

Annual Report of the Independent Review Committee of the Sprott Group of Funds

March 5, 2010

IRC Annual Report to: Securityholders in the Sprott Group of Funds (the “Funds”) as listed at the end of this report

Dear Securityholder,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** (“NI 81-107” or the “Instrument”), the Manager established an Independent Review Committee (the “Committee” or “IRC”) for the Funds in April, 2007. The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

The IRC is pleased to publish its annual report to Securityholders, covering the period from January 1, 2009 to December 31, 2009 (“the Reporting Period”).

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to it. In those cases, it has sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Lawrence A. Ward, Chair, Toronto, Ontario	Consultant, retired partner of PricewaterhouseCoopers, LLP	Three years from April 30, 2007
Eamonn B.P. McConnell, Toronto, Ontario	Consultant, former Managing Director of Deutsche Bank, Europe and Asia	Two years, eight months from April 30, 2009
W. William Woods, Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Two years, eight months from April 30, 2009

Eamonn McConnell's initial term was for two years from April 30, 2007. His term was renewed on April 6, 2009 for a period of two years and eight months with effect from April 30, 2009.

William Woods' initial term was for two years from April 30, 2007. His term was renewed on April 6, 2009 for a period of two years and eight months with effect from April 30, 2009.

Compensation and Indemnification

Review of Compensation

At least annually, the IRC reviews its compensation giving consideration to the following:

- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- industry best practices, including industry averages and surveys on IRC compensation; and
- the complexity of the conflict issues brought to the IRC.

Members' Fees

In aggregate the IRC members were paid \$80,000 in 2009, plus applicable taxes.

Indemnities Granted

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC Members pursuant to this indemnity by the Funds or the Manager during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2009, the IRC Members did not beneficially own, directly or indirectly:

- more than .1% of the units in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or any Fund.

Recommendations and Approvals

On May 8, 2009 the Manager requested an approval from the IRC for either the Manager or Sprott Inc. to purchase the remaining securities held in Sprott Molybdenum Participation Corporation ("Moly") and distribute the cash Moly received to the shareholders as this corporation was being wound down. The Manager also received exemptive relief from the OSC for these transactions. The IRC reviewed the proposed purchase prices for the securities and after thoroughly reviewing all aspects of the transactions and after reasonable inquiry, concluded that the transactions achieved a fair and reasonable result for Moly.

On October 21, 2009 the Manager requested a recommendation from the IRC to receive a referral fee on an investment being made by several of the Funds and remit the fee to the Funds participating in the transaction proportionate to their participation. The IRC queried the Manager on the process that it undertook when it made investments of this nature and after making reasonable inquiry concluded that the course of action proposed by the Manager provided a fair and reasonable result for each of the participating Funds.

There were no other recommendations or approvals requested by the Manager during the Reporting Period.

The IRC is not aware of any instance in which the Manager acted in a Conflict Of Interest Matter referred to the IRC for which the IRC did not give a positive recommendation or approval during the Reporting Period.

The IRC is not aware of any instance in which the Manager acted in a Conflict Of Interest Matter but did not meet a condition imposed by the IRC in its recommendation or approval during the Reporting Period.

Standing Instructions Approved

The IRC has approved four Standing Instructions (SIs), which constitute a written approval or recommendation from the IRC that permit the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC. The Manager relied on SIs No. 1, 2 and 4 during the Reporting Period.

Standing Instruction No. 1: Omnibus.

This SI deals with a number of conflict of interest matters including:

1. Expenses charged to the Funds policy
2. Expense allocations policy between prospectus funds
3. Expense allocations policy between prospectus and non-prospectus funds
4. Short-term trading and late trading policy
5. Trade allocations policy
6. Net asset value error correction policy
7. Other material transaction error policy
8. Best execution policy
9. Soft dollar policy
10. Favouritism policy
11. Proxy voting policy
12. Changing service providers policy
13. Employee Personal Trading Policy
14. Sub-advisors personal trading policy
15. Short term trading policy
16. Complaint handling policy

17. Service providers related to the Manager policy
18. Affiliate dealer policy

Standing Instruction No. 2: Portfolio Pricing Issues: Fair Valuing Securities

Standing Instruction No. 3: Related Party Issues: Inter Fund Trades

Standing Instruction No. 4: Related Party Issues: A Fund Purchases Securities (Whether Debt or Equity) Issued by a Company Related to a Sub-Advisor

Funds served by the IRC

Sprott Canadian Equity Fund
Sprott Gold and Precious Minerals Fund
Sprott Energy Fund
Sprott Growth Fund
Sprott Global Equity Fund
Sprott Small Cap Equity Fund
Sprott All Cap Fund
FNSSC – Multi Manager Fund
Sprott Gold Bullion Fund
Sprott 2010 Flow-Through Limited Partnership
Sprott Physical Gold Trust

This report is available on the Manager's website at www.sprott.com or you may request a copy, at no cost to you, by contacting the Sprott Funds at (416) 943 6707 or 1- 866 299 9906 or email the Sprott Funds at invest@sprott.com. This document and other information about the Sprott Funds are available on www.sedar.com.

Yours truly,



Lawrence A. Ward, Chair

Schedule of IRC Members who sit on IRCs for other Fund Families

Eamonn McConnell serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Integra Capital Limited;
Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;
Investment funds that are reporting issuers managed by O'Leary Funds Management L.P.;
Investment funds that are reporting issuers managed by Man Investments Canada Corp.;
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;
The Goodwood Capital Fund;
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;
and
Investment funds that are reporting issuers managed by Webb Asset Management Canada Inc.

Lawrence A. Ward serves as a member of the Independent Review Committees for the following funds:

The Acker Finley Canada Focus Fund;
Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;
Investment funds that are reporting issuers managed by Vertex One Asset Management Inc. ;
The Goodwood Capital Fund; and
Investment funds that are reporting issuers managed by Russell Investments Canada Limited.

W. William Woods serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Integra Capital Limited;
The Acker Finley Canada Focus Fund;
Investment funds that are reporting issuers managed by O'Leary Funds Management L.P.;
The Goodwood Capital Fund;
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;
Investment funds that are reporting issuers managed by The International Scholarship Foundation;
Investment funds that are reporting issuers managed by Man Investments Canada Corp.;
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC; and
Investment funds that are reporting issuers managed by Webb Asset Management Canada Inc.