



# Sprott Resource Class

Sprott Corporate Class Inc.

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2016

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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](http://www.sprott.com) or SEDAR at [www.sedar.com](http://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.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The objective of the Sprott Resource Class (the “Fund”) is to seek to achieve long-term capital growth. The Fund invests primarily in equity and equity-related securities of companies in Canada and around the world that are involved directly or indirectly in the natural resource sector. To achieve the Fund’s investment objective, the Portfolio Advisor uses macro-economic research to identify the most attractive resource sub-sectors to invest in. The Fund’s portfolio advisor employs an opportunistic investment approach by being able to invest across the global resource universe (oil & gas, coal, uranium, renewable energy, base metals, precious metals, agriculture, forestry, water, commodity infrastructure and service companies).

As part of its investment strategy, the Fund may:

- 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;
- invest in and overweight cash and fixed income securities based on the market outlook for the resource sector;
- engage in securities lending, repurchase and reverse repurchase transactions and use derivative instruments; and
- deviate from the standard investment restrictions as the Fund has obtained exemptive relief to invest up to 10% of its net asset value in gold, permitted gold certificates, silver, permitted silver certificates and/or specified derivatives of which the underlying interest is silver or gold.

### Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable only for investors seeking long-term capital growth with a high tolerance for risk and volatility. 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 returned 88.4% in 2016, compared to the 43.0% return of its blended benchmark.

On February 24, 2016, the Fund acquired all the assets of Sprott 2014 Flow-Through LP as part of a tax-deferred transfer of assets, in exchange for shares issued by the Fund. The assets acquired totaled \$8,469,826.

On September 30, 2016, the Fund acquired all the assets of Sprott 2014-II Flow-Through LP as part of a tax-deferred transfer of assets, in exchange for shares issued by the Fund. The assets acquired totaled \$19,783,988.

Allocations to the Energy and Materials sector were 57.9% and 28.2%, respectively, as at December 31, 2016.

Precious metals equities closed 2016 up strongly, albeit with considerable volatility during the period. A key driving factor was a rising gold price, which finished the year up close to 9%. A strong U.S. dollar, which made production costs in many nations – priced in local currencies – cheaper relative to the selling price of the commodity, also helped by boosting producers’ margins.

Crude oil prices performed well during the period due in part to a new supply management agreement negotiated among OPEC members, and bullishness regarding an energy-friendly incoming Trump administration. The Fund thus benefitted from the overweight position in energy services it took earlier in the year.

Security selection was another important performance driver. Individual contributors included Aphria warrants, which moved into the money during the period. Positive drilling results at Yangarra drove strong performance in the underlying equity. Finally Polaris, one of the fund’s largest holdings, was re-rated during the year due to strong execution of its business plan, driving up share prices.

The net asset value of the Fund increased from \$9.4 million as at December 31, 2015 to \$38.2 million as at December 31, 2016. The increase was primarily the result of net realized and unrealized gains on investments of \$12.0 million and net share issuances of \$18.3 million. The management expense ratio increased, and the portfolio turnover rate increased from 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 shares, 1.5% for Series F shares and as negotiated by the shareholders of Series I. The management fee is calculated and accrued daily based on daily net asset value of that series of the Fund, and is paid monthly. For the year ended December 31, 2016, the Fund incurred management fees of \$616,104 (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 Resource Class – Series A	60%	40%
Sprott Resource Class – Series F	99%	1%

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$18,302 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 Advisor, 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 share of the applicable Series from January 1 to December 31 exceeds the percentage return of the blended benchmark consisting of 50% of the daily return of the S&P/TSX Capped Materials Total Return Index and 50% of the daily return of the S&P/TSX Capped Energy Total Return Index for the same period. If the performance of a Series of the Fund in any year is less than the performance of the blended 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 \$75,738 of incentive fees.

### OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, filing and administrative expenses as well as shareholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of the Fund. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions can be terminated at any time without notice. For the year ended December 31, 2016, the Manager absorbed \$99,156 of expenses.

### 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.

## 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 Share<sup>1</sup>

Series A	Dec 31, 2016 \$	Dec 31, 2015 \$	Dec 31, 2014 \$	Dec 31, 2013 \$	Dec 31, 2012 \$
Net assets, beginning of period	4.58	5.40	6.16	7.20	9.42
<b>Increase (decrease) from operations:</b>					
Total revenue	0.03	0.07	0.10	0.09	0.07
Total expenses	(0.46)	(0.21)	(0.32)	(0.29)	(0.26)
Realized gains (losses) for the period	2.27	(0.97)	0.78	(2.40)	(1.32)
Unrealized gains (losses) for the period	1.76	0.44	(0.77)	1.33	(2.51)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.60</b>	<b>(0.67)</b>	<b>(0.21)</b>	<b>(1.27)</b>	<b>(4.02)</b>
<b>Distributions:</b>					
Dividend distributions	0.03	0.07	0.07	0.09	0.04
<b>Total annual distributions<sup>3</sup></b>	<b>0.03</b>	<b>0.07</b>	<b>0.07</b>	<b>0.09</b>	<b>0.04</b>
<b>Net assets, end of period</b>	<b>8.61</b>	<b>4.58</b>	<b>5.40</b>	<b>6.16</b>	<b>7.12</b>

Series F	Dec 31, 2016 \$	Dec 31, 2015 \$	Dec 31, 2014 \$	Dec 31, 2013 \$	Dec 31, 2012 \$
Net assets, beginning of period	4.79	5.59	6.31	7.29	9.44
<b>Increase (decrease) from operations:</b>					
Total revenue	0.04	0.07	0.09	0.10	0.08
Total expenses	(0.48)	(0.13)	(0.20)	(0.19)	(0.16)
Realized gains (losses) for the period	1.61	(1.11)	0.42	(3.41)	(1.40)
Unrealized gains (losses) for the period	0.16	0.28	0.45	2.65	(0.60)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.33</b>	<b>(0.89)</b>	<b>0.76</b>	<b>(0.85)</b>	<b>(2.08)</b>
<b>Distributions:</b>					
Dividend distributions	0.03	0.08	0.07	0.09	0.04
<b>Total annual distributions<sup>3</sup></b>	<b>0.03</b>	<b>0.08</b>	<b>0.07</b>	<b>0.09</b>	<b>0.04</b>
<b>Net assets, end of period</b>	<b>9.07</b>	<b>4.79</b>	<b>5.59</b>	<b>6.31</b>	<b>7.21</b>

1 This information is derived from the Fund's audited annual financial statements. Information related to the 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 shares outstanding over the financial period. Net assets and distributions are based on the actual number of shares outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per share.

3 Distributions were made in cash.

# Sprott Resource Class

December 31, 2016

## Ratios and Supplemental Data

Series A	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Total net asset value (000s) <sup>1</sup>	<b>\$27,528</b>	\$9,210	\$12,705	\$15,469	\$10,177
Number of shares outstanding <sup>1</sup>	<b>3,198,234</b>	2,010,016	2,351,325	2,510,361	1,413,543
Management expense ratio <sup>2</sup>	<b>3.21%</b>	2.86%	2.75%	2.76%	2.82%
Management expense ratio before waivers or absorptions <sup>5</sup>	<b>3.65%</b>	4.04%	3.81%	3.71%	3.90%
Trading expense ratio <sup>3</sup>	<b>3.10%</b>	1.13%	1.84%	1.87%	0.36%
Portfolio turnover rate <sup>4</sup>	<b>497.41%</b>	171.68%	302.56%	474.27%	66.24%
Net asset value per share <sup>1</sup>	<b>\$8.61</b>	\$4.58	\$5.40	\$6.16	\$7.20

Series F	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Total net asset value (000s) <sup>1</sup>	<b>\$10,700</b>	\$221	\$381	\$1,401	\$1,598
Number of shares outstanding <sup>1</sup>	<b>1,179,779</b>	46,069	68,159	222,155	219,156
Management expense ratio <sup>2</sup>	<b>2.85%</b>	1.74%	1.71%	1.69%	1.70%
Management expense ratio before waivers or absorptions <sup>5</sup>	<b>3.16%</b>	2.94%	2.73%	2.61%	3.19%
Trading expense ratio <sup>3</sup>	<b>3.10%</b>	1.13%	1.84%	1.87%	0.36%
Portfolio turnover rate <sup>4</sup>	<b>497.41%</b>	171.68%	302.56%	474.27%	66.24%
Net asset value per share <sup>1</sup>	<b>\$9.07</b>	\$4.79	\$5.59	\$6.31	\$7.29

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 daily average net asset value during the period.

3 The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The TER includes dividend expense and securities borrowing expense paid by the Fund in connection with securities sold short.

4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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.

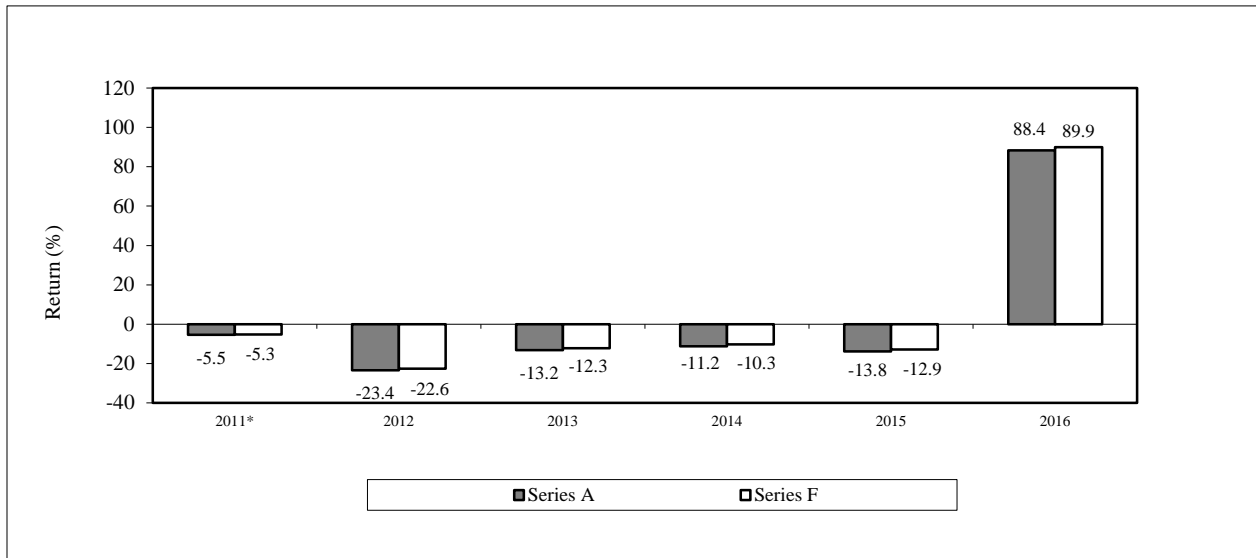
5 The Manager may waive or absorb a portion of the operating expenses of the Fund. Waivers and absorption can be terminated at any time.

## Past Performance

The indicated rates of return are the historical total returns including changes in share values and assume reinvestment of all distributions in additional shares 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 shareholder 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

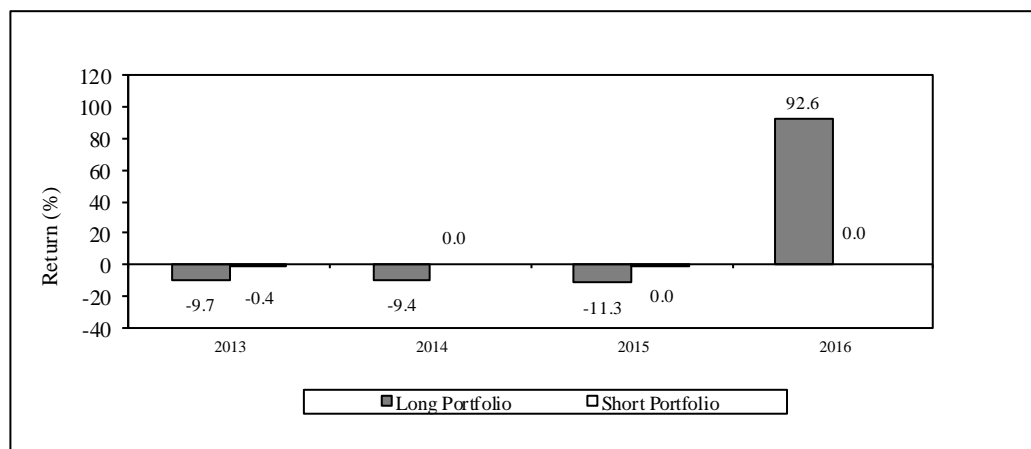
The following chart indicates the performance of each Series of the Fund for the previous twelve-month periods ended December 31 shown, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day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



\* Return from October 17, 2011 to December 31, 2011 (not annualized).

## 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 A and F shares 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 a blended index of 50% S&P/TSX Capped Materials Total Return Index and the 50% S&P/TSX Capped Energy Total Return Index (the “Blended Benchmark Index”). The S&P/TSX Capped Materials Total Return Index is comprised of securities of Canadian materials sector issuers listed on the TSX. The S&P/TSX Capped Energy Total Return Index is comprised of securities of Canadian energy sector issuers listed on the TSX. Since the Fund does not necessarily invest in the same securities or in the same proportion as these indices, the performance of the Fund is not expected to equal their performance.

	1-Year	3-Year	5-Year	Since Inception*
Sprott Resource Class – Series A	88.4%	13.0%	-0.8%	-1.9%
Sprott Resource Class – Series F	89.9%	14.1%	0.2%	-0.9%
Blended Benchmark Index	43.0%	0.7%	-2.5%	-2.8%
Long Portfolio	92.6%	15.7%	–	–
Short Portfolio	0.0%	0.0%	–	–

\* Since launch date of October 17, 2011.

## Summary of Investment Portfolio

As at December 31, 2016

### Portfolio Allocation

	% of Net Asset Value
Long Positions	
Energy	57.9
Materials	28.2
Utilities	3.5
Financials	1.4
Other	0.7
<b>Total Long Positions</b>	<b>91.7</b>
Cash	8.8
Other Net Liabilities	(0.5)
<b>Total Net Asset Value</b>	<b>100.0</b>

### Top 25 Long Positions

Issuer	% of Net Asset Value
Cash	8.8
Continental Gold Inc.	5.6
Yangarra Resources Ltd.	5.5
Birchcliff Energy Ltd.	4.9
Leucrotta Exploration Inc.	4.7
Ikkuma Resources Corp.	4.2
Roxgold Inc.	4.2
Pine Cliff Energy Ltd.	4.0
Encana Corp.	3.9
NexGen Energy Ltd.	3.6
Osisko Mining Inc.	2.9
Trican Well Service Ltd.	2.8
Leagold Mining Corp.	2.1
Blackbird Energy Inc.	2.0
Kirkland Lake Gold Ltd.	1.9
Canyon Services Group Inc.	1.9
Potash Corp. of Saskatchewan Inc.	1.9
Polaris Infrastructure Inc.	1.9
Callon Petroleum Co.	1.7
Golden Predator Mining Corp.	1.7
Neo Lithium Corp.	1.7
Calfrac Well Services Ltd.	1.6
Northland Power Inc.	1.6
Trevali Mining Corp.	1.6
Whitecap Resources Inc.	1.5
<b>Total 25 long positions as a percentage of net asset value</b>	<b>78.2</b>

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](http://www.sprott.com).



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## Corporate Information

### Corporate Address

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