

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

February 7, 2017

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

Dear Securityholder,

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

The Manager also manages several onshore and offshore Non-Prospectus Funds that are not reporting issuers and to which NI 81-107 does not apply. The Manager was granted Exemptive Relief Orders by the Ontario Securities Commission (“OSC”) on July 27, August 27 and September 30, 2010 (referred to as the “Collective Reliefs”). By way of the Collective Reliefs granted, the Manager has appointed the Committee to be the Independent Review Committee of the Non-Prospectus Funds. The Manager will deal with the conflicts of interest matters referred to in the Collective Reliefs by referring conflicts of interest to the IRC in accordance with the provisions of such Collective Reliefs and the provisions of Securities legislation referred to therein.

The Prospectus Funds and the Non-Prospectus Funds are listed on page 6.

The IRC is pleased to publish its annual report to Securityholders, covering the period from January 1, 2016 to December 31, 2016 (“the Reporting Period”). The Committee met 10 times during the Reporting Period.

Mandate of the IRC

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

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

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

Composition of the IRC

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

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Lawrence A. Ward, Chair, Toronto, Ontario	Consultant, retired partner of PricewaterhouseCoopers, LLP	Initially Appointed: April 20, 2007. Re-appointment Term: Two years, from January 1, 2016
Eamonn B.P. McConnell, Toronto, Ontario	Consultant, Managing Director, Kensington Capital	Initially Appointed: April 20, 2007. Re-appointment Term: Two years from January 1, 2017.
W. William Woods, Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Initially Appointed April 20, 2007. Re-appointment Term: 20 months from April 20, 2016.

Eamonn McConnell's term was renewed on November 1, 2016 for a period of two years effective January 1, 2017. The re-appointment extended Mr. McConnell's total years of service beyond the 6 year term limit set out in the Instrument. However, the Manager has provided its consent to and agreement with the re-appointment beyond the 6 year term limit in accordance with the provisions of the Instrument.

There were no other changes in the composition of the IRC during the Reporting Period.

Compensation and Indemnification

Review of Compensation

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

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

Members' Fees

In aggregate the IRC members were paid \$95,000 in 2016, plus applicable taxes.

Indemnities Granted

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

Disclosure of IRC Members' Holdings

As at December 31, 2016, the IRC Members did not beneficially own, directly or indirectly:

- any interest in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or any Fund.

Decisions and Approvals

On April 15, 2016 the Manager, pursuant to an exemptive relief order proposed a course of action to appoint the IRC as an independent third party to oversee the potential sale of several unlisted securities to the Manager's parent company, Sprott Inc. These securities were held by two offshore funds and their respective feeder funds: Sprott Master Fund I (Sprott Capital LP and Sprott Offshore I Fund) and Sprott Master Fund II (Sprott Capital II LP and Sprott Offshore II Fund) (the "Liquidating Funds"). The sale of these unlisted securities by a fund to the Manager represented a conflict of interest matter. After discussion and reasonable enquiry and based on the material and information provided by the Manager prior to and at the meeting the IRC **RESOLVED** to accept the appointment to act as an independent third party to oversee the sale of these securities and review any conflict of interest matter that may arise, including the consideration as to whether any transaction proposed by the Manager achieved a fair and reasonable result for the Liquidating Funds. The IRC concluded that the transactions to dispose of the unlisted securities by the Manager were conducted in a fair and reasonable manner.

On April 26, 2016 the Manager proposed a course of action to reduce the number of days after a subscription before which the Manager's Early Redemption Fee ("ERF") would be triggered in certain of the funds managed by the Manager. After discussion and reasonable enquiry and based on the material provided and information provided by the Manager prior to and at the meeting the IRC **RESOLVED** that the Manager's proposed course of action to reduce the redemption periods for the Funds without triggering an ERF, achieved a fair and reasonable result for each of the affected funds.

On April 28, 2016 the Manager proposed a course of action to allow the Silver Equities Class to participate in a private placement of securities issued by Alexco Resource Corp., which was being underwritten by Sprott Private Wealth, a dealer related to the Manager thus creating a conflict of interest matter. After discussion and reasonable enquiry and based on the material and information provided by the Manager prior to and at the meeting the IRC **RESOLVED** that the Manager's proposed course of action for the Silver Equities Class to participate in the private placement provided a fair and reasonable result for that fund.

On May 26, 2016 the Manager proposed a course of action to charge its Prospectus Funds up to 70% of the Manager's allowable costs relating to the operation of the Prospectus Funds. Altering the expenses charged to an investment fund in a way that could increase the overall cost is a conflict matter. After discussion and reasonable enquiry and based on the material and information provided by the Manager at the meeting the IRC **RESOLVED** that the Manager's proposed course of action to charge up to 70% of its internal costs relating to the operation of the Funds to the Funds, achieved a fair and reasonable result for each of the Prospectus Funds.

On July 29, 2016 the Manager proposed a course of action to allow one or more of its funds to participate in a bought deal for securities issued by Aphria Inc. ("Aphria"). Sprott Private Wealth LP is a related dealer and was participating in the dealer syndicate thus creating a conflict of interest. After discussion and reasonable enquiry and based on the material and information provided by the Manager prior to and at the meeting the IRC **RESOLVED** that the Manager's proposed course of action for the Funds to participate in the bought deal for Aphria, subject to certain conditions, provided a fair and reasonable result for each of the Funds that chose to participate in the offering.

On September 19, 2016 the Manager proposed several courses of action, including 1) merging the Sprott Timber Fund and Sprott Global Agriculture into the Sprott Global REIT & Property Equity Fund, 2) merging the Sprott Tactical Balanced Fund and Sprott Tactical Balanced Class into the Sprott Real Asset Class and 3) the termination of the sub-advisor agreement with Capital Innovations LLC, the sub-advisor on the Sprott Timber Fund, Sprott Global Infrastructure Fund, Sprott Real Asset Class, Sprott Global REIT & Property Equity Fund and Sprott Global Agriculture Fund (the "Real Asset Funds"). After review and discussion, the IRC adjourned the meeting to be able to review further information pertaining to the mergers and allow the Manager to follow-up on requested information regarding the Manager's ability to adequately manage the Real Asset Funds in-house. The fund mergers and the proposal to manage the funds directly constituted conflict of interest matters.

On September 21, 2016, the IRC reconvened the IRC meeting regarding the Manager's proposed courses of action presented in the September 19, 2016 meeting. After discussion and reasonable enquiry, and based on information provided to the IRC by the Manager prior to and at the meeting, the IRC **RESOLVED** that:

- 1) the Manager's proposed course of action to merge the Sprott Timber Fund and Sprott Global Agriculture Fund into the Sprott Global REIT & Property Equity Fund, once approved by the unitholders, achieved a fair and reasonable result for each of the merging funds;
- 2) the Manager's proposed course of action to merge the Sprott Tactical Balanced Fund and Sprott Tactical Balanced Class into the Sprott Real Asset Class, once approved by the unitholders, achieved a fair and reasonable result for each of the merging funds; and
- 3) the Manager's proposed course of action to terminate the sub-advisory agreement with Capital Innovations and provide the portfolio management for the Real Asset Funds directly, achieved a fair and reasonable result for each of the Real Asset Funds.

Standing Instructions Approved

The IRC has approved six SI's, which constitute a written approval or decision from the IRC that permit the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC.

Standing Instruction No. 1: Omnibus deals with a number of conflict of interest matters including:

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

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

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

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

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

Standing Instruction No. 5: Related Party Issues: Inter Fund Trades –Pooled/Hedge Funds

Standing Instruction No. 6: Related Party Issues: Fund Purchase of Securities Underwritten by the Manager
(Approved by the IRC on August 30, 2016)

Manager's Report on its Standing Instruction

In accordance with the Instrument, the Manager provided written reports to the IRC describing its reliance on the SI's during the Reporting Period. The Manager relied on SI's No. 1, 2, 3, 5 and 6 during the Reporting Period.

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

Yours truly,



Lawrence A. Ward, Chair

Funds served by the IRC as of December 31, 2016

Mutual Funds:

Sprott Canadian Equity Fund
 Sprott Diversified Bond Fund
 Sprott Energy Fund
 Sprott Enhanced Balanced Fund

 Sprott Global Infrastructure Fund
 Sprott Global Real Estate Fund
 Sprott Gold & Precious Minerals Fund
 Sprott Gold & Precious Minerals Fund (US\$)
 Sprott Short Term Bond Fund

 Sprott Small Cap Equity Fund
 Sprott Gold Bullion Fund
 Sprott Gold Bullion Fund (US\$)
 Sprott Silver Bullion Fund
 Sprott Silver Bullion Fund (US\$)

Exchange Traded Products:

Sprott Physical Gold Trust
 Sprott Physical Silver Trust
 Sprott Physical Platinum & Palladium Trust
 Sprott Gold Miners ETF
 Sprott Junior Gold Miners ETF
 Sprott Buz Media Insights ETF
 Sprott Focus Trust
 Sprott Energy Opportunities Trust

Hedge Funds:

Sprott Bridging Income Fund L.P.
 Sprott Bridging Income RSP Fund (FOF)
 Sprott Bull/Bear RSP Fund
 Sprott Credit Income Opportunities
 Sprott Enhanced Long-Short Fund Equity Fund L.P.
 Sprott Enhanced Long-Short Equity RSP Fund

Corporate Class:

Sprott Diversified Bond Class
 Sprott Enhanced Balanced Class
 Sprott Enhanced Equity Class
 Sprott Enhanced Equity Class (USD)
 Sprott Enhanced US Equity Class (CND\$)
 Hedged
 Sprott Enhanced US Equity Class (CDN\$)

 Sprott Enhanced US Equity Class
 Sprott Focused Global Balanced Class
 Sprott Focused US Dividend Class
 Sprott Focused Global Dividend Class

 Sprott Focused US Balanced Class
 Sprott Real Asset Class
 Sprott Resource Class
 Sprott Short Term Bond Class
 Sprott Silver Equities Class

Flow-Through:

Sprott 2016-II Flow-Through
 Sprott 2017 Flow-Through

Offshore Funds:

Sprott Privet Fund
 Sprott Global Gold Master Fund LP

Sprott Hedge Fund LP
Sprott Hedge Fund LP II
Sprott Private Credit Trust
Sprott Private Credit Trust II
Sprott Alternative Income Fund

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

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

Investment funds that are reporting issuers managed by Integra Capital Limited;
 Investment funds that are reporting issuers managed by Next Edge Capital Corp. ;
 Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;
 Certain investment funds managed by Goodwood Inc.; and
 Investment funds that are reporting issuers managed by Russell Investments Canada Limited;

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

Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P. ;
 Investment funds that are reporting issuers managed by Vertex One Asset Management Inc. ;
 Certain investment funds managed by Goodwood Inc. ;
 Investment funds that are reporting issuers managed by Russell Investments Canada Limited; and
 Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Inc.

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

Investment funds that are reporting issuers managed by Integra Capital Limited;
 Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Inc.
 Certain investment funds managed by Goodwood Inc. ;
 Investment funds that are reporting issuers managed by Russell Investments Canada Limited;
 Investment funds that are reporting issuers managed by The Knowledge First Foundation;
 Investment funds that are reporting issuers managed by Next Edge Capital Corp. ;
 Investment funds that are reporting issuers managed by Onex Credit Partners, LLC. ;
 Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.
 Investment funds that are reporting issuers managed by Questrade Financial Group Inc. ;
 Investment funds that are reporting issuers managed by Spartan Asset Management Inc.; and
 Investment funds that are reporting issuers managed by Educators Financial Group Inc.
(Appointed January 1, 2017)