



ANNUAL INFORMATION FORM

May 11, 2011

Offering Series A, Series F and Series I Units (unless otherwise indicated)

SPROTT CANADIAN EQUITY FUND
SPROTT DIVERSIFIED YIELD FUND *(Series T Units also available)*
SPROTT GOLD AND PRECIOUS MINERALS FUND
SPROTT ENERGY FUND
SPROTT GROWTH FUND
SPROTT SHORT-TERM BOND FUND
SPROTT SMALL CAP EQUITY FUND
SPROTT ALL CAP FUND
SPROTT TACTICAL BALANCED FUND *(Series T and Series D Units also available)*

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The Funds and the securities of the Funds under this Annual Information Form are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance upon exemptions from registrations.

TABLE OF CONTENTS

	Page No.
THE FUNDS.....	1
MAJOR EVENTS IN THE PAST TEN YEARS	1
INVESTMENT RESTRICTIONS AND PRACTICES.....	2
DESCRIPTION OF UNITS.....	5
VALUATION OF PORTFOLIO SECURITIES	6
CALCULATION OF UNIT PRICE	8
PURCHASE OF UNITS	9
SWITCHES BETWEEN SPROTT MUTUAL FUNDS.....	9
RECLASSIFICATIONS BETWEEN SERIES OF A FUND.....	10
REDEMPTION OF UNITS.....	10
RESPONSIBILITY FOR OPERATION OF THE FUNDS	12
OWNERSHIP	17
FUND GOVERNANCE	20
FEEES AND EXPENSES	24
INCOME TAX CONSIDERATIONS	24
REMUNERATION OF DIRECTORS, OFFICERS, TRUSTEE AND THE IRC	27
MATERIAL CONTRACTS	27
LEGAL AND ADMINISTRATIVE PROCEEDINGS	27
OTHER MATERIAL INFORMATION.....	27
AUDITORS' CONSENT.....	28
CERTIFICATE OF THE FUNDS, THE MANAGER AND THE PROMOTER.....	29

THE FUNDS

Sprott Canadian Equity Fund, Sprott Diversified Yield Fund, Sprott Gold and Precious Minerals Fund, Sprott Energy Fund, Sprott Growth Fund, Sprott Short-Term Bond Fund, Sprott Small Cap Equity Fund, Sprott All Cap Fund and Sprott Tactical Balanced Fund (collectively, the “Funds” and each, a “Fund”) are open-ended mutual fund trusts established under the laws of Ontario pursuant to the terms of a trust agreement dated September 9, 1997, as amended and restated on October 16, 2001 and February 13, 2004, and as further amended on November 1, 2007 and January 16, 2009, together with amended and restated Schedules “A” and “B” each dated as of May 3, 2011 (the “Trust Agreement”). RBC Dexia Investor Services Trust acts as trustee (“Trustee”) and custodian (“Custodian”) for the Funds. Sprott Asset Management LP (the “Manager”) acts as the manager, portfolio adviser and promoter of the Funds. The head office and principal place of business of the Funds and the Manager of the Funds are located at:

Royal Bank Plaza, South Tower
Suite 2700, P. O. Box 27,
Toronto, Ontario, M5J 2J1

MAJOR EVENTS IN THE PAST TEN YEARS

Sprott Growth Fund

Prior to December 15, 2005, Sprott Growth Fund’s name was Sprott International Equity Fund. In addition to the change in name, Sprott Growth Fund changed its investment objectives to focus on North American growth-oriented equities.

Sprott All Cap Fund

Effective March 20, 2009, the investment strategies of Sprott All Cap Fund were changed so that the Fund may invest directly in gold, permitted gold certificates, silver, certain silver certificates and/or specified derivatives of which the underlying interest is gold or silver.

Effective November 30, 2010, Sprott Global Equity Fund merged into Sprott All Cap Fund.

Sprott Tactical Balanced Fund

At inception, Sprott Tactical Balanced Fund was known as “FNSSC-Multi Manager Fund”. On November 2, 2009, the Fund changed its name to “Sprott Multi-Manager Fund”, and the Series A units of the Fund then issued and outstanding were redesignated as Series D units.

On November 30, 2010, upon obtaining unitholder approval, the investment objectives of Sprott Tactical Balanced Fund were changed to seek to provide a total return over the long term by investing primarily in a portfolio of mutual funds that are managed by the Manager (as defined below), its associates or its affiliates. Sprott Tactical Balanced Fund may also invest in gold bullion, exchange traded funds and equity and/or fixed income securities. Together with the change in investment objectives, the Fund’s investment strategies were changed to employ a flexible and opportunistic investment approach that has the potential to perform well in a variety of market environments and the portfolio adviser seeks to achieve the Fund’s investment objectives by allocating the Fund’s assets among the following asset classes: (i) equity funds; (ii) fixed-income funds; (iii) gold bullion funds; and (iv) tactical investments (exchange traded funds, direct investments in gold bullion, equity and/or fixed-income securities and use of derivatives). On the same date, the Fund’s name was changed to Sprott Tactical Balanced Fund.

INVESTMENT RESTRICTIONS AND PRACTICES

The Funds are managed in accordance with the standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102 (“NI 81-102”) of the Canadian securities administrators other than as noted below. These restrictions and practices have been designed by the Canadian securities administrators to ensure that the investments of mutual funds are diversified and relatively liquid and to ensure the proper administration of mutual funds. NI 81-102 prescribes that unitholder approval must be obtained before any change can be made to the fundamental investment objectives of the Funds.

Units of the Funds are qualified investments under the *Income Tax Act* (Canada) (the “Act”) for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively “Registered Plans”). Annuitants of registered retirement savings plans and registered retirement income funds, and holders of tax-free savings accounts should consult with their own tax advisers as to whether units of the Funds would be prohibited investments under the Act in their particular circumstances.

The Funds are considered to be “dealer managed” mutual funds for the purposes of NI 81-102. Applicable securities laws impose restrictions on investments by dealer managed mutual funds. In accordance with such rules, each Fund may not make an investment in any class of securities of any issuer (other than those guaranteed by the Government of Canada, the government of a province of Canada or an agency of the foregoing) (i) for which the Manager or its associates or affiliates has acted as underwriter (except for a small selling group participation) during the preceding 60 days or (ii) of which any director, officer or employee of the Manager or an affiliate or associate of the Manager, is a partner, director or officer, if such person participates in the formulation of, influences or has access prior to implementation of, investment decisions made on behalf of the Fund.

Sprott Canadian Equity Fund and Sprott Growth Fund each has obtained exemptive relief to deviate from NI 81-102 so each may invest up to 20% of its net assets in gold or permitted gold certificates and silver (or specified derivatives of which the underlying interest is gold or silver) at the time of investment.

Sprott Gold and Precious Minerals Fund has obtained exemptive relief to deviate from NI 81-102 so it may invest more than 10% of its net assets in gold bullion or gold certificates representing gold bullion, and to invest directly and indirectly in other precious metals and in precious minerals. If the Fund invests in certificates representing the precious metals or minerals, the certificates must be issued by a bank listed in Schedule I or II to the *Bank Act* (Canada). In addition, the Fund may not purchase any certificates from an issuer if after the purchase more than 10% of the net assets of the Fund would be invested in securities and certificates of that issuer.

Sprott All Cap Fund obtained exemptive relief from the Canadian securities regulatory authorities to permit the Fund to invest up to 20% in total of its net asset value, taken at market value at the time of the purchase, directly in gold, permitted gold certificates, silver, certain silver certificates and/or specified derivatives of which the underlying interest is gold or silver. The silver certificates that the Fund is permitted to invest in are certificates that represent silver that is (i) available for delivery in Canada, free of charge, to or to the order of the holder of the certificate; (ii) of a minimum fineness of 999 parts per 1,000; (iii) held in Canada; (iv) in the form of either bars or wafers; and (v) if not purchased from a bank listed in Schedules I, II or III of the *Bank Act* (Canada), fully insured against loss and bankruptcy by an insurance company licensed under the laws of Canada or a province or territory of Canada.

Sprott Diversified Yield Fund obtained relief from the Canadian securities regulators to invest up to: (i) 35% of the proportion of its net asset value then invested in evidences of indebtedness, taken at market value at the time of purchase, in evidences of indebtedness of any one issuer if those evidences of

indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies (as defined in NI 81-102) or governments other than the government of Canada, the government of a jurisdiction, or the government of the United States of America and are rated “AAA” by Standard & Poor’s, or have an equivalent rating by one or more other approved credit rating organizations; and (ii) 20% of the proportion of its net asset value then invested in evidences of indebtedness, taken at market value at the time of purchase, in evidences of indebtedness of any other issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies (as defined in NI 81-102) or governments other than the government of Canada, the government of a jurisdiction, or the government of the United States of America and are rated “AA” by Standard & Poor’s, or have an equivalent rating by one or more other approved credit rating organizations (such evidences of indebtedness are collectively referred to as Foreign Government Securities). The Fund will only invest in Foreign Government Securities that are traded on a mature and liquid market and where the acquisition of which is consistent with the fundamental investment objectives of the Fund.

Each Fund has obtained relief from the Canadian securities regulatory authorities to invest up to 10% of the net assets of the Fund, taken at market value at the time of purchase, in certain exchange traded funds managed by BetaPro Management Inc. (“BetaPro ETFs”). The BetaPro ETFs are commodity pools that use financial instruments that correlate to a multiple (or inverse multiple) of the performance of an underlying index. Where a Fund purchases BetaPro ETFs that correlate to inverse multiples of the performance of underlying indices, such positions, when added to the short positions held by the Fund, cannot exceed 20% of the Fund’s net assets, taken at market value at the time of purchase. A Fund will only invest in BetaPro ETFs that provide exposure to securities that are in accordance with the fundamental investment objectives of the Fund. Furthermore, the Fund will not invest in BetaPro ETFs that are exposed to physical commodities other than gold.

Each Fund (other than Sprott Short-Term Bond Fund) has obtained exemptive relief from the Canadian securities regulatory authorities to permit the Fund to sell securities short and to provide a security interest over Fund assets with dealers as security in connection with such transactions, subject to certain conditions including:

- (a) no proceeds from any short sale by the Fund will be used by the Fund to purchase long positions in securities other than cash cover;
- (b) the aggregate market value of all securities sold short by the Fund does not exceed 20% of the total net assets of the Fund on a daily marked-to-market basis;
- (c) the Fund will hold cash cover (as defined in NI 81-102) in an amount, including the Fund assets deposited with dealers as security in connection with the short sale, that is at least 150% of the aggregate market value of all securities sold short by the Fund on a daily marked-to-market basis;
- (d) the securities sold short will not be “illiquid assets” as such term is defined in NI 81-102, and will be securities that are either:
 - (i) listed and posted for trading on a stock exchange; and
 - (A) the issuer of the security has a market capitalization of not less than CDN \$100 million, or the equivalent thereof, at the time the short sale is effected; or
 - (B) the Fund’s portfolio advisor has pre-arranged to borrow the securities for the purpose of such sale; or

- (ii) bonds, debentures or other evidences of indebtedness of, or guaranteed by, any issuer.
- (e) securities are sold short only for cash and the Fund receives the cash proceeds within normal trading settlement periods for the market in which the short sale is made;
- (f) except where the dealer holding the Fund's assets as security for any short sale transactions is the Fund's custodian, where the Fund deposits Fund assets in connection with a short sale with a dealer as security, the amount of Fund assets deposited with such dealer does not, when aggregated with the amount of the Fund assets already held by such dealer as security for outstanding short sale transactions of the Fund, exceed 10% of the total net assets of the Fund, taken at market value as at the time of deposit;
- (g) for short sale transactions in Canada, every dealer that holds Fund assets as security in connection with short sale transactions by the Fund shall be a registered dealer in Canada and a member of a self-regulatory organization that is a participating member of the Canadian Investment Protection Fund;
- (h) for short sale transactions outside of Canada, every dealer that holds Fund assets as security in connection with a short sale transaction by the Fund shall:
 - (i) be a member of a stock exchange, and, as a result, be subject to a regulatory audit;
 - (ii) have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements that have been made public; and
- (i) the security interest provided by the Fund over any of its assets that is required to enable the Fund to effect short sale transactions, is made in accordance with industry practice for that type of transaction and relates only to obligations arising under such short sale transactions.

Each Fund has obtained relief from the Canadian securities regulatory authorities from the prohibition on making an investment in a class of securities of an issuer of which a partner, director, officer or employee of the dealer manager of a Fund, or a partner, director, officer or employee of an affiliate or associate of the dealer manager, is a partner, director or officer when the partner, director, officer or employee: (i) may participate in the formulation of investment decisions made on behalf of the Fund; (ii) may have access before implementation to information concerning investment decisions made on behalf of the Fund; or (iii) may influence the investment decisions made on behalf of the Fund, so that the Fund is permitted to purchase certain exchange-traded securities of a related issuer in the secondary market. The conditions to the relief are: (i) the purchase or holding is consistent with, or is necessary to meet, the investment objective of a Fund; (ii) the independent review committee ("IRC") of the Fund has approved the transaction in accordance with National Instrument 81-107 ("NI 81-107"); (iii) the purchase is made on an exchange on which the securities are listed and traded; and (iv) no later than the time the Fund files its annual financial statements, the Manager files with the Ontario Securities Commission the particulars of any such investments.

Each Fund has obtained relief from the Canadian securities regulatory authorities from the prohibition on purchasing a security from or selling a security to certain entities deemed to be related to a Fund or the Manager, acting as principal, so that the Fund is permitted to purchase debt securities from or sell debt securities to a pooled fund or a closed-end fund managed and/or advised by the Manager (an "Inter-fund Trade"). The conditions to the relief are: (i) the IRC of the Funds involved in the Inter-fund Trade has approved the transaction in accordance with NI 81-107; and (ii) at the time of the Inter-fund Trade, the transaction complies with certain conditions set out in NI 81-107.

DESCRIPTION OF UNITS

General

Each Fund is permitted to issue an unlimited number of series of units and may issue an unlimited number of units in each series. Each of the Funds have created Series A, Series F and Series I units. Sprott Diversified Yield Fund and Sprott Tactical Balanced Fund have also created Series T units. In addition, Sprott Tactical Balanced Fund has created Series D units.

Series A units: Available to all investors.

Series T units: Available to all investors. Series T units are designed to provide tax-efficient cash flow to investors by making monthly distributions of cash. Series T units will make monthly distributions of an amount comprising a return of capital, net income and/or capital gains on the last business day of each month. The composition of the monthly distributions as among net income, returns of capital and/or capital gains may vary from month to month. The fixed monthly distribution amount will be reset at the beginning of each calendar year to provide an approximately 6% yield per annum based on the net asset value per Series T unit as at December 31 of the prior year. The Manager reserves the right to adjust the distribution amount if deemed appropriate. There can be no assurance that the series will make any distributions in any particular month or months. Additional distributions of net income and net realized capital gains, if any are required, will be made annually in December. For more details, see the Simplified Prospectus of the Funds.

Series F units: Available to investors who participate in fee-based programs through their dealer and whose dealer has signed a Series F Agreement with the Manager, investors for whom the Manager does not incur distribution costs, or individual investors approved by the Manager.

Series I units: Available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager.

Series D units: Available to members of the member societies that make up the Federation of National Specialty Societies of Canada (“FNSSC”), and any other persons as determined in accordance with the Referral Agreement (as described under “Material Contracts”) between FNSSC and the Manager.

Although the money which you and other investors pay to purchase units of any series is tracked on a series-by-series basis in a Fund’s administrative records, the assets of all series of the Fund are combined into a single pool to create one portfolio for investment purposes. Please refer to the Funds’ Simplified Prospectus for further information pertaining to Series A, Series T, Series F, Series I and Series D units of each Fund, as applicable.

Units of a series of a Fund represent your ownership in the Fund. You receive distributions of a Fund’s net income and net capital gains attributable to your units based on their relative net asset value per unit for each series in the Fund. Upon the wind-up or termination of a Fund, unitholders of the Fund will be entitled to participate pro rata in the Fund’s net assets allocated to the applicable series less applicable deferred sales charges. If you hold units in a Fund, you will be entitled to vote at the unitholder meetings of the Fund as a whole as well as any unitholder meetings for the particular series of units that you own. Units are issued as fully paid and non-assessable and are redeemable at their net asset value per unit. There are no pre-emptive or conversion rights attached to the units. The Funds may issue an unlimited number of units. Each unit, regardless of the series, will entitle the holder to one vote at all meetings of unitholders. The Funds may issue fractional units, which shall entitle the holder to similar proportionate participation in a Fund but will not entitle the holder to receive notice of, or vote at, meetings of unitholders of the Fund.

Meetings of unitholders

Unitholders of a Fund will be entitled to vote to approve all matters that require unitholder approval under NI 81-102 or the Trust Agreement. As at the date of this document these matters include:

- a change in the manager of the Fund, unless the new manager is an affiliate of the Manager;
- any change in the fundamental investment objective of the Fund;
- any decrease in the frequency of calculating the net asset value of the Fund;
- certain material reorganizations of the Fund;
- if the basis of the calculation of a fee or expense that is charged to a Fund by a party that is non-arm's length to the Fund is changed in a way that could result in an increase in charges to the Fund or to the Fund's unitholders;
- if a fee or expense to be charged to a Fund, or directly to a Fund's unitholders by the Fund or the Manager in connection with the holding of units of the Fund that could result in an increase in charges to the Fund or to its unitholders, is introduced by a party that is non-arm's length to the Fund; and
- any other matter which requires the approval of unitholders pursuant to the Trust Agreement or applicable laws.

VALUATION OF PORTFOLIO SECURITIES

As at 4:00 p.m. (Eastern time) on each day that the Toronto Stock Exchange is open for business (a "Valuation Date"), the net asset value per series of the Fund is calculated by subtracting from the series' proportionate share of the fair value of assets of the Fund its proportionate share of fair value of liabilities of the Fund and the fair value of liabilities attributable to that series. The net asset value per series of the Fund is determined in Canadian dollars. To arrive at the net asset value per unit for a series, the net asset value of a series is divided by the number of outstanding units of that series.

In determining the fair value of the assets of each Fund the following rules apply:

- (a) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value of the Fund is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager shall have determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or interest is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager shall determine to be the reasonable value thereof;
- (b) the value of any security which is listed or dealt in upon a stock exchange shall be determined by (1) in the case of a security which was traded on the day as of which the net asset value of the Fund is being determined, the closing sale price; (2) in the case of a security which was not traded on the day as of which the net asset value of the Fund is being determined, a price which is the average of the closing recorded bid and ask prices; or (3) if no bid or ask quotation is available, the price last determined for such security for the purpose of calculating the net asset value of the Fund. The value of inter-listed

securities shall be computed in accordance with directions laid down from time to time by the Trustee; and provided however that if, in the opinion of the Trustee, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemptions of units, the Trustee may place such value upon such shares or securities as appears to the Trustee to most closely reflect the fair value of such shares or securities;

- (c) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking, or agreement by the Fund shall be restricted to the lesser of (1) the value based on reported quotations of that restricted security in common use and (2) that percentage of the market value of securities of the same class, or series of a class of which the restricted security forms part that are not restricted securities, equal to the percentage that the Fund's acquisition cost was of the market value of the securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the restricted securities will cease to be restricted securities;
- (d) a long position in an option or a debt-like security shall be valued at the current market value of the position;
- (e) for options written by the Fund (1) the premium received by the Fund for those options shall be reflected as a deferred credit and the option shall be valued at an amount equal to the current market value of the option that would have the effect of closing the position; (2) any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; (3) the deferred credit shall be deducted in calculating the net asset value of the Fund; and (4) any securities that are the subject of a written option shall be valued at their current market value;
- (f) the value of a forward contract or swap shall be the gain or loss on the contract that would be realized if, on the date that valuation is made, the position in the forward contract or swap were to be closed out;
- (g) the value of gold and any other precious metals will be based upon the active spot price;
- (h) the value of any security or other property for which no price quotations are available or in the opinion of the Trustee or the Manager, to which the above valuation principles cannot or should not be applied, shall be the fair value thereof determined from time to time in such manner as the Trustee or the Manager shall from time to time provide;
- (i) the value of all assets and liabilities of the Fund valued in terms of a currency other than the currency used to calculate the Fund's net asset value shall be converted to the currency used to calculate the Fund's net asset value by applying the rate of exchange obtained from the best available sources to the Trustee;
- (j) the value of standardized futures shall be (1) if daily limits imposed by the futures exchange through which the standardized future was issued are not in effect, the gain or loss on the standardized future that would be realized if, on the date that valuation is made, the position in the standardized future were to be closed out; or (2) if daily limits imposed by the futures exchange through which the standardized future was issued are in effect, based on the current market value of the underlying interest of the standardized future; and

- (k) margin paid or deposited on standardized futures or forward contracts shall be reflected as an account receivable, and if not in the form of cash, shall be noted as held for margin.

The Trustee and the Manager have agreed that pursuant to paragraph (h) above, 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 the Manager, in its discretion, deems appropriate. For money market investments, such investments are valued at cost plus accrued interest and plus or minus amortization, including foreign currency translation, if applicable, which approximates market value.

The liabilities of each Fund shall be deemed to include:

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

For the purposes of determining the value of gold and other precious metals, the Trustee relies solely on weights provided to the Trustee by the Manager or another third party. The Trustee is not required to make any investigation or inquiry as to the accuracy or validity of the weights.

Portfolio transactions (investment purchases and sales) will be reflected in the first computation of the net asset value per series unit made after the date on which the transaction becomes binding.

The net asset value per series unit of the Funds, for all purposes other than financial statements, is calculated using the valuation principles described above. Pursuant to National Instrument 81-106 *Investment Fund Continuous Disclosure*, each Fund is required to calculate the net asset value per series unit for the purposes of the financial statements in accordance with Canadian generally accepted accounting principles (GAAP) (such value is referred to as the “net assets per series unit”). The valuation principles and practices established by the Manager differ from Canadian GAAP primarily with respect to fair valuation of listed securities. Under Canadian GAAP, financial instruments that are quoted in active markets shall be measured based on the bid price for long positions and the ask price for short positions, while under the Manager’s valuation principles, such securities shall be valued using the closing price. As a result, the net asset value per series unit presented in the financial statements may differ from the net asset value per series unit for the purpose of redemption and purchase of units of the Funds.

The Manager may declare a suspension of the calculation of the net asset value per unit for each series of a Fund in the circumstances described under the heading “Redemption of Units”. Upon such suspension, the Manager shall advise the Trustee accordingly. There will be no calculation of net asset value per unit for each series during any suspension period and a Fund will not be permitted to issue further units or redeem any units during this period.

CALCULATION OF UNIT PRICE

As at 4:00 p.m. on each Valuation Date, the net asset value per unit is calculated for each series of a Fund. The net asset value per unit (or unit price) of a series will be based on the fair value of the series’

proportionate share of the assets of a Fund, less that series' proportionate share of common liabilities and less any liabilities attributable to that series of the Fund, divided by the total outstanding units of that series. The net asset value per unit of a series is the basis for all purchases, switches, reclassifications and redemptions and for reinvestment of distributions.

PURCHASE OF UNITS

Each of the Funds offer Series A, Series F and Series I units unless otherwise indicated. Each of Sprott Diversified Yield Fund and Sprott Tactical Balanced Fund also offer Series T units. In addition, Sprott Tactical Balanced Fund offers Series D units. Units of the Funds may be purchased in each of the provinces and territories of Canada. You may purchase, switch, reclassify or redeem units of the Funds directly through your registered dealer approved by the Manager. The procedures to be followed by investors who desire to purchase units of the Funds are described in the Funds' Simplified Prospectus.

Investors have the option of purchasing Series A units of the Funds (except for Sprott Short-Term Bond Fund) and Series T units of Sprott Diversified Yield Fund and Sprott Tactical Balanced Fund under two different purchase options: (a) the Initial Sales Charge Option; and (b) the Low Load Option. Investors may purchase Series A units of Sprott Short-Term Bond Fund and Series D units of Sprott Tactical Balanced Fund under the Initial Sales Charge Option. Please refer to the Funds' Simplified Prospectus for a description of the various purchase options.

Units of the Funds may be purchased at their net asset value per unit of a specific series, computed as described under "Calculation of Unit Price". The purchase price per unit is the net asset value per unit of a series next determined following receipt by a Fund of a completed purchase order. Any purchase order received on a Valuation Date after the cut-off time or on any day which is not a Valuation Date is deemed to have been received on the following Valuation Date. The purchase price per unit will then be the net asset value per unit of each series established on the Valuation Date following the day of actual receipt of the purchase order. If your purchase order is received by RBC Dexia Investor Services Trust before 4:00 p.m. (Eastern time) on a Valuation Date, you will pay the net asset value per unit set on that Valuation Date, or if received after 4:00 p.m., the net asset value per unit set on the next Valuation Date, subject to RBC Dexia Investor Services Trust receiving all necessary forms properly completed.

The Manager must receive full payment within 3 business days of processing your order for each Fund except for Sprott Short-Term Bond Fund. In the case of Sprott Short-Term Bond Fund, the Manager must receive full payment within 1 business day of processing your order. If payment is not received within that time or if the payment is returned, the Manager may deem the units you ordered as having been redeemed by you on the next business day. If the proceeds are greater than the amount you owe the Manager, your dealer will pay the difference to the applicable Fund, and your dealer may seek reimbursement from you for any losses caused by you in connection with such failed settlement of the purchase of units of the Fund where such dealer has the contractual right to do so.

No certificates are issued for units purchased but an investor receives, following each purchase of units, a written statement indicating all relevant details of the purchase transaction including the number of units purchased, cost per unit and the total dollar amount of the purchase order.

SWITCHES BETWEEN SPROTT MUTUAL FUNDS

You may, at any time, switch all or part of your investment in a series of units of a Fund to units of another mutual fund managed by the Manager (a "Sprott mutual fund") of the same series and the same purchase option, provided that the series of units you wish to switch to is offered by that other Sprott mutual fund. If you wish to switch all or part of your investment in Series A units of a Fund or Series T units of Sprott Diversified Yield Fund or Sprott Tactical Balanced Fund that were purchased under the

Low Load Option to a series of another Sprott mutual fund that is not available under the Low Load Option, you will be charged the amount of the applicable deferred sales charge at the time of such switch. You may request a switch of your series of units by contacting your registered broker or dealer. A switch is a redemption of units of a Fund and a purchase of units of another Sprott mutual fund, resulting in a taxable disposition of the units switched. Accordingly, you will likely realize a capital gain or loss on the switch transaction. Please see “Income Tax Considerations” on page 24.

If you switch Series A units of a Fund or Series T units of Sprott Diversified Yield Fund or Sprott Tactical Balanced Fund purchased under the Low Load Option into the same series of units of another Sprott mutual fund available under the Low Load Option, for purposes of the Low Load Option, the original purchase date and price of the original series of units will continue to apply.

When you switch units of any series of a Sprott mutual fund, your registered dealer may charge you a switch fee of up to 2% of the net asset value of the units switched. This fee is negotiated with and paid to your dealer. There is no switch fee charged when you switch units of any series of Sprott Short-Term Bond Fund.

Upon a switch of your series of units, the number of units you hold will change since each series of units of a Sprott mutual fund has a different series net asset value.

RECLASSIFICATIONS BETWEEN SERIES OF A FUND

You may, at any time, reclassify all or part of your investment in one series of a Fund to another series of the same Fund, provided that you are eligible to invest in the series of units that you are reclassifying into. If you wish to reclassify all or part of your investment in Series A units of a Fund or Series T units of Sprott Diversified Yield Fund or Sprott Tactical Balanced Fund that were purchased under the Low Load Option to a series of the Fund that is not available under the Low Load Option, you will be charged the amount of the applicable deferred sales charge at the time of such reclassification. If you wish to reclassify all or part of your investment in Series F, Series I or Series D units of a Fund into Series A or Series T units of the same Fund, you can choose the Initial Sales Charge Option or the Low Load Option. If you choose the Low Load Option, the new series of units issued to you will be subject to a deferred sales charge. A reclassification between series of units of a Fund will not be considered a disposition for tax purposes and, accordingly, provided there is no redemption of units in order to pay the deferred sales charges, you will not realize a capital gain or loss. Please see “Income Tax Considerations” on page 24. You may request a reclassification of your series of units by contacting your registered broker or dealer.

When you reclassify units of a series of a Fund (except for series of units of Sprott Short-Term Bond Fund), your registered dealer may charge you a fee of up to 2% of the net asset value of the units reclassified. This fee is negotiated with and paid to your dealer. There is no fee charged when you reclassify units of Sprott Short-Term Bond Fund.

Upon a reclassification of your series of units, the number of units you hold will change since each series of units of a Sprott mutual fund has a different series net asset value. If you cease to satisfy the criteria for holding Series F, Series I or Series D units of a Fund, such series of units held by you will be reclassified as Series A units of the Fund under the Initial Sales Charge Option.

REDEMPTION OF UNITS

An investor may redeem Fund units by completing a redemption request and delivering it to the investor’s registered dealer approved by the Manager. The Manager may require that an investor’s signature on any redemption request be guaranteed by a bank, trust company, credit union or otherwise to the satisfaction of the Manager. A redemption request received by RBC Dexia Investor Services Trust before 4:00 p.m.

(Eastern time) on a Valuation Date will receive the net asset value per unit for the applicable series of units established on that day. A redemption request received by RBC Dexia Investor Services Trust after 4:00 p.m. (Eastern time) or on a day which is not a Valuation Date will receive the net asset value per unit for the applicable series of units on the next Valuation Date. A dealer which receives a redemption request is required to transmit the redemption request to RBC Dexia Investor Services Trust without charge to the investor and, where practicable, by courier, priority post or telecommunications facility.

RBC Dexia Investor Services Trust will pay redemption proceeds within three business days after the receipt of the investor’s order, provided the written request for redemption submitted to the registered dealer is complete and the registered dealer has provided correct settlement instructions to RBC Dexia Investor Services Trust.

Your dealer may seek reimbursement from you for any of its losses caused by you in connection with a failed settlement of a redemption of units of a Fund where such dealer has the contractual right to do so.

If you purchased units under the Low Load Option (as described in the Funds’ Simplified Prospectus), you may have to pay a deferred sales charge when you redeem your units. The deferred sales charge is based on the original purchase price of your units. The deferred sales charges payable for redeeming units purchased under the Low Load Option are set out below:

If you redeem during the following periods after purchase	Deferred Sales Charge
First year	3%
Second year	2.75%
Third year	2.50%
Thereafter	Nil

No deferred sales charges will be payable for cash distributions on units purchased under the Low Load Option or units received on the reinvestment of distributions that are paid from units purchased under the Low Load Option.

The Manager has the right, upon 30 days’ written notice to the investor, to redeem units owned by an investor if the value of those units is less than \$1,000. An investor may prevent the automatic redemption by purchasing additional units to increase the value of the units to an amount equal to or greater than \$1,000 before the end of the 30-day notice period. Applicable deferred sales charges are payable on such automatic redemptions. The Manager also has the right, upon 30 days’ written notice to the investor, to redeem Series D units of Spratt Tactical Balanced Fund owned by an investor if the investor ceases to be a Member, or if we become aware that the investor is not a Member.

Each Fund may suspend the right of unitholders to redeem units (a) for the whole or any part of a period during which normal trading is suspended on a stock exchange or options exchange within or outside Canada on which securities are listed and traded, or which specified derivatives are traded (if applicable), if those securities or specified derivatives represent more than 50 percent by value, or underlying market exposure, of the total assets of a Fund (without allowance for liabilities) and if those securities or specified derivatives (if applicable) are not traded on any other exchange that represents a reasonably practical alternative for that Fund; or (b) with the consent of the Ontario Securities Commission.

The Funds may postpone payment during a period in which the right of unitholders to request redemption of their units is suspended, despite the Funds’ obligation to pay the redemption price for units that have been redeemed in accordance with the redemption requirements.

RESPONSIBILITY FOR OPERATION OF THE FUNDS

The Manager

Sprott Asset Management LP is the manager of the Funds. The registered office of the Manager is located at the Royal Bank Plaza, South Tower, Suite 2700, P. O. Box 27, Toronto, Ontario, M5J 2J1. Further contact information of the Manager is as follows:

Tel: (416) 943-6707

Fax: (416) 943-6497

E-mail: invest@sprott.com

Website: www.sprott.com

Toll free number: 1-866-299-9906

Under the Trust Agreement, the Manager is responsible for providing all management and administrative services required by each Fund, which includes the management of the investment portfolio, investment analysis, recommendations and decisions, the implementation of the portfolio purchase and sale transactions and arranging for the distribution of the Funds' units and is paid management and incentive fees for performing its duties. Pursuant to the Trust Agreement, the Manager may delegate any or all of its duties and responsibilities to one or more agents to assist it in the performance of such duties and responsibilities. The Manager may resign as manager of a Fund on 90 days' prior written notice to the Trustee and to the unitholders, other than a resignation in connection with a corporate reorganization which results in no material change to the day-to-day management, administration or operation of the Funds. The Manager is overseen by the IRC in respect of conflict of interest matters identified by the Manager. For further information on the IRC, please see page 23.

The names, places of residence and present positions held by the directors and officers of the Manager and/or of Sprott Asset Management GP Inc., the general partner of the Manager (the "GP"), are listed below.

Name and Municipality of Residence	Position with the Manager and/or the GP	Principal Occupation
Eric Steven Sprott Oakville, Ontario	Chief Executive Officer, Chief Investment Officer and Senior Portfolio Manager of the Manager, and Director and Chief Executive Officer of the GP	Chief Executive Officer, Chief Investment Officer and Senior Portfolio Manager of the Manager; Chairman of Sprott Inc.
Steven Rostowsky Thornhill, Ontario	Chief Financial Officer of the Manager, and Director and Chief Financial Officer of the GP	Chief Financial Officer of the Manager and Sprott Inc.
James Robert Fox Toronto, Ontario	President of the Manager and Director of the GP	President of the Manager; Registered Representative of Sprott Private Wealth LP
Peter James Hodson Kitchener, Ontario	Senior Portfolio Manager of the Manager; Chairman and Director of the GP	Senior Portfolio Manager of the Manager
Kirstin Heath McTaggart Mississauga, Ontario	Chief Compliance Officer of the Manager and Director of the GP	Chief Compliance Officer of both the Manager and Sprott

Name and Municipality of Residence	Position with the Manager and/or the GP	Principal Occupation
		Private Wealth LP
Allan Jacobs Toronto, Ontario	Senior Portfolio Manager and Director of Small Cap Investments of the Manager and Director of the GP	Senior Portfolio Manager and Director of Small Cap Investments of the Manager
John Ciampaglia Caledon, Ontario	Chief Operating Officer of the Manager	Chief Operating Officer of the Manager

Each of the directors and officers has worked for Sprott Asset Management LP (or Sprott Asset Management Inc., the manager of the Sprott mutual funds prior to June 1, 2009) for the past five years except for Steven Rostowsky, Allan Jacobs and John Ciampaglia.

Mr. Rostowsky was the Chief Financial Officer and Chief Compliance Officer of Guardian Group of Funds Ltd. from July 2001 to January 2005. He was the Senior Vice-President, Finance and Administration at the Investment Dealers Association of Canada from January 2005 to March 2008.

Mr. Jacobs was the head of Canadian Small Cap Equities and Portfolio Manager at Sceptre Investment Counsel Limited from April 1993 to August 2007.

Mr. Ciampaglia was a Senior Executive at Invesco Trimark from 2001 to March 2010.

Portfolio Adviser

The Manager is the portfolio adviser (the “Portfolio Adviser”) to the Funds. Investment decisions for the Funds are made completely and solely by the Portfolio Adviser.

The Portfolio Adviser provides investment management services to other clients. Those client accounts may follow the same investment objective and strategy as used by the Funds. In placing an order to buy and sell securities, execution between the Funds and other accounts will be conducted in a manner which the Portfolio Adviser believes is fair and equitable. The Portfolio Adviser and its principals may also trade in securities for their personal accounts and may also invest in the same securities as the Funds. In doing so, the Portfolio Adviser and its principals will comply with all applicable laws.

The following individuals are involved in the investments of the Funds:

Fund	Portfolio Management Team
Sprott Canadian Equity Fund	Eric Sprott Allan Jacobs Peter Imhof [†]
Sprott Diversified Yield Fund	Scott Colbourne Michael Craig
Sprott Gold and Precious Minerals Fund	John Embry* Jamie Horvat

Fund	Portfolio Management Team
	Charles Oliver
Sprott Energy Fund	Eric Nuttall Eric Sprott
Sprott Growth Fund	Peter J. Hodson
Sprott Short-Term Bond Fund	Scott Colbourne Michael Craig
Sprott Small Cap Equity Fund	Allan Jacobs Peter Imhof ⁺
Sprott All Cap Fund	Jamie Horvat Charles Oliver
Sprott Tactical Balanced Fund	Scott Colbourne Michael Craig Peter Imhof ⁺ Peter Loach ⁺⁺

* Chief Investment Strategist

+ Investment Strategist

++ Investment Strategist

Eric Sprott, CA heads up the portfolio management team. Eric Sprott has over thirty-eight years of experience in the investment industry. Mr. Sprott specializes in investing in growth and value, small-to-mid capitalization Canadian equities. He worked for Sprott Securities Inc. (now Cormark Securities Inc.) from 1981 to 2002 and for the Portfolio Adviser since its inception in 2000.

John Embry, B.COMM., an industry expert in precious metals, has researched the gold sector for over thirty-three years and has accumulated industry experience as a portfolio specialist since 1963. Mr. Embry joined the portfolio management team in March 2003.

Scott Colbourne, CFA joined the Portfolio Adviser in March 2010 as a senior portfolio manager and has twenty-two years of global fixed income and currency market experience. 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. Mr. Colbourne was also a managing director and partner at a Canadian hedge fund focusing on global fixed income and currency management. Prior to joining the Portfolio Adviser, Mr. Colbourne was a senior fixed income portfolio manager at TD Asset Management, where he was part of a team that managed all the firm's active fixed income institutional, retail and private client assets. 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. He is a four-time winner of the Best Foreign Bond Fund at the Morningstar Canadian Investment Awards. Mr. Colbourne has an MBA from University of Toronto and an Honours BA from Queens University.

Michael Craig, CFA joined the Portfolio Adviser in May 2010 as a portfolio manager and brings 10 years of experience developing fixed income analytics, tactical asset allocation and fixed income management. Previously Mr. Craig worked at Phillips, Hager and North where he developed the analytics and research systems used by the fixed income team. Prior to joining the Portfolio Adviser, Mr. Craig was a Vice President at TD Asset Management where he was a portfolio manager for the Managed Asset Programs as

well led the portfolio analytics group. Mr. Craig obtained his Masters in Financial Risk Management from Simon Fraser University in 2006 and his Bachelor of Commerce from the University of British Columbia in 1999.

Peter J. Hodson, CFA has over twenty-three years of investment industry experience, including fourteen years of portfolio management experience. Mr. Hodson was previously the Vice President, Portfolio Manager at CI Mutual Funds, managing five retail mutual funds under the Signature Group. Mr. Hodson joined the portfolio management team in January 2006.

Allan Jacobs has over twenty-five years of investment industry experience. Mr. Jacobs joined the Portfolio Adviser in August 2007 as a Director of Small Cap Investments, with a focus on the small cap component of the Sprott mutual funds. Prior to joining the Portfolio Adviser, Mr. Jacobs was head of Canadian Small Cap Equities and portfolio manager at Sceptre Investment Counsel Limited (“Sceptre”), a field he has specialized in for the past nineteen years. He was also the portfolio manager of Sceptre Equity Growth Fund, as well as the portfolio manager of Sceptre Canadian Equity Small Cap Pooled Fund and the Canadian small cap component of all other institutional portfolios. He managed Sceptre Small Cap Opportunities Fund (a hedge fund), which was launched on January 31, 2007 and is now known as Sprott Small Cap Hedge Fund. He was an integral part of the Canadian Equity team at Sceptre since 1993, and was appointed a Managing Director of Sceptre in 1996. In addition to his experience at Sceptre, the experience that Mr. Jacobs brought to the Portfolio Adviser included his management of the largest equity fund in South Africa (a fund with assets of approximately \$5 billion at the time for Old Mutual), and his four years at Canada Life Investment Management Limited as the portfolio manager of small cap Canadian equities.

Eric Nuttall is a Portfolio Manager with the Portfolio Adviser and is the lead portfolio manager for Sprott Energy Fund. He joined the Portfolio Adviser in February 2003, and has primarily focused on the oil and gas sector. In addition to his portfolio management duties for Sprott Energy Fund, Mr. Nuttall supports the portfolio management team with identifying oil and gas investment opportunities for the rest of the Sprott fund family. Further, Mr. Nuttall contributes towards internal macro energy forecasts.

Peter Imhof joined the Portfolio Adviser in August 2007 as an Investment Strategist and member of the small cap team. Together with Allan Jacobs, Mr. Imhof’s focus is the small cap component of the Sprott mutual funds. Prior to joining the Portfolio Adviser, Mr. Imhof worked at Sceptre as a member of the Canadian Equity Small Cap team and was appointed a Managing Director in December 2006. Mr. Imhof was a significant contributor to the award winning management team of Sceptre Equity Growth Fund and Small Capitalization Canadian Equity Pooled Fund. He began his investment career at Sceptre in March 1998. From 1998 to 2000, he was involved in quantitative analysis and portfolio construction in Canadian equities.

Charles Oliver, CFA has over twenty-one years of investment industry experience. Mr. Oliver was previously a portfolio manager at AGF Management Limited. Mr. Oliver joined the portfolio management team in January 2008.

Jamie Horvat, LIFA has over eleven years of investment industry experience. Mr. Horvat was previously a portfolio manager at AGF Management Limited. Mr. Horvat joined the portfolio management team in January 2008.

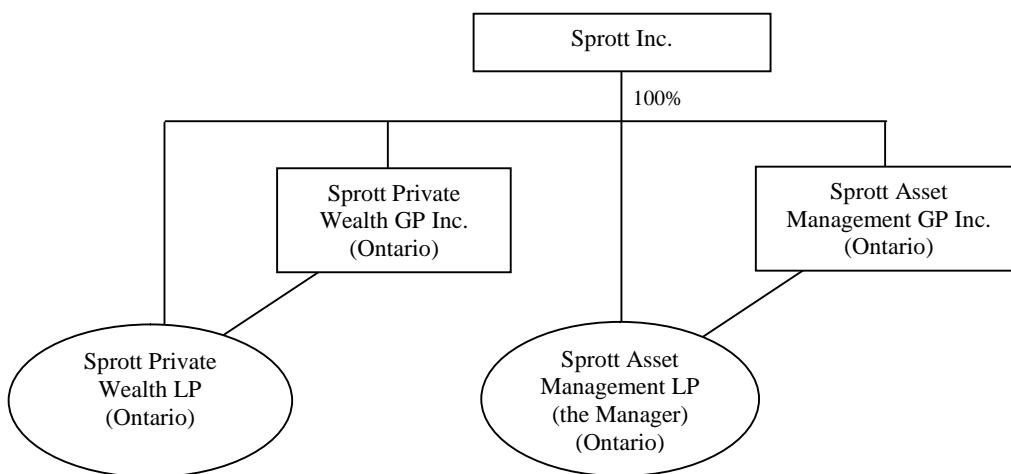
Peter Loach has over 17 years of investment industry experience. Mr. Loach joined the Portfolio Adviser in December 2009 as an Executive Vice President of Product Development and is currently also an Investment Strategist for the Sprott Tactical Balanced Fund. Previously, Mr. Loach held the position of Managing Director and Vice President of Investment Fund Research at BMO Nesbitt Burns, where he managed an investment fund research team that was responsible for evaluating retail mutual funds, hedge

funds, structured notes and private equity funds. Mr. Loach obtained a Honours Bachelor of Commerce from the University of Guelph.

There is a portfolio management committee which meets on a quarterly basis to review the economic and market outlook as well as the focus of the Funds. Investment decisions made by the Portfolio Adviser are not subject to oversight, approval or ratification of this committee.

Affiliated Entities

The diagram below sets out the relationships among the affiliated entities that provide services to the Funds or to the Manager in connection with the Funds. The disclosure of the amount of fees received from a Fund by each affiliated entity that provides services to the Fund or to the Manager in relation to the Fund is provided in the audited financial statements of the Fund.



Sprott Asset Management GP Inc. is the general partner of Sprott Asset Management LP. Sprott Private Wealth GP Inc. is the general partner of Sprott Private Wealth LP.

Trustee, Custodian and Recordkeeper

Under the Trust Agreement, RBC Dexia Investor Services Trust of Toronto, Ontario has been appointed the custodian (the “Custodian”), trustee (the “Trustee”) and recordkeeper (the “Recordkeeper”) of all securities held on behalf of the Funds. Under the Trust Agreement, the Trustee may resign as the trustee of the Funds by giving the Manager 60 days’ prior notice, and the Manager may remove the Trustee by giving the Trustee 60 days’ prior notice. The Manager may also appoint another custodian for the Funds with the consent of the Trustee and in accordance with applicable law.

The Custodian holds the Funds’ cash and securities on behalf of the Funds and is responsible for ensuring that they are safe and secure. All of such securities will be held by the Custodian in the Province of Ontario with the exception of foreign portfolio securities, gold and precious minerals, if any, which may be held by the Custodian at its branch offices, the offices of its subsidiaries, or at the offices of sub-custodians under arrangements made to the satisfaction and order of the Custodian and in compliance with applicable regulatory requirements.

The Trustee holds title to the securities owned by the Funds on behalf of unitholders. The Manager and Trustee have exclusive authority over the assets and affairs of the Funds with a fiduciary responsibility to act in the best interests of the unitholders.

The Recordkeeper keeps a register of the owners of units of the Funds, processes purchase and redemption orders, issues investor account statements and issues annual tax reporting information.

Under the Trust Agreement, RBC Dexia Investor Services Trust is paid a fee for performing its duties as the trustee, custodian and recordkeeper of the Funds.

Auditors

The auditors of the Funds are Ernst & Young LLP of Toronto, Ontario. The Manager will not seek the approval of unitholders before changing the auditors of a Fund; however, the Manager will provide unitholders with at least 60 days written notice before the effective date of any such change.

Brokerage Arrangements

Decisions as to the purchase and sale of portfolio assets and portfolio securities, and the execution of portfolio transactions, including the selection of the market, broker and the negotiation of commissions are made by the Portfolio Adviser. In effecting portfolio transactions, overall service and prompt execution of orders on favourable terms will be a primary consideration. In all circumstances, the Portfolio Adviser will seek to obtain the best order execution for each Fund and to minimize transaction costs.

The Portfolio Adviser does not direct any brokerage transactions involving client brokerage commissions to a dealer in return for any goods and services other than order execution.

Provided that pricing, service and other terms are comparable or less costly than those offered by other dealers, it is anticipated that a portion of the portfolio transactions for the Funds will be arranged through Sprott Private Wealth LP, a registered investment dealer and an affiliate of Sprott Asset Management LP. At times, the Funds may direct a significant portion of portfolio transactions to Sprott Private Wealth LP.

OWNERSHIP

Principal Holders of Securities

The general partner of Sprott Asset Management LP is a direct wholly-owned subsidiary of Sprott Inc., which is the sole limited partner of Sprott Asset Management LP. As at May 11, 2011, Eric S. Sprott owned 94,241,721 common shares, representing 55.61% of the issued and outstanding voting securities of Sprott Inc. and The Rule Family Trust owned 19,467,500 common shares, representing 11.49% of the issued and outstanding voting securities of Sprott Inc.

As of April 29, 2011, the following unitholders owned more than 10% of a series of the issued and outstanding units of the Funds:

Holder of Units	Fund and Series	Type of Ownership	Number of Securities Owned	Percentage of Issued and Outstanding Units of the Series
Investor A	Sprott Canadian Equity Fund Series I	Beneficially and of record	152,750.540	100%
Investor B	Sprott Canadian Equity Fund Series F	Beneficially and of record	937,935.122	25.23%
Investor C	Sprott Diversified Yield Fund Series I	Beneficially and of record	975,035.137	100%
Investor D	Sprott Diversified Yield Fund Series A	Beneficially and of record	90,213.408	12.01%
Investor E	Sprott Diversified Yield Fund Series A	Beneficially and of record	104,199.087	13.88%
Investor F	Sprott Gold and Precious Minerals Fund Series F	Beneficially and of record	558,342.382	23.63%
Investor G	Sprott Gold and Precious Minerals Fund Series F	Beneficially and of record	603,609.281	25.55%
Investor H	Sprott Energy Fund Series I	Beneficially and of record	304,388.011	62.45%
Investor I	Sprott Energy Fund Series I	Beneficially and of record	183,008.511	37.55%
Investor J	Sprott Energy Fund Series F	Beneficially and of record	897,510.718	62.78%
Investor K	Sprott Growth Fund Series A	Beneficially and of record	28,358.818	33.92%
Investor L	Sprott Growth Fund Series A	Beneficially and of record	27,923.289	33.40%
Investor M	Sprott Short-Term Bond Fund Series A	Beneficially and of record	97,009.193	11.01%
Investor M	Sprott Short-Term Bond Fund Series A	Beneficially and of record	105,292.356	11.95%

Holder of Units	Fund and Series	Type of Ownership	Number of Securities Owned	Percentage of Issued and Outstanding Units of the Series
Investor O	Sprott Short-Term Bond Fund Series F	Beneficially and of record	102,745.677	78.93%
Investor P	Sprott Short-Term Bond Fund Series I	Beneficially and of record	90,527.293	100%
Investor Q	Sprott Small Cap Equity Fund Series F	Beneficially and of record	205,912.284	10.85%
Investor R	Sprott Small Cap Equity Fund Series I	Beneficially and of record	323,876.781	100%
Investor S	Sprott All Cap Fund Series A	Beneficially and of record	3,691.781	10.26%
Investor T	Sprott Tactical Balanced Fund Series D	Beneficially and of record	517.385	10.99%
Investor U	Sprott Tactical Balanced Fund Series D	Beneficially and of record	517.385	10.99%
Investor V	Sprott Tactical Balanced Fund Series D	Beneficially and of record	1,698.281	36.06%
Investor W	Sprott Tactical Balanced Fund Series D	Beneficially and of record	1,162.440	24.69%
Investor X	Sprott Tactical Balanced Fund Series D	Beneficially and of record	813.518	17.28%
Investor Y	Sprott Tactical Balanced Fund Series T	Beneficially and of record	14,861.503	10.84%
Investor Z	Sprott Tactical Balanced Fund Series T	Beneficially and of record	25,205.116	18.39%
Investor AA	Sprott Tactical Balanced Fund Series T	Beneficially and of record	64,848.341	47.31%

Holder of Units	Fund and Series	Type of Ownership	Number of Securities Owned	Percentage of Issued and Outstanding Units of the Series
Investor BB	Sprott Tactical Balanced Fund Series T	Beneficially and of record	19,708.317	14.38%
Investor CC	Sprott Tactical Balanced Fund Series T	Beneficially and of record	2,230.262	47.09%
Investor DD	Sprott Tactical Balanced Fund Series T	Beneficially and of record	2,091.490	44.16%

* To protect the privacy of these individual investors, the Manager has omitted the name of the unitholders. This information is available on request by contacting the Manager at the telephone number on the back of this Annual Information Form.

As at April 29, 2011, the directors and senior officers of the Manager, in aggregate, beneficially owned, directly or indirectly, 25.23% of the issued and outstanding Series F units of Sprott Canadian Equity Fund.

As at April 29, 2011, the directors and senior officers of the Manager, in aggregate, beneficially owned, directly or indirectly, 10.85% of the issued and outstanding Series F units of Sprott Small Cap Equity Fund.

As at April 29, 2011, the directors and senior officers of the Manager, in aggregate, beneficially owned, directly or indirectly, 23.63% of the issued and outstanding Series F units of Sprott Gold and Precious Minerals Fund.

As at April 29, 2011, the directors and senior officers of the Manager, in aggregate, beneficially owned, directly or indirectly, 62.78% of the issued and outstanding Series F units of Sprott Energy Fund.

As at April 29, 2011, the members of the IRC did not own any securities in the Manager or any person or company that provide services to the Funds or to the Manager. In addition, the members, in the aggregate, did not own more than 10% of a series of securities of any Fund.

FUND GOVERNANCE

Generally

The Manager has established appropriate policies, procedures and guidelines to ensure the proper management of the Funds. The systems implemented monitor and manage the business and sales practices, risks and internal conflicts of interest relating to the Funds while ensuring compliance with regulatory and corporate requirements.

Derivatives

The Funds may use derivatives as described under the heading “Investment Strategies” in respect of each Fund in the Simplified Prospectus. The Funds must comply with the investment restrictions and practices in NI 81-102 in connection with their use of derivatives for hedging and non-hedging purposes. The

Portfolio Adviser has processes in place to ensure the Funds comply with such restrictions and practices when they use derivatives. The Portfolio Advisor reviews the use of derivatives by each Fund on a daily basis, and monitors trading activities. Portfolio management software is also utilized to confirm that each security transaction complies with the investment guidelines and restrictions for the Funds. The Portfolio Adviser currently does not have any written policies with respect to the use of derivatives by the Funds.

The Manager considers the use of derivatives in conjunction with the provisions of NI 81-102 and with any relief orders granted to the Funds by the securities regulators. The Manager is responsible for ensuring that all trading limits or other controls are complied with.

Securities Lending, Repurchase or Reverse Repurchase Transactions

The Funds may engage in securities lending, repurchase and reverse repurchase transactions. Where a Fund engages in these types of investments, it will:

- hold collateral equal to a minimum of 102% of the market value of the securities loaned (for securities lending transactions), sold (for repurchase transactions) or purchased (for reverse repurchase transactions) as the case may be;
- adjust the amount of collateral each business day to ensure the collateral's value relative to the market value of the securities loaned, sold or purchased remains within the 102% limit; and
- limit the aggregate value of all securities loaned or sold through securities lending and repurchase transactions to under 50% of the total assets (without including the collateral) of the Fund.

The Manager has appointed an agent under the terms of a written agreement in order to administer any securities lending, repurchase and reverse repurchase transactions for the Funds. Under the provisions of this agreement, the agent will:

- assess the creditworthiness of potential counterparties to these transactions (typically, registered brokers and/or dealers);
- negotiate the actual securities lending, repurchase and reverse repurchase agreements with such counterparties;
- collect lending and repurchase fees and provide such fees to the Manager;
- monitor (daily) the market value of the securities sold, loaned or purchased and the collateral and ensure that each Fund holds collateral equal to at least 102% of the market value of the securities sold, loaned or purchased; and
- ensure that each Fund does not loan or sell more than 50% of the total market value of its assets (not including the collateral held by the Fund) through lending and repurchase transactions.

In addition, there are policies in place that set out the objectives for these particular types of investments. There are no limits or controls restricting these transactions and risk measurement or simulations are not used to test the portfolio under stress conditions. The Manager is responsible for reviewing these matters on an as-needed basis and will be independent to the agent.

Short Selling

The Funds (other than Sprott Short-Term Bond Fund) may, from time to time, engage in short selling as described under "Investment Restrictions and Practices" on page 2. Sprott Short-Term Bond Fund will

only engage in short selling if it is permitted by applicable securities legislation. Written policies and procedures regarding objectives and risk management procedures (including trading limits and controls) have been adopted by the Manager in connection with its short selling activities. Such policies and procedures are monitored by senior management of the Manager and are formally reviewed at least annually by the Manager and its board of directors. The Funds will adhere to controls and limits that are intended to offset the risks of short selling by short selling only liquid securities and by limiting the amount of exposure for short sales. The authorization of short selling transactions and placing limits or other controls on short selling is the responsibility of senior portfolio managers of the Manager with post-trade review conducted by the Manager's compliance department. No risk measurement procedures or simulations are used to test the portfolio under stress conditions.

Short-Term Trading

The Manager has adopted certain restrictions to deter short-term trading. For example, the Manager may restrict purchases if an investor engages in such short-term trading. The Manager's restrictions also include charging a fee of up to 3% of the net asset value of the units of the Funds (other than Sprott Diversified Yield Fund and Sprott Short-Term Bond Fund) that are redeemed within 180 days of purchasing them. The Manager's restrictions also include charging a fee of up to 1.5% of the net asset value of the units of Sprott Diversified Yield Fund that are redeemed within 60 days of purchasing them. The Manager will not impose any short-term trading fees for the redemption of units of Sprott Short-Term Bond Fund. These fees are payable to the Manager. They are in addition to any redemption fees or deferred sales charges that may apply and will reduce the amount otherwise payable to you on the redemption.

RBC Dexia Investor Services Trust, on behalf of the Manager, monitors and detects short-term trading. RBC Dexia Investor Services Trust, on direction from the Manager, automatically charges a short-term trading fee to any redemption of units of the Funds that is made within 180 days of purchasing those units (other than for Sprott Diversified Yield Fund and Sprott Short-Term Bond Fund). In the case of Sprott Diversified Yield Fund, RBC Dexia Investor Services Trust, on direction from the Manager, automatically charges a short-term trading fee to any redemption of units of the Fund that is made within 60 days of purchasing those units. Short-term trading fees are not charged in respect of the redemption of units of Sprott Short-Term Bond Fund. The Manager assesses the short-term trading fee charged to an investor on a case-by-case basis and may, at its absolute discretion, reverse a short-term trading fee that has been charged to an investor.

The short-term trading fees will not be charged for a redemption of units: (i) acquired through automatic reinvestment of all distributions by a Fund; (ii) in connection with a failed settlement of a purchase of units; (iii) as a result of switching between a Fund and another Sprott mutual fund; (iv) as a result of reclassifying units of a Fund from one series into another series of the Fund; (v) for a redemption of units by another investment fund or investment product approved by the Manager; or (vi) in the absolute discretion of the Manager as described above. For purposes of the short-term trading fee, units will be considered to be redeemed on a first-in first-out basis.

While these restrictions and our monitoring attempt to deter short-term trading, the Manager cannot ensure that such trading will be completely eliminated.

Proxy Voting Guidelines

The Portfolio Adviser is wholly responsible for establishing, monitoring and amending (if necessary) the policies and procedures relating to the voting of proxies received in connection with the Funds' portfolio securities.

Generally speaking, the Portfolio Adviser will vote in favour of the following proxy proposals:

- electing and fixing number of directors
- appointing auditors
- ratifying director actions
- approving private placements exceeding 25% threshold
- changing registered address
- authorizing directors to fix remuneration of auditors
- approving private placements to insiders exceeding 10% threshold
- approving special resolutions to change the authorized capital of the company to an unlimited number of common shares without par value

(collectively, the “Proxy Proposals”).

Proxy voting for securities held by Sprott Tactical Balanced Fund is conducted in accordance with the proxy voting policies and procedures of the Portfolio Adviser. Sprott Asset Management LP is prohibited from voting securities of the underlying funds managed by the Manager or an affiliate or associate held by Sprott Tactical Balanced Fund. The Manager may, in its discretion, choose to flow-through any voting rights regarding the underlying funds to investors in the Sprott Tactical Balanced Fund. For securities held by Sprott Tactical Balanced Fund which Sprott Asset Management LP is permitted to vote, the Portfolio Adviser will vote, generally, in favour of the Proxy Proposals.

The Portfolio Adviser will vote against any proposal relating to stock option plans that: (i) exceed 5% of the common shares issued and outstanding at the time of grant over a three year period (on a non-diluted basis); (ii) provide that the maximum number of common shares issuable pursuant to such plan be a “rolling” maximum equal to 5% of the outstanding common shares at the date of the grant of applicable options; and (iii) reprices the stock option.

In certain cases, proxy votes may not be cast when the Portfolio Adviser determines that it is not in the best interests of unitholders of the Funds to vote such proxies. In the event a proxy raises a potential material conflict of interest between the interests of a Fund and the Manager, Portfolio Adviser, affiliate or associate of the Fund or the manager or portfolio adviser of such affiliate or associate, the conflict will be resolved in the best interests of the unitholders and the Fund.

The Portfolio Adviser retains the discretion to depart from these policies on any particular proxy vote depending upon the facts and circumstances.

The proxy voting guidelines of the Funds are available on request, free of charge, by contacting the Manager at 1-866-299-9906 and are available on our website at www.sprott.com. The Portfolio Adviser will maintain and prepare an annual proxy voting record for each Fund. The proxy voting record for the annual period ending June 30 each year for the Funds will be available free of charge to any investor upon request at any time after August 31 of that year.

Independent Review Committee (“IRC”)

In accordance with NI 81-107, the Manager has established an IRC for all the Sprott mutual funds, which include the Funds. The IRC is composed of three individuals, each of whom is independent of the Sprott mutual funds, the Manager and its affiliates. The current members of the IRC and their principal occupations are as follows:

Name and municipality of residence	Principal Occupation
Lawrence A. Ward	Consultant
W. William Woods	Consultant
Eamonn McConnell	Consultant

The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it follows when performing its functions.

In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Sprott mutual funds. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Sprott mutual funds, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures outlining its management of those conflicts of interest. The Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC's prior approval, but 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 will provide a fair and reasonable result for the Sprott mutual funds. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions.

The IRC will report annually to unitholders of the Sprott mutual funds on its activities, as required by NI 81-107. The reports of the IRC 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. The annual report of the IRC is available on or about March 31 in each year.

FEES AND EXPENSES

To encourage large purchases in the Funds and to achieve effective management fees that are competitive for these investments, the Manager may reduce the management and/or incentive fee payable by the Funds with respect to the units held by a particular investor, based on a number of factors including the type of investor and the number and value of units held by an investor. At a minimum, an investor must hold \$15,000,000 of investments in a Fund in order to be eligible for this fee reduction. The minimum amount may be waived or reduced in the absolute discretion of the Manager.

Investors who receive the benefit of a lower management and/or incentive fee with the Manager will receive a proportionately larger distribution from a Fund (a "fee distribution") so that those investors will receive the benefit of the lower fee. Fee distributions are paid first out of net income and net realized capital gains, and thereafter out of capital. See "Fees and Expenses" in the Funds' Simplified Prospectus for more information.

INCOME TAX CONSIDERATIONS

This general summary applies to a trust governed by a Registered Plan and an individual (other than a trust) who is resident in Canada and holds units of a Fund as capital property for the purposes of the Act. This summary is based on the current provisions of the Act and the regulations thereunder, specific proposals to amend the Act and regulations that have been publicly announced by the Minister of Finance (Canada) ("Minister") prior to the date hereof ("Proposed Amendments") and the published

administrative practices and policies of the Canada Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not deal with foreign or provincial income tax legislation or considerations. **This summary is of a general nature only and is not intended to constitute legal or tax advice to an investor. Investors should seek independent advice regarding the tax consequences of investing in units, based upon the investors' own particular circumstances.**

This summary is based on the assumption that each of the Funds qualifies as a mutual fund trust under the Act, and will so qualify at all material times. If the Funds were to fail to qualify as a mutual fund trust at any time, the tax considerations would in some respects be materially different from those described herein.

Taxation of the Funds

The Funds will in each year distribute sufficient net income and net realized capital gains to investors so that the Funds will not be liable for income tax under Part I of the Act, after taking into account any capital gains refunds under the Act. Reasonable administrative and other expenses incurred for the purpose of earning income can be deducted by the Funds

Each Fund may elect to have a taxation year end of December 15 and, if it so elects, net income and net realized capital gains in respect of that taxation year will be distributed between December 15 and December 31.

In certain circumstances, capital losses realized by a Fund will be suspended and therefore will not be available to shelter capital gains. Gains and losses from derivatives, short sales, and gold, precious metals and minerals will be treated on income account or capital account depending on the particular circumstances, including whether they are used for hedging or non-hedging purposes. However, as the Funds have each made an election under section 39(4) of the Tax Act, gains and losses on short sales of "Canadian securities" under the Tax Act will be treated as capital gains and losses. The Funds may treat gains as a result of dispositions in gold bullion as capital gains, depending on the circumstances. The Canada Revenue Agency has expressed its opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. The Funds will generally treat gains and losses from trading in derivatives for hedging purposes in the same manner as the investments that such derivatives are used to hedge. For example, if derivatives are used to hedge investments treated on capital account, gains and losses from trading in such derivatives, generally, will also be treated as capital gains and losses. However, if derivatives are used to hedge investments treated on income account, gains and losses from trading in such derivatives will be treated as income. The Canada Revenue Agency may not agree with the Fund's position in this regard. If any transactions of the Funds are reported by it on capital account but are subsequently determined by the Canada Revenue Agency to be on income account, there may be an increase in the net income of the Fund for tax purposes, and in the taxable distributions made by the Fund to unitholders, with the result that unitholders could be reassessed by the Canada Revenue Agency to increase their taxable income.

Taxation of the Investor

An investor will be required to include in income for tax purposes for any year the amount of net income and the taxable portion of net realized capital gains paid or payable to him or her in the year, whether such amounts are reinvested in additional units or paid by cheque. A fee distribution to an investor may include net income and net realized capital gains. Provided that the Funds make the appropriate designations, to the extent permitted under the Act, investors generally will be entitled to treat amounts of

Canadian dividend income, foreign income and net taxable capital gains of the Funds paid or payable to them, as if the investors received such amounts directly. Therefore, investors must include any taxable dividends from taxable Canadian corporations in income, subject to the applicable gross-up and dividend tax credit provisions of the Act. An enhanced gross-up and dividend tax credit is available for certain eligible dividends paid by Canadian corporations. Income of the Funds derived from foreign sources may be subject to foreign withholding tax which may, to the extent designated by the Funds and within certain limits, be credited against Canadian income taxes payable by investors. Investors will be provided with information slips reporting their share of the Funds' income, including capital gains and allowable tax credits.

An investor must include in income for tax purposes the net income and net taxable capital gains paid or payable to him or her in the year by a Fund, even if the income and capital gains accrued to the Fund or were realized by the Fund before the investor acquired the units.

To the extent that distributions (including fee distributions) paid or payable to an investor in a year by the Fund exceed the investor's share of the Fund's net income and net realized capital gains for the year, the excess (except to the extent that it is proceeds of disposition) will be a return of capital and will not generally be taxable in the investor's hands in the year of receipt but will reduce the adjusted cost base of an investor's units of the Fund. If the adjusted cost base of an investor's units is reduced to less than zero the investor will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base of the units will be increased to nil.

Management and incentive fees paid directly to the Manager by holders of Series I units will not be deductible by those unitholders.

Upon the actual or deemed disposition of a unit of a Fund, including the redemption of a unit and a redemption to effect a transfer to another Sprott mutual fund, a capital gain (or a capital loss) will be realized by the investor to the extent that the proceeds of disposition of the unit, less any costs of disposition exceed (or are exceeded by) the adjusted cost base to the investor of his or her unit. Generally, one-half of a capital gain must be included in an investor's income as a taxable capital gain and one-half of a capital loss may be used to offset taxable capital gains in accordance with the provisions of the Act. A reclassification of one series of units of a Fund into another series of units of the same Fund will not, by itself, result in a disposition of the units being changed.

Generally, for the purpose of determining the adjusted cost base to an investor of units of a Fund, when a unit of the Fund is acquired, whether on the reinvestment of distributions or otherwise, the adjusted cost base of the unit is determined by averaging the cost of the newly-acquired unit with the adjusted cost base to the investor of all other identical units held by the investor immediately before that time.

Capital gains and Canadian dividends may result in a liability for alternative minimum tax.

Provided that a Fund qualifies as a mutual fund trust under the Act effective at all material times, units of the Fund will be qualified investments under the Act for Registered Plans. If units of a Fund are held in a Registered Plan, distributions from the Fund and capital gains from a disposition of the units are generally not subject to tax under the Act until withdrawals are made from the Registered Plan (withdrawals from a tax-free savings account are not subject to tax, and registered education savings plans and registered disability savings plans are subject to special rules). Annuitants of registered retirement savings plans and registered retirement income funds, and holders of tax-free savings accounts, should consult with their own tax advisors as to whether units of the Funds would be prohibited investments under the Act in their particular circumstances.

REMUNERATION OF DIRECTORS, OFFICERS, TRUSTEE AND THE IRC

No payment or reimbursement has been made to the directors and officers of the Manager by the Funds in the 2010 financial year. The Trustee is entitled to receive from each Fund, pursuant to the Trust Agreement, trustee fees, custody, administration and securityholder reporting fees. For the financial year ended December 31, 2010, the Sprott mutual funds paid to the Trustee, in the aggregate, approximately \$49,431 for the Trustee's services as trustee. For the financial year ended December 31, 2010, each member of the IRC, other than the Chairman, was paid \$27,250 (including HST) and the Chairman was paid \$32,700 (including HST) by all the investment funds managed by the Manager.

MATERIAL CONTRACTS

Copies of the material contracts, listed below, are available for inspection during normal business hours at the offices of the Manager at Royal Bank Plaza, South Tower, Suite 2700, P.O. Box 27, Toronto, Ontario:

- (1) Trust Agreement dated September 9, 1997, as amended and restated on October 16, 2001 and February 13, 2004, and as further amended on November 1, 2007 and January 16, 2009, together with amended and restated Schedules "A" and "B" each dated May 3, 2011 between the Manager and RBC Dexia Investor Services Trust; and
- (2) Amended and Restated Referral Agreement dated November 2, 2009 between the Manager and FNSSC (the "Referral Agreement").

The Referral Agreement may be terminated by either the Manager or FNSSC by giving sixty days written notice to the other party.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are currently no ongoing legal or administrative proceedings involving the Manager which may be material to the Funds, nor are there any such proceedings known to be contemplated as of the date of this Annual Information Form.

OTHER MATERIAL INFORMATION

Series D units of Sprott Tactical Balanced Fund are available to members of member societies that make up the FNSSC, and any other persons as determined in accordance with the Referral Agreement. Pursuant to the Referral Agreement, the Manager pays FNSSC an annual referral fee. Please see the Simplified Prospectus of the Funds for more information.

AUDITORS' CONSENT

Sprott Canadian Equity Fund
Sprott Diversified Yield Fund
Sprott Gold and Precious Minerals Fund
Sprott Energy Fund
Sprott Growth Fund
Sprott Short-Term Bond Fund
Sprott Small Cap Equity Fund
Sprott All Cap Fund
Sprott Tactical Balanced Fund
(collectively, the "Funds")

We have read the simplified prospectus and annual information form of the Funds dated May 11, 2011 relating to the issue and sale of Series A, Series F and Series I units of the Funds, (except for the Sprott Diversified Yield Fund, which offers Series A, Series F, Series I and Series T units; and the Sprott Tactical Balanced Fund, which offers Series A, Series F, Series I, Series T and Series D units). We have complied with Canadian generally accepted standards for auditors' involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned simplified prospectus and annual information form, of our report dated March 16, 2011 to the Unitholders of the Funds on the statements of net assets as at December 31, 2010 and 2009, (except for the Sprott Diversified Yield Fund and the Sprott Short-Term Bond Fund, which are only as at December 31, 2010), the statement of investment portfolio as at December 31, 2010, and the statements of operations and changes in net assets for the years then ended (except for the Sprott Diversified Yield Fund and the Sprott Short-Term Bond Fund, which are for the period from August 5, 2010 (inception of operations) to December 31, 2010; and the Sprott Tactical Balanced Fund, which is for the year ended December 31, 2010 and the period from April 2, 2009 (inception of operations) to December 31, 2009).

(signed) "Ernst & Young LLP"

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
May 11, 2011

**SPROTT CANADIAN EQUITY FUND
SPROTT DIVERSIFIED YIELD FUND
SPROTT GOLD AND PRECIOUS MINERALS FUND
SPROTT ENERGY FUND
SPROTT GROWTH FUND
SPROTT SHORT-TERM BOND FUND
SPROTT SMALL CAP EQUITY FUND
SPROTT ALL CAP FUND
SPROTT TACTICAL BALANCED FUND
(the “Funds”)**

CERTIFICATE OF THE FUNDS, THE MANAGER AND THE PROMOTER

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

**SPROTT ASSET MANAGEMENT LP, ACTING THROUGH ITS GENERAL PARTNER,
SPROTT ASSET MANAGEMENT GP INC.,
AS MANAGER AND PROMOTER OF THE FUNDS
AND ON BEHALF OF THE FUNDS**

(signed) “Eric S. Sprott”

Eric S. Sprott

Chief Executive Officer

(signed) “Steven Rostowsky”

Steven Rostowsky

Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF SPROTT ASSET MANAGEMENT LP
ACTING THROUGH ITS GENERAL PARTNER, SPROTT ASSET MANAGEMENT GP INC.,
AS MANAGER AND PROMOTER OF THE FUNDS
AND ON BEHALF OF THE FUNDS**

(signed) “Peter Hodson”

Peter Hodson

Director

(signed) “Kirstin McTaggart”

Kirstin McTaggart

Director

DATED: May 11, 2011

**SPROTT CANADIAN EQUITY FUND
SPROTT DIVERSIFIED YIELD FUND
SPROTT GOLD AND PRECIOUS MINERALS FUND
SPROTT ENERGY FUND
SPROTT GROWTH FUND
SPROTT SHORT-TERM BOND FUND
SPROTT SMALL CAP EQUITY FUND
SPROTT ALL CAP FUND
SPROTT TACTICAL BALANCED FUND**

Manager

Sprott Asset Management LP

Royal Bank Plaza

South Tower, Suite 2700

P. O. Box 27

Toronto, Ontario

M5J 2J1

Tel: (416) 943-6707

Fax: (416) 943-6497

Additional information about the Funds is available in the Funds' Fund Facts (once available), Management Reports of Fund Performance and Financial Statements. You may obtain a copy of these documents, at no cost by calling toll free: 1-866-299-9906 from your dealer, or by e-mail at: invest@sprott.com. These documents and other information about the Funds, such as information circulars and material contracts are also available on the Sprott Asset Management LP internet site at: www.sprott.com or at www.sedar.com.

TOR01: 4605490: v18