Tax Considerations — Taxation of Securityholders — Computation of Income of Limited Partners".

(5) It is assumed the Loan Facility will be used to fund the Agents' fee and the expenses of the Offering. It is assumed that the Partnership will realize sufficient capital gains to permit it to repay all amounts borrowed by the Partnership prior to dissolution. It is assumed that all Available Funds are invested in Flow-Through Shares of Resource Issuers that in turn expend such amounts on CEE and fully renounce such CEE to the Partnership with an effective date in 2014. For purposes of this calculation, the Performance Bonus Allocation is assumed to be nil. See "Organization and Management Details of the Partnership — Manager of the Partnership — Summary of the Management Agreement", "Fees and Expenses — Management Fees" and "Income Tax Considerations — Taxation of Securityholders — Computation of Income of Limited Partners".

(6) It is assumed that the Partnership will sell some Flow-Through Shares in 2015 and 2016, prior to the dissolution, to fund repayment of the amount outstanding under the Loan Facility. It is assumed that capital gains equal to the proceeds of disposition will be realized by the Partnership upon such sale of Flow-Through Shares, which will be allocated and taxable at the 50% inclusion rate applicable to capital gains to the Limited Partners, in proportion to the number of Units held by each Limited Partner.

(7) It is assumed that total deductions are available to the Limited Partner for provincial and territorial purposes. The tax savings are calculated by multiplying the total estimated income tax deductions for each year by the assumed highest marginal tax rate for that year. The money at risk takes into account capital gains realized on the sale of assets of the Partnership in order to repay money borrowed by the Partnership.

(8) It is assumed that the Limited Partner is not liable for alternative minimum tax. See "Income Tax Considerations — Taxation of Securityholders — Alternative Minimum Tax".

(9) It is assumed that none of the Available Funds will be used to acquire Flow-Through Shares of Resource Issuers that would entitle a Limited Partner to the Federal ITC in respect of certain "grass roots" mining CEE incurred by a Resource Issuer; however, the money at risk and breakeven proceeds of disposition may be reduced if the Partnership invests in Flow-Through Shares of Resource Issuers engaged in Canadian mining exploration, the expenses of which are "flow-through mining expenditures" and thus qualify for the Federal ITC.

(10) Other than for Québec, no provincial or territorial credits or deductions have been taken into account. For Québec purposes, the calculations assume that CEE is renounced by Resource Issuers to the Partnership in accordance with the QTA.

(11) The breakeven proceeds of disposition represents the amount an investor must receive such that, after paying capital gains tax, the investor would recover such investor's money at-risk.

(12) It is assumed that recourse for any financing by a Limited Partner of the Subscription Price for the Units purchased by such Limited Partner is not limited and is not deemed to be limited under the Tax Act. See "Income Tax Considerations — Taxation of Securityholders".

(13) The figures in the foregoing tables may not add due to rounding.

(14) It has been assumed that the Partnership will be dissolved prior to October 31, 2016.

(15) The calculations reflected in the foregoing tables do not take into account the possibility that the Proposed Loss Limitation Rule could apply. See "Income Tax Considerations" and "Risk Factors — Tax Related Risks".

(16) It is assumed that for Québec provincial tax purposes only, a Québec Limited Partner who is an individual (including a personal trust) has investment income that exceeds his or her investment expenses for a given year. For these purposes, investment expenses include certain interest, losses of the Québec Limited Partner and 50% of CEE incurred outside Québec and deducted for Québec tax purposes by such Québec Limited Partner. CEE not deducted in a particular taxation year may be carried over and applied against net investment income earned in any of the three previous taxation years or any subsequent taxation year. See "Income Tax Considerations – Certain Québec Tax Considerations".

**An investment in Units is most suitable for individual Subscribers whose incomes are subject to the highest marginal income tax rates. Subscribers should be aware that these calculations are based on estimates and assumptions that cannot be represented to be complete or accurate in all respects. The impact of provincial tax credits has not been included in the tax savings calculations. The calculations assume the income tax savings are realized for taxation year 2014 and for taxation years 2015 and beyond and do not take into account the time value of money. See "Risk Factors".**

An individual who purchases Units must have a certain minimum taxable income for federal tax purposes, before subtracting income tax deductions associated with the Units, to obtain the estimated tax savings set out above with respect to the specific number of Units such individual purchased. Subscribers intending to purchase Units should consult their tax advisors to determine the amount of taxable income required in 2014 to benefit fully from the income tax savings associated with a purchase of Units, including the avoidance of any additional tax liability under the alternative minimum tax.

See "Income Tax Considerations" and "Risk Factors".

**Redemption of Securities:** Units are not redeemable by the Limited Partners. However, the Partnership may redeem Units in certain circumstances. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Redemption or Sale of Units of Non-Qualified Holders".

**Distributions:** It is not anticipated that the Partnership will make any material distributions to Limited Partners, although the Partnership is not precluded from doing so at any time prior to its dissolution. See "Distribution Policy".

**Liquidity Event:** The Partnership intends to provide liquidity to Limited Partners prior to October 31, 2016. The Partnership currently intends to implement a Mutual Fund Rollover Transaction, but if the General Partner determines not to proceed with a Mutual Fund Rollover Transaction, then the Partnership will convene a Special Meeting to consider a Liquidity Alternative, subject to approval by Extraordinary Resolution. Pursuant to the Liquidity Alternative, the Partnership may transfer its assets on a tax-deferred basis to a listed issuer that is a reporting issuer which may be managed by an affiliate of the General Partner. The Mutual Fund Rollover Transaction is a conflict of interest matter for the Manager under NI 81-107 that will be

| | |
|---|---|
| | referred to the Independent Review Committee and the independent review committee of the Designated Mutual Fund. A Liquidity Alternative, if a conflict of interest matter for the Manager under NI 81-107, will be referred to the Independent Review Committee. Completion of the Mutual Fund Rollover Transaction or a Liquidity Alternative will require the receipt of all necessary regulatory and other approvals, including the recommendation to proceed of the Independent Review Committee and the independent review committee of the Designated Mutual Fund, as applicable. **There can be no assurance that the Mutual Fund Rollover Transaction or a Liquidity Alternative will receive the necessary approvals or be implemented.** See "Termination of the Partnership". |
| **Mutual Fund Rollover Transaction:** | The Mutual Fund Rollover Transaction, if any, will be implemented pursuant to the terms of the Transfer Agreement. Pursuant to the terms of the Transfer Agreement and the Partnership Agreement, upon completion of the Mutual Fund Rollover Transaction and the dissolution of the Partnership, Limited Partners would receive their *pro rata* share of the Mutual Fund Shares on a tax-deferred basis after payment by the Partnership of the Performance Bonus Allocation (if any).<br><br>The Partnership will file appropriate elections under applicable income tax legislation to effect the Mutual Fund Rollover Transaction, if any, on a tax-deferred basis to the extent possible. The Transfer Agreement allows Sprott Corporate Class Inc. to assign its rights under the Transfer Agreement to any other open-end "mutual fund corporation" for the purposes of the Tax Act, the portfolio of which is managed by the Manager.<br><br>Sprott Corporate Class Inc. currently comprises twelve classes of mutual fund shares, namely, Sprott Canadian Equity Class, Sprott Diversified Yield Class, Sprott Enhanced Equity Class, Sprott Enhanced Balanced Class, Sprott Gold and Precious Minerals Class, Sprott Gold Bullion Class, Sprott Resource Class, Sprott Short-Term Bond Class, Sprott Silver Bullion Class, Sprott Silver Equities Class, Sprott Tactical Balanced Class and Sprott Real Asset Class (each a "**Corporate Class Fund**"). Each of these is a separate mutual fund with its own investment objectives and strategies. Of the twelve classes currently existing, the Sprott Resource Class is expected to be designated as the Designated Mutual Fund. The Manager is also the manager of each of the Corporate Class Funds. Further information on the Corporate Class Funds, including a copy of the simplified prospectus and annual information form for such funds, is available on the Manager's website at www.sprott.com/products/sprott-corporate-class-funds or at www.sedar.com. Information contained in the simplified prospectus for the Corporate Class Funds or on the Manager's website is not part of this prospectus and is not incorporated by reference herein.<br><br>If the Mutual Fund Rollover Transaction or a Liquidity Alternative is not implemented, then the Partnership may: (i) be dissolved and its net assets distributed *pro rata* to the Limited Partners; or (ii) subject to approval by Extraordinary Resolution, continue in operation with an actively managed portfolio. See "Termination of the Partnership". |
| **Partnership Allocations:** | Subject to the Performance Bonus Allocation, for each fiscal year of the Partnership, 99.99% of the net income or loss of the Partnership and 100% of any CEE renounced or allocated to the Partnership with an effective date in such fiscal year will be allocated *pro rata* among the Limited Partners who are shown as such on the record of the limited partners maintained by the General Partner on the last day of such fiscal year, and 0.01% of the net income or loss of the Partnership will be allocated to the General Partner. If the Performance Bonus Allocation is payable, the General Partner will be allocated an amount of income of the Partnership equal to the lesser of such income and the Performance Bonus Allocation (and will be liable to tax thereon), and the remaining net income will be allocated to the Limited Partners and the General Partner as set out above. On dissolution of the Partnership, the General Partner is entitled to the Performance Bonus Allocation (if any) and Limited Partners are entitled to 99.99% of the remaining assets of the Partnership and the General Partner is entitled to 0.01% of such remaining assets. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement". |
| **Conflicts of Interest and Duty of Care:** | The services of the Manager are not exclusive to the Partnership. The Manager may act as the investment advisor to other funds and may in the future act as the investment advisor to other funds which invest in Flow-Through Shares and other securities, if any, of Resource Issuers and which may have similar investment mandates to the Partnership. Conflicts of interest may |

arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities. Where conflicts of interest arise, the Manager will address such conflicts of interest with regard to the investment objectives of each of the persons involved and will act in accordance with the duty of care owed to each of them. See "Organization and Management Details of the Partnership – Conflicts of Interest – Investment Opportunities and Duty of Care".

**Return by the Partnership of Uncommitted Funds:** If the General Partner is unable to enter into Share Purchase Agreements by December 31, 2014 for the full amount of the Available Funds, the General Partner will cause to be returned to each Limited Partner by April 30, 2015 such Limited Partner's share of the amount of the shortfall, except to the extent that such funds are expected to be used to finance the operations of the Partnership or repay indebtedness, including indebtedness that is a limited-recourse amount, of the Partnership. Any funds committed by the Partnership to purchase Flow-Through Shares and other securities, if any, of Resource Issuers that are returned by Resource Issuers to the Partnership prior to January 1, 2015 may be used prior to January 1, 2015 to purchase Flow-Through Shares and other securities, if any, of other Resource Issuers. See "Investment Strategies".

**Eligibility for Investment:** In the opinion of Baker & McKenzie LLP, counsel to the Partnership and the General Partner, and Stikeman Elliott LLP, counsel to the Agents, the Units do not constitute qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, tax-free savings accounts, registered education savings plans, deferred profit sharing plans or registered disability savings plans for the purposes of the Tax Act. See "Income Tax Considerations – Status of the Partnership".

**Delivery of Certificates:** The Units will only be issued through the Non-Certificated Inventory System. Accordingly, each Subscriber will receive only a customer confirmation from the registered dealer or broker which is a CDS Participant and through which such Subscriber purchased Units. See "Plan of Distribution".

## ORGANIZATION AND MANAGEMENT OF THE PARTNERSHIP

**General Partner:** Sprott 2014-II Corporation is the general partner of the Partnership. The General Partner has responsibility for the management of the ongoing business, investment and administrative affairs of the Partnership in accordance with the terms and conditions of the Partnership Agreement, but has delegated the management of all day-to-day business, operations and affairs to the Manager pursuant to the Management Agreement. The General Partner will be entitled to 0.01% of the net income and net loss of the Partnership in accordance with the terms and conditions of the Partnership Agreement. The General Partner is an affiliate of the Manager. The head office and principal place of business of the General Partner is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1. See "Organization and Management Details of the Partnership – General Partner".

**The Manager:** The Partnership has retained Sprott Asset Management LP ("**Sprott**" or the "**Manager**") to provide investment, management, administrative and other services. Founded in 2000, the Manager is an independent asset management company that is wholly-owned by Sprott Inc. Sprott Inc.'s common shares trade on the Toronto Stock Exchange under the symbol SII. Sprott is dedicated to achieving superior returns for its clients over the long term. As at June 30, 2014, the Sprott group of companies estimates it had approximately $7.8 billion in assets under management in various mutual funds and hedge funds, including approximately $6.4 billion dedicated to investments in natural resources. Sprott specializes in investing in small and mid-cap stocks, and searches for opportunities that have material upside potential. The Manager emphasizes independent thinking and seeks consistently to be a leader in understanding macro trends and their implication for specific industries. The head office and principal place of business of the Manager is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1. See "Organization and Management Details of the Partnership — Manager of the Partnership".

The portfolio managers who will have primary responsibility for the execution of the Partnership's investment strategy are Jason Mayer and Eric Nuttall. See "Organization and Management Details of the Partnership – Manager of the Partnership – Execution of the

Partnership's Investment Strategy".

**Promoters:** The Manager and the General Partner may be considered to be promoters of the Partnership as defined in the securities legislation of certain provinces and territories of Canada by reason of their initiative in forming and establishing the Partnership and taking the steps necessary for the public distribution of the Units. The promoters will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than as described under "Fees and Expenses" and "Interest of Management in Material Transactions". The promoters will principally provide their services to the Partnership in Toronto, Ontario.

**Custodian:** RBC Investor Services Trust will be appointed, on or prior to the Initial Closing, as custodian of the investment portfolio of the Partnership pursuant to the Custodian Agreement. The Custodian will principally provide its services to the Partnership in Toronto, Ontario. The Custodian is unrelated to the Manager. See "Organization and Management Details of the Partnership – Custodian".

**Transfer Agent and Registrar:** Equity Financial Trust Company is the registrar and transfer agent for the Units. The Transfer Agent will principally provide its services to the Partnership in Toronto, Ontario. The Transfer Agent is unrelated to the Manager. See "Organization and Management Details of the Partnership – Transfer Agent and Registrar".

**Auditors:** The auditor of the Partnership is Ernst & Young LLP, Chartered Professional Accountants, Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto Dominion Centre, Toronto, Ontario M5K 1J7. The auditor will principally provide its services to the Partnership in Toronto, Ontario. The auditor is unrelated to the Manager. See "Experts – Auditor".

## AGENTS

**Agents:** The Agents for the Offering are, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Desjardins Securities Inc., Manulife Securities Incorporated, Raymond James Ltd. and Sprott Private Wealth LP. The Agents conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Partnership and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters by Baker & McKenzie LLP on behalf of the Partnership and Stikeman Elliott LLP on behalf of the Agents. See "Plan of Distribution".

## SUMMARY OF FEES AND EXPENSES

The following is a summary of the fees and expenses, payable by the Partnership, which will therefore reduce the value of your investment in the Partnership. For further particulars, see "Fees and Expenses".

**Agents' Fee:** $1.4375 per Unit (5.75%). The Agents' fee will be paid by the Partnership from funds borrowed by the Partnership under the Loan Facility for such purpose. See "Fees and Expenses – Loan Facility", "Organization and Management Details of the Partnership – Summary of the Partnership Agreement – Limited-Recourse Financings" and "Plan of Distribution".

**Expenses of the Offering:** Expenses of the Offering are estimated by the General Partner to be $250,000 in the case of the minimum Offering and $350,000 in the case of the maximum Offering but the Partnership's share of such expenses will be $100,000 in the case of the minimum Offering. This is because the Partnership will pay for any Offering expenses in an amount up to 2% of the Gross Proceeds and any Offering expenses in excess of that amount will be borne by the Manager. The Partnership's portion of the Offering expenses will be paid by the Partnership from funds borrowed by the Partnership under the Loan Facility for such purpose. See "Fees and Expenses – Initial Fees and Expenses".

**Management Fee:** The Manager will be entitled during the period commencing on the date of the Initial Closing and ending on the earlier of (i) the effective date of the Liquidity Alternative, and (ii) the date of dissolution of the Partnership, to an annual management fee equal to 2% of the Net Asset Value, calculated and paid monthly in arrears. See "Organization and Management Details of

the Partnership – Manager of the Partnership – Details of the Management Agreement", "Organization and Management Details of the Partnership – Summary of the Partnership Agreement – Management" and "Fees and Expenses – Management Fees".

In connection with certain investments of the Partnership, the Manager may retain independent advisors and consultants to conduct due diligence investigations of businesses, assets, properties and mineral reserves. At the discretion of the General Partner, fees and expenses incurred by the Manager in retaining such independent advisors may be charged to the Partnership at cost.

**Performance Bonus Allocation:**

The General Partner will be entitled to an additional distribution of Partnership property on the Performance Bonus Allocation Date (the "**Performance Bonus Allocation**") in an amount equal to 20% of the amount by which the Net Asset Value per Unit on the Performance Bonus Allocation Date (excluding the effect of distributions, if any) exceeds $28.00, multiplied by the number of Units outstanding at the Performance Bonus Allocation Date. The Performance Bonus Allocation will be calculated on the Performance Bonus Allocation Date and paid as soon as practicable thereafter. The Performance Bonus Allocation will be paid in Mutual Fund Shares in the event of the transfer of the assets of the Partnership to the Designated Mutual Fund pursuant to the Mutual Fund Rollover Transaction unless payment in Mutual Fund Shares is not permitted by applicable law. If the assets of the Partnership are not transferred to the Designated Mutual Fund, the Performance Bonus Allocation will be paid to the General Partner in cash. See "Fees and Expenses – Performance Bonus Allocation".

**Administrative and Operating Expenses:**

The Partnership will pay for all expenses incurred in connection with its operation and administration. It is expected that these expenses will include: (a) mailing and printing expenses for periodic reports to Limited Partners; (b) fees payable to auditors, custodian and legal advisors; (c) taxes and ongoing regulatory filing fees; (d) fees payable to the Manager for performing financial, record keeping and reporting to Limited Partners and general administrative services; (e) its *pro rata* share of fees payable to the Independent Review Committee; (f) any reasonable out-of-pocket expenses incurred by the Manager (including independent advisors) and the General Partner and their agents in connection with their ongoing obligations; (g) payments, if any, due to the General Partner under the Partnership Agreement; (h) interest charges in connection with the Loan Facility and (i) expenses relating to portfolio transactions. The Manager estimates that these costs will be approximately $170,000 per annum in the case of the maximum Offering and $80,000 per annum in the case of the minimum Offering. These costs include an assumption that the Partnership borrows up to 10% of the Gross Proceeds pursuant to the Loan Facility. Accordingly, if the Partnership borrows less than 10% of the Gross Proceeds under the Loan Facility, its borrowing costs will be lower. See "Fees and Expenses – Loan Facility" and "Organization and Management Details of the Partnership – General Partner".

The Partnership will also pay all expenditures which may be incurred in connection with the Liquidity Alternative and the dissolution of the Partnership. See "Organization and Management Details of the Partnership – Manager of the Partnership – Details of the Management Agreement", "Fees and Expenses – Initial Fees and Expenses" and "Fees and Expenses – Ongoing Expenses".

The Partnership will pay the loan fees and related interest charges in connection with the Loan Facility. See "Fees and Expenses – Loan Facility".

## GLOSSARY OF TERMS

*When used in this prospectus, the following terms have the following meanings ascribed thereto:*

"**Administrative Partnership Costs**" means certain costs incurred by the Manager in the performance of its duties under the Management Agreement and all costs incurred by the General Partner in the performance of its duties under the Partnership Agreement; but specifically excludes the expenses of any action, suit or other proceeding in which or in relation to which the Manager or the General Partner is adjudged to be in breach of any duty or responsibility imposed on it under the Management Agreement or the Partnership Agreement, respectively. See "Fees and Expenses — Ongoing Expenses".

"**Agency Agreement**" means the agreement dated September 23, 2014 among the Partnership, the General Partner and the Agents pursuant to which the Agents have agreed to offer the Units for sale on a best efforts basis.

"**Agents**" means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Desjardins Securities Inc., Manulife Securities Incorporated, Raymond James Ltd. and Sprott Private Wealth LP.

"**Available Funds**" means all funds available to the Partnership from the Gross Proceeds after deducting a reserve required to fund the ongoing fees and expenses of the Partnership, which include the management fee and all expenses incurred in connection with the Partnership's operation and administration and which are described under "Fees and Expenses".

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which the TSX is closed for business in Toronto, Ontario.

"**Canadian Development Expense**" or "**CDE**" means Canadian development expense as defined in subsection 66.2(5) of the Tax Act.

"**Canadian Exploration Expense**" or "**CEE**" means Canadian exploration expense (including CRCE and CDE that is deemed by the Tax Act to be CEE) as defined in subsection 66.1(6) of the Tax Act.

"**CCEE**" means cumulative Canadian exploration expense as defined in subsection 66.1(6) of the Tax Act.

"**CDS**" means CDS Clearing and Depository Services Inc., or its nominee, which as of the date of this prospectus is "CDS & Co.", or a successor thereto.

"**CDS Participants**" means participants in the CDS depository service holding securities operated by or on behalf of CDS.

"**Closing**" means each closing of the sale of Units pursuant to this prospectus.

"**Corporate Class Fund**" means any one of the authorized classes of shares of Sprott Corporate Class Inc., including Sprott Resource Class, each of which constitutes a separate mutual fund.

"**CRA**" means the Canada Revenue Agency.

"**CRCE**" means Canadian renewable and conservation expense as defined in subsection 66.1(6) of the Tax Act.

"**Custodian**" means RBC Investor Services Trust, in its capacity as custodian under the Custodian Agreement.

"**Custodian Agreement**" means the agreement dated September 19, 2014 among the Partnership, the General Partner and the Custodian pursuant to which the Custodian will hold the investment portfolio of the Partnership.

"**Declaration**" means the declaration filed under the *Limited Partnerships Act* (Ontario) pursuant to which the Partnership was formed, as amended from time to time.

"**Designated Mutual Fund**" means a class of mutual fund shares of Sprott Corporate Class Inc., or other mutual fund corporation that is compliant with NI 81-102, managed and advised by the Manager or an affiliate of the Manager, designated by the Manager to receive the assets of the Partnership pursuant to the Mutual Fund Rollover Transaction, which is expected to be Sprott Resource Class.

"**Extraordinary Resolution**" means a resolution (i) passed by $66^2/_3$% or more of the votes cast thereon at a duly constituted meeting of the Limited Partners to consider such resolution, or an adjournment thereof, or (ii) consented to in writing in one or more counterparts by Limited Partners holding $66^2/_3$% or more of the Units outstanding entitled to vote on such resolution at a duly constituted meeting.

"**Federal ITC**" means the federal 15% non-refundable investment tax credit in respect of "flow-through mining expenditures" as defined in subsection 127(9) of the Tax Act.

"**Flow-Through Share**" means a share or the right to acquire a share that is a "flow-through share" as defined in subsection 66(15) of the Tax Act.

"**General Partner**" means Sprott 2014-II Corporation, a corporation existing under the laws of Ontario, or any other person admitted to the Partnership as a successor to Sprott 2014-II Corporation, or any other general partner of the Partnership.

"**Gross Proceeds**" means the gross proceeds of the Offering.

"**High-Quality Money Market Instruments**" means money market instruments which are accorded the highest rating category by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("A-1") or by DBRS Limited ("R-1"), Government of Canada treasury bills, banker's acceptances, and government guaranteed obligations, all with a term of one year or less, and deposits with Canadian banks or trust companies.

"**IFRS**" means International Financial Reporting Standards.

"**Independent Review Committee**" means the independent review committee of the Manager which has been established and to which conflict of interest matters will be referred for review and approval in accordance with NI 81-107.

"**Initial Closing**" means the first Closing, which is expected to occur on or about September 29, 2014.

"**Initial Limited Partner**" means Kirstin H. McTaggart.

"**Limited Partner**" means any registered owner of at least one Unit whose name appears on the current record of the Partnership's limited partners as maintained by the General Partner pursuant to subsection 4(1) of the *Limited Partnerships Act* (Ontario) and, where the context requires, the Initial Limited Partner.

"**Liquidity Alternative**" means an alternative to the Mutual Fund Rollover Transaction or dissolution of the Partnership which may be proposed by the General Partner for approval by the Limited Partners at the Special Meeting to be implemented not later than October 31, 2016, at the discretion of the General Partner. Any such proposal will be subject to approval by Extraordinary Resolution.

"**Loan Facility**" means the loan facility to be provided to the Partnership on the date of the Initial Closing by a Canadian chartered bank to finance the payment of the Agents' fee and the expenses of the Offering.

"**Management Agreement**" means the management agreement dated September 23, 2014 between the Partnership and the Manager pursuant to which the Manager agreed to provide investment, management, administrative and other services to the Partnership.

"**Manager**" means Sprott Asset Management LP, the manager appointed by the Partnership to provide management, administrative and other services to the Partnership.

"**market capitalization**" of a Resource Issuer means the market value per security multiplied by the number of securities outstanding of such Resource Issuer after giving effect to the maximum number of securities issuable to the Partnership under the Share Purchase Agreement with such Resource Issuer.

"**Mutual Fund Rollover Transaction**" means the exchange transaction pursuant to which the Partnership intends to transfer its assets to the Designated Mutual Fund in exchange for Mutual Fund Shares.

"**Mutual Fund Shares**" means redeemable shares of the Designated Mutual Fund.

"**Net Asset Value**" and "**Net Asset Value per Unit**" have the meanings ascribed to those terms under "Calculation of Net Asset Value".

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

"**NI 81-106**" means National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, as it may be amended or replaced from time to time.

"**NI 81-107**" means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as it may be amended or replaced from time to time.

"**Non-Certificated Inventory System**" means the non-certificated inventory system of CDS.

"**NP 11-202**" means National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions* of the Canadian Securities Administrators, as it may be amended or replaced from time to time.

"**Offering**" means the offering of Units pursuant to this prospectus.

"**Partner**" means any Limited Partner or the General Partner, as the case may be.

"**Partnership**" means Sprott 2014-II Flow-Through Limited Partnership.

"**Partnership Agreement**" means the amended and restated limited partnership agreement governing the Partnership dated as of September 23, 2014 made among the General Partner, the Initial Limited Partner, and those persons admitted as Limited Partners, together with all amendments, supplements, restatements and replacements thereof from time to time.

"**Performance Bonus Allocation**" means the additional entitlement, if any, of the General Partner to Partnership property on the Performance Bonus Allocation Date equal to 20% of the amount by which the Net Asset Value per Unit on the Performance Bonus Allocation Date (excluding the effect of distributions, if any) exceeds $28.00, multiplied by the number of Units outstanding at the Performance Bonus Allocation Date.

"**Performance Bonus Allocation Date**" means the earliest to occur of (a) the day on which the assets of the Partnership are transferred to the Designated Mutual Fund, (b) the day a Liquidity Alternative is completed, and (c) the day immediately prior to the date the assets of the Partnership are distributed in connection with the dissolution or winding up of the affairs of the Partnership.

"**Proposed Loss Limitation Rule**" means certain Tax Proposals released on October 31, 2003 described under "Income Tax Considerations" and "Risk Factors — Tax Related Risks".

"**QTA**" means the *Taxation Act* (Québec), as amended from time to time.

"**Québec Limited Partner**" means a Limited Partner that is resident in or subject to tax in Québec and that is a Limited Partner at the end of a fiscal year of the Partnership.

"**Receipt**" means the final receipt issued in accordance with NP 11-202.

"**Record**" means the record of Limited Partners required to be maintained by the General Partner under the *Limited Partnerships Act* (Ontario).

"**Related Corporation**" means, in relation to a Resource Issuer, a corporation related to the Resource Issuer, as the case may be, for purposes of the Tax Act.

"**Resource Issuer**" means (i) a corporation that is a "principal-business corporation" as defined in subsection 66(15) of the Tax Act, or (ii) a partnership or other entity that, (a) operates in the oil and gas exploration, development, and/or production, mining exploration, development, and/or production industries, or in certain energy production that may incur CRCE, or (b) invests in equity securities of any such entity.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Share Purchase Agreement**" means an agreement between the Partnership and a Resource Issuer pursuant to which the Partnership subscribes for Flow-Through Shares and other securities, if any, of the Resource Issuer, and the Resource Issuer agrees to incur CEE (in respect of Flow-Through Shares) after the date of such agreement, to renounce CEE to the Partnership and to issue Flow-Through Shares and other securities, if any, of the Resource Issuer to the Partnership, together with all amendments and supplements thereto from time to time.

"**Special Meeting**" means a special meeting of Limited Partners to be held not later than October 31, 2016, at the discretion of the General Partner, to consider (a) a Liquidity Alternative, including, without limitation, transferring the assets of the Partnership on a tax-deferred basis to a listed issuer that is a reporting issuer which may be managed by an affiliate of the General Partner, as proposed by the General Partner, and (b) any other matter considered appropriate by the General Partner in connection with the pending liquidation of the assets of the Partnership in connection with a Liquidity Alternative (if approved) or other termination of the Partnership.

"**Sprott Corporate Class Inc.**" means Sprott Corporate Class Inc., an open-end mutual fund which qualifies as a "mutual fund corporation" for purposes of the Tax Act, its permitted assigns, or any successor of such fund by way of merger or amalgamation or any other "mutual fund corporation" for purposes of the Tax Act, which will be advised by the Manager or an affiliate of the Manager, to which the assets of the Partnership may be transferred.

"**Subscriber**" means a subscriber for Units.

"**Subscription Price**" means, for each Unit purchased, the amount of $25.00.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time.

"**Tax Proposals**" means all specific proposals to amend the Tax Act and the Tax Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof.

"**Tax Regulations**" means the regulations passed under the Tax Act, as amended from time to time.

"**Transfer Agent**" means Equity Financial Trust Company, the transfer agent and registrar for the Units.

"**Transfer Agreement**" means the agreement dated September 23, 2014 between the Partnership and the Manager that provides for the Mutual Fund Rollover Transaction, together with all amendments, supplements, restatements and replacements thereof from time to time.

"**TSX**" means the Toronto Stock Exchange.

"**Unit**" means an equal and undivided interest in the net assets of the Partnership.

"**Valuation Date**" means each day the TSX is open for business (or the previous trading day in the event the TSX is closed for business).

"**$**" means Canadian dollars.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE PARTNERSHIP

The Partnership was formed by a preliminary limited partnership agreement made as of July 24, 2014 by Sprott 2014-II Corporation as General Partner and Kirstin H. McTaggart as the Initial Limited Partner, and was established as a limited partnership pursuant to the provisions of the *Limited Partnerships Act* (Ontario) by filing of a declaration on July 24, 2014. The definitive form of partnership agreement governing the Partnership is the Partnership Agreement. The General Partner was incorporated under the provisions of the *Business Corporations Act* (Ontario) on July 23, 2014. The principal place of business of the Partnership and the registered office of the General Partner is Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1. The Partnership is not considered to be a mutual fund under securities legislation.

## INVESTMENT OBJECTIVE

The primary objective of an investment in Units is to achieve capital appreciation and significant tax benefits for Limited Partners by investing in a diversified portfolio of Flow-Through Shares and other securities, if any, of Resource Issuers whose principal business will be: (i) mining exploration, development, and/or production, (ii) oil and gas exploration, development, and/or production or (iii) certain energy production that may incur CRCE.

## INVESTMENT STRATEGIES

The Partnership's investment strategy will be to invest in Flow-Through Shares and other securities, if any, of Resource Issuers whose principal business will be: (i) mining exploration, development, and/or production, (ii) oil and gas exploration, development, and/or production or (iii) certain energy production that may incur CRCE. To accomplish this strategy, a strong preference will be given to companies with existing production, which the Manager believes should mitigate downside risk relative to investing in earlier stage companies.

Investment in Resource Issuers will be primarily directed at companies that: (a) have capable management teams; (b) have quality assets; (c) have a strong exploration program in place; and (d) offer the potential for future growth.

The Manager will be proactive in approaching companies to do financings, thereby attempting to obtain high-quality investment opportunities, and will seek to leverage the many existing relationships that the Manager and its portfolio management team have with natural resource companies.

### The Sprott Difference

The Manager believes that it offers the following advantages in terms of its ability to source and make attractive investments in flow-through shares:

- Breadth of management team with significant experience investing in the natural resource sector;
- Ability to leverage Sprott's existing relationships with hundreds of Canadian resource companies; and
- Sprott's long history of investing in common shares of Canadian Resource Issuers.

The Partnership intends to invest the Available Funds such that Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes in respect of the CEE incurred and renounced to the Partnership and may be entitled to certain investment tax credits deductible from tax payable, all of which will apply predominantly to the 2014 taxation year. The Partnership may invest in non-flow-through securities of Resource Issuers separately or in combination with Flow-Through Shares of the same Resource Issuer when they are offered at the same time in order to facilitate the acquisition of such Flow-Through Shares and reduce the average cost of the investment in such Resource Issuer.

### Flow Through Investing Overview

Resource Issuers that incur CEE may deduct 100% of such expenditures from their income for tax purposes. These income tax deductions may effectively flow through to investors who agree to purchase qualifying shares, or rights to acquire such shares, from a Resource Issuer under an agreement which satisfies certain requirements set out in the Tax Act (a "**flow-through share agreement**") whereby such Resource Issuer agrees to incur the CEE and renounce such expenses to such investors. Certain provisions of the Tax Act and provincial income tax legislation are advantageous to limited partners, including the inclusion rate for capital gains of 50% and the 15% Federal ITC and provincial tax credits for certain CEE allocated to limited partners who are individuals (other than trusts). Certain CDE may be deemed to be CEE eligible for the same 100% deduction when renounced under such a flow-through share agreement, subject to a limit of $1,000,000 of such

CDE for each Resource Issuer whose "taxable capital employed in Canada" is not greater than $15,000,000. Common shares issued under a flow-through share agreement whereby the Resource Issuer agrees to renounce CEE to investors are "flow-through shares" for the purposes of the Tax Act. CEE with respect to expenditures incurred during 2015 will be deemed to be incurred as of December 31, 2014 in certain circumstances. The use of a limited partnership permits income tax deductions to be allocated to, and utilized by, limited partners while at the same time providing for limited liability, subject to certain qualifications. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Limited Liability of Limited Partners", "Risk Factors" and "Income Tax Considerations".

Any interest earned on money held and not yet disbursed by the Partnership and any dividends received on Flow-Through Shares and other securities, if any, of Resource Issuers purchased by the Partnership will accrue to the benefit of the Partnership. Interest and dividends earned may be used, at the discretion of the Manager, to purchase more Flow-Through Shares and other securities, if any, of Resource Issuers, for the purchase of High-Quality Money Market Instruments, to pay Administrative Partnership Costs, to repay indebtedness, including indebtedness that is a limited-recourse amount, of the Partnership or for distributions to Limited Partners if the General Partner is satisfied that the Partnership can otherwise meet its obligations.

To ensure income tax deductions are available to Limited Partners for the 2014 calendar year, certain CEE incurred by December 31, 2015 is to be renounced to the Partnership no later than March 31, 2015 with an effective date of renunciation of December 31, 2014. Share Purchase Agreements may provide that to the extent that grants or tax credits are available to investors pursuant to any provincial mineral exploration program the Resource Issuers will be required to apply for such grants or tax credits on behalf of the Partnership and the Limited Partners and to remit all amounts received to the Partnership. However, the aggregate amount of such grants or tax credits, if any, is not expected to be substantial.

The Manager will cause to be returned to each Limited Partner by April 30, 2015 such Limited Partner's *pro rata* share of the Available Funds that have not been committed by the Partnership to purchase Flow-Through Shares prior to January 1, 2015, except to the extent that such funds are expected to be used to finance the operations of the Partnership or repay indebtedness, including indebtedness that is a limited-recourse amount, of the Partnership. Any funds committed by the Partnership to purchase Flow-Through Shares and other securities, if any, of Resource Issuers that are returned by Resource Issuers to the Partnership prior to January 1, 2015 may be used prior to January 1, 2015 to purchase Flow-Through Shares and other securities, if any, of other Resource Issuers.

Flow-Through Shares and other securities, if any, of certain Resource Issuers purchased pursuant to exemptions from the prospectus requirements of applicable securities legislation will be subject to resale restrictions. In addition, securities of Resource Issuers that are not reporting issuers (or the equivalent) may be subject to indefinite resale restrictions. It is expected that the resale restrictions applicable to substantially all of the Flow-Through Shares and other securities, if any, of Resource Issuers (other than Resource Issuers which are not reporting issuers or the equivalent) purchased by the Partnership in any Canadian jurisdiction will expire after a four-month period. The Partnership may, in accordance with the by-laws, rules and policies of the applicable stock exchanges and where not prohibited by applicable law, sell securities held at such time by the Partnership and in respect of which the resale restrictions have not yet expired. The Manager, on behalf of the Partnership, may borrow and sell free-trading shares of Resource Issuers when an appropriate selling opportunity arises in order to "lock in" the resale price of Flow-Through Shares or other securities, if any, of Resource Issuers held in the Partnership's portfolio.

For tax purposes, any sale of Flow-Through Shares generally is expected to result in a capital gain equal to the net proceeds because the cost of the Flow-Through Shares is deemed to be nil.

Whenever possible, the Partnership intends to obtain incentives, such as share purchase warrants, in addition to purchasing Flow-Through Shares of Resource Issuers.

**Resource Issuers**

The Partnership intends to obtain for Limited Partners the applicable income tax deductions associated with Flow-Through Shares and to reduce certain risks to Limited Partners by the diversification of the portfolio of equity securities of Resource Issuers to be owned by the Partnership by causing the Partnership to enter into Share Purchase Agreements with Resource Issuers to purchase Flow-Through Shares. In connection with subscriptions for Flow-Through Shares, a Resource Issuer will represent to the Partnership in the Share Purchase Agreements that it is a "principal-business corporation" as defined in subsection 66(15) of the Tax Act that intends (either by itself or through a Related Corporation) to incur CEE on at least one property in Canada and renounce such CEE to the Partnership. The Partnership will receive Flow-Through Shares

and the Resource Issuers will renounce CEE to the Partnership. By investing in a number of Resource Issuers, the Partnership will benefit from the reduced risks associated with portfolio diversification.

**Canadian Renewable and Conservation Expense**

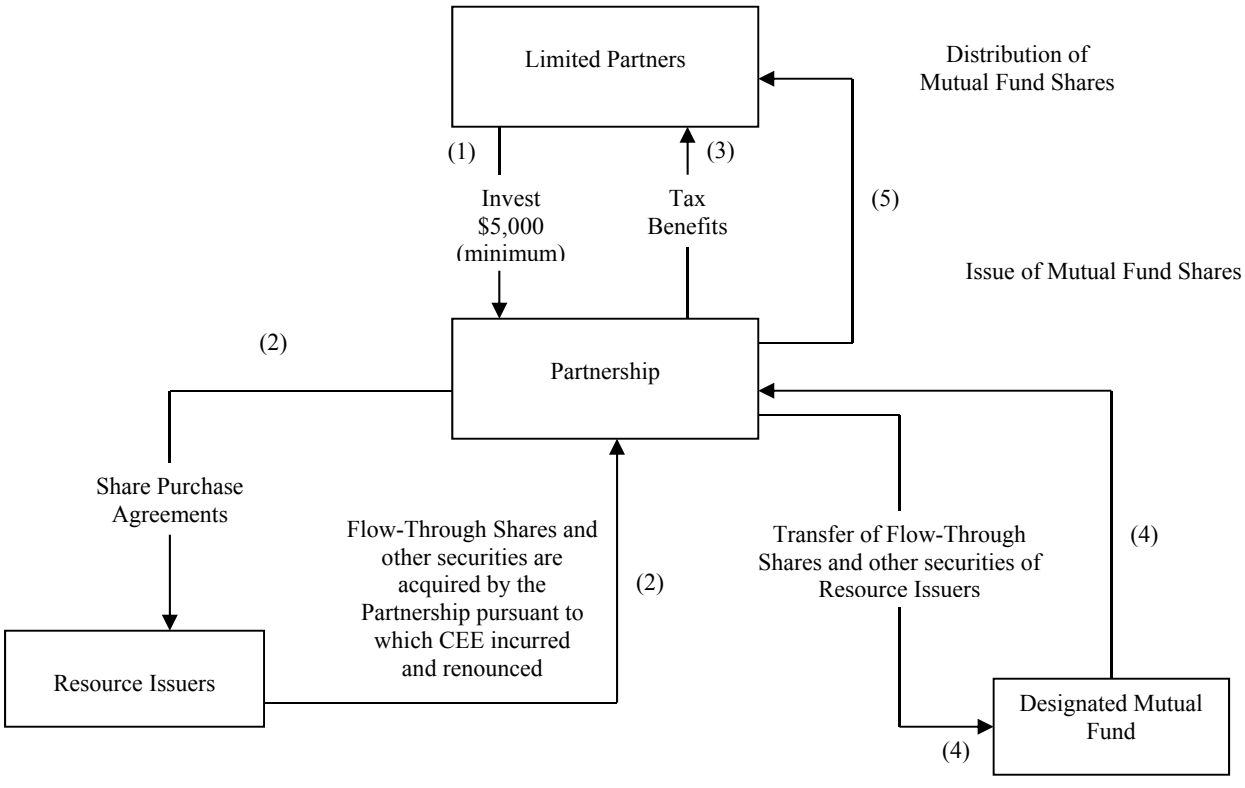
CRCE is a type of CEE relating to start-up costs incurred in the development of facilities for the production of energy from renewable resources. Generally, CRCE relates to the development of facilities for the production of energy from a source other than non-renewable resources such as oil, gas and coal. For example, certain expenses incurred in the development of wind, geothermal and run-of-river electricity generation plants may qualify as CRCE. Eligible expenditures include expenses incurred for the purpose of making a service connection for the transmission of electricity from the project to a purchaser; for the construction of a temporary access road; for clearing land; for process engineering; or for installation of a test wind turbine.

**Leverage**

Pursuant to the Loan Facility, the Partnership will be able to borrow up to the amount of the aggregate of the Agents' fee and the expenses of the Offering such amount not to exceed 10% of the Gross Proceeds. The Partnership's obligations under the Loan Facility will be secured by a pledge of the assets held by the Partnership. The maximum amount of leverage that the Partnership could be exposed to at any time pursuant to the Loan Facility is 1.25:1 ((total long positions (including leveraged positions) plus total short positions) divided by the net assets of the Partnership).

## OVERVIEW OF THE INVESTMENT STRUCTURE

**Summary of Transactions if the Mutual Fund Rollover Transaction is Implemented**




(1) Subscribers invest in Units. The Subscription Price for the Units is payable in full at Closing.

(2) The Partnership enters into Share Purchase Agreements pursuant to which Resource Issuers will incur CEE and renounce CEE to the Partnership.

(3) Subscribers must be Limited Partners on December 31, 2014 to obtain tax deductions in respect of such year.

(4) The Partnership intends to implement the Mutual Fund Rollover Transaction prior to October 31, 2016, unless the Limited Partners approve a Liquidity Alternative at a Special Meeting held for such purpose. If the Mutual Fund Rollover Transaction is implemented, then pursuant to the Transfer Agreement, the assets of the Partnership will be transferred to the Designated Mutual Fund, in exchange for Mutual Fund Shares on a tax-deferred basis, provided appropriate elections are made.

(5) In connection with the Mutual fund Rollover Transaction, if any, the Partnership will be dissolved and the Limited Partners will receive their *pro rata* portion of Mutual Fund Shares. The Mutual Fund Shares will be redeemable at the options of the former Limited Partners.

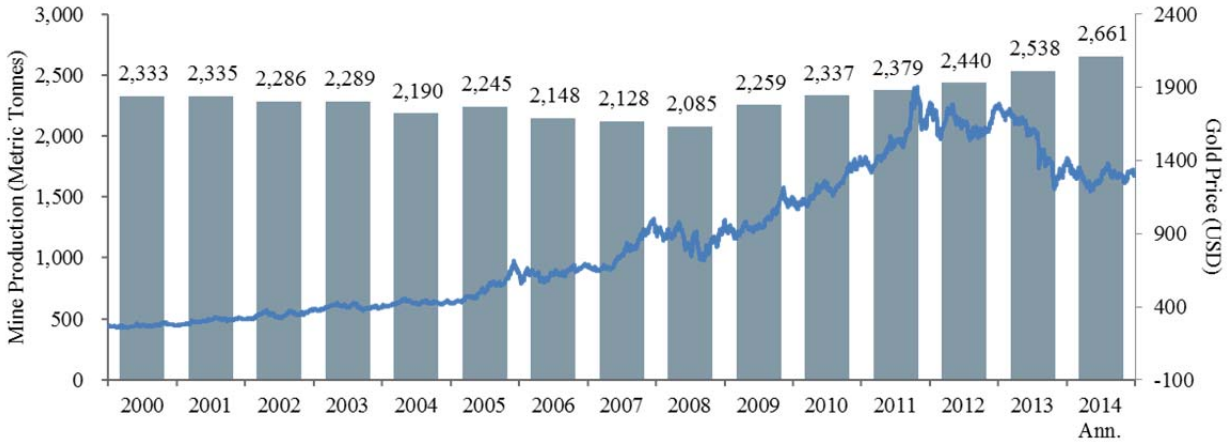
## OVERVIEW OF THE SECTORS THAT THE PARTNERSHIP INVESTS IN

### Mining / Precious Metals

Based on the Manager's experience, historically the majority of Flow-Through Shares issued by mining companies are issued by gold exploration and production companies. The Manager believes the price of gold will appreciate over the long-term due to numerous fundamentally supportive factors including limited growth in mine supply, central banks' diversification of foreign reserve holdings out of fiat currencies into gold bullion and central banks' highly accommodative monetary policy.

Despite a substantial increase in the gold price since 2001, global gold production growth has remained stagnant. The Manager believes that rising costs of production have been a major contributor to the constrained growth of mine supply. The chart below illustrates how gold mine production has plateaued while the price of the commodity has generally increased for most of the past decade.

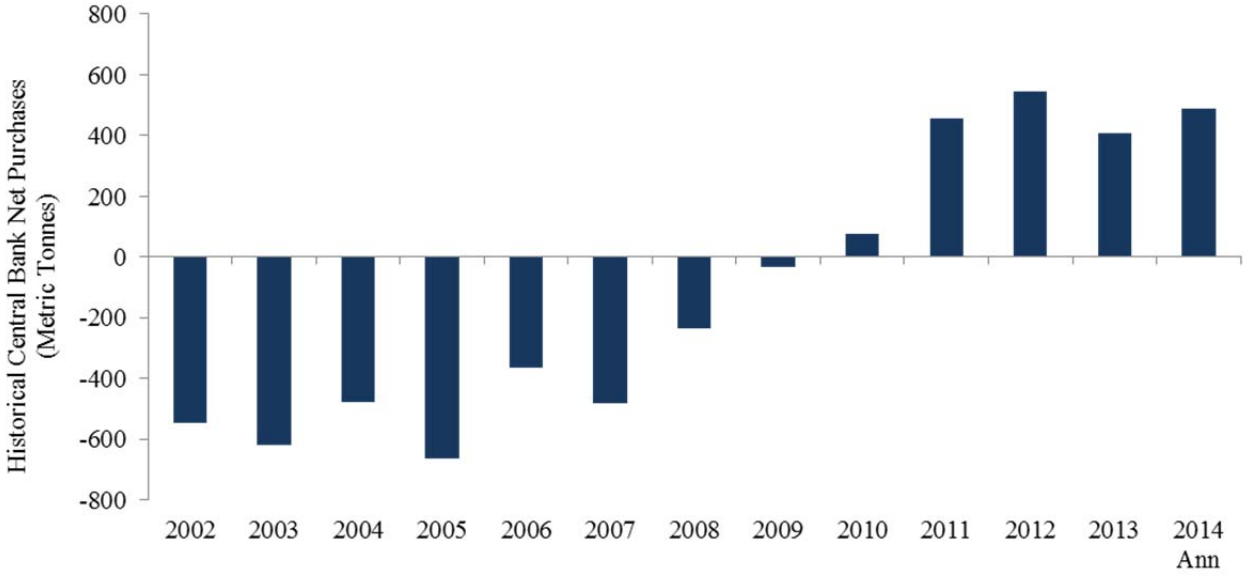
**Gold Mine Production and Gold Price**




*Source: Bloomberg*
*World Bureau of Metal Statistics*

The Manager believes that chronic deficits and quantitative easing have led global central banks and investors to utilize gold as a substitute for fiat currencies. In 2010, global central banks became net buyers of gold bullion for the first time since 1988. The chart below illustrates how global central banks have grown their physical bullion positions over the last five years. A continuation of this trend could represent a significant source of demand.

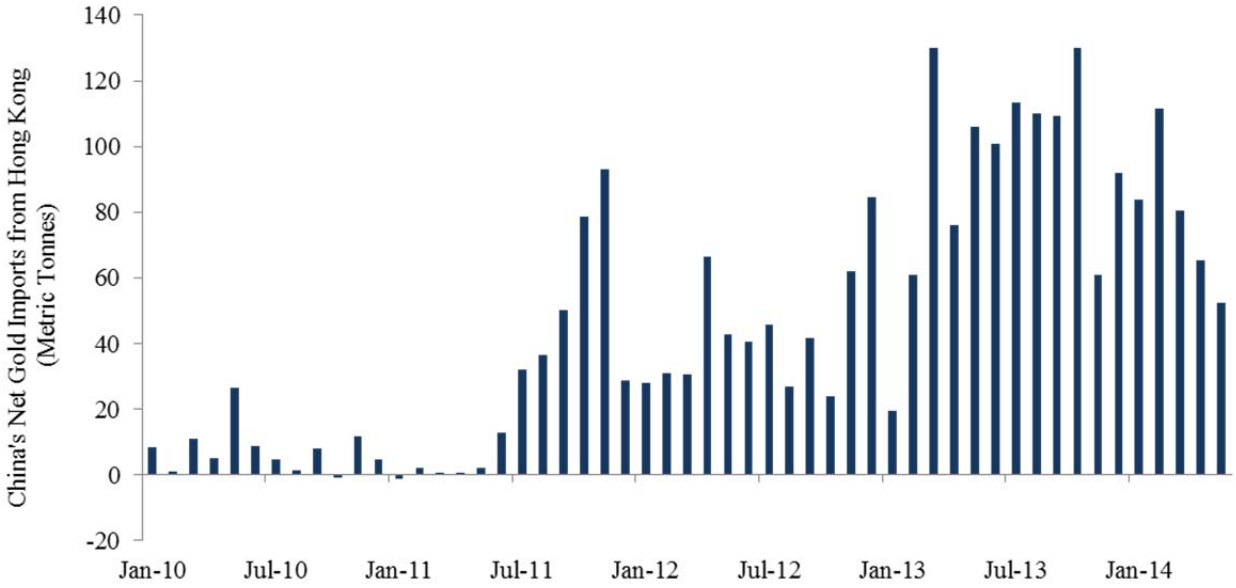
**Official Sector Purchases/Sales**




*Source: Gold Demand Trends Q1 2014 – World Gold Council Report*

Chinese demand for gold bullion continues to increase as illustrated by net gold imports into China from Hong Kong in the graph below. The Manager believes Chinese demand will continue to increase in association with positive Chinese economic growth rates.

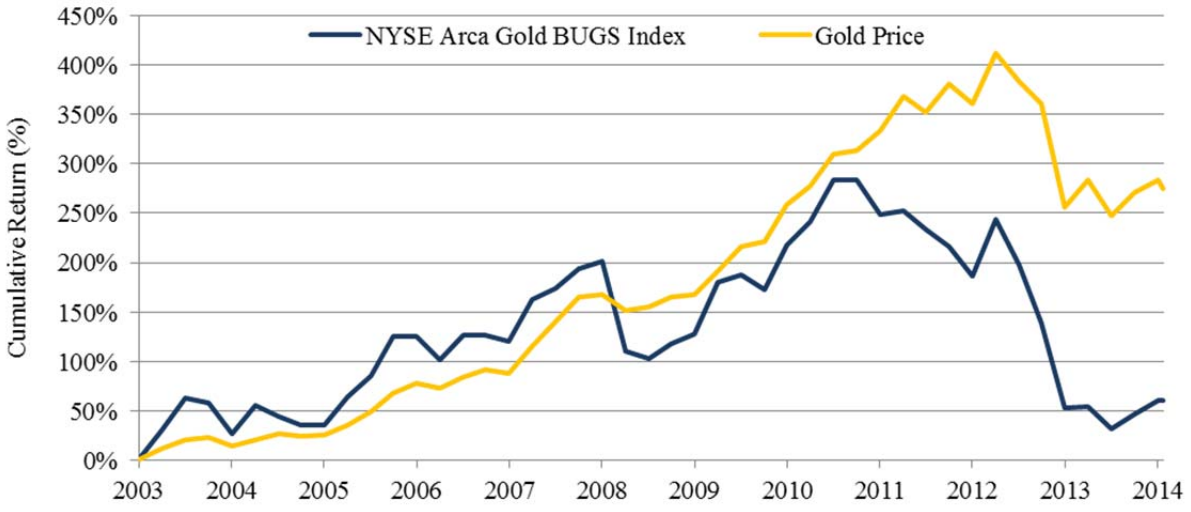
**Chinese Imports of Gold**




*Source: CENSTATD (Census and Statistics Department, The Government of the Hong Kong Special Administrative Region)*

The Manager believes that gold equities are currently trading at an attractive entry point. The graph below illustrates the divergence between the performance of the price of gold bullion and gold equities since November 30, 2003. The Manager believes the potential for gold equities to significantly appreciate could be driven by either a rebound in the gold bullion price or an increase of gold equity valuation metrics, both of which are currently at depressed levels.

**Gold Equities Performance**




*Source: Bloomberg as at July 24, 2014*

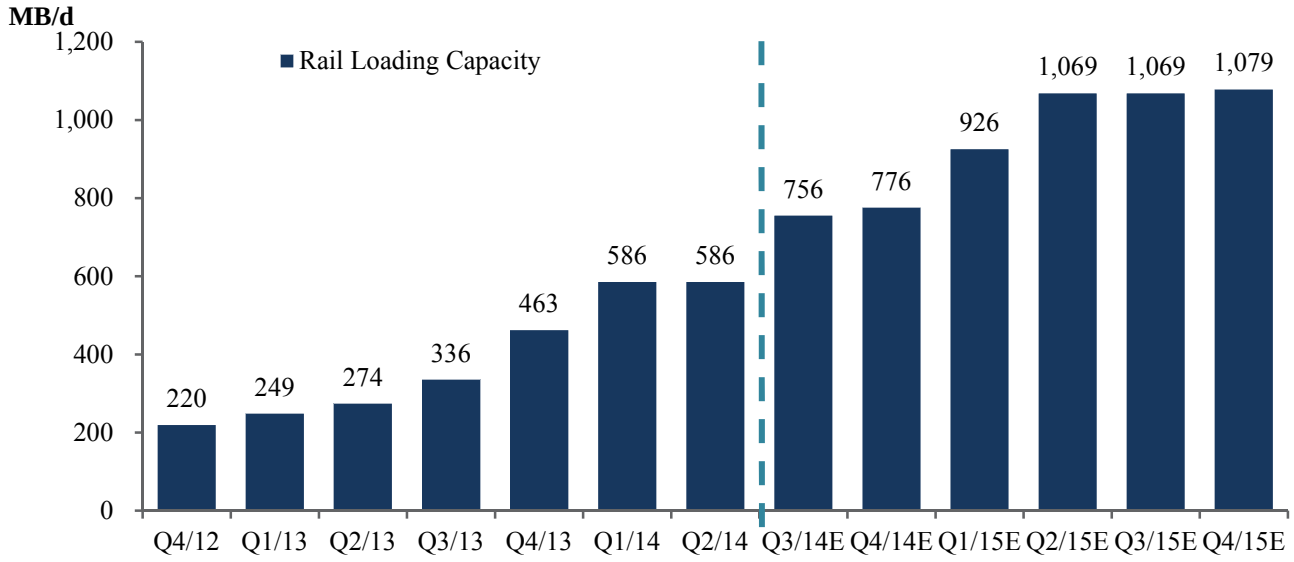
**Oil**

The Manager believes that crude oil supply / demand fundamentals will continue to remain attractive through the life of the Partnership as global economic activity increases and supply constraints persist. A synchronized global economic expansion is underway as evidenced by positive GDP and PMI data being reported by China, the Eurozone and the United States. The International Energy Agency estimates crude oil demand will increase approximately 1mm Bbl/d in 2014 and 1.3mm Bbl/d in 2015 following an increase of 1.3mm Bbl/d in 2013. Robust economic activity is expected to support a world price per barrel (represented by the Brent price) in the range of $90-$110/bbl Brent.

BP Statistical Review metrics show that oil supply growth has recently been largely concentrated in the United States. Non-OPEC supply growth outside of North America remains challenged as evidenced by the fact the US year-over-year oil production increase represented 96% of the total non-OPEC net increase in 2013 crude oil production. In 2013, global oil production growth of 557,000 Bbl/d fell short of oil consumption growth of 1.4mm Bbl/d . From 2009 to 2013, world oil production grew at a CAGR of approximately 1.7% led by oil production growth in the United States which increased oil production by over 2.7mm Bbl/d over that period (~8.3% CAGR). This represented the largest aggregate increase in oil production over that period. The Manager expects this trend to continue, albeit at a moderating pace of growth. In fact, the rate of production growth in the United States has contracted for the past eight consecutive months for which production data has been reported by the EIA.

The Manager expects that the bottlenecks affecting the transportation and distribution of Canadian oil are likely to be mitigated by continuing rail handling capacity expansion. Recently, the Canadian oil industry has expanded its rail handling capacity and is expected to have a capacity of approximately 1mm Bbl/d by the end of 2014, up from approximately 550,000 Bbl/d currently. The impact of rail has been significant and has reduced the differentials in prices for all grades of Canadian crude oil in 2014, although the Manager expects differentials to remain volatile.

**Oil by Rail**

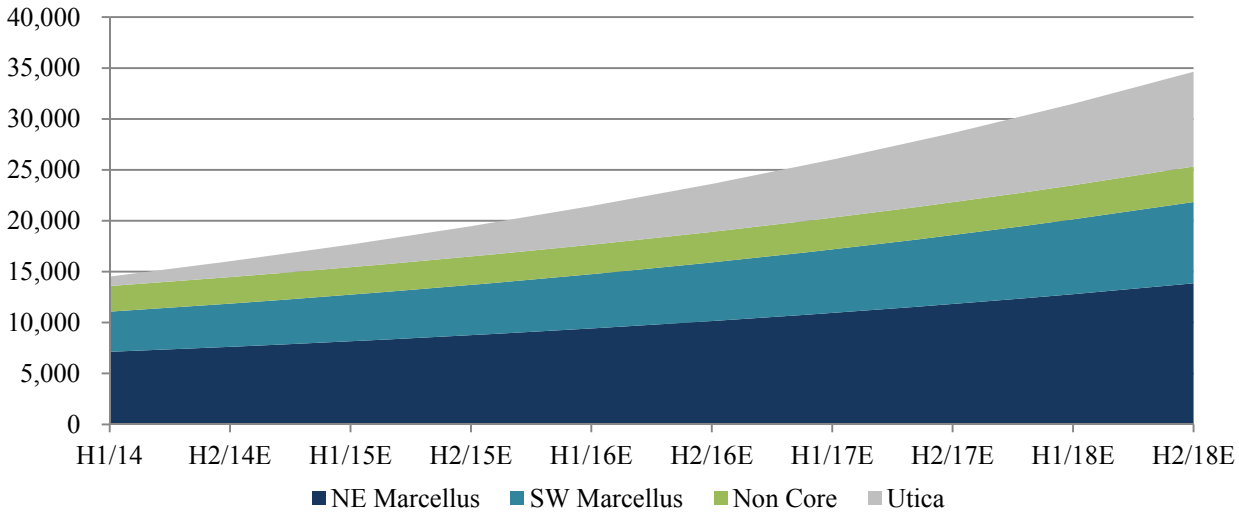



*Source: Peters & Co. Limited estimates July 2014*

**Natural Gas**

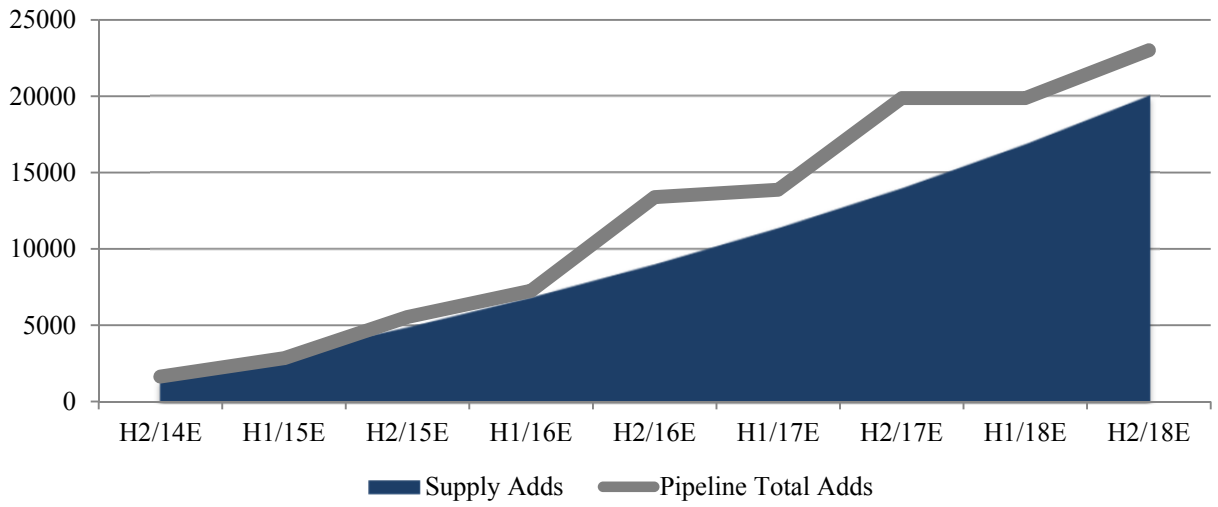
The manager believes that current and projected North American natural gas fundamentals should result in prices ranging from $3.00/mcf to $4.00/mcf over the life of the Partnership. United States natural gas production is expected to continue increasing driven predominantly by production additions sourced in the northeastern shale plays, specifically the Marcellus and Utica shales. Infrastructure takeaway capacity from this region is also expected to increase significantly over the next 24 months. In the short term, demand fluctuations will be driven by weather. Longer-term the Manager anticipates the continued retirement of coal fired gas plants and the development of United States LNG solutions and possibly Canadian West Coast LNG projects will bolster the demand for natural gas.

**Natural Gas Supply Estimates (MMcfe/d)**




*Source: Canaccord Genuity Appalachian Basin Supply-Demand Model*

**Natural Gas Demand Estimates (MMcfe/d)**




*Source: Canaccord Genuity Appalachian Basin Supply-Demand Model*

**Natural Gas Withdrawals**


*Source: United States Energy Information Administration*

**Investment by Sprott 2013 Flow-Through Limited Partnership**

The initial gross proceeds received by the Sprott 2013 Flow-Through Limited Partnership were invested as follows:

| Industry | Amount of Gross Proceeds (Approx %) |
|---|---|
| Natural gas | 44% |
| Oil/Liquids | 17% |
| Precious Metals | 17% |
| Other Metals | 22% |

As of June 30, 2014, the following is a list of the Resource Issuers comprising the ten largest holdings in the portfolio of the Sprott 2013 Flow-Through Limited Partnership and their approximate market capitalization:

| Top 10 Holdings | % | GICS/Sector | Approx. Market Cap. (Millions) |
|---|---|---|---|
| Tourmaline Oil Corp. | 20.49 | Energy | $11,003 |
| Paramount Resources Ltd. | 12.39 | Energy | 5,808 |
| Pretium Resources Inc. | 9.19 | Materials | 958 |
| NuVista Energy Ltd. | 7.46 | Energy | 1,616 |
| Yangarra Resources Ltd. | 6.01 | Energy | 192 |
| Artek Exploration Ltd. | 5.67 | Energy | 292 |
| Trevali Mining Corporation | 5.10 | Materials | 304 |
| RMP Energy Inc. | 4.91 | Energy | 1,126 |
| Delphi Energy Corp. | 4.53 | Energy | 672 |
| Fission Uranium Corp. | 4.35 | Energy | 382 |

The foregoing information regarding the Sprott 2013 Flow-Through Limited Partnership is presented solely for illustrative purposes. The information is not intended to be, nor should it be construed as, a forecast or projection or an indication as to the intended allocation of the Available Funds of the Partnership, an investment in any particular Resource Issuer, or an indication as to the future composition of the Partnership's investment portfolio. See "Organization and Management Details of the Partnership – Prior Partnerships" and "Risk Factors".

## INVESTMENT RESTRICTIONS

The Partnership will, as a general rule, at the time of investment, use its best efforts to observe the following guidelines in committing the Available Funds to Resource Issuers:

(a) at least 80% of the Available Funds will be invested in Resource Issuers that are listed on a stock exchange and at least 25% of the Available Funds will be invested in Resource Issuers that are listed on the TSX, the New York Stock Exchange, the NYSE MKT, NASDAQ, the London Stock Exchange (including the Alternative Investment Market), the Australian Stock Exchange or the South African JSE Securities Exchange, or any successor exchanges thereto;

(b) the Partnership will invest a minimum of 50% of the Available Funds in Flow-Through Shares of Resource Issuers whose market capitalization (determined at the time of purchase) exceeds $50 million;

(c) not more than 20% of the Available Funds will be invested in any one Resource Issuer;

(d) the Partnership will not own more than 10% of any class of equity or voting securities (and for this purpose all equity based securities owned by the Partnership shall be deemed to have been converted or exercised into the underlying equity securities and all fully paid equity based securities issued by a Resource Issuer shall be deemed to have been exercised into the underlying equity securities) of any Resource Issuer or purchase securities of any Resource Issuer for the purpose of exercising control or management over such issuer; and

(e) except for the purpose of hedging the risks associated with particular securities that are, or pursuant to a corporate action will be, in the Partnership's portfolio, the Partnership may not sell securities short or maintain a short position in any security.

If a percentage guideline on investment or use of assets set forth above is adhered to at the time of the transaction (which, in the case of the purchase of a Flow-Through Share, shall be taken to be the date on which the Manager communicates its decision to invest in such Flow-Through Share), later changes to the market value of the investment or total assets of the Partnership will not be considered a violation of these guidelines or require the elimination of any investment. If the Partnership receives from an issuer subscription rights to purchase securities of that issuer and if the Partnership exercises those subscription rights at a time when the Partnership's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the guidelines if, prior to the receipt of

securities of that issuer on exercise of these rights, the Partnership has sold at least as many securities of the same class and value as would result in adherence to the guideline.

Any change to the fundamental investment objective of the Partnership or any of the material investment strategies to be used to achieve the investment objective of the Partnership would require an amendment to the Partnership Agreement with the consent of the Limited Partners given by Extraordinary Resolution. See "Securityholder Matters – Amendment to the Partnership Agreement."

## FEES AND EXPENSES

### Initial Fees and Expenses

The Loan Facility will be used to fund the Agents' fee and the expenses of the Offering. Pursuant to the Agency Agreement, the Agents will be paid a sales commission of $1.4375 or 5.75% of the Subscription Price for each Unit sold. See "Plan of Distribution". The expenses of the Offering include the costs of creating and organizing the Partnership, the costs of printing and preparing the prospectus, legal expenses of the Partnership and the General Partner, marketing expenses and legal and other reasonable out-of-pocket expenses incurred by the General Partner, the Manager and the Agents, and other incidental expenses, which are estimated to be $250,000 in the case of the minimum Offering and $350,000 in the case of the maximum Offering but the Partnership's share of such expenses will be $100,000 in the case of the minimum Offering. This is because the Partnership will pay for any Offering expenses in an amount up to 2% of the Gross Proceeds and any Offering expenses in excess of that amount will be borne by the Manager. The unpaid principal amount of the borrowing will be deemed to be a limited-recourse amount of the Partnership under the Tax Act which reduces the related expenses by the unpaid principal amount. At the time that all or a portion of the indebtedness is repaid by the Partnership, the related expenses will be deemed to have been incurred by the Partnership at the time of, and to the extent of, the repayment, provided the repayment is not part of a series of loans or other indebtedness and repayments. See "Income Tax Considerations – Taxation of Securityholders – Limitations on Deductibility of Expenses or Losses of the Partnership".

### Management Services and Fees

The Partnership has retained the Manager as portfolio manager and investment fund manager to provide management, administrative and other services to the Partnership.

Pursuant to the Management Agreement, the Manager will manage the operations and affairs of the Partnership, make all decisions regarding the business of the Partnership and bind the Partnership. The Manager may delegate certain of its powers to third parties where, at the discretion of the Manager, it would be in the best interests of the Partnership to do so.

The Manager's duties will include maintaining accounting records for the Partnership; authorizing the payment of operating expenses incurred on behalf of the Partnership; preparing financial statements, income tax returns and financial and accounting information as required by the Partnership; providing and maintaining complete computer hardware and software facilities; ensuring that Limited Partners are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Partnership complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Partnership's reports to Limited Partners and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfill its fiduciary responsibilities; coordinating and organizing marketing strategies; providing complete office amenities and services for the business of the General Partner; dealing and communicating with Limited Partners; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers.

In consideration for the Manager's services and pursuant to the terms of the Management Agreement, the Partnership will pay to the Manager an annual fee equal to 2% of the Net Asset Value, calculated and paid monthly in arrears.

### Performance Bonus Allocation

The General Partner will be entitled to an additional distribution of Partnership property on the Performance Bonus Allocation Date in an amount equal to 20% of the amount by which the Net Asset Value per Unit on the Performance Bonus Allocation Date (excluding the effect of distributions, if any) exceeds $28.00, multiplied by the number of Units outstanding at the Performance Bonus Allocation Date. The Performance Bonus Allocation will be calculated on the Performance Bonus Allocation Date and paid as soon as practicable thereafter. The Performance Bonus Allocation will be paid in Mutual Fund Shares in the event of the transfer of the assets of the Partnership to the Designated Mutual Fund pursuant to the Mutual Fund

Rollover Transaction unless payment in Mutual Fund Shares is not permitted by applicable law. If the Partnership's assets are not transferred to the Designated Mutual Fund, the Performance Bonus Allocation will be paid to the General Partner in cash.

**Ongoing Expenses**

The Partnership will pay for all expenses (inclusive of applicable taxes) incurred in connection with its operation and administration. It is expected that these expenses will include: (a) mailing and printing expenses for periodic reports to Limited Partners; (b) fees payable to auditors, custodian and legal advisors; (c) taxes and ongoing regulatory filing fees; (d) fees payable to the Manager for performing financial, record keeping and reporting to Limited Partners and general administrative services; (e) its *pro rata* share of fees payable to the Independent Review Committee; (f) any reasonable out-of-pocket expenses incurred by the Manager (including independent advisors) and the General Partner, and their agents in connection with their ongoing obligations; (g) payments, if any, due to the General Partner under the Partnership Agreement; (h) interest charges in connection with the Loan Facility and (i) expenses relating to portfolio transactions. The Manager estimates that these costs will be approximately $170,000 per annum in the case of the maximum Offering and $80,000 per annum in the case of the minimum Offering. These costs include an assumption that the Partnership borrows up to 10% of the Gross Proceeds pursuant to the Loan Facility. Accordingly, if the Partnership borrows less than 10% of the Gross Proceeds under the Loan Facility, its borrowing costs will be lower. See "Loan Facility" below and "Organization and Management Details of the Partnership – General Partner".

The Partnership will pay the loan fees and related interest charges in connection with the Loan Facility.

The Partnership will also pay all expenditures which may be incurred in connection with the Liquidity Alternative and the dissolution of the Partnership.

In connection with certain investments of the Partnership, the Manager may retain independent advisors and consultants to conduct due diligence investigations of a Resource Issuer's business, assets, properties and mineral reserves. At the discretion of the General Partner, fees and expenses incurred by the Manager in retaining such independent advisors may be charged to the Partnership.

**Loan Facility**

On the date of the Initial Closing, the Partnership will enter into the Loan Facility for the purpose of funding the Agents' fee and the expenses of the Offering. As at the date of this prospectus, no amount of indebtedness is outstanding to the Canadian chartered bank that will provide the Loan Facility. Pursuant to the Loan Facility, the Partnership will be able to borrow up to the amount of the aggregate of the Agents' fee and the expenses of the Offering, such amount not to exceed 10% of the Gross Proceeds. The Manager will ensure that the interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature. The Partnership's obligations under the Loan Facility will be secured by a pledge of the assets held by the Partnership. Prior to the dissolution of the Partnership, all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full.

## RISK FACTORS

**This is a blind pool offering. This is a speculative Offering. As of the date of this prospectus, the Partnership has not entered into any Share Purchase Agreement with any Resource Issuer. If any Closing occurs after the Initial Closing, it is likely that the Partnership will have then selected potential investments or made investments. There is no assurance of a return on a Subscriber's initial investment. The Units are more suitable for Subscribers with incomes that are subject to high marginal tax rates. Aside from tax benefits, Subscribers should consider whether the Units have sufficient merit solely as an investment. In addition, the purchase of Units involves significant risks, including, but not limited to, the following:**

**Speculative Investments**

An investment in Units is speculative in nature and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There is no guarantee that an investment in the Partnership will earn a specified rate of return or any return in the short or long term.

**Sector Risks**

The business activities of issuers in the resource industry are speculative and may be adversely affected by factors outside the control of those issuers. Energy and resource exploration involves a high degree of risk that even the combination of experience and knowledge of the Resource Issuers may not be able to avoid. Resource Issuers may not hold or discover commercial quantities of precious metals, minerals, oil or gas and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, protection of agricultural lands, competition, imposition of tariffs, duties or other taxes and government regulation, as applicable. Though they may, at times, have an effect on the share price of Resource Issuers, the effect of these factors cannot be accurately predicted.

**Global Economic Downturn**

In the event of a continued global economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Resource Issuers in which the Partnership invests would not be materially adversely affected.

**Lack of Operating History of the Partnership and the General Partner**

The Partnership and the General Partner are newly established entities that have no previous operating or investment history and only nominal assets.

**Changes in Net Asset Values**

The purchase price per Unit paid by a Subscriber at a Closing subsequent to the Initial Closing may be less than or greater than the aggregate Net Asset Value per Unit at the time of purchase.

The value of the Units may fluctuate due to variations in the value of investments held by the Partnership. Fluctuations in the market values of portfolio investments may occur for a number of reasons beyond the control of the Partnership and the Manager, including fluctuations in market prices for commodities and foreign exchange rates and other risks described above under “Sector Risks”.

The size of the offering will affect the amount of diversification and may affect the scope of the investment opportunities available to the Partnership.

The Partnership invests in securities issued by Resource Issuers engaged primarily in oil and gas exploration, development, and/or production or certain energy production that may incur CRCE (including junior issuers). Accordingly, the investment portfolio of the Partnership may be more volatile than portfolios with a more diversified investment focus.

**Valuation and Liquidity of Non-Listed Resource Issuers**

The Partnership’s investments in certain small or non-listed Resource Issuers may be difficult to value accurately or to sell, and may trade at a price significantly lower than their value. In general, the less liquid an investment, the more its value tends to fluctuate. As a result, the Partnership may not be able to convert its investments to cash at a fair market price when it needs to or it may bear additional costs in doing so.

**Tax Related Risks**

Limited Partners who sell their Units may not realize proceeds equal to their *pro rata* share of the Net Asset Value and the sale of a Unit may result in unfavourable tax consequences for the transferor. See “Income Tax Considerations”.

Units are designed for individual investors in the highest marginal income tax brackets. There can be no assurance that income tax laws or administrative practices in the various jurisdictions of Canada will not be changed in a manner which will fundamentally alter the tax consequences to Limited Partners of holding or disposing of Units. Tax Proposals may not be enacted as proposed. There is a further risk that expenditures incurred by a Resource Issuer may not qualify as CEE or that CEE incurred will be reduced by other events including failure to comply with the provisions of Share Purchase Agreements or of applicable income tax legislation. There is no guarantee that Resource Issuers will comply with the provisions of the Share Purchase Agreement, or with the provisions of applicable income tax legislation with respect to the nature of expenses

renounced to the Partnership. The Partnership may also fail to comply with applicable legislation. There is no assurance that Resource Issuers will incur all CEE before January 1, 2016 or renounce CEE equal to the price paid to them. These factors may reduce or eliminate the return on a Limited Partner's investment in the Units.

If CEE renounced within the first three months of 2015 effective December 31, 2014 is not in fact incurred in 2015, the Limited Partners may be reassessed by CRA effective as of December 31, 2014 in order to reduce the Limited Partners' deductions with respect to CEE allocated to the Limited Partners. However, none of the Limited Partners will be charged interest on any unpaid tax as a result of such reduction for any period before May 2016.

The Partnership will borrow funds to pay certain expenses of the Partnership (including the Agents' fee and other expenses of the Offering) which would be deemed to be a limited-recourse amount for the purposes of the Tax Act. As a result, amounts in respect of these expenses and interest on the borrowing will not be deductible until the year in which the limited-recourse indebtedness is repaid. The possibility exists that CRA may attempt to attribute the limited-recourse indebtedness to reduce CEE incurred by the Partnership and renounced to the Limited Partners.

If the Partnership sells Flow-Through Shares, it will realize a capital gain substantially equal to the sale proceeds because the Flow-Through Shares have a nil cost to the Partnership for tax purposes. There is therefore a possibility that Limited Partners will receive allocations of income (including taxable capital gains) from the Partnership without receiving a corresponding cash distribution to satisfy any resulting tax liability.

In any fiscal year, the possibility exists that a Limited Partner will receive allocations of income without receiving cash distributions from the Partnership in such year sufficient to satisfy the Limited Partner's tax liability for the year arising from its status as a Limited Partner.

If a Limited Partner finances the acquisition of the Units with a financing for which recourse is, or is deemed to be, limited, the CEE or other expenses incurred by the Partnership may be reduced by the amount of such financing.

The Proposed Loss Limitation Rule could, among other things, adversely affect a Limited Partner who has borrowed funds in connection with the acquisition of Units or the deduction by the Partnership of expenses, including any interest on money borrowed to pay the Agents' fee and other expenses of the Offering. The summary set out under the heading "Income Tax Considerations" does not address the deductibility of interest by Limited Partners and any Limited Partner who has borrowed money to acquire Units should consult his or her own tax advisor in this regard.

The Proposed Loss Limitation Rule limits a taxpayer's ability to deduct a loss from a business or property in a year unless it is reasonable to expect in that year that the taxpayer will realize a cumulative profit from that business or property over the expected life of the business or period of ownership of the property. Cumulative profit will be determined without reference to capital gains or capital losses. The Proposed Loss Limitation Rule should not affect the ability of a Limited Partner to deduct an amount in respect of the Limited Partner's available CCEE account against the Limited Partner's income in a year. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Proposed Loss Limitation Rule would be released for comment at an early opportunity. To date, no alternative proposal has been released. There can be no assurance that such alternative proposal will not adversely affect Limited Partners.

If any Limited Partner is not a resident of Canada at the time of the dissolution of the Partnership, any distribution of undivided interests in the assets of the Partnership may not be effected on a tax-deferred basis. CRA may disagree whether the undivided interests in securities of Resource Issuers distributed to Limited Partners on the dissolution of the Partnership may be partitioned on a tax-deferred basis.

For Québec provincial tax purposes only, a Québec Limited Partner who is an individual (including a personal trust) and who incurs, in a given taxation year, investment expenses to earn investment income in excess of the investment income earned for that year shall include the excess in its income. For these purposes, investment expenses include certain interest, losses of the Québec Limited Partner and 50% of CEE incurred outside Québec and deducted for Québec tax purposes by such Québec Limited Partner. CEE not deducted in a particular taxation year may be carried over and applied against net investment income earned in any of the three previous taxation or any subsequent years. See "Income Tax Considerations – Certain Québec Tax Considerations".

Certain provisions of the Tax Act (the "**SIFT Rules**") apply to tax certain publicly-traded income trusts and partnerships. Provided investments in the Partnership are not listed or traded on a stock exchange or other public market, the SIFT Rules will not apply to the Partnership. If the SIFT Rules were to apply to the Partnership, the tax consequences to the Partnership and Limited Partners would be materially, and in some respects adversely, different.

The federal (or Québec) alternative minimum tax may limit tax benefits to Limited Partners.

**Lack of Liquidity**

There is no market for the Units and it is unlikely that any public market will develop through which Units may be sold. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation.

There can be no assurance that the Mutual Fund Rollover Transaction or a Liquidity Alternative will be completed. Accordingly, an investment in Units should only be considered by investors who do not require liquidity.

**Flow-Through Share Premiums**

Flow-Through Shares may be issued to the Partnership at prices that exceed the market prices of similar common shares that do not permit CEE to be renounced in favour of the holders. Competition for the purchase of Flow-Through Shares may increase the premium at which such shares are available for purchase by the Partnership. The Partnership may invest in non-flow-through securities in combination with Flow-Through Shares of the same Resource Issuer when they are offered at the same time to reduce the average cost of the investment in such Resource Issuer.

**Reliance on the Manager**

Subscribers must rely on the discretion of the Manager in determining the composition of the investment portfolio of the Partnership, in negotiating the pricing of securities purchased by the Partnership and in disposing of securities. The Manager will not always receive or review engineering or other technical reports prepared by Resource Issuers in connection with their exploration programs prior to making investments.

**Possibility that Limited Partners may Receive Illiquid Securities on Dissolution**

There are no assurances that any Mutual Fund Rollover Transaction will be implemented. If the Mutual Fund Rollover Transaction is not completed, Limited Partners may receive Flow-Through Shares or other securities of Resource Issuers upon dissolution of the Partnership for which there may be an illiquid market or which may be subject to resale restrictions.

**Financial Resources of the General Partner**

While the General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners in certain circumstances, the General Partner does not have, and it is not expected that the General Partner will have, significant financial resources and, accordingly, may not have the ability to actually indemnify Limited Partners.

**Transferability of the Units**

The sale of a Unit could result in failure to realize minimum tax savings and proceeds equal to the Limited Partner's share of the Net Asset Value, and possible liability for capital gains tax. Most of the tax advantages that would ordinarily flow through to Limited Partners are expected to be realized for the 2014 taxation year and, to realize such tax advantages, the person must be a Limited Partner as of December 31, 2014, and an assignor of Units before, and an assignee of Units after, December 31, 2014 is not expected to realize such tax advantages.

**Resale Restrictions on Portfolio Securities**

Securities purchased by the Partnership may be subject to resale restrictions. During periods when resale restrictions apply, the Partnership may dispose of such securities only pursuant to certain statutory exemptions. Securities of Resource Issuers that are not reporting issuers (or the equivalent) purchased by the Partnership may be subject to indefinite resale restrictions that may be negated only if such Resource Issuers become reporting issuers that are subject to continuous disclosure obligations under applicable securities laws. As a result of disclosure requirements, such Resource Issuers may be impaired in their ability to become reporting issuers.

**Short Sales**

The Partnership may short sell and maintain short positions in securities for the purpose of hedging securities held in the Partnership's investment portfolio. These short sales may expose the Partnership to losses if the value of the securities sold short increases.

**Lack of Suitable Investments**

The Manager may not be able to identify a sufficient number of investments in Flow-Through Shares to fully invest the Available Funds by December 31, 2014, and, therefore, capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes. In such event, the tax advantages available to Limited Partners will be reduced accordingly.

To obtain the tax advantages for Limited Partners as described herein, the Partnership is required to enter into Share Purchase Agreements with Resource Issuers in respect of the Available Funds by December 31, 2014. No assurance can be given that there will be a sufficient number of Resource Issuers willing to enter into such agreements on or before December 31, 2014. To the extent that the Partnership is unable to enter into Share Purchase Agreements in respect of the Available Funds by such date, the Available Funds not invested will be returned *pro rata* to the Limited Partners. The Manager will cause to be returned to each Limited Partner by April 30, 2015 such Limited Partner's *pro rata* share of the Available Funds that have not been committed by the Partnership to purchase Flow-Through Shares and other securities, if any, of Resource Issuers prior to January 1, 2015, except to the extent that such funds are expected to be used to finance the operations of the Partnership or repay indebtedness, including indebtedness that is a limited-recourse amount. In such event, the tax advantages available to Limited Partners will be reduced accordingly.

**Possible Loss of Limited Liability**

The *Limited Partnerships Act* (Ontario) provides that a limited partner benefits from limited liability unless, in addition to exercising rights and powers as a limited partner, such limited partner takes part in the control of the business of a limited partnership of which such limited partner is a partner. A Limited Partner is liable for such Limited Partner's Subscription Price, *pro rata* share of undistributed income retained by the Partnership and for any portion of the Subscription Price returned to such Limited Partner by the Partnership. In order that the liability of the Limited Partners be limited to the extent described, certain legal requirements under the *Limited Partnerships Act* (Ontario) and other applicable provincial legislation must be satisfied.

The limitation of liability conferred under the *Limited Partnerships Act* (Ontario) may be ineffective outside Ontario except to the extent it is given extra territorial recognition or effect by the laws of other jurisdictions. There may also be requirements to be satisfied in each jurisdiction to maintain limited liability. If limited liability is lost, Limited Partners may be considered to be general partners (and therefore be subject to unlimited liability) in such jurisdiction by creditors and others having claims against the Partnership.

**Loan Facility**

The interest expense and banking fees incurred in respect of the Loan Facility by the Partnership may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns.

## DISTRIBUTION POLICY

It is not anticipated that the Partnership will make any material distributions to Limited Partners, although the Partnership is not precluded from doing so at any time prior to its dissolution, subject to the terms of the Loan Facility.

## PURCHASES OF SECURITIES

A Subscriber must purchase at least 200 Units and pay $25.00 per Unit subscribed for at Closing. Payment may be made either by direct debit from the Subscriber's brokerage account or by remitting a certified cheque or bank draft to the Subscriber's registered dealer or broker. Prior to Closing, all certified cheques and bank drafts will be held by the Agents. No cheques or bank drafts will be cashed prior to the Closing.

The acceptance by the Manager (on behalf of the Partnership) of a Subscriber's offer to purchase Units (made through a registered dealer or broker), whether in whole or in part, constitutes a subscription agreement between the Subscriber and the Partnership, upon the terms and conditions set out in this prospectus.

The foregoing subscription agreement shall be evidenced by delivery of the final prospectus to the Subscriber, provided that the subscription has been accepted by the Manager on behalf of the Partnership. Joint subscriptions for Units will be accepted.

Pursuant to the Partnership Agreement, each Subscriber, among other things:

(a) consents to the disclosure of certain information to, and the collection and use by, the General Partner and its service providers, including such Subscriber's full name, residential address or address for service, social insurance number or the corporation account number, as the case may be, for the purpose of administering such Subscriber's subscription for Units;

(b) acknowledges that the Subscriber is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner;

(c) makes or is deemed to make the representations and warranties set out in the Partnership Agreement, including without limitation, representations and warranties that he, she or it:

  (i) is not a "non-resident" for the purposes of the Tax Act or an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*;

  (ii) is not a partnership, or, in the case that it is a partnership, it is a "Canadian partnership" for purposes of the Tax Act;

  (iii) has not financed the acquisition of the Units with borrowings for which recourse is, or deemed to be, limited for purposes of the Tax Act;

  (iv) is not a "financial institution" as that term is defined in subsection 142.2(1) of the Tax Act unless such prospective purchaser has provided written notice to the contrary to the Partnership prior to the date of acceptance of the prospective purchaser's subscription for Units; and

  (v) will maintain the status set out in (i), (ii), (iii) and (iv) above during such time as the Units are held;

(d) irrevocably nominates, constitutes and appoints the General Partner as its true and lawful attorney with full power and authority as set out in the Partnership Agreement;

(e) authorizes the General Partner to transfer the assets of the Partnership to an open-end mutual fund corporation and implement the dissolution of the Partnership in connection with any Mutual Fund Rollover Transaction;

(f) irrevocably authorizes the General Partner to file on his, her or its behalf all elections under applicable income tax legislation in respect of any Liquidity Alternative which may be implemented in accordance with the Partnership Agreement or the dissolution of the Partnership; and

(g) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the power of attorney set out in the Partnership Agreement will be binding upon such Subscriber, and each Subscriber agrees to ratify any of such documents or actions upon request by the General Partner.

Subscription proceeds from the Offering will be received by the Agents, or such other registered dealers or brokers as are authorized by the Agents, and held in trust in a segregated account until subscriptions for the minimum Offering are received and other closing conditions of the Offering have been satisfied. If the minimum amount required for the Offering is not subscribed for within 90 days after the date of issuance of the Receipt in respect of the final prospectus, the Offering may

not continue and the subscription proceeds will be returned to Subscribers, without interest or deduction, unless an amendment to this prospectus is filed.

It is not anticipated that the Partnership will make any material distributions to Limited Partners. Consequently, a Subscriber may not receive any cash distributions from the Partnership to pay interest on, or to repay the principal amount of, any such loan. Each Subscriber is responsible for ensuring that all principal and interest owing on any such loan is paid in full when due. The failure to pay any amount when due may result in legal action being taken against the Subscriber by the bank to enforce payment, the loss of any collateral pledged to the bank by the Subscriber, including the Units, and adverse income tax consequences to the Subscriber.

The Partnership is not required to complete any subsequent Closing following the Initial Closing. The completion of any subsequent Closing will be determined in the sole discretion and agreement of the Manager. The Manager may consult with the Agents in exercising such discretion.

## REDEMPTION OF SECURITIES

Units are not redeemable by the Limited Partners. However, the Partnership may redeem Units in certain circumstances. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Redemption or Sale of Units of Non-Qualified Holders".

## INCOME TAX CONSIDERATIONS

In the opinion of Baker & McKenzie LLP, counsel to the Partnership and the General Partner and Stikeman Elliott LLP, counsel to the Agents, the following is a summary as of the date of this prospectus of the principal Canadian federal income tax and certain Québec provincial tax considerations for a purchaser who acquires Units pursuant to this prospectus. This summary is applicable only to purchasers who are or are deemed to be, at all relevant times, resident in Canada, who will hold their Units as capital property and who pay their subscription price in full when due. Provided a Limited Partner does not hold Units in the course of carrying on a business and has not acquired Units as an adventure in the nature of trade, the Units will generally be considered to be capital property to the Limited Partner. This summary similarly assumes that the Flow-Through Shares will be capital property to the Partnership. Except as otherwise indicated, this summary assumes that recourse for any financing by a Limited Partner of the Subscription Price for Units is not limited and is not deemed to be limited within the meaning of the Tax Act. This summary also assumes that each Limited Partner will, at all relevant times, deal at arm's length, for purposes of the Tax Act, with each of the Resource Issuers with which the Partnership has entered into a Share Purchase Agreement. This summary is not applicable to taxpayers that are "financial institutions", as defined in subsection 142.2(1) of the Tax Act, that are "principal-business corporations" as defined in subsection 66(15) of the Tax Act, whose business includes trading or dealing in rights, licences, or privileges to explore or drill for, or take, minerals, petroleum, natural gas, or other related hydrocarbons, to a taxpayer, an interest in which is a "tax shelter investment" as defined in the Tax Act, to taxpayers that make a functional currency reporting election pursuant to the Tax Act or to a taxpayer that is a corporation and that holds a "significant interest" in the Partnership within the meaning of section 34.2 the Tax Act.

This summary is based on the assumption that the Partnership is not, and will not be at any material time, a "specified person" within the meaning of the Tax Act or the Tax Regulations in relation to any Resource Issuer with which it has entered into a Share Purchase Agreement.

This summary also assumes that none of the Limited Partners or any person not dealing at arm's length with a Limited Partner is entitled, whether immediately or in the future and either absolutely or contingently, to receive or obtain in any manner whatsoever, any amount or benefit (other than a benefit described in this prospectus), for the purpose of reducing the impact of any loss that the Limited Partner may sustain by virtue of being a Limited Partner or the holding or disposition of Units.

This 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. It is impractical to comment on all aspects of federal income tax laws which may be relevant to any potential purchaser of Units. Accordingly, each prospective purchaser of Units should obtain independent advice from a tax advisor who is knowledgeable in the area of income tax law regarding the income tax considerations applicable to investing in the Partnership based on the purchaser's own particular circumstances.

The income tax considerations applicable to a purchaser of Units will vary depending on a number of factors, including whether his or her Units are characterized as capital property, the province or territory in which he or she resides,

carries on business, or has a permanent establishment, the amount that would be his or her taxable income but for the interest in the Partnership, and the legal characterization of the purchaser as an individual, corporation, trust, or partnership.

This summary is based on the current provisions of the Tax Act, the Tax Regulations, and counsel's understanding of the current published administrative practices of the CRA. This summary also takes into account the Tax Proposals. This summary does not otherwise take into account or anticipate any changes in laws, whether by judicial, governmental, or legislative decision or action, nor does it take into account provincial (except certain Québec), territorial or foreign income tax legislation or considerations. There is no certainty that such Tax Proposals will be enacted in the form proposed, if at all.

**Status of the Partnership**

In the opinion of Baker & McKenzie LLP, counsel to the Partnership and the General Partner, and Stikeman Elliott LLP, counsel to the Agents, the Units do not constitute qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, tax-free savings accounts, registered education savings plans, deferred profit sharing plans or registered disability savings plans for the purposes of the Tax Act (collectively, "**Registered Plans**").

**Taxation of the Partnership**

The Partnership is not itself a taxable entity and is not required to file income tax returns except for an annual information return.

**Taxation of Securityholders**

*Highlights*

These comments must be read in conjunction with the detailed summary of the income tax considerations which follows. In brief, a taxpayer who is a Limited Partner at the end of the fiscal year of the Partnership may, in computing his or her income for the taxation year in which the fiscal year of the Partnership ends, subject to the application of a number of rules in the Tax Act which restrict the ability of a Limited Partner to deduct certain expenses and losses, deduct the following:

(a) an amount equal to 100% of CEE renounced to the Partnership and allocated to him or her by the Partnership in respect of the fiscal year of the Partnership;

(b) an amount equal to 100% of CDE renounced to the Partnership which is deemed to be CEE incurred by the Partnership and allocated to him or her by the Partnership in respect of the fiscal year of the Partnership; and

(c) his or her *pro rata* share of any losses of the Partnership incurred in the fiscal year of the Partnership without taking into account the expenditures or deductions referred to above.

In addition, a Limited Partner who is an individual (other than a trust) may be entitled to claim the Federal ITC to reduce his or her tax otherwise payable in respect of certain CEE renounced to the Partnership and allocated to him or her. However, the amount of such Federal ITC deducted in a taxation year will reduce a limited partner's CCEE account in the following year, thereby potentially giving rise to an income inclusion of that amount.

*Canadian Exploration Expense and Canadian Development Expense*

Provided that certain conditions in the Tax Act are fulfilled, the Partnership will be deemed to incur CEE renounced to it by the Resource Issuers pursuant to the Share Purchase Agreements on the effective date of the renunciation. Provided that certain further conditions in the Tax Act are fulfilled, certain CEE incurred by a Resource Issuer before January 1, 2016 can be renounced to the Partnership with an effective date of December 31, 2014 and the Partnership will be deemed to have incurred such CEE on December 31, 2014. Certain CEE incurred or to be incurred in 2015 will be eligible to be renounced effective December 31, 2014 provided that the Resource Issuer makes the renunciation to the Partnership by March 31, 2015. The Share Purchase Agreements for Flow-Through Shares to be entered into during 2014 by the Partnership may permit a Resource Issuer to incur CEE at any time up to December 31, 2015, provided that the CEE qualifies for renunciation with an

effective date in 2014 and the Resource Issuer agrees to renounce that CEE to the Partnership by March 31, 2015 with an effective date of December 31, 2014.

In the case of certain expenses incurred for the purpose of developing petroleum or natural gas deposits in Canada (including certain drilling expenses), such expenses ordinarily characterized as CDE may be deemed to be CEE to a limit of $1,000,000 per Resource Issuer (together with corporations that are "associated", within the meaning of the Tax Act, with such Resource Issuer) whose "taxable capital employed in Canada", for the purposes of the Tax Act, is not greater than $15,000,000. The Partnership may subscribe for Flow-Through Shares of certain Resource Issuers in order to obtain renunciation of such deemed CEE. Share Purchase Agreements to be entered into during 2014 may permit a Resource Issuer to incur certain CDE, which will be deemed to be CEE, at any time up to December 31, 2015, provided that the CDE qualifies for renunciation as CEE with an effective date in 2014 and the Resource Issuer agrees to renounce that CDE to the Partnership as CEE by March 31, 2015 with an effective date of December 31, 2014.

Each Share Purchase Agreement for the purchase of Flow-Through Shares will contain covenants and representations of the Resource Issuer so as to ensure that CEE (and CDE deemed to be CEE) incurred by such company in an amount equal to the subscription price payable for the Flow-Through Shares can be renounced to the Partnership with an effective date of not later than December 31, 2014 and that, where the expenses renounced are CDE, they will qualify as deemed CEE incurred by the Partnership. The Share Purchase Agreements generally will require that the Resource Issuers expend, by December 31, 2015, the full amount committed by the Partnership and renounce, prior to April 1, 2015, such expenditures to the Partnership with an effective date of not later than December 31, 2014.

For purposes of the following discussion, all references to CEE include CDE renounced to the Partnership, which is deemed to be CEE incurred by the Partnership.

If CEE renounced before April 1, 2015, effective December 31, 2014, is not, in fact, incurred in 2015, then the Partnership will have its CEE reduced accordingly. The reduction will be effective as of December 31, 2014. However, none of the Limited Partners will be charged interest on any unpaid tax arising as a result of such reduction before May 2016.

A Limited Partner does not deduct directly CEE renounced to the Partnership and allocated to him or her in respect of a fiscal year of the Partnership but adds such CEE to his or her CCEE account. A Limited Partner's share of CEE incurred by the Partnership in a fiscal year is considered for these purposes to be limited to his or her "at-risk amount" in respect of the Partnership at the end of the fiscal year. If his or her share of CEE is so limited, any excess will be added to his or her share, as otherwise determined, of the CEE incurred by the Partnership in the immediately following fiscal year again subject to the at-risk amount limitation discussed below.

Subject to the "at-risk" rules and rules restricting the deductibility of expenses in respect of a "tax shelter investment", as described below, a Limited Partner may deduct in computing his or her income from all sources for a particular taxation year, such amount as he or she may claim not exceeding 100% of his or her CCEE account at the end of that taxation year. The undeducted balance of a Limited Partner's CCEE account may generally be carried forward indefinitely. A Limited Partner's CCEE account is reduced by his or her share of any amount that he, she, or the Partnership received or is entitled to receive as assistance in respect of CEE incurred, or that can reasonably be related to Canadian exploration activities and by deductions claimed in prior years of the investment tax credit as described below under "Investment Tax Credits". If, at the end of a taxation year, the reductions in calculating the Limited Partner's CCEE account exceed the balance of that account at the beginning of the year and additions to it during the year, the excess must be included in computing the Limited Partner's income for that year and the amount of the Limited Partner's CCEE account at the end of the year will be nil.

The sale or other disposition of Units will not result in the reduction of any Limited Partner's CCEE account and the sale by the Partnership or the Limited Partners of any Flow-Through Shares will not result in a reduction in any Limited Partner's CCEE account.

*Investment Tax Credits*

Individuals (other than trusts) who are Limited Partners may be entitled to the Federal ITC equal to 15% of a certain type of CEE renounced to the Partnership and allocated to the Limited Partners. Generally the CEE that gives rise to the Federal ITC is described as specified surface grass roots mining exploration expenses incurred or deemed incurred in Canada by a Resource Issuer before 2016 (including CEE incurred and renounced in 2015 prior to April 1, 2015 with an effective date in 2014 in accordance with the Tax Act) under an agreement for the issuance of a Flow-Through Share made before April 1, 2015. The amount of CEE upon which the credit is computed would be reduced by any provincial tax credit that the

Limited Partner has received, was entitled to receive or could reasonably have been expected to receive in respect of the CEE.

The Federal ITC can be used by a Limited Partner to reduce the tax otherwise payable in the taxation year of the Limited Partner in which the Limited Partner becomes entitled to the credit. A Limited Partner who is entitled to the Federal ITC as a result of being a Limited Partner will be entitled to carry forward such Federal ITC for a period of 20 years and back three years. To the extent the Federal ITC is applied in a year, it is deducted from the Limited Partner's CCEE account in the following taxation year. As discussed above, where the balance of a Limited Partner's CCEE pool is negative at the end of a taxation year, the negative amount must be included in the Limited Partner's income for that taxation year. As such, a Limited Partner who deducts this Federal ITC for the 2014 taxation year will be required to include in his or her 2015 income the amount deducted unless there is a sufficient offsetting balance in his or her CCEE account in 2015.

*Computation of Income of Limited Partners*

Each Limited Partner will be required to include in computing his or her income or loss for tax purposes for a taxation year, subject to the "at-risk" rules, his or her *pro rata* share of the income or loss for each fiscal year of the Partnership ending in, or at the end of, that taxation year, whether or not he or she has received or will receive any distributions from the Partnership. The fiscal year of the Partnership ends on December 31 and will end upon the dissolution of the Partnership.

Each Limited Partner will generally be required to file an income tax return reporting his or her share of the income or loss of the Partnership. While the Partnership will provide each Limited Partner with information required for income tax purposes pertaining to his or her investment in Units, the Partnership will not prepare or file income tax returns on behalf of any Limited Partner. Each person who is a Partner in a year will also be required to file an information return on or before the last day of March in the following year in respect of the activities of the Partnership or, where the Partnership is dissolved, within 90 days after the dissolution. A return made by any one Partner will be deemed to have been made by each Partner. Under the Partnership Agreement, the General Partner is required to file the necessary return.

The income or loss of the Partnership will be computed as if the Partnership were a separate person resident in Canada without taking into account any deduction in respect of, among other things, CEE. Any CEE incurred by the Partnership or renounced to the Partnership will be allocated, in accordance with the Partnership Agreement and the Tax Act, to those persons who are Limited Partners at the end of the fiscal year of the Partnership which includes the effective date on which the CEE is incurred or renounced, respectively. Each such Limited Partner will be entitled to deduct directly through his or her CCEE account, and not as a part of the income or loss of the Partnership, in accordance with the provisions of the Tax Act, an amount in respect of such CEE. The income of the Partnership will include the taxable portion of any capital gain that it realizes on a disposition of Flow-Through Shares or the disposition of Mutual Fund Shares delivered to the General Partner by the Partnership in payment of the Performance Bonus Allocation, if any. As a result of the cost of the Flow-Through Shares being deemed to be nil for purposes of the Tax Act, the amount of such capital gain generally will equal the proceeds of disposition of the Flow-Through Shares, net of reasonable costs of disposition.

Counsel has been advised that the Partnership will borrow funds to pay certain expenses and fees it will incur in respect of the Offering, consisting of the expenses of the Offering and the Agents' fee. The unpaid principal amount of such borrowing will be deemed to be a limited-recourse amount of the Partnership the effect of which will be to reduce, for purposes of the Tax Act, the amount of the expenses paid with the borrowing by such unpaid principal amount. As a result, the Partnership will not be permitted to deduct any portion of the amount by which such expenses are reduced in computing its income in the year the expenses are incurred. As the principal amount of such borrowing is repaid, the expenditures will be deemed to have been incurred to the extent of the repayment, provided the repayment is not part of a series of loans or other indebtedness. Thereafter, the Offering expenses and Agents' fee (to the extent they are reasonable in amount), will be deductible as to 20% in the year of repayment, and as to 20% in each of the four subsequent years, pro-rated for short taxation years. The Partnership will not be entitled to deduct any amount in respect of such expenses in the fiscal year ending on its dissolution. After dissolution of the Partnership, Limited Partners will be entitled to deduct, at the same rate, their *pro rata* share of any such expenses paid by the Partnership from such borrowed funds that were not deductible by the Partnership and the adjusted cost base of a Limited Partner's Units will be reduced on dissolution of the Partnership by his or her share of such expenses. To the extent they are reasonable, management fees payable to the Manager will be deductible in the year in which the services to which they relate are rendered. The General Partner believes that the management fees payable to the Manager are reasonable within the meaning of the Tax Act. The Performance Bonus, if any, will not be deductible by the Partnership in computing its income or loss.

The Proposed Loss Limitation Rule limits a taxpayer's ability to deduct a loss from a business or property in a year unless it is reasonable to expect in that year that the taxpayer will realize a cumulative profit from that business or property over the expected life of the business or period of ownership of the property. Cumulative profit will be determined without reference to capital gains or capital losses. The Proposed Loss Limitation Rule should not affect the ability of a Limited Partner to deduct an amount in respect of the Limited Partner's available CCEE account against the Limited Partner's income in a year. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Proposed Loss Limitation Rule would be released for comment at an early opportunity. To date, no alternative proposal has been released. There can be no assurance that such alternative proposal will not adversely affect Limited Partners.

*Limitation on Deductibility of Expenses or Losses of the Partnership*

Subject to the "at-risk" rules, a Limited Partner's share of the business losses of the Partnership for any fiscal year may be applied against his or her income from any other source to reduce net income for the relevant taxation year and, to the extent it exceeds other income for that year, generally may be carried back three years and forward 20 years.

The Tax Act provides that, notwithstanding the income or loss allocation provisions of the Partnership Agreement, any losses of the Partnership from a business or property allocated to a Limited Partner in respect of a fiscal year of the Partnership ending in a taxation year are deductible by such Limited Partner in computing his or her income for the taxation year only to the extent that his or her "at-risk amount" in respect of the Partnership at the end of the fiscal year exceeds, inter alia, the Limited Partner's share of any CEE incurred by the Partnership in the fiscal year.

The Tax Act contains additional rules to restrict the deductibility of certain amounts by persons who acquire a "tax shelter investment" for purposes of the Tax Act. The Units have been registered with CRA under the "tax shelter" registration rules. If a Limited Partner finances the acquisition of Units with a financing for which recourse is or is deemed to be limited (a "**limited-recourse amount**") within the meaning of the Tax Act or has the right to receive certain amounts where such rights were granted for the purpose of reducing the impact of any loss that a Limited Partner may sustain by virtue of acquiring, holding or disposing of an interest in respect of such Units, the CEE or other expenses incurred by the Partnership may be reduced by the amount of such financing to the extent that the financing can reasonably be considered to relate to such amounts.

For the purposes of the Tax Act, a limited-recourse amount is the unpaid principal amount of any indebtedness for which recourse is limited and the unpaid principal amount of a debt is deemed to be a limited-recourse amount unless:

(a) the debt bears interest at a rate not less than the lesser of the rate prescribed by the Tax Act at the time the debt is incurred or the rate prescribed from time to time during the term of the indebtedness;

(b) *bona fide* written arrangements were made, at the time the debt was incurred, for repayment of principal and interest within a reasonable period not exceeding 10 years (which may include a demand loan); and

(c) interest is paid in respect of the debt at least annually within 60 days after the end of the debtor's tax year.

The Partnership Agreement provides that where CEE of the Partnership is so reduced the amount of CEE that would otherwise be allocated by the Partnership to the Limited Partner who incurs the limited-recourse financing shall be reduced by the amount of the reduction. Where the reduction of other expenses reduces the loss of the Partnership, the Partnership Agreement provides that such reduction shall first reduce the amount of the loss that would otherwise be allocated to the Limited Partner who incurs the limited-recourse financing.

The cost of a Unit to a Limited Partner may also be reduced by the total of limited-recourse amounts and at-risk adjustments that can reasonably be considered to relate to such Units. Any such reduction may reduce the amount of deductions otherwise available to Limited Partners to the extent that deductions are not reduced at the Partnership level as described above.

Prospective purchasers who propose to finance the acquisition of their Units using a limited-recourse amount should consult with their tax advisors.

*Income Tax Withholdings and Instalments*

Limited Partners who are employed and are required to have income tax withheld at source from their employment income by their employer may prepare a submission to their Tax Services Office of CRA requesting a reduction in such withholding at source by their employer, which request may be granted at the discretion of CRA. In this way, Limited Partners may be able to obtain the tax benefits of the investment during the remainder of 2014 after the applicable Closing.

Limited Partners who are required to pay income tax on an instalment basis may in certain circumstances take into account their share, subject to the "at-risk" rules, of CEE and any loss of the Partnership in determining their instalment remittances.

*Disposition of Units in the Partnership*

Subject to any adjustment required by the Tax Act, a Limited Partner's adjusted cost base of a Unit for income tax purposes will generally consist of the Subscription Price for the Unit, increased by any share of income allocated to the Limited Partner (including a *pro rata* share of the full amount of any capital gains realized by the Partnership) and reduced by any share of losses (including a *pro rata* share of the full amount of any capital losses realized by the Partnership) and CEE allocated to such Limited Partner and the amount of Partnership distributions made to such Limited Partner, if any. Although it is not anticipated that original Limited Partners will have an adjusted cost base which is less than zero, the amount of any negative adjusted cost base will be deemed to be a capital gain of a Limited Partner in the year in which the adjusted cost base becomes a negative amount.

A disposition by a Limited Partner of his or her Units will result in a capital gain (or a capital loss) to the extent that his or her proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Units immediately prior to the disposition. One-half of the amount of a capital gain is a taxable capital gain and is required to be included in computing a Limited Partner's income in the year and one-half of a capital loss is an allowable capital loss and is deductible only against taxable capital gains for the year. The unused portion of an allowable capital loss may be carried back three years or forward indefinitely in accordance with detailed rules in the Tax Act. A Limited Partner who is considering disposing of Units during a fiscal period of the Partnership should obtain tax advice before doing so since ceasing to be a Limited Partner before the end of the Partnership's fiscal period may affect certain adjustments to his or her cost base and his or her entitlement to a share of the Partnership's income or loss and CEE incurred in such year.

A Limited Partner who is a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax of $6^2/_3\%$ in respect of certain investment income including an amount in respect of taxable capital gains.

*Dissolution of the Partnership*

If the Partnership is dissolved following the disposition of all of its assets for cash proceeds, the Limited Partners will be allocated their proportionate share of any income or loss of the Partnership resulting from such disposition. In the case of assets of the Partnership which are Flow-Through Shares, the income of the Partnership resulting from the disposition will be a capital gain, the amount of which will generally equal the proceeds of disposition net of reasonable costs of the disposition. The disposition of other assets, including shares which are not Flow-Through Shares, will result in a capital gain or loss of the Partnership equal to the amount by which proceeds of disposition exceed (or are less than) the adjusted cost base of the assets and net of reasonable disposition costs.

Alternatively, the Partnership may be dissolved such that each Limited Partner will acquire an undivided interest in each property of the Partnership. Each such property (including Flow-Through Shares) will thereafter be partitioned and each Limited Partner will be allocated his or her *pro rata* share of each such property.

The dissolution of the Partnership will constitute a disposition by a Limited Partner of his or her Units for an amount equal to the greater of the adjusted cost base of his or her Units and the aggregate of the cash proceeds distributed to him or her and his or her share of the cost amount to the Partnership of each property distributed. Since the adjusted cost base of the Units to the Limited Partners will be increased by the capital gain allocated to them on the disposition of the assets by the Partnership, any capital gain realized as a result of the liquidating distribution will be reduced by the capital gain so allocated (though the Limited Partners will have to include in their income for their taxation year in which the dissolution of the Partnership occurs, the taxable capital gains allocated to them from the disposition of the assets prior to the dissolution).

Provided that under the relevant law, shares may be partitioned, it is CRA's position that shares may be partitioned on a tax-deferred basis. The cost to a Limited Partner of his or her undivided interest in a share will generally be his or her *pro rata* share of the cost to the Partnership of that share. Since the adjusted cost base of Flow-Through Shares to the Partnership generally will be nil, a Limited Partner will generally acquire his or her undivided interest in Flow-Through Shares at an adjusted cost base of nil. Consequently, a subsequent disposition of Flow-Through Shares by such a Limited Partner will result in the Limited Partner realizing substantially the whole of the proceeds of disposition as a capital gain.

*Alternative Minimum Tax*

The Tax Act requires that individuals (including certain trusts) compute an alternative minimum tax determined by reference to the amount by which the taxpayer's "adjusted taxable income" for the year exceeds his or her basic exemption which, in the case of an individual (other than certain trusts), is $40,000. In computing his or her adjusted taxable income, a taxpayer must include, among other things, all taxable dividends (without application of the gross-up), and 80% of net capital gains. Various deductions and credits will be denied including amounts in respect of CEE and any losses of the Partnership. A federal tax rate is applied at a rate of 15% to the amount subject to the minimum tax, from which the individual's "basic minimum tax credit for the year" is deducted. Included in the basic minimum tax credit are certain specified personal and other credits available to an individual under the Tax Act as deductions from tax payable for the year. Generally, if the minimum tax so calculated exceeds the tax otherwise payable under the Tax Act, the minimum tax will be payable.

Whether and to what extent the tax liability of a particular Limited Partner will be increased as a result of the application of the alternative minimum tax rules will depend on the amount of his or her income, the sources from which it is derived, and the nature and amounts of any deductions he or she claims.

Any additional tax payable by an individual for the year resulting from the application of the alternative minimum tax will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the alternative minimum tax, be his or her tax otherwise payable for any such year.

Prospective investors are urged to consult their tax advisors to determine the impact of the alternative minimum tax.

*Tax Shelter*

The federal tax shelter identification number for the Partnership is TS082412. The Québec tax shelter identification number for the Partnership is QAF-14-01552. The identification numbers issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification numbers is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. Les numéros d'inscription attribués à cet abri fiscal doivent figurer dans toute déclaration d'impôt sur le revenu produite par l'investisseur. L'attribution de ces numéros n'est qu'une formalité administrative et ne confirment aucunement le droit de l'investisseur aux avantages fiscaux découlant de cet abri fiscal.

The General Partner will file all necessary tax shelter information returns and, where applicable, provide each Limited Partner with copies thereof.

*Transfer of Partnership Assets to a Designated Mutual Fund*

If the Partnership transfers its assets to the Designated Mutual Fund pursuant to the Mutual Fund Rollover Transaction, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. The Designated Mutual Fund will acquire each asset of the Partnership at the cost amount equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the Designated Mutual Fund, the Mutual Fund Shares (excluding and Mutual Fund Shares delivered to the General Partner in payment of the Performance Bonus Allocation, if any) will be distributed to the Limited Partners with a cost for tax purposes equal to the adjusted cost base of the Units held by such Limited Partner less the amount of any money distributed to the Limited Partner and the Limited Partner will be deemed to have disposed of the Units for proceeds of disposition equal to that same cost plus the amount of any money so distributed. As a result, a Limited Partner will generally not be subject to tax in respect of such transaction.

In this part of the summary, it is assumed that the Mutual Fund Rollover Transaction will take place and that the Designated Mutual Fund will be Sprott Corporate Class Inc. This summary is also premised on the assumption that Sprott Corporate Class Inc. will qualify and will continue to qualify as a "mutual fund corporation" for the purposes of the Tax Act

at all material times, and that it will not be an "investment corporation" as defined in the Tax Act. Management has advised counsel that it expects Sprott Corporate Class Inc. to so qualify at all material times. If Sprott Corporate Class Inc. were not to so qualify, the income tax consequences described below would be in some respects materially different.

If the assets of the Partnership are not so transferred by way of the Mutual Fund Rollover Transaction, the termination and dissolution of the Partnership will be effected by settlement of the Partnership's distribution of the remaining assets of the Partnership, in accordance with the Partnership Agreement as described above.

**Taxation of Sprott Corporate Class Inc.**

Sprott Corporate Class Inc. is subject to taxation at corporate rates applicable to mutual fund corporations on their taxable income (including net taxable capital gains) computed in accordance with the provisions of the Tax Act. A mutual fund corporation is not eligible for a general rate reduction. Tax paid by Sprott Corporate Class Inc. on net realized capital gains is refundable to it as a result of and based on the amount of capital gains dividends paid to its shareholders and on amounts paid by it to shareholders on the redemption of shares. It is anticipated that the practice of Sprott Corporate Class Inc. will be to declare sufficient capital gains dividends to entitle it to a refund of the full amount of tax paid or payable on its net realized capital gains. Sprott Corporate Class Inc. is also liable for the 33⅓% refundable tax under Part IV of the Tax Act in respect of taxable dividends received, or deemed received, by it from taxable Canadian corporations to the extent that such dividends are deductible in computing its taxable income. Part IV tax payable by Sprott Corporate Class Inc. will be refundable on the basis of $1 for every $3 of taxable dividends paid by it.

The Manager has advised counsel that Sprott Corporate Class Inc. will generally report its gains (or losses) from the disposition of its investments as capital gains (or capital losses). If CRA should consider Sprott Corporate Class Inc. to be a trader or dealer in securities, a capital gain (or capital loss) might be characterized as an income gain (or loss).

Income and gains of Sprott Corporate Class Inc. may arise from investments in countries other than Canada. As a result, it may be liable to pay income or profits tax to those countries. If the foreign tax paid by it exceeds 15% of the foreign income, the excess above 15% may generally be deducted from its income under the Tax Act.

**Taxation of Shareholders of Sprott Corporate Class Inc.**

In the case of a shareholder of a Corporate Class Fund who is an individual, taxable dividends paid by Sprott Corporate Class Inc. in respect of the Corporate Class Fund, other than capital gains dividends, whether received in cash or reinvested in additional securities, will be included in computing the shareholder's income. The dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation will apply to such dividends, including an enhanced dividend tax credit in respect of certain "eligible dividends" designated as such by a taxable Canadian corporation.

In the case of a shareholder of a Corporate Class Fund that is a corporation, taxable dividends paid by Sprott Corporate Class Inc. in respect of the Corporate Class Fund, whether received in cash or reinvested in additional shares, will be included in computing the shareholder's income but generally will also be deductible in computing its taxable income. A "private corporation" or a "subject corporation" (as defined in the Tax Act) which is entitled to deduct such dividends in computing its taxable income will normally be subject to the Part IV refundable tax under the Tax Act.

Sprott Corporate Class Inc. may also elect to make distributions to shareholders of realized capital gains by way of capital gains dividends. Capital gains may be realized by Sprott Corporate Class Inc. in a variety of circumstances. Capital gains dividends paid by Sprott Corporate Class Inc. in respect of a Corporate Class Fund will be treated as realized capital gains in the hands of shareholders and will be subject to the general rules relating to the taxation of capital gains which are described below.

The conversion by a shareholder of shares of one Corporate Class Fund into shares of another Corporate Class Fund will not be a disposition under the Tax Act of the shares so converted. As a result, such a shareholder will not realize a capital gain or capital loss on the conversion. The shareholder's cost of the shares of a Corporate Class Fund acquired on the conversion will be deemed under the Tax Act to be the adjusted cost base to the shareholder of the shares of the Corporate Class Fund so converted immediately before the conversion. This cost will be required to be averaged with the adjusted cost base of other shares of the acquired Corporate Class Fund owned by the shareholder.

When a holder disposes of a share of a Corporate Class Fund, whether by redemption or otherwise (including a sale of shares or deemed disposition at death), a capital gain or capital loss may arise. One-half of any capital gain (a "**taxable**

**capital gain**") will be included in the holder's income and one-half of any capital loss (an "**allowable capital loss**") may be deducted against taxable capital gains realized by the holder in the year the capital losses are realized. The unused portion of an allowable capital loss may be carried back three years or forward indefinitely, and deducted against taxable capital gains, in accordance with the provisions of the Tax Act.

A Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax of 6⅔% on certain "aggregate investment income", which is defined to include an amount in respect of taxable capital gains.

**Taxation of Registered Plans**

As discussed under the heading "Status of the Partnership", Units are not qualified investments under the Tax Act for Registered Plans. Investors who purchase Units through a Registered Plan will be subject to material adverse tax consequences as a result.

**Tax Implications of the Partnership's Distribution Policy**

It is not anticipated that the Partnership will make any material distributions to Limited Partners, although the Partnership is not precluded from doing so at any time prior to its dissolution. The possibility exists that a Limited Partner will receive allocations of income without receiving any cash distributions from the Partnership in the year to satisfy the Limited Partner's tax liability for the year arising from its status as a Limited Partner.

**Certain Québec Tax Considerations**

The QTA provides that where an individual taxpayer (including a personal trust) incurs, in a given taxation year, "investment expenses" to earn "investment income" in excess of the investment income earned for that year, such excess shall be included in the taxpayer's income, resulting in an offset of the deductions for such portion of the investment expenses. For these purposes, investment expenses include certain deductible interest and losses, such as losses of the Partnership allocated to a Québec Limited Partner who is an individual (including a personal trust) and 50% of CEE renounced to the Partnership and allocated to, and deducted for Québec tax purposes, by such Québec Limited Partner, other than CEE incurred in Québec, and investment income includes taxable capital gains not eligible for the capital gains exemption. Accordingly, up to 50% of CEE renounced to the Partnership and allocated to, and deducted for Québec tax purposes, by such Québec Limited Partner, other than CEE incurred in Québec, may be included in the Québec Limited Partner's income for Québec tax purposes if such Québec Limited Partner has insufficient investment income, thereby offsetting such deduction. The portion of the investment expenses (if any) which have been included in the taxpayer's income in a given taxation year may be deducted against net investment income earned in any of the three previous taxation years and any subsequent taxation year.

An alternative minimum tax also exists under the QTA under which a basic exemption of $40,000 is available and the net capital gain inclusion rate is 80% (increased from 75% pursuant to Tax Proposals). The Québec alternative tax rate is 16%. **Prospective purchasers of Units are urged to consult their tax advisors to determine the impact of the alternative minimum tax.**

**A Limited Partner who is a resident, or subject to tax, in Québec should specifically consult a tax professional with respect to the Québec provincial tax considerations of the purchase of Units, including certain possible additional deductions pursuant to the QTA in respect of CEE incurred in the Province of Québec and renounced to the Partnership by Resource Issuers who are qualified corporations for the purposes of the QTA.**

## ORGANIZATION AND MANAGEMENT DETAILS OF THE PARTNERSHIP

**General Partner**

The General Partner was incorporated under the *Business Corporations Act* (Ontario) on July 23, 2014. The principal place of business of the General Partner is Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1. The General Partner has no significant financial resources or assets.

The General Partner has responsibility for the management of the ongoing business, investment and administrative affairs of the Partnership in accordance with the terms and conditions of the Partnership Agreement, but has delegated the management of all day-to-day business, operations and affairs to the Manager pursuant to the Management Agreement.

The General Partner will be entitled to 0.01% of the net income and net loss of the Partnership. Expenses incurred by the General Partner in the performance of its duties on behalf of the Partnership, including professional fees, will be reimbursed by the Partnership. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Management".

*Directors and Officers of the General Partner*

The name, municipality of residence and position(s) with the General Partner, and the principal occupation of the directors and officers of the General Partner are as follows. The directors hold office until they resign or until their successors are elected or appointed.

| Name and Municipality of Residence | Office or Position | Principal Occupation |
|---|---|---|
| James R. Fox<br>Toronto, Ontario | Chief Executive Officer and Director | President of the Manager |
| John Ciampaglia<br>Caledon, Ontario | Chief Operating Officer and Director | Chief Operating Officer of the Manager |
| Steven Rostowsky<br>Thornhill, Ontario | Chief Financial Officer and Director | Chief Financial Officer of the Manager |
| Kirstin H. McTaggart<br>Mississauga, Ontario | Secretary and Director | Chief Compliance Officer of the Manager |

For particulars of the professional experience of the directors and officers of the General Partner, see "Manager of the Partnership – Officers and Directors of the Manager and of the general partner of the Manager".

Although none of the foregoing directors and officers will devote his full time to the business and affairs of the General Partner, each will devote as much time as is necessary for the management of the business and affairs of the Partnership and the General Partner. The General Partner may, if appropriate, pay remuneration to the directors and officers of the General Partner.

**Summary of the Partnership Agreement**

The following is a summary of the Partnership Agreement. This summary is not intended to be complete and each Subscriber should carefully review the Partnership Agreement. The Partnership Agreement is available (i) at the offices of the General Partner at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1; (ii) on SEDAR; and (iii) on the Manager's website at http://www.sprott.com. Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference. Reference should be made to the Partnership Agreement for the complete details of these and the other provisions therein.

The rights and obligations of the Limited Partners and the General Partner are governed by the Partnership Agreement, the laws of the Province of Ontario and applicable legislation in the jurisdictions in which the Partnership carries on business.

Each Subscriber shall submit an offer to purchase Units to the Agents, in form and content satisfactory to the Agents. A Subscriber whose offer to purchase has been accepted by the General Partner will become a Limited Partner upon the amendment of the record of limited partners maintained by the General Partner. At or as soon as possible after the Initial Closing, the interest of the Initial Limited Partner will be redeemed by the Partnership in the amount of its capital contribution of $25.00.

*Business*

The business of the Partnership is to enter into Share Purchase Agreements with Resource Issuers in order to acquire Flow-Through Shares and other securities, if any, of Resource Issuers under which agreements such companies will agree to issue Flow-Through Shares and other securities, if any, to the Partnership, incur CEE in carrying out exploration in Canada and renounce the CEE to the Partnership. Excess cash of the Partnership will be invested in High-Quality Money Market Instruments. The Partnership Agreement provides that neither the General Partner nor any of its affiliates is required to offer

or make available any investment opportunity to the Partnership, subject to its duties to the Partnership, as described under "Organization and Management Details of the Partnership — Conflicts of Interest".

*Units*

To become a Limited Partner, a Subscriber must purchase at least 200 Units. Every Subscriber whose subscription is accepted by the Manager will at the applicable Closing become a party to the Partnership Agreement. The Manager reserves the right to reject subscriptions at its discretion including subscriptions by a "non-Canadian" within the meaning of the *Investment Canada Act* or by a "non-resident" of Canada, an entity an interest in which is a "tax shelter investment" as defined in the Tax Act, a "financial institution", a partnership other than a "Canadian partnership" within the meaning of the Tax Act or a Subscriber who has financed the acquisition of Units through borrowing for which recourse is or is deemed to be limited for the purposes of the Tax Act. The Partnership also has the right to require Limited Partners to sell their Units or to redeem Units in certain circumstances. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Redemption or Sale of Units of Non-Qualified Holders". No fractional Units will be issued.

The interests of the Limited Partners will be divided into and represented by an unlimited number of Units. Each Unit entitles the holder thereof to the same rights and subjects such holder to the same obligations as the holder of any other Unit and no Limited Partner is entitled to any preference, priority or right in any circumstance over any other Limited Partner except as otherwise provided herein. See "Organization and Management Details of the Partnership — Summary of Partnership Agreement — Limited-Recourse Financings". The Partnership does not intend to issue Units other than as qualified by this prospectus. The Units constitute securities for purposes of the *Securities Transfer Act, 2006* (Ontario) and similar legislation in other jurisdictions.

The acceptance of an offer to purchase, whether by allotment in whole or in part, shall constitute a subscription agreement to purchase between the Subscriber and the Partnership upon the terms and subject to the conditions set out in this prospectus and in the Partnership Agreement, whereby the Subscriber, among other things, agrees to the representations, warranties and covenants set out above under the heading "Purchases of Securities".

*Management*

The Partnership Agreement grants the General Partner full power and authority to administer, manage, control and operate the business of the Partnership and to hold title to the property of the Partnership. The General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partners and to exercise the care, diligence and skill of a prudent and qualified person. The authority and power vested in the General Partner to manage the business and affairs of the Partnership is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership. The General Partner will utilize the significant resources of the Manager in its assessment of investment opportunities. The General Partner may contract for goods or services for the Partnership with affiliates of the General Partner, provided that the cost of such goods or services is reasonable and competitive with the cost of similar goods or services provided by an independent third party. The General Partner is authorized to retain the Manager on behalf of the Partnership to provide investment, management, administrative and other services to the Partnership. See "Organization and Management Details of the Partnership — Manager of the Partnership — Details of the Management Agreement".

The General Partner has an undivided 0.01% interest in the net income and net loss of the Partnership, an undivided 0.01% interest in the assets of the Partnership upon dissolution, and is entitled to be reimbursed by the Partnership for operating and administrative expenses incurred on behalf of the Partnership.

A Limited Partner will not be permitted to take an active part in, or take part in the control of, the business of the Partnership.

The General Partner is accountable to the Partnership as a fiduciary and consequently must exercise good faith and integrity in managing the business of the Partnership and the utmost fairness towards the Limited Partners. The General Partner is required to act in the best interests of all Limited Partners. The Partnership Agreement provides that the General Partner will not be liable to the Limited Partners arising out of any act, omission or error in judgment, other than an act, omission or error of judgment which (a) results from the General Partner's failure to act honestly, in good faith and in the best interests of the Limited Partners, or (b) results in a loss of limited liability or otherwise exposes the Limited Partners to unlimited liability, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the negligence or misconduct in the performance of, or disregard or breach of, the obligations or duties of the General Partner

under the Partnership Agreement. Such indemnity will apply with respect to losses in excess of the agreed capital contribution of the Limited Partner.

*Term*

See "Termination of the Partnership — Term".

*Capital Contributions*

Each Limited Partner will be required to contribute to the capital of the Partnership $25.00 for each Unit purchased. There is no restriction on the maximum number of Units that may be held by one Limited Partner; however, the minimum subscription is 200 Units per Subscriber. The Manager may, in its discretion, refuse to accept a subscription for a Unit, including a subscription made by a person it believes to be a "non-Canadian" as defined in the *Investment Canada Act*, or a "non-resident" or an entity an interest in which is a "tax shelter investment" as defined in the Tax Act, or a "financial institution" as defined for the purposes of the Tax Act, or a partnership other than a "Canadian partnership" within the meaning of the Tax Act, or a Subscriber who has financed the acquisition of Units through borrowing for which recourse is or is deemed to be limited for the purposes of the Tax Act. A Subscriber will become a Limited Partner at the applicable Closing by acceptance of the subscription by the Manager and entry of the Subscriber's name on the Record.

*Limited Partners*

A person who subscribes for or purchases Units does not become a Limited Partner and is not entitled to any of the rights of a Limited Partner or to share in any allocations or to share in distributions until the name of that person is entered on the Record. The General Partner has agreed to cause the Record to be amended from time to time as required to reflect the admission of additional and substituted Limited Partners to the Partnership.

*Allocation of Income and Loss*

Subject to the Performance Bonus Allocation, for each fiscal year of the Partnership, 100% of any CEE renounced to the Partnership with an effective date in such fiscal year, 99.99% of the net income and net loss of the Partnership will be allocated *pro rata* among the Limited Partners who are holders of Units on the last day of such fiscal year, and 0.01% of the net income and net loss of the Partnership will be allocated to the General Partner. On dissolution of the Partnership, the General Partner is entitled to the Performance Bonus Allocation (if any) and Limited Partners are entitled to 99.99% of the remaining assets of the Partnership and the General Partner is entitled to 0.01% of such remaining assets.

*Allocation of CEE*

The Partnership will allocate all CEE renounced to it by Resource Issuers with an effective date in 2014 *pro rata* to the Limited Partners of record on December 31, 2014. The Partnership will allocate any CEE renounced to it by Resource Issuers with an effective date in 2015 *pro rata* to the Limited Partners of record on December 31, 2015.

*Limited Recourse Financings*

Under the Tax Act, if a Limited Partner finances the acquisition of Units with a financing for which recourse is or is deemed to be limited for purposes of the Tax Act, the CEE or other expenses incurred by the Partnership may be reduced by the amount of such financing. The Partnership Agreement provides that, where CEE of the Partnership or other expenses incurred by the Partnership are so reduced, the amount of CEE or other deductions that would otherwise be allocated to the Limited Partner who incurs the limited-recourse financing is to be reduced by the amount of the reduction. Where the reduction of other expenses reduces the loss of the Partnership, the Partnership Agreement provides that such reduction will first reduce the amount of the loss that would otherwise be allocated to the Limited Partner who incurs the limited-recourse financing. See "Income Tax Considerations — Taxation of Securityholders — Limitations on Deductibility of Expenses or Losses of the Partnership" and the Partnership Agreement.

The Partnership may borrow to pay specific expenses of the Partnership, including the Agents' fee and expenses of the Offering, pursuant to the Loan Facility. See "Income Tax Considerations — Taxation of Securityholders — Computation of Income of Limited Partners" and "Fees and Expenses — Loan Facility".

*Limited Liability of Limited Partners*

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership to the extent that they exceed the assets of the Partnership. The General Partner has no significant financial resources or assets. Subject to the laws of the jurisdictions in which the Partnership may carry on business, the liability of each Limited Partner for the debts, liabilities and obligations of the Partnership is limited to the amount of the Subscription Price applicable to the Units held by each Limited Partner, any undistributed income and any portion of the Subscription Price returned by the Partnership with interest.

Limitation of the liability of a Limited Partner will be lost by a Limited Partner who takes an active part in the business of the Partnership or who takes part in the control of the business of the Partnership or in circumstances where a false statement has been made in the Partnership declaration and a person, in reliance upon that statement, has suffered injury or loss by reason of the false statement or who becomes aware that the Record contains a false or misleading statement and fails within a reasonable period of time to take steps to cause the Record to be corrected. Limited Partners may also lose the protection of limited liability if the Partnership carries on business in a province or territory of Canada which does not recognize the limitation of liability conferred under the *Limited Partnerships Act* (Ontario). The principles of law in the various jurisdictions of Canada recognizing the limited liability of limited partners of limited partnerships subsisting under the laws of one province or territory but carrying on business in another province or territory have not been authoritatively established. To the extent permitted, the Partnership will be registered in each jurisdiction in which it anticipates it will carry on business. In addition, no assurance can be given that the laws of the jurisdictions in which the Partnership invests will recognize the limitation of liability conferred by the *Limited Partnerships Act* (Ontario). In order to protect the Partnership's assets and to preserve the limited liability of the Limited Partners with respect to activities of the Partnership carried on in certain provinces and territories where limited liability may not be recognized, the General Partner will indemnify the Limited Partners from any loss, liability or expense suffered or incurred by a Limited Partner by reason that liability of the Limited Partner is not limited. However, the General Partner has limited financial resources which may affect its ability to actually indemnify Limited Partners. See "Risk Factors".

*Accounting and Reporting to the Limited Partners*

See "Securityholder Matters — Reporting to Unitholders".

*Meetings*

See "Securityholder Matters — Meetings of Unitholders".

*Powers of Attorney*

The Partnership Agreement includes a power of attorney coupled with an interest, the effect of which is to constitute it an irrevocable power of attorney. The power of attorney authorizes the General Partner on behalf of the Limited Partners, among other things, to execute the Partnership Agreement, any amendments to the Partnership Agreement, and all instruments necessary to reflect the dissolution of the Partnership and partition of assets distributed to Partners on dissolution, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or territory with respect to the affairs of the Partnership or a Limited Partner's interest in the Partnership, including elections under subsections 85(2) and 98(3) of the Tax Act and the corresponding provisions of applicable provincial legislation in respect of the dissolution of the Partnership. By subscribing for and purchasing Units, each Subscriber acknowledges and agrees that it has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney. The power of attorney survives any dissolution of the Partnership.

*Amendment*

See "Securityholder Matters — Amendment to the Partnership Agreement".

*Transfer of Units*

Units may be assigned by each of the holder and the assignee executing and delivering to the Transfer Agent an assignment and power of attorney, substantially in the form annexed to the Partnership Agreement as Schedule A. The assignee will not become a Limited Partner until the assignee's name is entered on the Record. The assignor of a Unit remains liable to repay any portion of the Subscription Price returned by the Partnership, with interest.

There is no restriction on the transfer of Units except that it is subject to approval by the General Partner and the General Partner will refuse to record an assignment to an assignee whom the General Partner believes to be a "non-Canadian", as that expression is defined in the *Investment Canada Act*, a "non-resident" for the purposes of the Tax Act, a partnership that is not a "Canadian partnership" for the purposes of the Tax Act, an entity an interest in which is a "tax shelter investment" for purposes of the Tax Act, a transferee who has financed the acquisition of Units through borrowing for which recourse is or is deemed to be limited for the purposes of the Tax Act or an assignment to an assignee that is a "financial institution" for the purposes of the Tax Act if the General Partner becomes aware that the beneficial owners of 45% or more of the Units then outstanding are, or may be, "financial institutions" for the purposes of the Tax Act, or following such assignment, the Partnership would be a "financial institution". As most of the tax advantages that would ordinarily flow through to Limited Partners are expected to be realized for the 2014 taxation year and, to realize such tax advantages the person must be a Limited Partner as of December 31, 2014, an assignee of Units after December 31, 2014 is not expected to realize such tax advantages.

*Redemption or Sale of Units of Non-Qualified Holders*

The General Partner may require those Limited Partners who are non-residents of Canada for the purposes of the Tax Act or who are otherwise in contravention of the Partnership Agreement (relating to the status of Limited Partners) to sell their Units to qualifying purchasers within a specified period of not less than 5 days. In addition, if the General Partner becomes aware that owners of 45% or more of the Units then outstanding are, or may be, financial institutions or that such a situation is imminent, the General Partner may require these Limited Partners to sell their Units or a portion thereof within a specified period of not less than 15 days. If a Limited Partner fails to comply with any such request, the General Partner shall have the right in either case to sell such Limited Partner's Units at their most recent Net Asset Value less a 5% discount or the Partnership may redeem such Limited Partner's Units at their most recent Net Asset Value less a 5% discount.

*Resignation and Removal of the General Partner*

The General Partner may assign its obligations under the Partnership Agreement to an affiliate without notice to or approval of the Limited Partners. The General Partner is entitled to resign as the general partner of the Partnership at any time after receiving approval of the Limited Partners by ordinary resolution and will be deemed to have resigned upon bankruptcy or dissolution and in certain other circumstances. The resignation of the General Partner will become effective upon the earlier of the appointment of a new general partner by the Limited Partners by ordinary resolution and the expiration of 180 days following the deemed resignation or written notice to the Limited Partners of the voluntary resignation of the General Partner. The General Partner is not entitled to resign if the effect of its resignation would be to dissolve the Partnership.

The General Partner may be removed at any time if the General Partner commits fraud or misconduct in the performance of, or disregards or breaches, the material obligations of the General Partner under the Partnership Agreement, the removal has been approved by an Extraordinary Resolution and a successor General Partner has been admitted to the Partnership. For greater certainty, no investment or divestiture decision made in good faith by the General Partner shall constitute or be deemed to constitute cause for removal of the General Partner. On the resignation or removal of the General Partner and the admission of a new general partner to the Partnership, the resigning or retiring general partner will transfer title of any assets of the Partnership in its name to the new general partner.

*Other Activities of the General Partner*

There is no limitation on the activities that the General Partner may carry on in addition to its activities as general partner of the Partnership. The General Partner may become a general partner of other limited partnerships or a promoter of other ventures carrying on similar activities as, or which are in the same business as, the Partnership. The General Partner, however, is required to act in the best interests of the Partnership at all times.

**Manager of the Partnership**

Founded in 2000, the Manager is an independent asset management company that is wholly-owned by Sprott Inc. Sprott Inc.'s common shares trade on the Toronto Stock Exchange under the symbol SII. Sprott is dedicated to achieving superior returns for its clients over the long term. As at June 30, 2014, the Sprott group of companies estimates it had approximately $7.8 billion in assets under management in various mutual funds and hedge funds, including approximately $6.4 billion dedicated to investments in natural resources. Sprott specializes in investing in small and mid-cap stocks, and searches for opportunities that have material upside potential. The Manager emphasizes independent thinking and seeks consistently to be a leader in understanding macro trends and their implication for specific industries.

The head office and principal place of business of the Manager is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1.

*Duties and Services to be Provided by the Manager*

The Partnership has retained the Manager as portfolio manager and investment fund manager to provide management, administrative and other services to the Partnership.

Pursuant to the Management Agreement, the Manager will manage the operations and affairs of the Partnership, make all decisions regarding the business of the Partnership and bind the Partnership. The Manager may delegate certain of its powers to third parties where, at the discretion of the Manager, it would be in the best interests of the Partnership to do so.

The Manager's duties will include maintaining accounting records for the Partnership; authorizing the payment of operating expenses incurred on behalf of the Partnership; preparing financial statements, income tax returns and financial and accounting information as required by the Partnership; providing and maintaining complete computer hardware and software facilities; ensuring that Limited Partners are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Partnership complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Partnership's reports to Limited Partners and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfill its fiduciary responsibilities; coordinating and organizing marketing strategies; providing complete office amenities and services for the business of the General Partner; dealing and communicating with Limited Partners; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers.

*Execution of the Partnership's Investment Strategy*

The portfolio managers who will have primary responsibility for the execution of the Partnership's investment strategy are Jason Mayer and Eric Nuttall.

**Jason Mayer**: Mr. Mayer is a Portfolio Manager with the Manager. Mr. Mayer joined the Manager in November 2012 and has more than 10 years of experience in the investment industry. Prior to joining the Manager, Mr. Mayer was with Middlefield Capital Corporation where he was lead portfolio manager for a number of investment funds focused on growth-oriented resource equities and co-managed a flow-through limited partnership. He is co-manager with Eric Nuttall of the Sprott 2013 Flow-Through Limited Partnership with assets of approximately $9.6 million as at June 30, 2014, and the Sprott 2014 Flow-Through Limited Partnership which completed its initial public offering on April 29, 2014 raising gross proceeds of approximately $17.2 million. Mr. Mayer is a graduate of the Schulich School of Business at York University with a Master of Business Administration and also holds the Chartered Financial Analyst designation.

**Eric Nuttall**: Mr. Nuttall is a Portfolio Manager with the Manager. He joined the firm in February 2003 as a research associate and was subsequently promoted to the position of research analyst in 2005, associate portfolio manager in 2008, and then to portfolio manager in January 2010. Eric is lead portfolio manager of the Sprott Energy Fund, and also co-manages the Sprott 2013 Flow-Through Limited Partnership and Sprott 2014 Flow-Through Limited Partnership with Jason Mayer. As at June 30, 2014, the Sprott Energy Fund had approximately $90.6 million of assets under management and the Sprott 2013 Flow-Through Limited Partnership had approximately $9.6 million of assets under management. The Sprott 2014 Flow-Through Limited Partnership completed its initial public offering on April 29, 2014 raising gross proceeds of approximately $17.2 million. Mr. Nuttall graduated with high honors from Carleton University with an Honors Bachelor of International Business.

*Details of the Management Agreement*

Pursuant to the Management Agreement, in consideration of the services noted above under "Duties and Services to be provided by the Manager", during the period commencing on the date of the Initial Closing and ending on the earlier of: (a) the effective date of the Liquidity Alternative, and (b) date of the dissolution of the Partnership, the Manager will be entitled to an annual management fee equal to 2% of the Net Asset Value, calculated and paid monthly in arrears. The Manager may also provide the Partnership with office facilities, equipment and staff as required and the Partnership will reimburse the Manager for the cost thereof. The Manager will also be entitled to reimbursement for certain expenses incurred on behalf of the General Partner or the Partnership.

The Manager has no obligation to the Partnership other than to render services under the Management Agreement honestly and in good faith and in the best interests of the Partnership and to exercise the degree of care, diligence and skill a reasonably prudent and experienced services and facilities provider and manager of like experience and commercial sophistication would provide in the circumstances.

The Management Agreement provides that the Manager will not be liable in any way to the Partnership if it has satisfied the duties and the standard of care, diligence and skill set forth above. The General Partner has agreed to indemnify the Manager for all claims arising from (a) the negligence, willful misconduct and bad faith on the part of the General Partner or other breach by the General Partner of the provisions of the Management Agreement, and (b) as a result of the Manager acting in accordance with directions received from the General Partner. The Partnership has agreed to indemnify the Manager for any losses as a result of the performance of the Manager's duties under the Management Agreement other than as a result of the negligence, willful misconduct and bad faith on the part of the Manager or material breach or default of the Manager's obligations under the Management Agreement. The Manager has agreed to indemnify the General Partner and the Partnership against any claims arising from the Manager's willful misconduct, bad faith, negligence or disregard of its duties or standard of care, diligence and skill.

The Management Agreement, unless terminated as described below, will continue until the dissolution of the Partnership. The Management Agreement automatically terminates in the event that there is a material change in a fundamental investment objective, investment strategy or investment guideline or restriction relating to the Partnership not previously consented to by the Manager. Either the Manager or the Partnership may terminate the Management Agreement upon two months prior written notice. Either party to the Management Agreement may terminate the Management Agreement (a) without payment to either party thereto, in the event that either party to the Management Agreement is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 60 days after the receipt of written notice of such breach or default to the other party thereto; or (b) in the event that one of the parties to the Management Agreement dissolves, winds up, makes a general assignment for the benefit of creditors, or a similar event occurs. In addition, the Partnership may terminate the Management Agreement if any of the licences or registrations necessary for the Manager to perform its duties under the Management Agreement are no longer in full force and effect.

Pursuant to the terms of the Partnership Agreement, in the event that the Management Agreement is terminated as provided above, the General Partner may, in its sole discretion, appoint a successor manager to carry out the activities of the Manager.

*Officers and Directors of the Manager and of the general partner of the Manager*

The name, municipality of residence and position(s) with the Manager and the general partner of the Manager, and the principal occupation of the directors and senior officers of the Manager and of the general partner of the Manager are as follows:

| **Name and Municipality of Residence** | **Position with the Manager** | **Position with the general partner of the Manager** | **Principal Occupation** |
|---|---|---|---|
| Eric S. Sprott<br>Oakville, Ontario | Senior Portfolio Manager | N/A | Chairman and Chief Investment Officer of Sprott Inc. |
| John Wilson<br>Toronto, Ontario | Chief Executive Officer, Co-Chief Investment Officer and Senior Portfolio Manager | Chief Executive Officer and Director | Chief Executive Officer of the Manager and the general partner of the Manager, Co-Chief Investment Officer and Senior Portfolio Manager of the Manager. |
| James R. Fox<br>Toronto, Ontario | President | President and Director | President of the Manager and the general partner of the Manager. |
| John Ciampaglia<br>Caledon, Ontario | Chief Operating Officer | Chief Operating Officer and Director | Chief Operating Officer of the Manager and the general partner of the Manager. |
| Steven Rostowsky<br>Thornhill, Ontario | Chief Financial Officer | Chief Financial Officer and Director | Chief Financial Officer of Sprott Inc., the Manager and the general partner of the Manager. |

| Name and Municipality of Residence | Position with the Manager | Position with the general partner of the Manager | Principal Occupation |
|---|---|---|---|
| Kirstin H. McTaggart Mississauga, Ontario | Chief Compliance Officer | Corporate Secretary and Director | Chief Compliance Officer of the Manager. |
| Scott Colbourne Toronto, Ontario | Co-Chief Investment Officer and Senior Portfolio Manager | N/A | Co-Chief Investment Officer and Senior Portfolio Manager of the Manager. |

Set out below are the particulars of the professional experience of the directors and senior officers of the Manager:

**Eric Sprott**: Mr. Sprott has over 40 years of experience in the investment industry and has managed client funds for over 28 years. Mr. Sprott entered the investment industry as a Research Analyst at Merrill Lynch Canada, Inc. In 1981, he founded Sprott Securities Limited (a predecessor to Sprott Securities Inc. and now Cormark Securities Inc.). After establishing Sprott Asset Management Inc., the predecessor of the Investment Manager, in December 2001 as a separate entity, Mr. Sprott divested his entire ownership interest in Sprott Securities Inc. to its employees. Mr. Sprott currently serves as the Chairman and Chief Investment Officer of Sprott Inc. Mr. Sprott is currently the Senior Portfolio Manager for Sprott Canadian Equity Fund, Sprott Hedge Fund LP, Sprott Hedge Fund LP II, Sprott Offshore Fund, Ltd., Sprott Offshore Fund II, Sprott Physical Gold Trust, Sprott Physical Platinum and Palladium Trust, Sprott Physical Silver Trust, and the Sprott discretionary managed accounts. Mr. Sprott graduated with a Bachelor of Commerce from Carleton University in 1965 and was awarded an Honorary Doctorate from Carleton University in 2003. Mr. Sprott received his Chartered Accountant designation in 1968 and in 2011 he was elected a Fellow of the Institute of Chartered Accountants of Ontario (FCA).

**John Wilson**: Mr. Wilson joined the Manager in January 2012 and has over 25 years of investment and business experience. Mr. Wilson currently serves as the Chief Executive Officer and co-Chief Investment Officer of the Manager. Most recently, he was the Chief Investment Officer of Cumberland Private Wealth Management from March 2009 to January 2012. Previously, Mr. Wilson was the founder of DDX Capital Partners, an alternative investment manager, where he worked from September 2004 to March 2009. Prior to that, from December 2000 to January 2004, he was a Managing Director and a top-rated technology analyst at RBC Capital Markets; and previously, a Director at UBS Canada from November 1996 to November 2000. Mr. Wilson is an MBA graduate of The Wharton School, University of Pennsylvania in 1996.

**James Fox**: Mr. Fox was appointed as President of the Manager in November 2009. Prior to that, Mr. Fox served as Senior Vice-President of Sales & Marketing at the Manager where he initiated the development of new products, formed a wholesale group to increase fund distribution and led marketing efforts to increase the company's brand awareness in Canada and abroad. Mr. Fox has been a key contributor to the Manager's sales effort and strategic business initiatives, which resulted in assets under management growing from $50 million to $9.7 billion over his tenure. Mr. Fox joined the Manager in June 1999 after completing his Master of Business Administration at the University of Toronto's Rotman School of Management.

**John Ciampaglia**: Mr. John Ciampaglia joined the Manager in April 2010 as Chief Operating Officer. Mr. Ciampaglia has 19 years of experience in the investment industry. Prior to joining the Manager, he was a Senior Executive at Invesco Trimark; Mr. Ciampaglia was an active member of the Firm's Executive Committee and held the position of Senior Vice President, Product Development. Mr. Ciampaglia was responsible for overseeing the product development function across multiple product lines and distribution channels. He also played a key role in initiating and leading the implementation of various strategic initiatives for the Firm. Prior to joining Invesco Trimark, Mr. Ciampaglia spent more than four years at TD Asset Management, where he held progressively senior product management and research roles. He earned a Bachelor of Arts in Economics from York University, holds the Chartered Financial Analyst designation and is a Fellow of the Canadian Securities Institute.

**Steven Rostowsky**: Mr. Rostowsky joined Sprott Inc. in March 2008 as Chief Financial Officer and currently also serves as Chief Financial Officer of the Manager and the general partner of the Manager. Prior to March 2008, he was a Senior Vice-President, Finance & Administration at the Investment Dealers Association of Canada (now part of the Investment Industry Regulatory Organization of Canada) (the "**IDA**"). As a member of the IDA's senior management team, Mr. Rostowsky was responsible for non-regulatory functional areas including Finance, Human Resources, Information

Technology and the Association Secretary. Prior to joining the IDA in January 2005, Mr. Rostowsky was the Chief Financial Officer and the Chief Compliance Officer of Guardian Group of Funds Ltd. since July 2001 when Guardian Group of Funds was acquired by the Bank of Montreal. At that time he was a Vice-President, Finance for Guardian Capital Group Limited, Guardian Group of Funds' former parent company. Mr. Rostowsky is a Chartered Accountant and a Chartered Financial Analyst, and graduated with a Bachelor of Business Science (Finance) and a post-graduate accounting degree, both from the University of Cape Town, South Africa.

**Kirstin McTaggart**: Ms. McTaggart joined the Manager (and its predecessor Sprott Asset Management Inc.) in April 2003 as a compliance officer and subsequently became the Chief Compliance Officer in April 2007. Ms. McTaggart currently also serves as the Corporate Secretary of the general partner of the Manager, Sprott Inc., Sprott Private Wealth LP and Sprott Private Wealth GP Inc. Ms. McTaggart has accumulated over 26 years of experience in the financial and investment industry. Prior to April 2003, Ms. McTaggart spent five years as a Senior Manager at Trimark Investment Management Inc., where her focus was the development of formal compliance and internal control policies and procedures.

**Scott Colbourne**: Mr. Colbourne joined the Manager in March 2010 and brings over 22 years of global fixed income and currency market experience to the firm. Mr. Colbourne currently serves as the co-Chief Investment Officer of the Manager. Prior to joining Sprott, Mr. Colbourne was a senior fixed income portfolio manager at TD Asset Management, as part of a team that managed all the firm's active fixed income institutional, retail and private client assets from October 2007 to February 2010. Previously, Mr. Colbourne was senior Vice President and portfolio manager at AGF Funds Inc. where he managed all of the fixed income mandates and co-managed balanced funds from May 1996 to April 2006. Mr. Colbourne began his career at the Bank of Canada where he worked in both research and trading which assisted in the execution of monetary policy from September 1986 to August 1989 and from May 1993 to May 1996. Mr. Colbourne is a four-time winner of the Best Foreign Bond Fund at the Morningstar Canadian Investment Awards. Mr. Colbourne is a CFA charterholder and earned an MBA from University of Toronto in 1991 and an Honours BA from Queen's University in 1986.

**Conflicts of Interest**

*Management Conflicts*

Conflicts may arise because none of the directors or officers of the General Partner and the Manager will devote his or her full time to the business and affairs of the Partnership. However, each such director and officer will devote as much time as is necessary for the management of the business and affairs of the Partnership and the General Partner.

Certain of the directors and officers of the General Partner or the Manager may also be or become directors and officers of the Resource Issuers in which the Partnership may invest. Certain of the directors and officers of the General Partner or the Manager (and their respective affiliates) may own shares in the Resource Issuers in which the Partnership invests.

*Investment Opportunities and Duty of Care*

The services of the Manager are not exclusive to the Partnership. The Manager acts as the investment advisor to other funds and may in the future act as the investment advisor to other funds which invest in Flow-Through Shares and other securities, if any, of Resource Issuers and which may have similar investment mandates to the Partnership. Conflicts of interest may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities of Resource Issuers. Where conflicts of interest arise, the Manager will address such conflicts of interest with regard to the investment objectives of each of the persons involved and will act in accordance with the duty of care owed to each of them.

During the 2014 fiscal year, affiliates of the Partnership may co-invest with the Partnership in Resource Issuers to facilitate the acquisition of Flow-Through Shares by the Partnership. Such affiliates are not in any way limited or affected in their ability to carry on other business ventures for their own account and for the account of others and currently engage and may in the future engage in the same business activities or pursue the same investment opportunities as the Partnership.

*Sprott Private Wealth LP and Other Agents*

Sprott Private Wealth LP, one of the Agents, is a registered dealer participating in the offering of the Units to its clients for which it will receive a sales commission with respect to the Units. The Partnership is considered to be a "related issuer" of Sprott Private Wealth LP under applicable securities legislation as Sprott Private Wealth LP, the General Partner and the Manager are controlled, directly or indirectly, by Sprott Inc. In certain circumstances, Sprott Private Wealth LP (and

the other Agents) may be entitled to receive fees, and in some cases, rights to purchase shares in connection with the sale of Flow-Through Shares to the Partnership.

Registered dealers, including Sprott Private Wealth LP and the other Agents, may act as agents and underwriters and earn fees in connection with offerings by Resources Issuers of securities qualifying as Flow-Through Shares. Services provided by Sprott Private Wealth LP or the other Agents in connection with such offerings may include due diligence investigations of such Resource Issuers. There is no percentage limit on the amount of funds that may be invested pursuant to such offerings and the amount of fees, if any, which may be received by Sprott Private Wealth LP or the other Agents in connection therewith will not be known until a particular investment opportunity arises. Such fees will be determined by negotiation between the Resource Issuer and the applicable dealer. Additionally, any such fees payable to such dealer would be paid by the Resource Issuer rather than the Partnership. All of the Partnership's investment opportunities will be evaluated by the Manager on their respective merits. The Manager will refer any conflict of interest matter arising from these proposed transactions to the Independent Review Committee. In considering any conflict of interest matter, the Independent Review Committee may, in its discretion, consider the guidance under the conflicts of interest provisions relating to investments under Section 4.1 of NI 81-102.

**Independent Review Committee**

The Independent Review Committee for the Partnership deals with conflict of interest matters presented to it by the Manager in accordance with NI 81-107. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Partnership and the other investment funds managed by it, and request input from the Independent Review Committee on how it manages those conflicts of interest. NI 81-107 also requires the Manager to establish written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee will provide its recommendations or approvals, as required, to the Manager with a view to the best interests of the Partnership. The Independent Review Committee reports annually to Limited Partners as required by NI 81-107. The reports of the Independent Review Committee will be available free of charge from the Manager on request by contacting the Manager at invest@sprott.com and will be posted on the Manager's website at www.sprott.com. Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

The initial Independent Review Committee members are Lawrence A. Ward, Eamonn McConnell and W. William Woods.

**Lawrence A. Ward** (Chair): Mr. Ward is a consultant and a retired partner of PricewaterhouseCoopers LLP, Chartered Accountants.

**Eamonn McConnell**: Mr. McConnell is a consultant and a former managing director of Deutsche Bank (Europe and Asia).

**W. William Woods**: Mr. Woods is a consultant and a lawyer, and the former Chief Executive Officer of the Bermuda Stock Exchange.

Each member of the Independent Review Committee is independent, as that term is defined in NI 81-107, of the Partnership and the Manager.

The compensation and other reasonable expenses of the Independent Review Committee will be paid by the Partnership. The main components of compensation for members of the Independent Review Committee are an annual retainer and a fee for each committee meeting attended. The Chair of the Independent Review Committee receives an annual retainer of $30,000 and each of the other members receives an annual retainer of $25,000. The fees and expenses, plus associated legal costs, are allocated among all of the funds managed by the Manager to which NI 81-107 applies, in a manner that is considered by the Manager to be fair and reasonable. In addition, the Partnership has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

**Prior Partnerships**

*Sprott 2014 Flow-Through Limited Partnership*

Pursuant to a prospectus dated January 30, 2014, Sprott 2014 Flow-Through Limited Partnership (the "**2014 LP**") issued 688,114 limited partnership units at a price of $25.00 per Unit, for gross proceeds of $17,202,850. As at June 30, 2014, the net asset value of the investment portfolio of the 2014 LP was $14,161,841.

*Sprott 2013 Flow-Through Limited Partnership*

Pursuant to a prospectus dated January 30, 2013, Sprott 2013 Flow-Through Limited Partnership (the "**2013 LP**") issued 387,286 limited partnership units at a price of $25.00 per Unit, for gross proceeds of $9,682,150. As at June 30, 2014, the net asset value of the investment portfolio of the 2013 LP was $9.6 million.

*Sprott 2012 Flow-Through Limited Partnership*

Pursuant to a prospectus dated January 27, 2012, Sprott 2012 Flow-Through Limited Partnership (the "**2012 LP**") issued 1,200,000 limited partnership units at a price of $25.00 per Unit, for gross proceeds of $30,000,000. Pursuant to a mutual fund rollover transaction set out in the prospectus of the 2012 LP, on February 3, 2014, all units of the 2012 LP were exchanged for redeemable Series A Shares of Sprott Resource Class. As of the date of the rollover transaction, the net asset value per unit of the 2012 LP was $10.01 per unit, which represents an after-tax total return (net of fees) on capital at risk for the term of the 2012 LP of approximately -30.1% (-59.9%% before tax benefits to limited partners are taken into account) and an annualized after-tax return (net of fees) of approximately -16.19%% (-36.32% before tax benefits to limited partners are taken into account) for an individual resident in Ontario subject to the highest marginal tax rate.

*Sprott 2011 Flow-Through Limited Partnership*

Pursuant to a prospectus dated January 28, 2011, Sprott 2011 Flow-Through Limited Partnership (the "**2011 LP**") issued 3,626,907 limited partnership units at a price of $25.00 per Unit, for gross proceeds of $90,672,675. Pursuant to a mutual fund rollover transaction set out in the prospectus of the 2011 LP, on February 1, 2013, all units of the 2011 LP were exchanged for redeemable Series A Shares of Sprott Resource Class. As of the date of the rollover transaction, the net asset value per unit of the 2011 LP was $7.91 per unit, which represents an after-tax total return (net of fees) on capital at risk for the term of the 2011 LP of approximately -38.0% (-68.35% before tax benefits to limited partners are taken into account) and an annualized after-tax return (net of fees) of approximately -21.05% (-44.05% before tax benefits to limited partners are taken into account) for an individual resident in Ontario subject to the highest marginal tax rate.

*Sprott 2010 Flow-Through Limited Partnership*

Pursuant to a prospectus dated January 27, 2010, Sprott 2010 Flow-Through Limited Partnership (the "**2010 LP**") issued 2,056,686 limited partnership units at a price of $25.00 per Unit, for gross proceeds of $51,417,150. Pursuant to a mutual fund rollover transaction set out in the prospectus of the 2010 LP, on February 3, 2012, all units of the 2010 LP were exchanged for redeemable Series A Shares of Sprott Resource Class. As of the date of the rollover transaction, the net asset value per unit of the 2010 LP was $19.37 per unit, which represents an after-tax total return (net of fees) on capital at risk for the term of the 2010 LP of approximately 46% (-22.51% before tax benefits are taken into account) and an annualized after-tax return (net of fees) of approximately 21.4% (-12.19% before tax benefits are taken into account) for an individual resident in Ontario subject to the highest marginal tax rate.

**Past returns of the previous flow-through offerings are not indicative of the Partnership's future performance.**

**Custodian**

RBC Investor Services Trust, Toronto will be appointed, on or prior to the Initial Closing, as custodian of the investment portfolio of the Partnership pursuant to the Custodian Agreement. The Custodian will be responsible for the safekeeping of all of the investments and other assets of the Partnership delivered to it, but not those assets of the Partnership not directly controlled or held by the Custodian. The Custodian may employ sub-custodians as considered appropriate in the circumstances. The Custodian Agreement may be terminated by any party to the agreement on 90 days' written notice. The

Custodian shall be entitled to compensation for its services and expenses as set forth in a written fee schedule between the parties to the agreement, unless different compensation is agreed to in writing.

**Auditor**

The auditor of the Partnership is Ernst & Young LLP, Chartered Professional Accountants, Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto Dominion Centre, Toronto, Ontario M5K 1J7.

**Registrar and Transfer Agent**

Equity Financial Trust Company is the registrar and transfer agent for the Units at its principal office in Toronto.

**Promoters**

The Manager and the General Partner may be considered to be promoters of the Partnership as defined in the securities legislation of certain provinces and territories of Canada by reason of their initiative in forming and establishing the Partnership and taking the steps necessary for the public distribution of the Units. The promoters will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than as described under "Fees and Expenses" and "Interest of Management in Material Transactions".

## CALCULATION OF NET ASSET VALUE

The net asset value of the Partnership (the "**Net Asset Value**") will be calculated by the Manager at 4:00 p.m. (Eastern Standard Time) on each Valuation Date by subtracting the aggregate amount of the Partnership's liabilities on such Valuation Date from the aggregate value on such Valuation Date of the assets of the Partnership.

The process of valuing investments for which no active market exists is based on inherent uncertainties, and the resulting values may differ from values that would have been used had a ready and active market existed for the investments and may differ from the prices at which the investments may be sold.

*Valuation Policies and Procedures of the Partnership*

The value of the Partnership's assets on each Valuation Date will be determined in accordance with the following principles:

(a) the value of any security which is listed on a stock exchange will be the official closing price or, if there is no such sale price, the average of the bid and the ask price at that time by the close of trading of the TSX (generally 4:00 p.m., Toronto time) all as reported by any report in common use or authorized as official by the stock exchange; provided that if such last sale price is not within the latest available bid and ask quotations on the Valuation Date, the Manager has the discretion to determine a value which it considers to be fair and reasonable (the "**fair value**") for the security based on market quotations the Manager believes most closely reflects the fair value of the investment. The trading hours for foreign securities that trade in foreign markets may end prior to 4:00 p.m., Toronto time, and therefore not take into account, among other things, events that occur after the close of the foreign market. In these circumstances, the Manager may determine a fair value for the foreign securities which may differ from that security's most recent closing market price;

(b) the value of any security which is traded on an over-the-counter market will be the closing sale price on that day or, if there is no such sale price, the average of the bid and the ask prices at that time, all as reported by the financial press;

(c) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as RBC Investor Services Trust, in its discretion, deems appropriate; short term instruments shall be valued at cost plus accrued interest;

(d) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking, or agreement by the Partnership shall be the quoted market value less a percentage discount for illiquidity amortized over the length of the restricted period;

(e) the value of any security or other asset for which a market quotation is not readily available or to which, in the opinion of the Manager, the above principles cannot be applied, will be its fair value on that day determined in a manner by the Manager in its discretion; and

(f) tax deductions which accrue to Limited Partners shall not be taken into account in making such determination.

If an asset cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding such principles, the Manager will make such valuation as it considers fair and reasonable and, if there is an industry practice, in a manner consistent with industry practice for valuing such asset.

The liabilities of the Partnership on each Valuation Date will be determined by the Manager in accordance with normal business practices and IFRS. The liabilities of the Partnership include all bills, notes and accounts payable; all administrative expenses payable or accrued, (including management fees and the Performance Bonus Allocation); all contractual obligations for the payment of money or property; all allowances authorized or approved by the Manager for taxes; and all other liabilities of the Partnership.

The Net Asset Value per Unit will be the amount obtained by dividing the Net Asset Value as of a particular Valuation Date by the total number of Units outstanding on that date.

In accordance with NI 81-106, the fair value of a portfolio security used to determine the daily price of the Partnership's securities will be based on the Partnership's valuation principles set out above under the heading "Valuation Policies and Procedures of the Partnership", which comply with requirements of NI 81-106 and are materially consistent with IFRS.

*Reporting of Net Asset Value*

The daily Net Asset Value per Unit will be available on the Manager's website at http://www.sprott.com. Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

## ATTRIBUTES OF THE SECURITIES DISTRIBUTED

### Description of the Securities Distributed

The interests of the Limited Partners will be divided into and represented by an unlimited number of Units. Each Unit entitles the holder thereof to the same rights and subjects such holder to the same obligations as the holder of any other Unit and no Limited Partner is entitled to any preference, priority or right in any circumstance over any other Limited Partner. The Partnership does not intend to issue Units other than as qualified by this prospectus. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership $25.00 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by "financial institutions" and provisions of securities legislation and regulations relating to take-over bids. On dissolution, after payment of debts, liabilities and liquidation expenses of the Partnership and the Performance Bonus Allocation (if any), the Limited Partners of record holding the then outstanding Units are entitled to receive 99.99% of the remaining assets of the Partnership.

## SECURITYHOLDER MATTERS

### Meetings of Unitholders

Meetings of the Partners may be called by the General Partner at any time, however, the General Partner is not required to call annual general meetings of the Limited Partners. A meeting will be called on the requisition of Limited Partners holding in the aggregate 15% or more of the outstanding Units, which request must specify the purposes for which such meeting is to be called. Notice of not less than 21 days and not more than 60 days will be given for each meeting. All meetings of Limited Partners will be held in Toronto, Ontario or at another location in Canada selected by the General Partner. A Limited Partner may attend a meeting of the Partnership in person or by proxy or, in the case of a corporate Limited Partner, by a representative. Quorum for a meeting is two persons, neither of which is the General Partner, present in

person holding, or representing by proxy, in the aggregate 1% or more of the outstanding Units. Where quorum is not present, the meeting will, if called by the General Partner, be adjourned to a date not later than 14 days after the meeting date (in which event there is no quorum requirement for the adjourned meeting) and, if requisitioned by Limited Partners, will be cancelled.

Each Unit entitles the holder thereof to one vote. The General Partner is not permitted to vote on any resolution. However, affiliates of the General Partner holding Units will be entitled to vote on, or consent in writing to, all resolutions. See "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Amendment".

**Matters Requiring Unitholder Approval**

See "Amendment to the Partnership", directly below.

**Amendment to the Partnership Agreement**

The Partnership Agreement may only be amended with the consent of the Limited Partners given by an Extraordinary Resolution. No amendment that adversely affects the rights or interests of the General Partner, except for the removal of the General Partner, may be made unless the General Partner consents to such amendment. In addition, no amendment may be made which in any manner allows any Limited Partner to take part in the control of the business of the Partnership or would have the effect of reducing or increasing any amounts payable to the General Partner hereunder or its share of the net income or net loss of the Partnership, reducing the interest in the Partnership of any Limited Partner, reducing the duties or obligations of the General Partner, changing the right of a Limited Partner to vote at any meeting of Partners or changing the Partnership from a limited partnership to a general partnership. In addition, no amendment can be made to the Partnership Agreement which would have the effect of reducing the General Partner's share of the net income or assets of the Partnership, or the Performance Bonus Allocation, unless the General Partner in its sole discretion, consents thereto.

The General Partner is entitled to make certain amendments to the Partnership Agreement without the consent of the Limited Partners for the purpose of adding any provisions which, in the opinion of the General Partner, are for the protection or benefit of the Limited Partners or the Partnership, for the purpose of curing an ambiguity or for the purpose of supplementing any provision which may be defective or inconsistent with another provision of the Partnership Agreement or required by law. Such amendments may only be made if they will not materially adversely affect the rights of any Limited Partner or restrict any protection for the General Partner or the Manager or increase their respective responsibilities.

**Reporting to Unitholders**

The Partnership's fiscal year will be the calendar year. The Manager, on behalf of the Partnership, will file and deliver to each Limited Partner such financial statements (including unaudited interim and audited annual financial statements) and other reports as are from time to time required by applicable law. The annual financial statements of the Partnership shall be audited by the Partnership's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS. The General Partner, on behalf of the Partnership, may seek exemptions from certain continuous disclosure obligations under applicable securities laws and is authorized to do so under the Partnership Agreement.

The General Partner will forward, or cause to be forwarded, to each Limited Partner, either directly or indirectly through CDS, the information necessary for the Limited Partner to complete such Limited Partner's Canadian federal and provincial income tax returns with respect to Partnership matters for the preceding year. The General Partner will make all filings required with respect to tax shelters by the Tax Act.

The General Partner and the Manager will ensure that the Partnership complies with all other reporting and administrative requirements.

The General Partner is required to keep adequate books and records reflecting the activities of the Partnership in accordance with normal business practices, IFRS and applicable securities legislation. The *Limited Partnerships Act* (Ontario) provides that any person may, on demand, examine the Record. A Limited Partner has the right to examine the books and records of the Partnership at all reasonable times. Notwithstanding the foregoing, a Limited Partner will not have access to any information which in the opinion of the General Partner should be kept confidential in the interests of the Partnership and which is not required to be disclosed by applicable securities laws or other laws governing the Partnership.

**Audit of Financial Statements**

The annual financial statements of the Partnership shall be audited by the Partnership's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS.

## TERMINATION OF THE PARTNERSHIP

**Term**

The Partnership will be dissolved upon the earliest of:

(a) the approval of such dissolution by the General Partner or the authorization of such dissolution by an Extraordinary Resolution;

(b) a date determined by the General Partner in the fiscal period in which, and within 60 days after the date on which, all the assets of the Partnership that are eligible for transfer under subsection 85(2) of the Tax Act are transferred to the Designated Mutual Fund pursuant to the Transfer Agreement or are distributed to the Limited Partners;

(c) a date determined by the Limited Partners at a Special Meeting called for the purpose of approving a Liquidity Alternative;

(d) 180 days after the deemed resignation of the General Partner on the bankruptcy, dissolution, liquidation or winding up of the General Partner, or the commencement of any act or proceeding in connection therewith which is not contested by the General Partner, or the appointment of a trustee, receiver or receiver manager of the affairs of the General Partner, unless within that 180 day period a new general partner is admitted to the Partnership; and

(e) December 31, 2024.

**Liquidity Event and the Mutual Fund Rollover Transaction**

The Partnership intends to provide liquidity to Limited Partners prior to October 31, 2016. The Partnership currently intends to implement a Mutual Fund Rollover Transaction, but if the General Partner determines not to proceed with a Mutual Fund Rollover Transaction, then the Partnership will convene a Special Meeting to consider a Liquidity Alternative, subject to approval by Extraordinary Resolution. Pursuant to the Liquidity Alternative, the Partnership may transfer its assets on a tax-deferred basis to a listed issuer that is a reporting issuer and that may be managed by an affiliate of the General Partner.

The Mutual Fund Rollover Transaction, if any, will be implemented pursuant to the terms of the Transfer Agreement. Pursuant to the terms of the Transfer Agreement, the Partnership will transfer its assets to the Designated Mutual Fund on a tax-deferred basis in exchange for Mutual Fund Shares and the Partnership will distribute Mutual Fund Shares to the General Partner in satisfaction of the Performance Bonus Allocation (if any). Pursuant to the Partnership Agreement, within 60 days thereafter, upon the dissolution of the Partnership, the Mutual Fund Shares will be distributed to the Limited Partners, *pro rata*, on a tax-deferred basis. The Transfer Agreement is assignable by the Designated Mutual Fund, and Partnership assets may be transferred, to any other open end mutual fund corporation managed by the Manager.

The Mutual Fund Rollover Transaction is a conflict of interest matter for the Manager under NI 81-107 that will be referred to the Independent Review Committee and the independent review committee of Sprott Corporate Class Inc. A Liquidity Alternative, if a conflict of interest matter for the Manager under NI 81-107, will be referred to the Independent Review Committee. Completion of the Mutual Fund Rollover Transaction or a Liquidity Alternative will require the receipt of all necessary regulatory and other approvals, including the recommendation to proceed of the Independent Review Committee and the independent review committee of Sprott Corporate Class Inc., as applicable. **There can be no assurance that the Mutual Fund Rollover Transaction or a Liquidity Alternative will receive the necessary approvals or be implemented**.

**Sprott Corporate Class Inc.**

Sprott Corporate Class Inc. was incorporated under the provisions of the OBCA on July 28, 2011 and qualifies as a "mutual fund corporation" for purposes of the Mutual Fund Rollover Transaction. The registered office and principal place of business of Sprott Corporate Class Inc. is the same as the Partnership, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1.

Sprott Corporate Class Inc. is a conventional mutual fund subject to the investment restrictions and practices set out in NI 81-102 which are designed, in part, to ensure that the investments of a mutual fund are diversified and relatively liquid and to ensure proper administration of a mutual fund. Sprott Corporate Class Inc. is managed in accordance with these restrictions and practices.

Sprott Corporate Class Inc. currently offers the following twelve classes of shares: (i) Sprott Canadian Equity Class, (ii) Sprott Diversified Yield Class, (iii) Sprott Enhanced Equity Class, (iv) Sprott Enhanced Balanced Class, (v) Sprott Gold and Precious Minerals Class, (vi) Sprott Gold Bullion Class, (vii) Sprott Resource Class, (viii) Sprott Short-Term Bond Class, (ix) Sprott Silver Bullion Class, (x) Sprott Silver Equities Class, (xi) Sprott Tactical Balanced Class and (xii) Sprott Real Asset Class. The Manager is the manager of each of the Corporate Class Funds. The multiple-class structure allows investors to switch between different classes and reposition their investment portfolios to meet their individual investment requirements on a tax deferred basis. For each class of shares of Sprott Corporate Class Inc. (other than common shares), the board of directors of Sprott Corporate Class Inc. is authorized to issue from time to time an unlimited number of series of shares and an unlimited number of shares of each series with such rights, privileges, restrictions, conditions and designation for such series as a determined by the board of directors of Sprott Corporate Class Inc. in its discretion. Each class of shares of Sprott Corporate Class Inc. (other than common shares) is considered a separate mutual fund and has a different investment objective.

Further information on the Corporate Class Funds, including a copy of the simplified prospectus and annual information form for such funds, is available on the Manager's website at www.sprott.com/products/sprott-corporate-class-funds or at www.sedar.com. Information contained in the simplified prospectus for the Corporate Class Funds or on the Manager's website is not part of this prospectus and is not incorporated by reference herein.

**Designated Mutual Fund**

The investment objective of Sprott Resource Class, which is expected to be designated as the Designated Mutual Fund, is to seek to achieve long-term capital growth. Sprott Resource Class invests primarily in equity and equity-related securities of companies in Canada and around the world that are involved directly or indirectly in the natural resource sector. The portfolio adviser of Sprott Resource Class uses macro-economic research to identify the most attractive resource sub-sectors to invest in and employs an opportunistic investment approach by being able to invest across the global resource universe (oil & gas, coal, uranium, renewable energy, base metals, precious metals, agriculture, forestry, water, commodity infrastructure and service companies). Based on this macro-economic research, the portfolio adviser of Sprott Resource Class uses fundamental analysis to seek to identify securities with superior investment merit and the potential for capital appreciation. This involves seeking out undervalued companies backed by strong management teams and solid business models that can benefit from macro-economic trends.

Sprott Resource Class may invest in early stage exploration companies to established producers and its investments may range from micro-capitalization to large capitalization in size. Sprott Resource Class has the flexibility to invest in a company's equity, debt, equity-related securities (such as convertible debentures and equity-based indices), as well as private placements and private companies as permitted by securities regulations.

The net asset value per share of the Designated Mutual Fund will be determined daily and the Mutual Fund Shares will be redeemable on a daily basis. Mutual Fund Shares received by a Limited Partner upon transfer of the assets of the Partnership shall be exempt from commissions or deferred charges upon dissolution of the Partnership.

The Manager will be paid a monthly fee based on the average daily net asset value of the assets of the Designated Mutual Fund allocated to the Mutual Fund Shares. In addition, the Manager is entitled to an incentive fee, subject to applicable taxes including HST, equal to a percentage of the daily net asset value of the Designated Mutual Fund. Such percentage will be equal to 10% of the difference by which the return in the net asset value per Mutual Fund Share from January 1 to December 31 exceeds the percentage return of a blended benchmark index comprising of 50% of the daily return of S&P/TSX Capped Material Total Return Index (or any successor index) and 50% of the daily return of the S&P/TSX Capped Energy Total Return Index (or any successor index) for the same period (the "**blended benchmark index**"). If the

performance of the Designated Mutual Fund in any year is less than the performance of the blended benchmark index, then no incentive fee will be payable to the Manager in any subsequent year until the performance of the Designated Mutual Fund, on a cumulative basis calculated from the first of such subsequent years, has exceeded the amount of such deficiency.

**Summary of the Transfer Agreement**

The Mutual Fund Rollover Transaction, if undertaken, will be effected pursuant to the terms of the Transfer Agreement. Completion of the Mutual Fund Rollover Transaction will be subject to the receipt of all approvals that may be necessary and the other conditions set forth in the Transfer Agreement. There can be no assurance that the Mutual Fund Rollover Transaction will receive the necessary approvals or be implemented. The Transfer Agreement provides for, among other things, the following terms and conditions:

(a) at the time at which the transfer is completed, the Sprott Corporate Class Inc. will be a "mutual fund corporation" for purposes of the Tax Act or will undertake to take all steps required to qualify as a "mutual fund corporation" under the Tax Act as soon as possible after the closing date of the transfer and in any event no later than the day on which it is required to file its tax return for its first taxation year;

(b) at the time at which the transfer is completed, Sprott Corporate Class Inc. will be a reporting issuer or the equivalent thereof not in default under the *Securities Act* (Ontario) and the securities legislation in every province and territory of Canada where holders of Units are resident;

(c) at the time at which the transfer is completed, a management agreement with respect to the management of the assets of Sprott Corporate Class Inc. will have been entered into between Sprott Corporate Class Inc. and the Manager and will be valid and enforceable;

(d) at the time at which the transfer is completed, all necessary regulatory approvals, if any, shall have been received; and

(e) at the time at which the transfer is completed, approval of the independent review committee of Sprott Corporate Class Inc. and the Partnership as contemplated by National Instrument 81-107 — *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators shall have been obtained.

The Transfer Agreement also provides for:

(a) the Partnership and Sprott Corporate Class Inc. to execute and deliver such documents, transfers, deeds, assurances and procedures necessary, in the opinion of counsel, for the purposes of giving effect to the transfer; and

(b) Sprott Corporate Class Inc. to provide, on dissolution of the Partnership, evidence of the ownership of the Mutual Fund Shares by each former Limited Partner.

The Transfer Agreement is assignable by Sprott Corporate Class Inc., and Partnership assets may be transferred, to any other open-end mutual fund corporation managed by the Manager. Pursuant to the Partnership Agreement, including the power of attorney granted under the provisions of the Partnership Agreement, the General Partner has been granted all necessary power on behalf of the Partnership and each Limited Partner to transfer the assets of the Partnership to Sprott Corporate Class Inc., to dissolve the Partnership thereafter and to file all elections deemed necessary or desirable by the General Partner required to be filed under the Tax Act and any other applicable tax legislation in connection with the Mutual Fund Rollover Transaction. The General Partner may in its sole discretion call a meeting of the Limited Partners to approve the transaction contemplated in the Transfer Agreement and, if such approval is sought, no Mutual Fund Rollover Transaction will be implemented if Limited Partners determine by an Extraordinary Resolution not to proceed with such a transaction. If the Limited Partners determine by an Extraordinary Resolution not to proceed with the transaction contemplated by the Transfer Agreement, the Transfer Agreement will terminate.

**Dissolution or Continuation**

If the Mutual Fund Rollover Transaction is not completed, then, in the discretion of the General Partner, the Partnership may: (a) undertake a Liquidity Alternative as approved at a Special Meeting, (b) be dissolved and, subject to the

Performance Bonus Allocation, its net assets distributed *pro rata* to the Limited Partners, or (c) subject to approval by Extraordinary Resolution, continue in operation with an actively managed portfolio.

If the Partnership continues in operation only until the Flow-Through Shares and other securities, if any, of Resource Issuers are disposed of, the General Partner will invest the net proceeds of such dispositions, after repayment of indebtedness, including any indebtedness that is a limited-recourse amount, of the Partnership, in High Quality Money Market Instruments pending the distribution of the proceeds to the Limited Partners. At the time of dissolution of the Partnership, its assets will mainly consist of cash, Flow-Through Shares and other securities, if any, of Resource Issuers. If at the time of dissolution such assets consist partly of Flow-Through Shares and other securities, if any, of Resource Issuers in order to allow the assets of the Partnership to be distributed on a tax-deferred basis, each Limited Partner will receive an undivided interest in each asset of the Partnership equal to the Limited Partner's interest in the Partnership. Immediately thereafter, the undivided interest in each asset will be partitioned and former Limited Partners will receive Flow-Through Shares and such other assets of the Partnership in proportion to their former interests in the Partnership. In such circumstances, the General Partner will request that the transfer agent for each Resource Issuer provide share certificates registered in the name of each former Limited Partner.

## USE OF PROCEEDS

### The Partnership

The Partnership intends to use the Gross Proceeds as set forth in the table below. The table also shows an estimate of the Available Funds. The Partnership will endeavour to use the Available Funds to subscribe for Flow-Through Shares and other securities, if any, of Resource Issuers in accordance with its investment objective, guidelines and strategy described in this prospectus. The Gross Proceeds, Agents' fee, Offering expenses and Available Funds are set forth in the following table:

| | Maximum Offering | Minimum Offering |
|---|---|---|
| **Net Proceeds** | | |
| Gross Proceeds | $20,000,000 | $5,000,000 |
| Agents' fee[(1)] | $(1,150,000) | $ (287,500) |
| Offering expenses[(2)] | $ (350,000) | $ (100,000) |
| Net Proceeds | $18,500,000 | $4,612,500 |
| **Available Funds** | | |
| Net Proceeds | $18,500,000 | $4,612,500 |
| Borrowed funds under the Loan Facility[(2)] | $ 1,500,000 | $ 387,500 |
| 2014 Partnership fees and expenses[(3)] | $ (200,000) | $ (65,000) |
| Available Funds | $19,800,000 | $4,935,000 |

Notes:

(1) The Agents' fee is 5.75% of the Subscription Price of each Unit sold.

(2) The expenses of this Offering are estimated by the General Partner to be $250,000 in the case of the minimum Offering and $350,000 in the case of the maximum Offering, but the Partnership's share of such expenses will be $100,000 in the case of the minimum Offering. This is because the Partnership will pay for any Offering expenses in an amount up to 2% of the Gross Proceeds and any Offering expenses in excess of that amount will be borne by the Manager. The Partnership's portion of the Offering expenses, together with the Agents' fee will be paid by the Partnership from the proceeds of the Loan Facility and are not deductible in computing income by the Partnership pursuant to the Tax Act for the fiscal period ended December 31, 2014. See "Fees and Expense – Initial Fees and Expenses" and "Fees and Expenses – Loan Facility".

(3) The Partnership's ongoing fees and expenses for the 2014 calendar year have been estimated by the Partnership and include the management fee and all expenses incurred in connection with the Partnership's operation and administration. The Partnership will fund ongoing fees and expenses from either amounts reserved from the Gross Proceeds or the proceeds of the sale of Flow-Through Shares held by the Partnership. See "Fees and Expenses".

### Proceeds of the Offering

Subscription proceeds for the Offering will be received by the Agents, or such other registered dealers or brokers as are authorized by the Agents, and held in trust in a segregated account until subscriptions for the minimum Offering are received and other closing conditions of the Offering have been satisfied. If the minimum Offering is not subscribed for within 90 days after the date of issuance of the Receipt in respect of this prospectus, the Offering may not continue and

subscription proceeds will be returned to Subscribers, without interest or deduction, unless an amendment to this prospectus is filed.

The Partnership Agreement provides for the investment by the Partnership of the proceeds of the issue of Units and any interest accrued thereon in High-Quality Money Market Instruments until disbursement is required.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to form and manage a selling group consisting of registered dealers and brokers to offer Units for sale to the public in each of the provinces and territories of Canada on a best efforts basis, if, as and when issued by the Partnership. The Partnership will pay to the Agents a sales commission equal to 5.75% of the Subscription Price for each Unit sold to a Subscriber under the Offering, and reimburse the Agents for reasonable expenses incurred in connection with the Offering.

The Initial Closing will take place after the conditions set forth below are satisfied. If, for any reason, the Initial Closing does not occur within 90 days after the date of issuance of the Receipt in respect of this prospectus, the Offering may not continue and subscription proceeds will be returned to Subscribers, without interest or deduction, unless an amendment to this prospectus is filed. If less than the maximum number of Units is issued at the Initial Closing, additional Units may be offered (up to the maximum) and subsequent Closings may occur at any time after the date of the Initial Closing but not later than the date that is 90 days after the issuance of the Receipt in respect of this prospectus.

The Offering consists of a minimum offering of 200,000 Units and a maximum offering of 800,000 Units. The Subscription Price of the Units is $25.00 per Unit, subject to a minimum purchase of 200 Units. Additional subscriptions may be made in multiples of one Unit. The Subscription Price per Unit is payable in full at the time of Closing. The Subscription Price per Unit was established by the Manager.

The Initial Closing will occur if (a) subscriptions for at least 200,000 Units are accepted by the General Partner, (b) all contracts described under "Material Contracts" have been executed and delivered to the Partnership and are valid and subsisting, and (c) all other conditions specified in the Agency Agreement for the Initial Closing (including receipt of all necessary regulatory approvals) have been satisfied or waived.

The Manager, on behalf of the Partnership, reserves the right to reject any subscription in whole or in part and to reject all subscriptions. If a subscription for Units is rejected or accepted in part, unused monies received will be returned forthwith to the Subscriber. If all subscriptions are rejected, subscription proceeds received will be returned forthwith to the Subscribers. Subscription proceeds pursuant to the Offering will be received by the Agents, or such other registered dealers or brokers as are authorized by the Agents, and held in trust in a segregated account until subscriptions for the minimum Offering are received and other closing conditions of the Offering have been satisfied.

The obligations of the Agents under the Agency Agreement may be terminated, and the Agents may withdraw all subscriptions for Units on behalf of Subscribers, in their discretion on the basis of their assessment of the state of the financial markets. The Offering may also be terminated upon the occurrence of certain stated events including any material adverse change in the business, personnel or financial condition of the General Partner or the Partnership.

At each Closing, non-certificated interests representing the aggregate Units subscribed for under the Offering will be recorded in the name of CDS, or its nominee, on the register of the Partnership maintained by the Transfer Agent on the date of such Closing. Any purchase or transfer of Units must be made through CDS Participants, which includes registered dealers and brokers, banks, and trust companies. Indirect access to the Non-Certificated Inventory System is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each Subscriber will receive a customer confirmation of purchase from the CDS Participant through whom such Subscriber purchased Units in accordance with the practices and procedures of such CDS Participant.

No Limited Partner will be entitled to a certificate or other instrument from the General Partner, the Transfer Agent or CDS evidencing such Limited Partner's interest in or ownership of Units, nor, to the extent applicable, will such Limited Partner be shown on the records maintained by CDS, except through an agent who is a CDS Participant. Distributions on Units, if any, will be made by the Partnership to CDS which will then be forwarded by CDS to its participants and thereafter to the Limited Partners.

The General Partner, on behalf of the Partnership, has the option to terminate the Non-Certificated Inventory System through CDS, in which case CDS will be replaced or Unit certificates in fully registered form will be issued to Limited Partners as of the effective date of such termination.

**Relationship between the Partnership and Agents**

Sprott Private Wealth LP, one of the Agents, is a registered dealer participating in the Offering of the Units to its clients for which it will receive a sales commission with respect to the Units. The Partnership is considered to be a "related issuer" of Sprott Private Wealth LP under applicable securities legislation as Sprott Private Wealth LP, the General Partner and the Manager are controlled, directly or indirectly, by Sprott Inc. The Partnership may also be considered to be a connected issuer of BMO Nesbitt Burns Inc. one of the Agents, because BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank which will, on the date of the Initial Closing, be a lender to the Partnership under the Loan Facility. See "Fees and Expenses – Loan Agreement".

The decision to undertake this Offering and the determination of the terms, structuring and pricing of the Offering were made through negotiations between the Partnership and the Agents, with RBC Dominion Securities Inc. taking a lead role in such negotiations and leading the related due diligence activities performed by the Agents, including the independent Agents. The Canadian chartered bank referred to above did not play any role in these determinations, decisions or negotiations. As a consequence of this Offering, Sprott Private Wealth LP will not receive a benefit in connection with the Offering, other than their respective share of the Agents' fee referred to under "Use of Proceeds". None of the proceeds of the Offering will be applied for the benefit of BMO Nesbitt Burns Inc. or any of its affiliates except in respect of the fees and interest payable under the Loan Facility and the portion of the Agents' fee payable to BMO Nesbitt Burns Inc.

## INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

The Manager is affiliated with the General Partner. The Manager will be entitled to receive the annual management fees described in this prospectus. Pursuant to the Management Agreement, the Manager is also entitled to receive fees for administrative or other services provided directly by the Manager to the Partnership, other than the management services that are already included in the management fees.

The General Partner is entitled to receive the Performance Bonus Allocation (if any) and 0.01% of the net income or assets allocated to the Partners. See "Organization and Management Details of the Partnership — General Partner", "Organization and Management Details of the Partnership — Summary of the Partnership Agreement — Management" and "Fees and Expenses – Performance Bonus Allocation".

## PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

**Policies and Procedures**

Subject to compliance with the provisions of applicable securities law, the Manager, in its capacity as manager, acting on the Partnership's behalf, has the right to vote proxies relating to the securities of Resource Issuers in the Partnership's investment portfolio. Proxies must be voted in a manner consistent with the best interests of the Partnership and its Limited Partners.

Generally, proxies will be voted with management of a Resource Issuer on routine business, otherwise the Partnership will not own or maintain a position in the securities of that Resource Issuer. Examples of routine business applicable to a Resource Issuer are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Partnership's investment in that Resource Issuer. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, lock-up arrangements, crown jewel defenses, supermajority approval proposals, and stakeholder or shareholder proposals.

On occasion, the Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy of that Resource Issuer is outweighed by the cost of voting the proxy. In addition, the Manager will not vote proxies received for securities of Resource Issuers which are no longer held in the Partnership's investment portfolio.

**Proxy Voting Conflicts of Interest**

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Partnership in voting proxies with the desire to avoid the perception of a conflict of interest, the Manager has instituted procedures to help ensure that the Partnership's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Partnership, uninfluenced by considerations other than the best interests of the Partnership.

**Disclosure of Proxy Voting Guidelines and Record**

The proxies associated with securities held by the Partnership will be voted in accordance with the best interests of the Limited Partners determined at the time the vote is cast. The Manager's proxy voting guidelines set out various considerations that the Manager will address when voting, or refraining from voting, proxies. Generally, the Manager will vote with management of an issuer on matters that are routine in nature, such as, electing and fixing number of directors; appointing auditors; and authorizing directors to fix remuneration of auditors. All other special or non-routine matters will be addressed on a case-by-case basis in a manner that, in the Manager's view, will maximize the value of the Partnership's investment in the issuer. Generally, the Manager will vote against any proposal relating to stock option plans that exceed certain specified thresholds or relate to repricing of options. The Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote and the Manager retains the discretion to depart from these polices on any particular proxy vote depending upon the relevant facts and circumstances. In certain cases, proxy votes may not be cast when the Manager determines that it is not in the best interests of the Limited Partners to vote such proxies. In the event a proxy raises a potential material conflict of interest between the interests of the Partnership and the Manager, the conflict will be resolved by the Manager in favour of the Partnership.

A copy of the Manager's proxy voting guidelines is available on the Manager's website at http://www.sprott.com or by contacting the Manager at 1-866-299-9906. The Manager will maintain and prepare an annual proxy voting record for the Partnership. The proxy voting record for the annual period ending June 30 each year for the Partnership will be available free of charge to any Limited Partner upon request at any time after August 31 of that year. Information contained on the website of the Manager is not part of this prospectus and is not incorporated herein by reference.

## MATERIAL CONTRACTS

The material contracts that have been entered into by the Partnership or to which the Partnership will become a party on or prior to the date of the Initial Closing, other than contracts entered into in the ordinary course of business, are as follows:

(a) the Partnership Agreement referred to under "Organization and Management Details of the Partnership — Summary of the Partnership Agreement";

(b) the Management Agreement referred to under "Organization and Management Details of the Partnership — Details of the Management Agreement";

(c) the Custodian Agreement referred to under "Organization and Management Details of the Partnership — Custodian";

(d) the Agency Agreement referred to under "Plan of Distribution"; and

(e) the Transfer Agreement referred to under "Termination of the Partnership — Summary of the Transfer Agreement".

Once executed, a copy of the contracts referred to above may be inspected during normal business hours at the offices of the General Partner at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1 throughout the period of distribution hereunder. The Partnership Agreement is also available (i) on SEDAR; (ii) upon written request to the General Partner; and (iii) on the Manager's website at http://www.sprott.com. Information contained on the website of the Manager is not part of this prospectus and is not incorporated herein by reference.

## EXPERTS

### Auditor

The auditor of the Partnership is Ernst & Young LLP, Chartered Professional Accountants. Ernst & Young LLP is independent of the Partnership, as defined by the auditors' rules of professional conduct of the Chartered Professional Accountants of Ontario.

### Legal Opinions

Legal matters in connection with the Offering of Units of the Partnership will be passed upon on behalf of the Partnership and the General Partner by Baker & McKenzie LLP and on behalf of the Agents by Stikeman Elliott LLP. As of the date hereof, the partners and associates of Baker & McKenzie LLP and Stikeman Elliott LLP do not beneficially own, directly or indirectly, any of the Units outstanding or other property of the Partnership.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SPROTT 2014-II CORPORATION,
the General Partner of
SPROTT 2014-II FLOW-THROUGH LIMITED PARTNERSHIP

We have audited the accompanying statement of financial position of Sprott 2014-II Flow-Through Limited Partnership (the "Partnership") as at September 23, 2014 and a summary of significant accounting policies and other explanatory information (together, "the financial statement").

**Management's Responsibility for the Financial Statement**
Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

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

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

**Opinion**
In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Partnership as at September 23, 2014 in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement.

Toronto, Canada
September 23, 2014

(Signed) Ernst & Young LLP
Chartered Professional Accountants,
Licensed Public Accountants

**STATEMENT OF FINANCIAL POSITION OF SPROTT 2014-II FLOW-THROUGH LIMITED PARTNERSHIP**

**September 23, 2014**

| | |
|---|---|
| **Current Assets** | |
| Cash | $25 |
| **Partners' Capital** | |
| Unit issued to Initial Limited Partner | $25 |

Approved on behalf of Sprott 2014-II Flow-Through Limited Partnership by the Board of Directors of Sprott 2014-II Corporation

(Signed) JOHN CIAMPAGLIA
Director

(Signed) KIRSTIN H. MCTAGGART
Director

The accompanying notes are an integral part of this statement.

**NOTES TO STATEMENT OF FINANCIAL POSITION OF SPROTT 2014-II FLOW-THROUGH LIMITED PARTNERSHIP**

**DATED SEPTEMBER 23, 2014**

## 1. FORMATION OF THE PARTNERSHIP AND SIGNIFICANT ACCOUNTING POLICY

Sprott 2014-II Flow-Through Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on July 24, 2014. The Partnership has been inactive between the date of formation and the date of the statement of financial position, other than the issuance of partnership units for cash. The general partner of the Partnership is Sprott 2014-II Corporation (the "General Partner"). The manager of the Partnership is Sprott Asset Management LP (the "Manager").

This statement of financial position presents the financial position of the Partnership and as such, does not include all assets and liabilities of the partners. The financial statement of the Partnership has been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, relevant to preparing a statement of financial position. The following is a summary of significant accounting policies followed by the Partnership in preparation of its financial statement.

*Cash and Cash Equivalents*

Cash is comprised of cash on deposit with a Canadian financial institution and is stated at fair value.

*Functional and Presentation Currency*

The Canadian dollar is the functional and presentation currency for the Partnership.

## 2. PARTNERSHIP CAPITAL

The Partnership is authorized to issue an unlimited number of Units. Each Unit subjects the holder thereof to the same obligations and entitles such holder to the same rights and as the holder of any other Unit, including the right to one vote at all meetings of the Limited Partners and to equal participation in any distribution made by the Partnership. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by "financial institutions" and provisions of securities legislation and regulations relating to take-over bids. The Units issued and outstanding represent the capital of the Partnership.

## 3. MANAGEMENT FEES

In consideration for the Manager's services and pursuant to the terms of the Management Agreement, the Partnership will pay to the Manager an annual fee equal to 2% of the net asset value of the Partnership (the "Net Asset Value"), calculated and paid monthly in arrears.

## 4. ALLOCATIONS TO THE PARTNERS

99.99% of the net income and net loss of the Partnership will be allocated *pro rata* among the Limited Partners who are holders of Units on the last day of each fiscal year, and 0.01% of the net income and net loss of the Partnership will be allocated to the General Partner. The General Partner will be responsible for the management of the Partnership in accordance with the terms and conditions of the Partnership Agreement. The General Partner will be reimbursed for expenses incurred in the performance of its duties, including professional fees.

The General Partner will be entitled to a distribution of Partnership property on the Performance Bonus Allocation Date (as defined in the prospectus of the Partnership dated September 23, 2014) in an amount equal to 20% of the amount by which the Net Asset Value per Unit (as defined in the prospectus of the Partnership dated September 23, 2014) on the Performance Bonus Allocation Date (excluding the effect of distributions, if any) exceeds $28.00, multiplied by the number of Units outstanding at the Performance Bonus Allocation Date. The Performance Bonus Allocation (as defined in the prospectus of the Partnership dated September 23, 2014) will be calculated on the Performance Bonus Allocation Date and paid as soon as practicable thereafter. The Performance Bonus Allocation will be paid in Mutual Fund Shares (as defined in the prospectus of the Partnership dated September 23, 2014) in the

event of the transfer of the assets of the Partnership to the Designated Mutual Fund (as defined in the prospectus of the Partnership dated September 23, 2014) pursuant to the Mutual Fund Rollover Transaction (as defined in the prospectus of the Partnership dated September 23, 2014) unless payment in Mutual Fund Shares is not permitted by applicable law. If the Partnership's assets are not transferred to the Designated Mutual Fund, the Performance Bonus Allocation will be paid to the General Partner in cash.

## 5. NET ASSET VALUE OF THE PARTNERSHIP AND NET ASSET VALUE PER UNIT

The Net Asset Value will be calculated by the Manager on each Valuation Date (as defined in the prospectus of the Partnership dated September 23, 2014) by subtracting the aggregate amount of the Partnership's liabilities on such Valuation Date from the aggregate value on such Valuation Date of the assets of the Partnership.

## 6. EXPENSES OF THE PARTNERSHIP

The Partnership will pay for all expenses (inclusive of applicable taxes) incurred in connection with its operation and administration.

The Partnership will pay the loan fees and related interest charges in connection with the Loan Facility.

The Partnership will also pay all expenditures which may be incurred in connection with the Liquidity Alternative and the dissolution of the Partnership.

In connection with certain investments of the Partnership, the Manager may retain independent advisors and consultants to conduct due diligence investigations of a Resource Issuer's (as defined in the prospectus of the Partnership dated September 23, 2014) business, assets, properties and mineral reserves. At the discretion of the General Partner, fees and expenses incurred by the Manager in retaining such independent advisors may be charged to the Partnership.

## 7. LOAN FACILITY

The Partnership will enter into the Loan Facility (as defined in the prospectus of the Partnership dated September 23, 2014) for the purpose of funding the Agents' fee and the expenses of the Offering. As at September 23, 2014, no amount of indebtedness is outstanding under the Loan Facility. Pursuant to the Loan Facility, the Partnership will be able to borrow up to the amount of the aggregate Agents' fee and the expenses of the Offering, such amount not to exceed 10% of the gross proceeds of the Offering. The Partnership's obligations under the Loan Facility will be secured by a pledge of the assets held by the Partnership. Prior to the earlier of: (a) the dissolution of the Partnership; (b) the date on which a Liquidity Alternative is completed; or (c) the maturity date of the Loan Facility, all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full. The unpaid principal amount of the Loan Facility will be deemed to be a limited recourse amount of the Partnership under the Tax Act which reduces the amount of related expenses that would otherwise be deductible by the Partnership in the year these expenses are incurred. The maximum amount of leverage that the Partnership could be exposed to pursuant to the Loan Facility is the lesser of (a) 25% of the market value of the Partnership's total assets (less margins pledged in excess of short sale proceeds for covered short sales) and (b) 33% of the market value of the Partnership's cash balances and freely marketable publicly traded assets (less margins pledged in excess of short sale proceeds for covered short sales).

## 8. INITIAL OFFERING OF UNITS

On September 23, 2014 the Partnership entered into an agency agreement for the issue and sale of up to 800,000 units of the Partnership at a price of $25.00 per unit, on a best efforts basis pursuant to a prospectus dated September 23, 2014.

## CERTIFICATE OF THE PARTNERSHIP, THE MANAGER AND THE PROMOTERS

Dated: September 23, 2014

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**SPROTT 2014-II CORPORATION**

(Signed) JAMES R. FOX
Chief Executive Officer

(Signed) STEVEN ROSTOWSKY
Chief Financial Officer

On behalf of the Board of Directors of the Sprott 2014-II Corporation

(Signed) JOHN CIAMPAGLIA
Director

(Signed) KIRSTIN H. MCTAGGART
Director

On Behalf of the Promoters

**SPROTT 2014-II CORPORATION**
**as Promoter**

(Signed) JAMES R. FOX
Chief Executive Officer

**SPROTT ASSET MANAGEMENT LP**
**by its general partner SPROTT ASSET MANAGEMENT GP INC.**

(Signed) JOHN WILSON
Chief Executive Officer

(Signed) STEVEN ROSTOWSKY
Chief Financial Officer

On behalf of the Board of Directors of Sprott Asset Management GP Inc.

(Signed) JAMES R. FOX
Director

(Signed) KIRSTIN H. MCTAGGART
Director

## CERTIFICATE OF THE AGENTS

Dated: September 23, 2014

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

| | | | |
|---|---|---|---|
| **RBC DOMINION SECURITIES INC.** | **CIBC WORLD MARKETS INC.** | **SCOTIA CAPITAL INC.** | **TD SECURITIES INC.** |
| (SIGNED) CHRISTOPHER BEAN | (SIGNED) MICHAEL D. SHUH | (SIGNED) RAJIV BAHL | (SIGNED) CAMERON GOODNOUGH |

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|---|---|
| **BMO NESBITT BURNS INC.** | **NATIONAL BANK FINANCIAL INC.** |
| (SIGNED) ROBIN G. TESSIER | (SIGNED) TIMOTHY EVANS |

| | |
|---|---|
| **CANACCORD GENUITY CORP.** | **GMP SECURITIES L.P.** |
| (SIGNED) RON SEDRAN | (SIGNED) ANDREW KIGUEL |

| | | | |
|---|---|---|---|
| **DESJARDINS SECURITIES INC.** | **MANULIFE SECURITIES INCORPORATED** | **RAYMOND JAMES LTD.** | **SPROTT PRIVATE WEALTH LP** |
| (SIGNED) BETH SHAW | (SIGNED) WILLIAM PORTER | (SIGNED) J. GRAHAM FELL | (SIGNED) KIRSTIN H. MCTAGGART |