



ENERGIZE YOUR PORTFOLIO!

WHY OIL?

In 1956, geologist Dr. King Hubbert predicted that oil production in the U.S. would peak in the early 1970's; he was proved to be correct 14 years later, and it would appear that his prediction concerning a peak in world-wide oil production may soon be at hand.

Reasons to own Oil:

- Many countries once integral to global supply of oil have peaked, including US, UK, Norway, Egypt, Libya, Syria, and Venezuela.
- The 14 largest oil fields in the world account for roughly 20% of global production, several of these fields may be experiencing technical production problems.
- Most of the world's "giant" oil fields were found over 50 years ago, demonstrating that we are no longer finding large reservoirs.
- Most of the "oil window," the physical area in which oil may be present, has already been explored.
- Nearly all of the world's large reservoirs are in countries experiencing significant political unrest, such as Saudi Arabia.
- Foreign demand for oil is increasing as multi-billion populations urbanize, ie. China and India
- OPEC continues to demonstrate a strong commitment to maintaining high crude oil prices via supply management of its output volumes.
- A weakening US dollar supports higher oil prices: Middle Eastern buying power has been eroded due to the weakening of the dollar, and a high oil price (in US dollars) is required to offset the decline in the currency.
- Substitute forms of oil such as shale oil or oil sands are expensive and technically challenging. Higher oil prices are required to increase their economic attractiveness.

WHY NATURAL GAS?

North America is facing an imminent natural gas supply challenge, and for at least the next several years, we believe that high natural gas prices will be required to reduce demand to ensure a supply/demand equilibrium.

Reasons to own Natural Gas:

- Production has peaked: according to recent surveys, 2003 US gas production decreased 3-4% and Canadian production was down approximately 4.5%.
- Demand for natural gas increases by approximately 1-2% per year, 24% of US energy consumption is derived from natural gas.
- Despite a multi-year high in drilling activity, Canadian exports to the US recently fell for the first time ever. Canada accounts for roughly 94% of US gas imports.
- The Western Canadian Sedimentary Basin (WCSB) is maturing: over the past five years, first year decline rates of natural gas wells have increased from 25% to 50%, and average decline rates have increased from 23% to 30% in the same time period.
- High-impact offshore exploration requires a high commodity price to compensate producers for the assumed risk.
- Much of the possible demand destruction (bankruptcy or offshore relocation of industrial users, fuel switching) due to price appreciation has likely already occurred.
- Imminent contributions from natural gas substitutes, such as liquefied natural gas (LNG) do not exist due to lack of infrastructure and long project lead times.

WHY COAL?

After many years of being ignored and unloved, the coal industry is currently poised for its day in the sun. As the global energy shortage comes to light, we believe that the world will be forced to turn to coal based energy solutions out of necessity. Coal's low cost and abundance will lead to its renaissance. Sprott Asset Management Inc. believes that some of the best investment opportunities currently exist in both coal producers and clean coal technologies.

Reasons to own Coal:

- Coal is the most reliable energy resource in the U.S.
- Coal powered electricity generators provide the lowest cost power
- More than half of the world's electricity currently comes from coal fired plants
- Coal used to make steel is currently in very short supply due to increased Asian demand and years of industry neglect
- After years of being a source of low cost coal for global markets, China's rapid economic growth has recently turned them from exporters of coal to importers of coal
- Improved pollution-control technologies are currently leading to cleaner burning coal solutions

Sprott Asset Management Inc., Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1

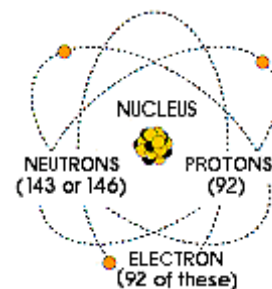
T 416.943.6707 Toll Free 866.299.9906 F 416.362.4928 Email invest@sprott.ca www.sprottassetmanagement.com

WHY URANIUM?

Often demonized, nuclear power is among the cleanest and cheapest of energy sources. Unfavourable public perception has stunted the growth of this industry for the past two decades. With the notion of abundant and cheap fossil fuel supplies increasingly coming into question, we believe the fortunes of this industry are about to change. Nuclear power projects are once again in the global pipeline. As the variable costs of producing electricity from non-renewable energy sources escalate, we believe that nuclear power, fueled by uranium, will become an increasingly desirable and economical solution to the world's energy problem.

Reasons to own Uranium:

- Only 60% of global uranium demand is obtained from mined uranium production. The remainder is met by inventories and other transitory sources. In short, there is a fundamental supply shortage.
- Other, non-mine sources of Uranium supply are becoming increasingly tenuous. Russian exports of Highly Enriched Uranium, currently 15% of supply, may be withheld in the future in order to meet internal nuclear needs.
- The cost of mining uranium and finding new economical sources are considerably higher than recent spot prices
- Strict regulations on uranium and uranium mining make the time frame for new mine openings inordinately long relative to other mined metals. This can make possible shortages and price increases persistent.
- During the recent bear market for Uranium, nuclear power facilities have maintained little or no inventories of nuclear fuel. With the threat of shortages, these utilities are now trying to build up inventories. This can exacerbate a Uranium shortage.
- The cost of producing electricity from nuclear is much less sensitive to fuel costs than are other common methods of electricity generation. With the rising price of fossil fuels, nuclear power generation will become increasingly economical and competitive
- Historically, uranium prices have participated fully in global commodity inflation environments, such as we are predicting.
- Developing countries' low reliance on nuclear power bodes well for the uranium and nuclear markets long term.



The Sprott Energy Fund will also seek investment opportunities in **alternative energy sources**, such as wind, geothermal, solar, energy technologies and other alternate energy strategies.

“IN OUR OPINION, WE ARE AT THE BEGINNING OF A LONG SECULAR UPTREND IN THE ENERGY INDUSTRY. WE RECOMMEND THAT YOUR PORTFOLIO PARTICIPATE IN THIS OPPORTUNITY.”

ERIC SPROTT, CEO OF SPROTT ASSET MANAGEMENT INC. MARCH 25, 2004

RECOMMENDED BOOKS ON ENERGY:

The Oil Factor: How Oil Controls the Economy and Your Financial Future, Stephen Leeb and Donna Leeb

Out of Gas: The End of the Age of Oil, David Goodstein

Sleeping with the Devil: How Washington Sold Our Soul for Saudi Crude, Robert Baer

The Party's Over: Oil, War and the Fate of Industrial Societies, Richard Heinberg

Hubbert's Peak: The Impending World Oil Shortage, Kenneth S. Deffeyes



The information contained herein may not be reproduced, quoted, published, displayed or transmitted without the prior written consent of Sprott Asset Management Inc. ("SAM"). The opinions, estimates and projections ("information") contained within this report are solely those of SAM and are subject to change without notice. SAM makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, SAM assumes no responsibility for any losses or damages, whether direct or indirect which arise out of the use of this information. SAM is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. SAM is the investment manager of the Sprott Canadian Equity Fund, Sprott Gold and Precious Minerals Fund, Sprott Energy Fund, Sprott Hedge Fund LP, Sprott Hedge Fund LP II, Sprott Opportunities Hedge Fund LP and Sprott Bull/Bear RSP Fund (the "Funds"). Commissions, trailing commissions, management fees and other expenses may be associated with these Funds. Please read their respective Prospectus or Offering Memorandum carefully before investing. Mutual funds are not guaranteed; their unit values and investment returns fluctuate and past performance is not indicative of future performance.