



Sprott Gold and Precious Minerals Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2016

The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-299-9906, by visiting our website at www.sprott.com or SEDAR at www.sedar.com or by writing to us at: Sprott Asset Management LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objective and Strategies

The objective of the Sprott Gold and Precious Minerals Fund (the “Fund”) is to provide long-term capital growth. The Fund invests primarily in equity securities of companies that are directly or indirectly involved in the exploration, mining, production or distribution of gold and other precious metals and minerals, and in gold and silver bullion. The Fund seeks to identify securities with superior investment opportunities that have the potential for capital appreciation over the long term.

As part of its investment strategy, the Fund may:

- deviate from NI 81-102 restrictions as it has obtained exemptive relief that permits the Fund to invest more than 10% of its net asset value, taken at the market value at the time of investment, directly in gold bullion or permitted gold certificates. The Fund may also invest in silver bullion and other precious metals and minerals; and
- engage in short selling up to 20% of the Fund’s total net asset value as a result of special relief it obtained from Canadian securities regulators.

Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors who want exposure to the capital appreciation potential of gold and precious minerals. Investors should be comfortable with high investment risks and have a long-term investment horizon. There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period.

Results of Operations and Recent Developments

The Fund, Series A gained 51.8% in 2016, while its benchmark, the S&P/TSX Global Gold Total Return Index, gained 51.0%.

The Sprott Gold & Precious Minerals Fund noted four major macroeconomic developments during 2016. These included The Bank of Japan (BoJ) announcing a negative interest rate policy in January, Brexit, the election of a Trump administration, and the December meeting of the Federal Open Market Committee (FOMC).

The BoJ’s announcement put the central banks of Japan and Europe, two of the three major central banks, in negative interest rate territory. Yields fell across the globe in response, while gold began a significant rally. The surprise results from the Brexit vote drove yields further down to record lows but, as the Brexit fallout failed to materialize, a rally in yields began, marking the high point for gold prices in 2016. A Trump victory surprised the market with a surging U.S. dollar, a sharp equity rally, and one of the worst bond market sell-offs in 25 years. Gold had a corresponding negative reaction and sold off aggressively. Finally, the Fed came out of the December FOMC meeting with a more hawkish outlook than expected, and this caused a further sell-off in silver and gold to end the year.

With the January 2016 BoJ announcement, the Fund shifted from a defensive posture to a bullish posture at the start of the year. The Fund held this stance as global interest rates and yields continued to grind lower through the summer. In anticipation of yields bottoming out, the Fund moved to a neutral position by reducing its higher beta holdings in the early fall. The sell-off in gold through the end of the year was viewed to be excessive, so the Fund maintained its neutral position to the end of 2016.

Positive contributions to the Fund’s performance came from Tahoe Resources and Barrick Gold Corporation. Tahoe Resources was the biggest individual contributor to the Fund’s performance. At the start of 2016 the company, a proven mine builder and skilled in acquisitions, announced a merger with Lake Shore Gold, adding Canadian operations to the portfolio. These actions contributed to the generation of free cash flow through low-cost, high-margin production. In 2016, Barrick Gold rationalized its assets and reduced its debt while focusing on core mines in the Americas. The stock outperformed as it generated free cash flow while allocating capital based on defined return targets at US\$1,200 gold.

Detractors to the Fund’s performance included First Majestic Silver Corp. and New Gold Inc. First Majestic suffered in the second half of the year from a short report and from the announcement of re-accelerated capital spending and budgeting for a number of expansion projects. New Gold’s performance was affected by escalation of capital costs at their Rainy River gold mine in Ontario. Both names were performance detractors due to the Fund’s timing of entry into them.

Primary Fund sector allocations at year end were Precious Metals (88.0%), and Cash and Cash Equivalents (10.8%).

Sprott Gold and Precious Minerals Fund

December 31, 2016

The Fund's total net asset value increased by 53.9% during the period, from \$143.2 million as at December 31, 2015 to \$220.3 million as at December 31, 2016. This change was predominantly due to realized and unrealized investment gains of \$77.7 million and net subscriptions of \$5.7 million. The management expense ratio decreased, while the trading expense ratio increased compared to the prior period.

Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager, at an annual rate of 2.5% for Series A units, 1.5% for Series F units and as negotiated by the unitholders of Series I. The management fee is calculated and accrued daily and is paid monthly based on the average net asset value of that series of the Fund. For the year ended December 31, 2016, the Fund incurred management fees of \$5,052,922 (including taxes). The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

| | Portfolio Advisory | Trailing Commissions |
|---|-----------------------|-------------------------|
| Sprott Gold and Precious Minerals Fund – Series A | 60% | 40% |
| Sprott Gold and Precious Minerals Fund – Series F | 86% | 14% |
| Sprott Gold and Precious Minerals Fund – Series I | 100% | – |

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$321,280 during the year ended December 31, 2016 to Sprott Private Wealth LP, an affiliate of the Manager.

INCENTIVE FEES

The Fund also pays its Portfolio Adviser, Sprott Asset Management LP, an annual incentive fee, equal to a percentage of the average net asset value of the applicable Series of the Fund. Such percentage will be equal to 10% of the difference by which the return in net asset value per unit of the applicable Series from January 1 to December 31 exceeds the percentage return of the S&P/TSX Global Gold Index for the same period. If the performance of a Series of the Fund in any year is less than the performance of the Index (the "Deficiency"), then no incentive fee will be payable until the performance of the applicable Series, on a cumulative basis, has exceeded the amount of the Deficiency. For the year ended December 31, 2016, the Fund accrued \$120,533 of incentive fees.

OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, trustee, filing and administrative expenses as well as unitholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund.

OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee with respect to any related party transactions.

Sprott Gold and Precious Minerals Fund

December 31, 2016

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years shown.

The Fund's Net Assets per Unit¹

| | Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2012 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Series A | \$ | \$ | \$ | \$ | \$ |
| Net assets, beginning of period | 23.48 | 25.02 | 24.17 | 49.37 | 61.07 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.15 | 0.19 | 0.15 | 0.21 | 0.10 |
| Total expenses | (1.64) | (1.07) | (1.07) | (1.12) | (1.73) |
| Realized gains (losses) for the period | 8.70 | (21.40) | (3.61) | (3.45) | (0.69) |
| Unrealized gains (losses) for the period | 5.08 | 20.94 | 5.60 | (22.22) | (10.02) |
| Total increase (decrease) from operations² | 12.29 | (1.34) | 1.07 | (26.58) | (12.34) |
| Distributions: | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions | - | - | - | - | - |
| Net assets, end of period | 35.63 | 23.48 | 25.02 | 24.17 | 48.85 |
| | Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2012 |
| Series F | \$ | \$ | \$ | \$ | \$ |
| Net assets, beginning of period | 25.62 | 27.02 | 25.83 | 52.25 | 63.93 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.16 | 0.20 | 0.17 | 0.19 | 0.11 |
| Total expenses | (1.16) | (0.77) | (0.76) | (0.77) | (1.15) |
| Realized gains (losses) for the period | 9.30 | (22.95) | (3.88) | (3.68) | (0.73) |
| Unrealized gains (losses) for the period | 2.85 | 22.31 | 5.31 | (24.49) | (11.23) |
| Total increase (decrease) from operations² | 11.15 | (1.21) | 0.84 | (28.75) | (13.00) |
| Distributions: | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions | - | - | - | - | - |
| Net assets, end of period | 39.30 | 25.62 | 27.02 | 25.83 | 51.69 |

Sprott Gold and Precious Minerals Fund

December 31, 2016

| | Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2012 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Series I | \$ | \$ | \$ | \$ | \$ |
| Net assets, beginning of period | 3.70 | 3.86 | 3.63 | 7.23 | 8.70 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.02 | 0.03 | 0.02 | 0.02 | 0.02 |
| Total expenses | (0.05) | (0.06) | (0.02) | (0.02) | (0.02) |
| Realized gains (losses) for the period | 1.49 | (3.14) | (0.52) | (0.46) | (0.24) |
| Unrealized gains (losses) for the period | (0.04) | 2.91 | 0.31 | (3.21) | (1.31) |
| Total increase (decrease) from operations² | 1.42 | (0.26) | (0.21) | (3.67) | (1.55) |
| Distributions: | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions | - | - | - | - | - |
| Net assets, end of period | 5.81 | 3.70 | 3.86 | 3.63 | 7.15 |

1 This information is derived from the Fund's audited annual financial statements. Information related to year 2013 and all periods onwards has been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. Information related to all periods prior to January 1, 2013 has been prepared in compliance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the Chartered Professional Accountants of Canada Handbook – Accounting. Under Canadian GAAP, the Fund was required to use bid prices for valuing long positions and ask prices for short positions. As such, the net assets per unit presented in the financial statements may differ from the net asset value calculated for transaction purposes prior to conversion to IFRS.

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net assets and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

Sprott Gold and Precious Minerals Fund

December 31, 2016

Ratios and Supplemental Data

| | Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2012 |
|--|------------------|-----------------|-----------------|-----------------|-----------------|
| Series A | | | | | |
| Total net asset value (000s) ¹ | \$137,278 | \$90,532 | \$113,565 | \$118,691 | \$308,743 |
| Number of units outstanding ¹ | 3,853,158 | 3,856,168 | 4,538,767 | 4,910,217 | 6,253,210 |
| Management expense ratio ² | 2.96% | 3.19% | 3.15% | 3.11% | 2.97% |
| Trading expense ratio ³ | 1.08% | 0.81% | 0.38% | 0.27% | 0.18% |
| Portfolio turnover rate ⁴ | 174.30% | 117.10% | 53.49% | 19.69% | 35.32% |
| Net asset value per unit ¹ | \$35.63 | \$23.48 | \$25.02 | \$24.17 | \$49.37 |
| Series F | | | | | |
| Total net asset value (000s) ¹ | \$82,412 | \$35,721 | \$41,164 | \$40,375 | \$107,223 |
| Number of units outstanding ¹ | 2,097,078 | 1,394,141 | 1,523,537 | 1,563,374 | 2,052,229 |
| Management expense ratio ² | 1.89% | 2.13% | 2.08% | 2.03% | 1.88% |
| Trading expense ratio ³ | 1.08% | 0.81% | 0.38% | 0.27% | 0.18% |
| Portfolio turnover rate ⁴ | 174.30% | 117.10% | 53.49% | 19.69% | 35.32% |
| Net asset value per unit ¹ | \$39.30 | \$25.62 | \$27.02 | \$25.83 | \$52.25 |
| Series I | | | | | |
| Total net asset value (000s) ¹ | \$629 | \$16,924 | \$16,532 | \$4,491 | \$13,376 |
| Number of units outstanding ¹ | 108,371 | 4,577,205 | 4,279,604 | 1,236,866 | 1,851,144 |
| Management expense ratio ² | 0.58% | 1.17% | 0.41% | 0.35% | 0.18% |
| Management expense ratio before incentive fee ² | 0.23% | 0.45% | 0.41% | 0.35% | 0.18% |
| Trading expense ratio ³ | 1.08% | 0.81% | 0.38% | 0.27% | 0.18% |
| Portfolio turnover rate ⁴ | 174.30% | 117.10% | 53.49% | 19.69% | 35.32% |
| Net asset value per unit ¹ | \$5.81 | \$3.70 | \$3.86 | \$3.63 | \$7.23 |

1 The information is provided as at December 31 of the years shown.

2 Management expense ratio ("MER") is based on total expenses (including incentive fees, if any; excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

3 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

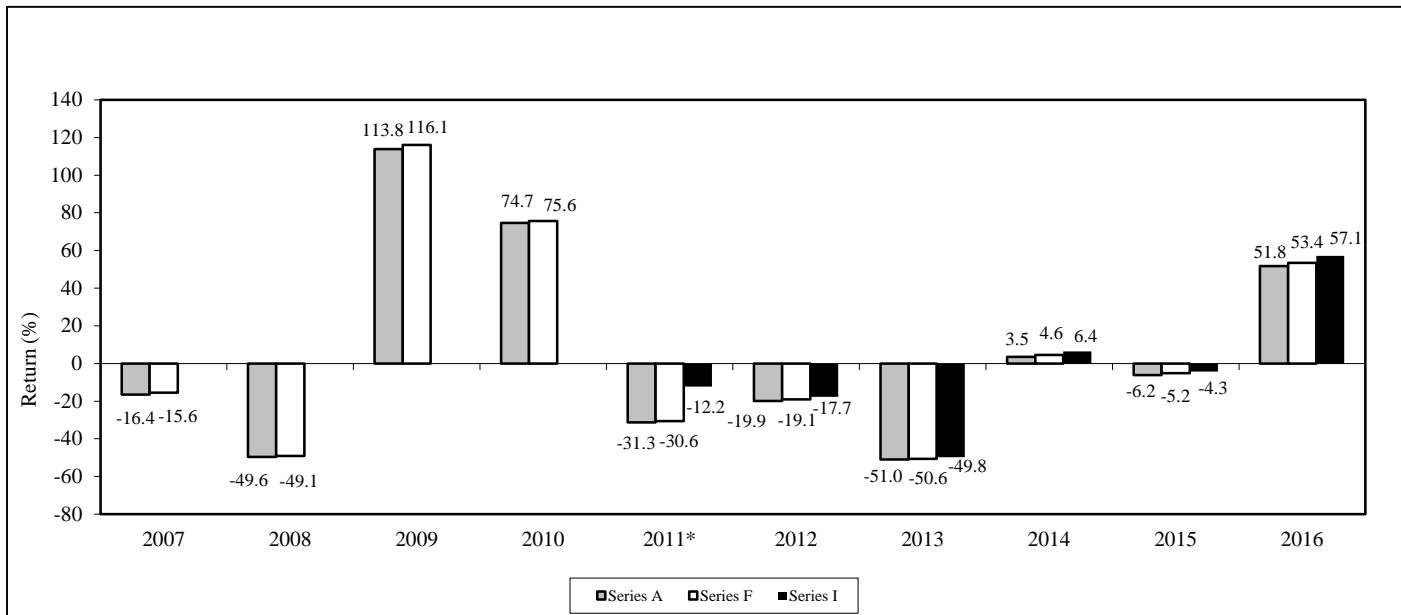
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of returns are calculated based on the Net Asset Value of the particular Series of the Fund.

Year-by-Year Returns

The following chart indicates the performance of each Series of the Fund for the previous twelve-month periods ended December 31 shown, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period.



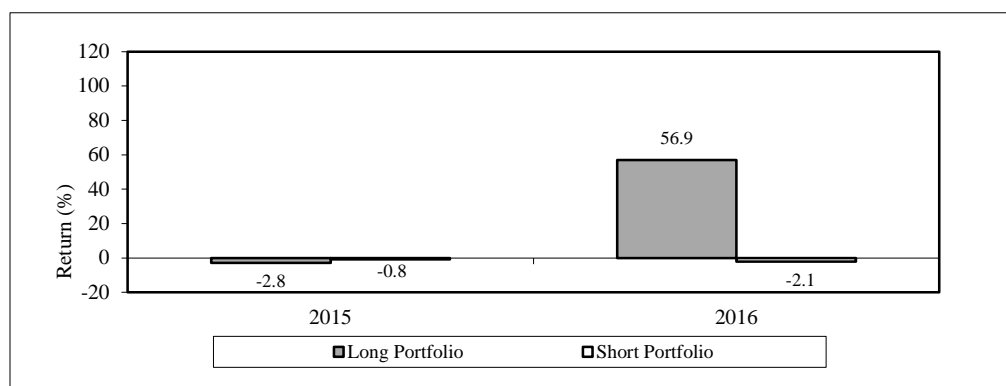
* Return from October 19, 2011 to December 31, 2011 for Series I (not annualized).

Sprott Gold and Precious Minerals Fund

December 31, 2016

Long and Short Portfolio Returns

The following table illustrates the contribution to the return of the Fund by the long portfolio and the short portfolio of the Fund (before the impact of Fund expenses) for the previous twelve-month periods ended December 31 shown, unless otherwise noted. For the purposes of this disclosure, certain derivatives may be considered to be part of the short portfolio.



Annual Compound Returns

The following table illustrates the annual compound total return for each Series of units of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of the S&P/TSX Global Gold Index (the “Index”). The Index is an international benchmark tracking the world’s leading gold companies. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

| | 1-Year | 3-Year | 5-Year | 10-year | Since Inception* |
|---|--------|--------|--------|---------|------------------|
| Sprott Gold and Precious Minerals Fund – Series A | 51.8% | 13.8% | -10.4% | -4.6% | 8.8% |
| S&P/TSX Global Gold Index | 51.0% | 8.5% | -10.5% | -4.1% | 3.3% |
| Sprott Gold and Precious Minerals Fund – Series F | 53.4% | 15.0% | -9.5% | -3.7% | 1.6% |
| S&P/TSX Global Gold Index | 51.0% | 8.5% | -10.5% | -4.1% | 0.2% |
| Sprott Gold and Precious Minerals Fund – Series I | 57.1% | 17.0% | -7.9% | – | -9.9% |
| S&P/TSX Global Gold Index | 51.0% | 8.5% | -10.5% | – | -11.7% |
| Long portfolio | 56.9% | | | | |
| Short portfolio | -2.1% | | | | |

* Since launch date of November 15, 2001 for Series A, October 12, 2004 for Series F and October 19, 2011 for Series I.

Sprott Gold and Precious Minerals Fund

December 31, 2016

Summary of Investment Portfolio

As at December 31, 2016

Portfolio Allocation

| | % of Net Asset Value |
|----------------------------------|-------------------------|
| Long Positions | |
| Precious Metals | 87.4 |
| Base Metals | 1.2 |
| Bonds and Convertible Debentures | 0.7 |
| Total Long Positions | 89.3 |
| Cash | 0.8 |
| Other Net Assets | 9.9 |
| Total Net Asset Value | 100.0 |

Top 25 Positions

| Issuer | % of Net Asset Value |
|--|-------------------------|
| B2Gold Corp. | 5.4 |
| Endeavour Mining Corp. | 5.2 |
| Pretium Resources Inc. | 4.6 |
| Kirkland Lake Gold Ltd. | 4.6 |
| Asanko Gold Inc. | 4.6 |
| Klondex Mines Ltd. | 4.3 |
| Continental Gold Inc. | 4.2 |
| Newmont Mining Corp. | 4.1 |
| Barrick Gold Corp. | 4.0 |
| Richmont Mines Inc. | 3.8 |
| Torex Gold Resources Inc. | 3.5 |
| Alamos Gold Inc. | 3.3 |
| SEMAFO Inc. | 3.1 |
| Roxgold Inc. | 2.8 |
| Saracen Mineral Holdings Ltd. | 2.7 |
| Silver Wheaton Corp. | 2.5 |
| MAG Silver Corp. | 2.5 |
| Fortuna Silver Mines Inc. | 2.4 |
| Agnico Eagle Mines Ltd. | 2.0 |
| First Majestic Silver Corp. | 2.0 |
| Cia de Minas Buenaventura SAA | 2.0 |
| Silver Standard Resources Inc. | 1.8 |
| Integra Gold Corp. | 1.6 |
| Hecla Mining Co. | 1.6 |
| Rubicon Minerals Corp. | 1.5 |
| Top 25 positions as a percentage of net asset value | 80.1 |

The Fund held no short positions as at December 31, 2016.

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at www.sprott.com.

Corporate Information

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