CONFIDENTIAL OFFERING MEMORANDUM

No. _____

*This confidential offering memorandum (the "**Offering Memorandum**") constitutes an offering of the securities described herein only in those jurisdictions where, and to those persons to whom, they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or an advertisement or a public offering of these securities. No securities commission or similar regulatory authority in Canada has reviewed this Offering Memorandum nor has it in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed with any such authority in Canada in connection with the securities offered hereunder.*

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

Continuous Offering **April 16, 2012**

SPROTT HEDGE FUND LP

Class A, Class F and Class I limited partnership units (collectively, the "**Units**") of Sprott Hedge Fund L.P. (the "**Partnership**") are being offered on a private placement basis pursuant to exemptions from the prospectus requirements and, where applicable, the registration requirements under applicable securities legislation. Units are being offered on a continuous basis to an unlimited number of eligible subscribers who are prepared to invest a minimum subscription amount of $150,000 or who are otherwise qualified investors. Sprott GenPar Ltd. (the "**General Partner**") may, in its sole discretion, accept subscriptions for lesser amounts provided such subscribers are "accredited investors" under applicable securities legislation. Units will be offered at the net asset value ("**Net Asset Value**") per Unit for the applicable class (determined in accordance with the fifth amended and restated limited partnership agreement of the Partnership dated as of April 16, 2012 (the "**Limited Partnership Agreement**"), a copy of which is attached to this Offering Memorandum) as at the relevant Valuation Date (as hereinafter defined). Units are only transferable with the consent of the General Partner and in accordance with applicable securities legislation.

Units are subject to restrictions on resale under applicable securities legislation, unless a further statutory exemption may be relied upon by the investor or an appropriate discretionary order is obtained from the appropriate securities regulatory authorities pursuant to applicable securities legislation. As there is no market for the Units, it may be difficult or even impossible for a subscriber to sell them other than by way of a redemption of their Units on a Valuation Date. Units may be redeemed at their Net Asset Value per Unit for the applicable class (determined in accordance with the Limited Partnership Agreement) at the close of business on the last business day of any month (a "Valuation Date"), provided the request for redemption is submitted at least 60 days prior to such Valuation Date. Redemption requests are subject to acceptance by the General Partner in its sole discretion, however, the General Partner intends to permit such redemptions in circumstances where it would not be prejudicial to the Partnership to do so.

The Units offered hereby are distributed exclusively by the Partnership by way of a private placement. Investors should carefully review the risk factors outlined in this Offering Memorandum. Investors are urged to consult with an independent legal advisor prior to signing the subscription form for the Units and to carefully review the Limited Partnership Agreement attached to this Offering Memorandum. Investors relying on this Offering Memorandum must

comply with all applicable securities legislation with respect to the acquisition or disposition of Units.

Sprott Private Wealth LP is a registered dealer participating in the offering of the Units to its clients for which it will receive a service commission with respect to Class A Units. In addition, the Partnership may execute a portion of its portfolio transactions through Sprott Private Wealth LP. The Partnership, the Related Issuers (as hereinafter defined) and the Underlying Funds (as hereinafter defined) that are managed by Sprott Asset Management LP (the "Investment Manager") may be considered to be "connected issuers" and "related issuers" of Sprott Private Wealth LP and the Investment Manager under applicable securities legislation. Sprott Private Wealth LP, Sprott Private Wealth GP Inc., the General Partner, Sprott Asset Management GP Inc. and the Investment Manager are controlled, directly or indirectly, by the same individual. See "Conflicts of Interest".

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SUMMARY

Prospective investors are encouraged to consult with their own professional advisors as to the tax and legal consequences of investing in the Partnership. The following is a summary only and is qualified by the more detailed information contained in this Offering Memorandum and the Limited Partnership Agreement.

The Partnership: Sprott Hedge Fund LP (the "**Partnership**") is a limited partnership formed and organized under the laws of the Province of Ontario. See "The Partnership".

The General Partner: Sprott GenPar Ltd. (the "**General Partner**") is the general partner of the Partnership. The General Partner is a corporation incorporated under the laws of the Province of Ontario. The day-to-day business and affairs of the Partnership is managed by the General Partner pursuant to the provisions of the fifth amended and restated limited partnership agreement dated as of April 16, 2012 (the "**Limited Partnership Agreement**"), as the same may be further amended, restated or supplemented from time to time. However, the General Partner, on behalf of the Partnership, has engaged the Investment Manager to provide investment advisory and certain management and administrative services to the Partnership. See "The General Partner".

The Investment Manager: The General Partner, on behalf of the Partnership, has retained Sprott Asset Management LP (in such capacity, the "**Investment Manager**") as the investment manager and the investment fund manager of the Partnership. The Investment Manager is a limited partnership formed and organized under the laws of the Province of Ontario. The General Partner may, in its discretion, terminate and replace the Investment Manager where it deems it to be in the best interests of the Partnership. See "The Investment Manager".

The Administrator: The General Partner has retained Sprott Asset Management LP (in such capacity, the "**Administrator**") as the administrator of the Partnership. The Administrator is a limited partnership formed and organized under the laws of the Province of Ontario. The General Partner may, in its discretion, terminate and replace the Administrator where it deems it to be in the best interests of the Partnership. See "The Administrator".

Investment Objective: The investment objective of the Partnership is to maximize absolute returns on investments while attempting to mitigate some market risk. The Partnership intends to accomplish its set objective through superior securities selection by taking both long and short investment positions, but not necessarily in the same securities or the same issuer.

Investment Strategies: The Investment Manager intends to invest in opportunities that provide what the Investment Manager, at the time of investment, believes to be the best reward per unit of risk. The Investment Manager also intends to optimize the reward per unit of risk of the investment portfolio by varying the allocation of long and short positions depending on the Investment Manager's view of the domestic and international economy and market trends, and other considerations, including liquidity flows within the U.S. financial system. The Partnership's portfolio will be positioned in accordance with the Investment Manager's market view. Generally, a bearish market view would increase emphasis on short positions and defensive long positions such as cash and gold. A bullish market view would generally increase emphasis on long positions with high growth prospects. The Partnership will overweight certain industry sectors and asset classes, such as cash and gold, when deemed appropriate by the Investment Manager. In executing this strategy, the following core techniques will be employed:

(a) making long investments in securities that the Investment Manager believes are undervalued, typically in companies with improving fundamentals, strong balance sheets, superior earnings growth potential,

and solid business models;

(b) short selling of securities which the Investment Manager believes are overvalued, especially those with deteriorating fundamentals, weak balance sheets, and other factors which merit a determination of overvaluation by the Investment Manager; and

(c) managing the relative weightings of long and short positions to reduce the overall portfolio exposure to certain risks, including stock market volatility and industry specific exposures.

To a lesser extent, the following techniques may also be used on an opportunistic basis in order to enhance the Partnership's returns:

(d) executing upon arbitrage strategies where the Partnership can capture the price spread between: (i) the current market price of a subject security and the value of the subject security upon completion of a take-over or merger that has been announced (merger arbitrage); and (ii) the price of convertible securities and the value of the underlying securities to lock in a conversion profit or to conserve and protect the coupon on such securities (convertible arbitrage);

(e) identifying restructuring or spin-off opportunities in companies that may be involved in multiple lines of business (spinning-off divisions may provide arbitrage or net pricing opportunities);

(f) participating in select private placements of companies that have compelling growth characteristics (as outlined in (a) above) and offer potential for significant price appreciation upon completion of their initial public offering; and

(g) purchasing, holding and selling gold, silver and other precious metals.

The Investment Manager has received exemptive relief from securities regulatory authorities from certain requirements under applicable securities legislation to permit the Partnership to invest in securities of Sprott Inc., Sprott Resource Corp., Sprott Resource Lending Corp. and any future related persons or companies (each individually, a "**Related Issuer**" and collectively, the "**Related Issuers**"). Each purchase of securities of a Related Issuer will occur in the secondary market and not under primary distributions or treasury offerings of such Related Issuers. In addition, the Partnership will only purchase exchange-traded securities of such Related Issuers. Furthermore, the independent review committee of the Partnership must approve the purchase or sale of securities of such Related Issuers by the Partnership in accordance with section 5.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds*. Not later than the 90th day after the end of each financial year of the Partnership, the Investment Manager will file with the applicable securities regulatory authority the particulars of any such investments on behalf of the Partnership.

In addition, the Partnership may obtain exposure to securities through investing in underlying investment funds (each individually, an "**Underlying Fund**" and collectively, the "**Underlying Funds**"), including underlying mutual funds, pooled funds and closed-end funds managed by the Investment Manager and/or its affiliates and associates. Underlying Funds will be selected with consideration for each Underlying Fund's investment objectives and strategies, past performance and volatility, among other factors. It is expected that no one Underlying Fund will represent, at the time of purchase, more than 20% of the net assets of the Partnership.

See "Investment Objective and Strategies" and "Investment Restrictions".

The Offering:	A continuous offering of Class A units, Class F units and Class I units of the Partnership (collectively, the "**Units**"). There need not be any correlation between the number of Class A Units, Class F Units and Class I Units sold hereunder. The differences among the three classes of Units are the different eligibility criteria, fee structures and administrative expenses associated with each class. See "Details of the Offering". Each Unit represents an undivided interest in the Partnership. The Partnership is authorized to issue an unlimited number of classes and/or series of Units and an unlimited number of Units in each such class or series. The Partnership may issue fractional Units so that subscription funds may be fully invested. Each Unit of a particular class has equal rights to each other Unit of the same class with respect to all matters, including voting, receipt of allocations and distributions from the Partnership, liquidation and other events in connection with the Partnership. See "The Limited Partnership Agreement - Units".
Personal Investment Capital:	Certain senior officers and directors of the Investment Manager and/or its affiliates and associates may purchase and hold Units of the Partnership and the securities of the Related Issuers and the Underlying Funds from time to time. See "Conflicts of Interest".
Valuation Date:	The net asset value ("**Net Asset Value**") of the Partnership and the Net Asset Value per Unit of each class will be calculated on the last business day (that is, the last day on which the Toronto Stock Exchange is open for trading) of each month and such other business day or days as the General Partner may in its discretion designate (each, a "**Valuation Date**").
Price:	Units will be offered at a price equal to the Net Asset Value per Unit for the applicable class of Units on each Valuation Date (determined in accordance with the Limited Partnership Agreement). Units may be purchased as at the close of business on a Valuation Date if a duly completed subscription form and the required payment reaches the General Partner no later than 4:00 p.m. (Toronto time) on such Valuation Date. See "Details of the Offering".
Minimum Initial Subscription:	Units are being offered to investors resident in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon (the "**Offering Jurisdictions**") pursuant to exemptions from the prospectus requirements under section 2.3 (accredited investor exemption) and section 2.10 (minimum amount investment exemption) under National Instrument 45-106 *Prospectus and Registration Exemptions* ("**NI 45-106**") and, where applicable, the registration requirements under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**"). Units are being offered by the Partnership on a continuous basis to an unlimited number of eligible subscribers who are prepared to invest a sufficient amount to meet the minimum initial subscription requirements or who are otherwise qualified investors. As at the date of this Offering Memorandum, the minimum initial subscription amount for persons purchasing as principal is $150,000. This minimum amount is net of any sales commissions paid by a subscriber to their registered dealer. At the sole discretion of the General Partner, subscriptions may be accepted for lesser amounts from persons who are "accredited investors" as defined under NI 45-106. See "Details of the Offering" and "Subscription Procedure". Subscriptions for Units are subject to acceptance or rejection in whole or in part by the General Partner in its sole discretion. No subscription for Units will be accepted from a purchaser unless the General Partner is satisfied that the

subscription is in compliance with the requirements of applicable securities legislation. Subscribers whose subscriptions have been accepted by the General Partner will become limited partners of the Partnership (individually, a "**Limited Partner"** and collectively, the "**Limited Partners**").

Class A Units will be issued to qualified purchasers.

Class F Units will be issued to: (i) purchasers who participate in fee-based programs through eligible registered dealers; (ii) qualified purchasers in respect of whom the Partnership does not incur distribution costs; and (iii) qualified individual purchasers in the General Partner's sole discretion. If a Limited Partner ceases to be eligible to hold Class F Units, the General Partner may, in its sole discretion, exchange such Limited Partner's Class F Units for Class A Units on five days' notice, unless such Limited Partner notifies the Partnership during the notice period and the General Partner agrees that the Limited Partner is once again eligible to hold Class F Units.

Class I Units will be issued to institutional investors at the discretion of the General Partner. If a Limited Partner ceases to be eligible to hold Class I Units, the General Partner may, in its sole discretion, exchange such Limited Partner's Class I Units for Class A Units on five days' notice, unless such Limited Partner notifies the Partnership during the notice period and the General Partner agrees that the Limited Partner is once again eligible to hold Class I Units.

Subject to the consent of the General Partner, Limited Partners may exchange or switch all or part of their investment in the Partnership from one class of Units to another class if the Limited Partner is eligible to purchase that class of Units. The timing and processing rules applicable to purchases and redemptions of Units also applies to exchanges or switches between classes of Units. See "Details of the Offering" and "Redemption of Units". Upon an exchange or switch from one class of Units to another class, the number of Units held by the Limited Partner will change since each class of Units has a different Net Asset Value per Unit.

Generally, exchanges or switches between classes of Units are not dispositions for tax purposes. However, Limited Partners should consult with their own tax advisors regarding any tax implications of exchanging or switching between classes of Units.

Units will not be offered to nor will subscriptions for Units be accepted from: (a) persons who are "non-Canadians" within the meaning of the *Investment Canada Act* (Canada); (b) "non-residents" of Canada, "tax shelters", "tax shelter investments" or persons or entities an investment in which would be a "tax shelter investment", all within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**"); (c) "financial institutions" within the meaning of Section 142.2 of the Tax Act; or (d) a partnership which does not contain a prohibition against investment by persons or entities referred to in the foregoing paragraphs (a), (b) and (c). In the event that any Limited Partner subsequently becomes a "non-Canadian", a "non-resident" of Canada, a "tax shelter", a "tax shelter investment", a person or an entity an investment in which would be a "tax shelter investment", a "financial institution" or a partnership with any of the foregoing as a member or the Limited Partner's interest in the Partnership subsequently becomes a "tax shelter investment", such Limited Partner is required to immediately notify the General Partner in writing of such change in status and such Limited Partner's Units will be redeemed by the Partnership on the next Valuation Date.

By executing a subscription form for Units in the form prescribed from time to time by the General Partner, each subscriber is making certain representations, and the General Partner and the Partnership are entitled to rely on such

representations, to establish the availability of exemptions from the prospectus and registration requirements described under NI 45-106 and NI 31-103. In addition, the subscriber is also acknowledging in the subscription form that the investment portfolio and trading procedures of the Partnership are proprietary in nature and agrees that all information relating to such investment portfolio and trading procedures will be kept confidential by such subscriber and will not be disclosed to third parties (excluding the subscriber's professional advisors) without the prior written consent of the General Partner. See "Subscription Procedure".

Additional Subscriptions: Following the required initial minimum investment in the Partnership, Limited Partners resident in the Offering Jurisdictions may make additional investments of not less than $5,000 provided that, at the time of the subscription for additional Units, the Limited Partner is an "accredited investor" as defined under NI 45-106. Limited Partners who are not "accredited investors", but previously invested in and continue to hold Units having an aggregate initial acquisition cost or current Net Asset Value equal to $150,000, will also be permitted to make subsequent investments in the Partnership of not less than $5,000. The General Partner may, in its sole discretion, from time to time permit additional investments of lesser amounts. Limited Partners subscribing for additional Units should complete the subscription form prescribed from time to time by the General Partner. See "Additional Subscriptions".

Management Fees: As compensation for providing services to the Partnership, the Investment Manager receives a monthly management fee (the "**Management Fee**") from the Partnership attributable to Class A Units, Class F Units and, in certain circumstances described below, Class I Units. Each class of Units is responsible for the Management Fee attributable to that class. See "Fees and Expenses – Management Fees".

Class A Units:

The Partnership pays the Investment Manager a monthly Management Fee equal to 1/12 of 2% of the Net Asset Value of the Class A Units (determined in accordance with the Limited Partnership Agreement), plus any applicable federal and provincial taxes ("**HST**"), calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class A Units as at the last business day of each month.

Class F Units:

The Partnership pays the Investment Manager a monthly Management Fee equal to 1/12 of 1% of the Net Asset Value of the Class F Units (determined in accordance with the Limited Partnership Agreement), plus any applicable HST, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class F Units as at the last business day of each month.

Class I Units:

Subject to the discretion of the General Partner, investors who purchase Class I Units must either: (i) enter into an agreement with the Investment Manager which identifies the monthly Management Fee negotiated with the investor which is payable by the investor directly to the Investment Manager; or (ii) enter into an agreement with the Partnership which identifies the monthly Management Fee negotiated with the investor which is payable by the Partnership to the Investment Manager. In each circumstance, the monthly Management Fee, plus any applicable HST, is calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class I Units as at the last business day of each month.

Allocation of Net Profits or Net Losses:

Generally, Net Profits or Net Losses (as such terms are defined in the Limited Partnership Agreement) of the Partnership which are allocable to Limited Partners during any fiscal period will be allocated on each Valuation Date to Limited Partners in proportion to the number of Units held by each of them as at each Valuation Date, subject to adjustment to reflect subscriptions and redemptions of Units made during the fiscal period, as described below.

If the Partnership generates a positive return on investment which is equal to or less than 10% in any fiscal year, then all Net Profits of the Partnership for such fiscal year will be allocated to the Limited Partners.

To the extent that the Partnership generates a negative return on investment in any fiscal year, such negative return will be carried forward for a period of one year to effectively offset profits on which the General Partner's share of income would otherwise be calculated in the subsequent year.

If the Partnership generates a return on investment which is greater than 10% in any fiscal year (or which is sufficient to fully offset any negative returns from the previous fiscal year and then generate a return on investment which is greater than 10%), then the first 10% (plus an amount equal to the negative return from the previous year, if any) shall be allocated to the Limited Partners and all Net Profits of the Partnership above such return threshold for such fiscal year will be allocated as to 20% to the General Partner and as to 80% to the Limited Partners. Net Losses of the Partnership for any fiscal year will be allocated as to 99.999% to the Limited Partners and as to 0.001% to the General Partner. For these purposes, "return on investment" will include unrealized gains and losses. For the purposes of subscriptions and redemptions other than at a year-end, the Partnership's Net Profits will be annualized for the purposes of determining whether the return threshold has been met. The General Partner reserves the right to adjust allocations to account for Units purchased or redeemed during a fiscal year and other relevant factors. See "Distributions and Computation and Allocation of Net Profits or Net Losses."

Operating Expenses:

The Partnership is also responsible for its own operating expenses. Operating expenses include, among others, legal, audit, custodial, prime broker and safekeeping fees, distribution expenses, taxes, brokerage commissions, interest, operating and administrative costs, investor servicing costs and the costs of reports to the Limited Partners. Each class of Units is responsible for the operating expenses that relate specifically to that class and for its proportionate share of the common expenses of the Partnership that relate to all classes of Units. See "Fees and Expenses – Operating Expenses".

Underlying Fund Fees and Expenses:

Each of the Underlying Funds is generally subject to management fees, performance fees, if any, and operating expenses that are paid out of the assets of the Underlying Fund. As a result, Limited Partners in the Partnership will indirectly bear a proportionate share of such fees and expenses of the Underlying Funds. However, where an Underlying Fund is managed by the Investment Manager there will be no management fees or performance fees payable in respect of securities of such an Underlying Fund held by the Partnership that, to a reasonable person, would duplicate a fee payable to the Investment Manager by the Underlying Fund for the same service. In addition, no sales charges or redemption fees are payable by the Partnership in relation to its purchase or redemption of securities of the Underlying Funds. See "Fees and Expenses – Underlying Fund Fees and Expenses".

Sales Commission:

No sales commission is payable to the General Partner or the Investment Manager in respect of Units purchased directly by a subscriber. However, registered dealers may, at their discretion, charge purchasers a front-end sales

commission of up to 5% of the Net Asset Value of the Class A Units purchased by the subscriber. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be payable directly by the purchaser to their dealer. See "Dealer Compensation – Sales Commission".

Service Commission: The Investment Manager pays a monthly service commission to participating registered dealers, including Sprott Private Wealth LP, equal to $1/12^{th}$ of 1% of the Net Asset Value of the Class A Units sold by such dealers then outstanding. Payments are calculated and paid monthly to registered dealers from the Management Fees the Investment Manager receives from the Partnership. Notwithstanding the foregoing, the Investment Manager, in its sole discretion, reserves the right to change the frequency of payment to registered dealers of the service commission to a quarterly or annual basis. See "Dealer Compensation – Service Commission".

Redemption: An investment in Units is intended to be a long-term investment. However, Units may be redeemed at their Net Asset Value per Unit for the applicable class (determined in accordance with the Limited Partnership Agreement) on any Valuation Date, provided that the request for redemption is submitted at least 60 days prior to such Valuation Date. The General Partner has the sole discretion to accept or reject redemption requests and intends to accept redemption requests in circumstances where it would not be prejudicial to the Partnership. See "Redemption of Units".

The General Partner reserves the right to hold back up to 20% of the aggregate redemption amount payable to a Limited Partner in order to provide an orderly disposition of assets.

Any Limited Partner whose total combined investment in all classes of Units in the Partnership represents 10% or greater of the Net Asset Value of the Partnership, when measured at market value, is restricted from filing a redemption request which exceeds 10% of the Net Asset Value of the Partnership, when measured at market value.

If on any Valuation Date the General Partner has received from one or more Limited Partners requests to redeem 10% or more of the outstanding Units, payment of the redemption amount to such Limited Partners may be deferred until the next quarter-end. Such deferral may take place if, in the sole judgement of the General Partner, extra time is warranted to facilitate the orderly liquidation of portfolio security positions to meet such redemption requests. The redemption amount payable to Limited Partners will be adjusted by changes in the Partnership's Net Asset Value during this period and calculated on each Valuation Date in respect of the payment to be made on such date.

The General Partner may suspend redemption rights of Limited Partners for any period when normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives are traded which, in the aggregate, represent more than 50% of the Net Asset Value (or underlying market exposure) of the Partnership.

The Net Asset Value (and Net Asset Value per Unit) for the applicable class of Units determined for the purposes of a subscription or redemption of Units which takes place other than at the Partnership's fiscal year-end will reflect a reduction to take into account the General Partner's share of net profits (as such term is defined in the Limited Partnership Agreement) based on the annualized returns of the Partnership (realized and unrealized) from the date of commencement of the fiscal year to the date of the issuance or redemption of the Units.

Early Redemption Fee:	The General Partner may, in its sole discretion, impose an early redemption fee equal to 5% of the aggregate Net Asset Value of Units redeemed if such Units are redeemed within 120 days of their date of purchase. This early redemption fee will be deducted from the redemption amount otherwise payable to a Limited Partner and will be paid to the Partnership. No early redemption fee will be charged in respect of the redemption of Units which were acquired by a Limited Partner through the automatic reinvestment of all distributions of net income or capital gains by the Partnership or where the General Partner requires a Limited Partner to redeem some or all of the Units owned by such Limited Partner. This early redemption fee is in addition to any other fees a Limited Partner is otherwise subject to under this Offering Memorandum. See "Fees and Expenses – Early Redemption Fee".
Risk Factors and Conflicts of Interest:	The Partnership is subject to various risk factors and conflicts of interest. **An investment in the Partnership may be deemed speculative and is not intended as a complete investment program.** A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Partnership. Investors should review closely the investment objective, strategies and restrictions to be utilized by the Partnership as outlined herein to familiarize themselves with the risks associated with an investment in the Partnership. Investment in the Partnership is also subject to certain other risks. These risk factors and the Code of Ethics to be followed to address conflicts of interest are described under "Risk Factors" and "Conflicts of Interest".
Canadian Federal Income Tax Considerations:	Each Limited Partner will generally be required to include, in computing income or loss for tax purposes for a taxation year, the Limited Partner's share of the income or loss allocated to such Limited Partner for each fiscal year of the Partnership ending in or coinciding with the Limited Partner's taxation year, whether or not the Limited Partner has received a distribution from the Partnership. Income and loss of the Partnership for tax purposes will be allocated in accordance with the provisions of the Limited Partnership Agreement attached to this Offering Memorandum as Appendix "1". See "Canadian Federal Income Tax Considerations".
Non-Eligibility for Investment by Tax Deferred Plans:	Units are **not** "qualified investments" under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans or tax-free savings accounts. See "Canadian Federal Income Tax Considerations – Non-Eligibility for Investment by Tax Deferred Plans".
Year-End:	December 31
Auditors to the Partnership:	Ernst & Young, LLP Toronto, Ontario
Legal Counsel to the Partnership:	Heenan Blaikie LLP Toronto, Ontario
Custodian to the Partnership:	Cormark Securities Inc. Toronto, Ontario
Prime Brokers to the Partnership:	Cormark Securities Inc. Toronto, Ontario Scotia Capital Inc. Toronto, Ontario
Record-keeper to the Partnership:	RBC Dexia Investor Services Trust Toronto, Ontario

THE PARTNERSHIP

Sprott Hedge Fund LP is a limited partnership formed and organized under the laws of the Province of Ontario pursuant to the *Limited Partnerships Act* (Ontario) by declaration dated October 27, 2000. The day-to-day business and affairs of the Partnership is managed by the General Partner pursuant to the provisions of the limited partnership agreement dated as of October 27, 2000, as amended and restated as of December 31, 2000, as of March 15, 2002, as of May 28, 2003, as of April 30, 2008, as of December 16, 2010 and as of April 16, 2012 (the "**Limited Partnership Agreement**"), as the same may be further amended, restated or supplemented from time to time, a copy of which is attached hereto as Appendix "1". The offices of the General Partner are located at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1.

The capital of the Partnership is divided into an unlimited number of Units issuable in one or more classes and/or series of Units. The Partnership currently offers three classes of Units: Class A Units, Class F Units and Class I Units. Additional classes and/or series of Units may be offered in the future. Subscribers whose subscription for Units have been accepted by the General Partner will become Limited Partners. Net Profits or Net Losses (as such terms are defined in the Limited Partnership Agreement) of the Partnership will be allocated to the Limited Partners and the General Partner as set forth under "Distributions and Computation and Allocation of Net Profits or Net Losses".

THE GENERAL PARTNER

Sprott GenPar Ltd., a corporation incorporated under the laws of the Province of Ontario on October 12, 2000, was formed for the purpose of acting as the general partner of the Partnership. The General Partner is an indirectly wholly-owned subsidiary of Sprott Inc., which is a corporation incorporated under the laws of the Province of Ontario on February 13, 2008. Sprott Inc. is a public company listed on the Toronto Stock Exchange under the symbol "SII". The General Partner may act as a general partner of other limited partnerships and currently acts as the general partner to Sprott Hedge Fund LP II and Sprott Opportunities Hedge Fund LP.

The General Partner is responsible for the management and control of the business and affairs of the Partnership on a day-to-day basis in accordance with the terms of the Limited Partnership Agreement, but has engaged the Investment Manager to provide investment advisory and certain management and administrative services to the Partnership. See "The Investment Manager" and "The Administrator".

Directors and Officers of the General Partner

The name, municipality of residence, position with the General Partner, and the principal occupation of the directors and officers of the General Partner are as follows:

Name and Municipality of Residence	**Position with the General Partner**	**Principal Occupation**
Eric S. Sprott Oakville, Ontario	President and Director	Chairman of Sprott Inc. and Chief Executive Officer and Chief Investment Officer of the Investment Manager and SAM GP (as hereinafter defined).
Kirstin H. McTaggart Mississauga, Ontario	Treasurer and Director	Chief Compliance Officer of the Investment Manager, SAM GP, Sprott Private Wealth LP and Sprott

Name and Municipality of Residence	Position with the General Partner	Principal Occupation
		Private Wealth GP Inc.

For a description of the professional experience of the directors and officers of the General Partner see "The Investment Manager – Directors and Officers of the Investment Manager and of SAM GP".

THE INVESTMENT MANAGER

Sprott Asset Management LP is the investment manager and the investment fund manager of the Partnership. The Investment Manager is a limited partnership formed and organized under the laws of the Province of Ontario pursuant to the *Limited Partnerships Act* (Ontario) by declaration dated September 17, 2008. The general partner of the Investment Manager is Sprott Asset Management GP Inc. ("**SAM GP**"), which is a corporation incorporated under the laws of the Province of Ontario on September 17, 2008. SAM GP is a directly wholly-owned subsidiary of Sprott Inc., which is a corporation incorporated under the laws of the Province of Ontario on February 13, 2008. Sprott Inc. is also the sole limited partner of the Investment Manager. Sprott Inc. is a public company listed on the Toronto Stock Exchange under the symbol "SII". Eric S. Sprott is the principal shareholder of Sprott Inc. through a holding company which he controls. Pursuant to an internal corporate reorganization of Sprott Inc. completed on June 1, 2009, the Investment Manager acquired from Sprott Asset Management Inc. the assets related to its portfolio management business and became the successor investment manager of the Partnership.

The Investment Manager, together with its affiliates and related entities, provides management and investment advisory services to many entities, including the Sprott Mutual Funds, the Sprott Hedge Funds, the Sprott Offshore Funds, exchange-traded bullion funds that invest in physical gold or silver bullion, flow-through limited partnerships and discretionary managed accounts, and provides management and administrative services to certain public companies, such as Sprott Resource Corp. The Investment Manager may establish and manage other investment funds from time to time.

The Investment Manager's and SAM GP's principal office is located at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. The Investment Manager may also be contacted by toll-free telephone at 1-888-362-7172, by telephone at (416) 362-7172, by facsimile at (416) 362-4928 or by e-mail to invest@sprott.com.

The General Partner, on behalf of the Partnership, retained Sprott Asset Management LP as the investment manager and the investment fund manager to provide investment advisory and certain management and administrative services to the Partnership. The Investment Manager is responsible for the management of the Partnership's investment portfolio in accordance with the investment objective, strategies and restrictions set forth in the portfolio management agreement dated as of November 1, 2000 between the Partnership and the Investment Manager (the "**Portfolio Management Agreement**") and in the Limited Partnership Agreement. See "Investment Objective and Strategies" and "Investment Restrictions". Under the Portfolio Management Agreement, the Investment Manager is solely responsible for all investment management decisions of the Partnership. The Portfolio Management Agreement may be assigned by the Investment Manager to an affiliated entity at any time provided notice thereof is given to all Limited Partners.

As compensation for providing services to the Partnership, the Investment Manager receives a monthly Management Fee from the Partnership attributable to Class A Units, Class F Units and, in certain circumstances, Class I Units. Each class of Units is responsible for the Management Fee attributable to

that class. Management Fees in respect of each class of Units will be calculated and payable monthly in arrears as of each Valuation Date. See "Fees and Expenses – Management Fees".

The Portfolio Management Agreement provides that the Investment Manager will not be liable to the Partnership, the General Partner or any Limited Partner for any loss suffered by the Partnership, the General Partner or any Limited Partner, as the case may be, which arises out of any action or inaction of the Investment Manager if such course of conduct did not constitute negligence or misconduct of the Investment Manager and if the Investment Manager in good faith determined that such course of conduct was in the best interests of the Partnership. The Portfolio Management Agreement also provides that the Investment Manager and its partners, officers, employees and agents are entitled to indemnification out of the assets of the Partnership against expenses (including legal fees, judgments and amounts paid in settlement, provided that the General Partner has approved such settlement) actually and reasonably incurred by such party in connection with the Partnership, provided such expenses were not the result of any action or inaction of such party that constituted negligence or misconduct of such party and such action or inaction was done in good faith and in a manner which such party reasonably believed to be in the best interests of the Partnership.

The Investment Manager, under the supervision of the General Partner, will select brokers to transact trades on behalf of the Partnership. The assets of the Partnership will be held by such brokers, including any assets which are required to satisfy a broker's margin requirements.

Units will be distributed in the Offering Jurisdictions through registered dealers, including the Investment Manager and Sprott Private Wealth LP, and such other persons as may be permitted by applicable law. In the event of such distribution, registered dealers (other than the Investment Manager) will be entitled to the compensation described under "Dealer Compensation". Subject to the requirements under NI 31-103, the Investment Manager may pay, out of the Management Fees it receives from the Partnership, a negotiated referral fee to registered dealers or other persons in connection with the sale of Units. See "Dealer Compensation – Referral Fees".

The Portfolio Management Agreement provides for a continuing term with no provision for an expiry date, and may be terminated by either party giving to the other not less than 30 days' prior notice in writing. The General Partner may, in its sole discretion, terminate and replace the Investment Manager where it deems it to be in the best interests of the Partnership.

Directors and Officers of the Investment Manager and of SAM GP

The name, municipality of residence and position(s) with the Investment Manager and SAM GP, and the principal occupation of the directors and senior officers of the Investment Manager and of SAM GP are as follows:

Name and Municipality of Residence	**Position with the Investment Manager**	**Position with SAM GP**	**Principal Occupation**
Eric S. Sprott Oakville, Ontario	Chief Executive Officer and Chief Investment Officer	Chief Executive Officer, Chief Investment Officer and Director	Chairman of Sprott Inc. and Chief Executive Officer and Chief Investment Officer of the Investment Manager and SAM GP.
James R. Fox Toronto, Ontario	President	President and Director	President of the Investment Manager and

Name and Municipality of Residence	Position with the Investment Manager	Position with SAM GP	Principal Occupation
			SAM GP.
Steven Rostowsky Thornhill, Ontario	Chief Financial Officer	Chief Financial Officer and Director	Chief Financial Officer of Sprott Inc., the Investment Manager and SAM GP.
Kirstin H. McTaggart Mississauga, Ontario	Chief Compliance Officer	Chief Compliance Officer, Corporate Secretary and Director	Chief Compliance Officer of the Investment Manager, SAM GP, Sprott Private Wealth LP and Sprott Private Wealth GP Inc.
John Ciampaglia Caledon, Ontario	Chief Operating Officer	Chief Operating Officer	Chief Operating Officer of the Investment Manager and SAM GP.
Allan Jacobs Toronto, Ontario	Director of Small Cap Investments and Senior Portfolio Manager	Director	Director of Small Cap Investments and Senior Portfolio Manager of the Investment Manager.

Set out below are the particulars of the professional experience of the directors and senior officers of the Investment Manager and of SAM GP:

Eric Sprott

Mr. Sprott has over 40 years of experience in the investment industry and has managed client funds for over 28 years. Mr. Sprott entered the investment industry as a Research Analyst at Merrill Lynch Canada, Inc. In 1981, he founded Sprott Securities Limited (a predecessor to Sprott Securities Inc. and now Cormark Securities Inc.). After establishing Sprott Asset Management Inc., the predecessor of the Investment Manager, in December 2001 as a separate entity, Mr. Sprott divested his entire ownership interest in Sprott Securities Inc. to its employees. In May 2008, Sprott Asset Management Inc. completed its initial public offering through a newly-established holding company, Sprott Inc., and in June 2009 underwent a corporate reorganization. Since the initial public offering and corporate reorganization and until September 7, 2010, Mr. Sprott served as the Chief Executive Officer of Sprott Inc. Mr. Sprott currently serves as the Chief Executive Officer and Chief Investment Officer of the Investment Manager and SAM GP. Mr. Sprott is also currently the President of the General Partner and the Chairman of Sprott Inc., Sprott Resource Corp., Sprott Consulting L.P. and Sprott Consulting GP Inc. Mr. Sprott is also currently the Senior Portfolio Manager for Sprott Canadian Equity Fund, Sprott Hedge Fund LP, Sprott Hedge Fund LP II, Sprott Offshore Fund, Ltd., Sprott Offshore Fund II, Sprott Physical Gold Trust, Sprott Physical Silver Trust and the Sprott discretionary managed accounts. Mr. Sprott graduated with a Bachelor of Commerce from Carleton University in 1965 and was awarded an Honorary Doctorate from Carleton University in 2003. Mr. Sprott received his Chartered Accountant designation in 1968.

James Fox

Mr. Fox was appointed as the President of the Investment Manager in November 2009. Mr. Fox is also currently the President of SAM GP. From February 2005 to November 2009, Mr. Fox served as Senior Vice-President of Sales & Marketing at the Investment Manager where he initiated the development of

new products, formed a wholesale group to increase fund distribution and led marketing efforts to increase the Investment Manager's brand awareness in Canada and abroad. Mr. Fox has been a key contributor to the Investment Manager's sales effort and strategic business initiatives, which have resulted in assets under management growing from $50 million to $4.3 billion over his tenure. Mr. Fox joined the Investment Manager (and its predecessor Sprott Asset Management Inc.) in June 1999. Mr. Fox graduated with a Bachelor of Arts (Finance and Economics) from the University of Western Ontario in 1996 and a Master of Business Administration from the Rotman School of Management at the University of Toronto in 1999.

Steven Rostowsky

Mr. Rostowsky joined Sprott Inc. in March 2008 as its Chief Financial Officer and currently also serves as the Chief Financial Officer of the Investment Manager and SAM GP. Prior to March 2008, he was a Senior Vice-President, Finance & Administration at the Investment Dealers Association of Canada (now part of the Investment Industry Regulatory Organization of Canada) ("**IDA**"). As a member of the IDA's senior management team, Mr. Rostowsky was responsible for non-regulatory functional areas including Finance, Human Resources, Information Technology and the Association Secretary. Prior to joining the IDA in January 2005, Mr. Rostowsky was the Chief Financial Officer and the Chief Compliance Officer of Guardian Group of Funds Ltd. ("**GGOF**") since July 2001 when GGOF was acquired by the Bank of Montreal. At that time he was a Vice-President, Finance for Guardian Capital Group Limited, GGOF's former parent company. Mr. Rostowsky is a Chartered Accountant and a Chartered Financial Analyst, and graduated with a Bachelor of Business Science (Finance) and a post-graduate accounting degree, both from the University of Cape Town in South Africa.

Kirstin McTaggart

Ms. McTaggart joined the Investment Manager (and its predecessor Sprott Asset Management Inc.) in April 2003 as a Compliance Officer and subsequently became the Chief Compliance Officer in April 2007. Ms. McTaggart currently also serves as the Chief Compliance Officer of SAM GP, Sprott Private Wealth LP and Sprott Private Wealth GP Inc. In addition, Ms. McTaggart is also currently the Corporate Secretary of Sprott Inc., SAM GP and Sprott Private Wealth GP Inc. and the Treasurer of the General Partner. Ms. McTaggart has accumulated over 26 years of experience in the financial and investment industry. Prior to April 2003, Ms. McTaggart spent five years as a Senior Manager at Trimark Investment Management Inc., where her focus was the development of formal compliance and internal control policies and procedures.

John Ciampaglia

Mr. Ciampaglia joined the Investment Manager in April 2010 as its Chief Operating Officer. Mr. Ciampaglia is also currently the Chief Operating Officer of SAM GP. Mr. Ciampaglia began his career in the investment management business in 1993. Before joining the Investment Manager, Mr. Ciampaglia spent 10 years with Invesco Trimark, one of the largest investment management firms in Canada and part of the Invesco group of companies. Mr. Ciampaglia was a Senior Executive at Invesco Trimark and was an active member of Invesco Trimark's Executive Committee. Mr. Ciampaglia held the position of Senior Vice President, Product Development from April 2001 until April 2010 and was responsible for overseeing product development across multiple product lines and distribution channels. Mr. Ciampaglia also played a key role in initiating and leading the implementation of various strategic initiatives at Invesco Trimark. Prior to joining Invesco Trimark, Mr. Ciampaglia spent more than four years at Toronto Dominion Asset Management, where he held progressively senior roles in product management, research and treasury. Mr. Ciampaglia has a Bachelor of Arts (Economics) from York University and holds the Chartered Financial Analyst designation and is also a Fellow of the Canadian Securities Institute.

Allan Jacobs

Mr. Jacobs joined the Investment Manager (and its predecessor Sprott Asset Management Inc.) in August 2007 as the Director of Small Cap Investments with a particular focus on the Sprott small cap funds. Mr. Jacobs is also currently the Senior Portfolio Manager for Sprott Small Cap Equity Fund and Sprott Small Cap Hedge Fund (formerly Sceptre Small Cap Opportunities Fund). Mr. Jacobs has over 24 years of experience in the investment industry. Prior to August 2007, he was a Vice-President and Managing Director since May 1993 and the Head of Canadian Small Cap Equities at Sceptre Investment Counsel Limited, where he was employed for the previous 14 years. Mr. Jacobs was also the Portfolio Manager of the Sceptre Equity Growth Fund, the Sceptre Canadian Equity Small Cap Pooled Fund and the Canadian small cap component of all other institutional portfolios managed by Sceptre. Since April 2003, he was an integral part of the Canadian equity team at Sceptre and was appointed as a Managing Director of Sceptre in 1996. Prior to April 1993, Mr. Jacobs spent four years at Canada Life Investment Management Limited as the Portfolio Manager responsible for Canadian small cap equities and, prior to that, was employed by Old Mutual as the Portfolio Manager responsible for its flagship $5 billion fund, which was at that time the largest equity fund in South Africa.

THE ADMINISTRATOR

The General Partner has retained Sprott Asset Management LP to provide administrative services to the Partnership pursuant to an administrative services agreement made as of November 1, 2000 between the General Partner and the Administrator (the "**Administrative Services Agreement**"). The Partnership is responsible for all fees of the Administrator.

The Administrative Services Agreement provides that the Administrator will not be liable to the Partnership, the General Partner or any Limited Partner for anything done or suffered to be done by the Administrator in good faith in accordance with any written request or advice of the General Partner (or any of its duly authorized agent(s) or delegate(s)).

The Administrative Services Agreement also provides that the Administrator and its partners, officers, employees and agents are entitled to indemnification out of the assets of the Partnership against all actions, proceedings, claims, costs, demands and expenses incidental thereto which may be brought against, suffered or incurred by the Administrator and its partners, officers, employees and agents by reason of the proper performance of its duties in accordance with the terms of the Administrative Services Agreement, in each case, including all reasonable legal, professional and other expenses properly incurred in connection therewith (including any such actions, proceedings and claims as shall arise as a result of loss, delay, misdelivery or error in transmission of any facsimile, e-mail or other communication), except such as shall arise from the bad faith or wilful breach of duty by the Administrator under the Administrative Services Agreement or a reckless or negligent act or omission on the part of the Administrator.

The Administrative Services Agreement provides for a continuing term and may be terminated by either party giving to the other not less than 30 days' notice in writing. The General Partner may, in its sole discretion, terminate and replace the Administrator where it deems it to be in the best interests of the Partnership.

THE CUSTODIAN AND THE PRIME BROKERS

The Partnership has retained Cormark Securities Inc. ("**Cormark**") to act as the custodian and the prime broker of the portfolio securities and other assets of the Partnership pursuant to a settlement services agreement dated as of April 2, 2007 (the "**Settlement Services Agreement**"). Cormark will be responsible for the safekeeping of all of the investments and other assets of the Partnership delivered to it

and will act as the custodian of such assets, other than those assets transferred to Scotia Capital Inc. ("**Scotia**") or another entity, as the case may be, as collateral or margin. Cormark may also provide the Partnership with financing lines and short-selling facilities.

The Partnership appointed Scotia as the prime broker of certain of the assets of the Partnership pursuant to a written prime brokerage services agreement (the "**Prime Brokerage Services Agreement**"), as amended from time to time, and a number of product-specific supplemental documents. As compensation for the prime brokerage services rendered to the Partnership, Scotia will receive such fees from the Partnership as the General Partner may approve from time to time. As prime broker, Scotia will be responsible for the safekeeping of all of the investments and other assets of the Partnership delivered to it, other than those assets transferred to Cormark or another entity, as the case may be, as collateral or margin. Scotia may also provide the Partnership with financing lines and short-selling facilities.

The Partnership reserves the right, in its discretion, to change the custodial and the prime brokerage arrangement described above including, but not limited to, the appointment of a replacement custodian or prime broker and/or additional prime broker(s).

The General Partner and the Investment Manager will not be responsible for any losses or damages to the Partnership arising out of any action or inaction by Cormark or any sub-custodian holding the portfolio securities and other assets of the Partnership.

INVESTMENT OBJECTIVE AND STRATEGIES

Investment Objective

The investment objective of the Partnership is to maximize absolute returns on investments while attempting to mitigate some market risk. The Partnership intends to accomplish its set objective through superior securities selection by taking both long and short investment positions, but not necessarily in the same securities or the same issuer.

Investment Strategies

The Investment Manager intends to invest in opportunities that provide what the Investment Manager, at the time of investment, believes to be the best reward per unit of risk. The Investment Manager also intends to optimize the reward per unit of risk of the investment portfolio by varying the allocation of long and short positions depending on the Investment Manager's view of the domestic and international economy and market trends, and other considerations, including liquidity flows within the U.S. financial system. The Partnership's portfolio will be positioned in accordance with the Investment Manager's market view. Generally, a bearish market view would increase emphasis on short positions and defensive long positions such as cash and gold. A bullish market view would generally increase emphasis on long positions with high growth prospects. The Partnership will overweight certain industry sectors and asset classes, such as cash and gold, when deemed appropriate by the Investment Manager. In executing this strategy, the following core techniques will be employed:

(a) making long investments in securities that the Investment Manager believes are undervalued, typically in companies with improving fundamentals, strong balance sheets, superior earnings growth potential, and solid business models;

(b) short selling of securities which the Investment Manager believes are overvalued, especially those with deteriorating fundamentals, weak balance sheets, and other factors which merit a determination of overvaluation by the Investment Manager; and

(c) managing the relative weightings of long and short positions to reduce the overall portfolio exposure to certain risks, including stock market volatility and industry specific exposures.

To a lesser extent, the following techniques may also be used on an opportunistic basis in order to enhance the Partnership's returns:

(d) executing upon arbitrage strategies where the Partnership can capture the price spread between: (i) the current market price of a subject security and the value of the subject security upon completion of a take-over or merger that has been announced (merger arbitrage); and (ii) the price of convertible securities and the value of the underlying securities to lock in a conversion profit or to conserve and protect the coupon on such securities (convertible arbitrage);

(e) identifying restructuring or spin-off opportunities in companies that may be involved in multiple lines of business (spinning-off divisions may provide arbitrage or net pricing opportunities);

(f) participating in select private placements of companies that have compelling growth characteristics (as outlined in (a) above) and offer potential for significant price appreciation upon completion of their initial public offering; and

(g) purchasing, holding and selling gold, silver and other precious metals.

The Investment Manager has received exemptive relief from securities regulatory authorities from certain requirements under applicable securities legislation to permit the Partnership to invest in securities of Sprott Inc., Sprott Resource Corp., Sprott Resource Lending Corp. and any future related persons or companies (being each individually, a Related Issuer and collectively, the Related Issuers). Each purchase of securities of a Related Issuer will occur in the secondary market and not under primary distributions or treasury offerings of such Related Issuers. In addition, the Partnership will only purchase exchange-traded securities of such Related Issuers. Furthermore, the independent review committee of the Partnership must approve the purchase or sale of securities of such Related Issuers by the Partnership in accordance with section 5.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds*. Not later than the 90th day after the end of each financial year of the Partnership, the Investment Manager will file with the applicable securities regulatory authority the particulars of any such investments on behalf of the Partnership. See "Conflicts of Interest".

In addition, the Partnership may obtain exposure to securities through investing in Underlying Funds, including underlying mutual funds, pooled funds and closed-end funds managed by the Investment Manager and/or its affiliates and associates. Underlying Funds will be selected with consideration for each Underlying Fund's investment objectives and strategies, past performance and volatility, among other factors. It is expected that no one Underlying Fund will represent, at the time of purchase, more than 20% of the net assets of the Partnership. Limited Partners may receive, upon request and free of charge, a copy of the prospectus or offering memorandum, if available, and the audited annual financial statements and semi-annual financial statements of any Underlying Fund in which the Partnership invests. See "Conflicts of Interest".

The General Partner reserves the right to amend (without the approval of the Limited Partners) the Limited Partnership Agreement in respect of the Partnership's investment objective and strategies. No such change may be made unless 105 days' prior written notice is given to each Limited Partner.

INVESTMENT RESTRICTIONS

The activities of the Partnership are subject to certain investment restrictions (the "**Investment Restrictions**") contained in the Limited Partnership Agreement which may be amended if changes are necessary in order to comply with applicable law (in which case the General Partner will promptly notify the Limited Partners of any such amendment if it is material) or by Special Resolution (as hereinafter defined) and consent in writing by the General Partner. In addition, the General Partner reserves the right to amend (without the approval of the Limited Partners) the Investment Restrictions contained in the Limited Partnership Agreement, provided that 105 days' prior written notice of the proposed change is given to each Limited Partner.

For the purpose of the Investment Restrictions listed below, all percentage limitations apply only immediately after a transaction, and any subsequent change in any applicable percentage resulting from changing values will not require the disposition of any portfolio securities. These Investment Restrictions will govern the activities of the Partnership including the investment of its assets and the incurrence of debt, and provide, among other things, as follows:

1. *Sole Undertaking* - The Partnership will not engage in any undertaking other than the investment of its assets in accordance with the Partnership's investment objective and strategies, and subject to the Investment Restrictions, and such activities as are necessary or ancillary with respect thereto;

2. *Purchasing Securities* - The Partnership will not purchase securities other than through normal market facilities unless the purchase price thereof approximates or is less than the prevailing market price or is negotiated or established on an arm's length basis by the Investment Manager;

3. *Fixed Price* - The Partnership will not purchase any security which may by its terms require the Partnership to make a contribution in addition to the payment of the purchase price, other than as described above under "Investment Objective and Strategies", provided that this restriction shall not apply to the purchase of securities which are paid for on instalments which are fixed at the time the first instalment is paid;

4. *Limitations* -

    (a) The total amount invested by the Partnership in any one issuer (other than any Underlying Fund) will not exceed 15% of the Net Asset Value of the Partnership;

    (b) The Partnership will invest primarily in securities traded in Canadian and U.S. markets; and

5. *Commodities* – The Partnership will be permitted to purchase or sell commodities and take physical delivery thereof without limitation. The Partnership may also purchase or sell commodity futures or options as a means of hedging certain identifiable commodity price risks inherent in the Partnership's portfolio.

The foregoing disclosure of investment objective, strategies and Investment Restrictions may constitute "forward-looking information" for the purpose of applicable securities legislation as it contains statements of the intended course of conduct and future operations of the Partnership. These statements are based on assumptions made by the Investment Manager of the success of its investment strategies in certain market conditions, relying on the experience of the Investment Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made

by the Investment Manager and the success of its investment strategies are subject to a number of factors. Economic and market conditions may change, which may materially impact the success of the Investment Manager's intended strategies as well as its actual course of conduct. Investors are strongly advised to read the section of this Offering Memorandum under the heading "Risk Factors" for a discussion of factors that may impact the operations and success of the Partnership.

THE LIMITED PARTNERSHIP AGREEMENT

Introduction

The following is a summary of the Limited Partnership Agreement. This summary is not intended to be complete and each subscriber should carefully review the Limited Partnership Agreement which is attached to this Offering Memorandum as Appendix "1".

A subscriber for Units will become a Limited Partner upon the acceptance by the General Partner of the subscription and the recording of the subscriber as a Limited Partner in the register of Limited Partners maintained by the General Partner pursuant to the *Limited Partnerships Act* (Ontario). The rights and obligations of the Limited Partners and the General Partner under the Limited Partnership Agreement are governed by the laws of the Province of Ontario.

Units

Each Unit represents an undivided interest in the Partnership. The Partnership is authorized to issue an unlimited number of classes and/or series of Units and an unlimited number of Units in each such class or series. The Partnership may issue fractional Units so that subscription funds may be fully invested. Each Unit of a particular class shall be equal to each other Unit of the same class with respect to all matters, including the right to vote, receive allocations and distributions from the Partnership, liquidation and other events in connection with the Partnership. No Unit shall have any preference, conversion, exchange, pre-emptive or redemption rights in any circumstances over any other Unit (except as specifically provided in the Limited Partnership Agreement). Units are issuable in one or more classes which may be subject to different administrative fees, Management Fees and performance fees, if any, than those chargeable against Units of another class, and may designate one or more series of Units within such class. Each Limited Partner shall be entitled to one vote for each whole Unit held by him or her in respect of all matters to be decided upon by the Limited Partners. Units represent the right of Limited Partners to participate in the Net Profits or Net Losses of the Partnership. Title to Units is conclusively evidenced by the register of Limited Partners maintained by the General Partner. Certificates for Units will not be issued. However, on any purchase or redemption of Units, the General Partner will issue confirmation slips indicating the nature of the transaction affected by the Limited Partner and the number, class and series (as applicable) of Units held by such Limited Partner after such transaction.

Functions and Powers of the General Partner

The General Partner controls and has responsibility for the business of the Partnership, to bind the Partnership and to admit Limited Partners and do or cause to be done in a prudent and reasonable manner any and all acts necessary, appropriate or incidental to the business of the Partnership.

The General Partner has exclusive authority to manage and control the operations and affairs of the Partnership, and to make all decisions regarding the business of the Partnership (in respect of certain of such decisions the Partnership has retained the Investment Manager to advise the General Partner and the Partnership). The General Partner is required to exercise its powers and discharge it duties honestly, in good faith and in the best interests of the Partnership and to exercise the degree of care, diligence and skill

of a prudent and qualified administrator. Certain restrictions are imposed on the General Partner, including that it may not dissolve the Partnership nor wind-up the Partnership's affairs except in accordance with the provisions of the Limited Partnership Agreement. Subject to applicable regulatory requirements, the General Partner will have the power to change the Partnership's year-end if it is determined to be in the best interests of the Partnership and the Limited Partners.

The General Partner has the power to make any and all elections, determinations or designations under the Tax Act or any other taxation or other legislation or laws of like import of Canada or of any province or jurisdiction on behalf of the Partnership and each Limited Partner, in respect of such Limited Partner's interest in the Partnership. The General Partner must file, on behalf of the General Partner and the Limited Partners, any information return required to be filed in respect of the activities of the Partnership under the Tax Act or any other taxation or other legislation or laws of like import of Canada or of any province or jurisdiction.

Pursuant to the Limited Partnership Agreement, the General Partner is responsible for the management and certain administrative functions for the Partnership, including maintaining books of account, calculating the Net Asset Value of the Partnership, determining the amount of distributions to Limited Partners, if any, monitoring the performance of the Investment Manager, preparing, filing and mailing all reports and other documentation required to be delivered to governmental authorities, and processing subscriptions and redemptions of Units. The General Partner, on behalf of the Partnership, has retained the Investment Manager to provide investment advisory and certain management and administrative services described above to the Partnership.

As compensation for providing services to the Partnership, the Investment Manager receives a monthly Management Fee from the Partnership attributable to Class A Units, Class F Units and, in certain circumstances, Class I Units. Each class of Units is responsible for the Management Fee attributable to that class. Management Fees in respect of each class of Units will be calculated and payable monthly in arrears as of each Valuation Date. See "Fees and Expenses – Management Fees".

The Partnership is also responsible for its own operating expenses. Operating expenses include, among others, legal, audit, custodial, prime broker and safekeeping fees, distribution expenses, taxes, brokerage commissions, interest, operating and administrative costs, investor servicing costs and the costs of reports to the Limited Partners. Each class of Units is responsible for the operating expenses that relate specifically to that class and for its proportionate share of the common expenses of the Partnership that relate to all classes of Units. See "Fees and Expenses – Operating Expenses".

The Limited Partnership Agreement provides that the General Partner assumes no responsibility to the Partnership and will bear no liability to the Partnership or any Limited Partner for any loss suffered by the Partnership which arises out of any action or inaction of the General Partner if such course of conduct did not constitute negligence or misconduct of the General Partner and if the General Partner in good faith determined that such course of conduct was in the best interests of the Partnership. The Limited Partnership Agreement also provides that the General Partner is entitled to indemnification out of the assets of the Partnership against expenses, including legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by the General Partner in connection with the Partnership, provided such expenses were not the result of negligence or misconduct on the part of the General Partner. Similar provisions are included in the Portfolio Management Agreement as they relate to the Investment Manager.

Transfer of Units

A Limited Partner may, without charge and with the written consent of the General Partner, transfer all or any of the Units owned by him or her by delivering to the General Partner at its office in Toronto, Ontario

a request for transfer in the form attached as Exhibit "A" to the Limited Partnership Agreement or in another form of transfer acceptable to the General Partner, together with such evidence of the genuineness of each such endorsement execution and authorization and of such other matters (including that the transfer is being made in compliance with all applicable securities legislation) as may be reasonably required by the General Partner. A transfer will not be effective unless and until it is recorded on the register of Limited Partners. Limited Partners should consult with their own tax advisors regarding any tax implications in connection with transferring Units.

Pursuant to the provisions of the transfer, when the transferee of a Unit has been registered as a Limited Partner, the transferee will become a party to the Limited Partnership Agreement and will be subject to the obligations and entitled to the rights of a Limited Partner under the Limited Partnership Agreement. A transferor of Units will remain liable to reimburse the Partnership for any amounts distributed to him or her by the Partnership which may be necessary to restore the capital of the Partnership to the amount existing immediately prior to such distribution, if the distribution resulted in a reduction of the capital of the Partnership resulting in the inability of the Partnership to pay its debts as they became due.

Meetings

The General Partner may at any time convene a meeting of the Limited Partners and will be required to convene a meeting on receipt of a request in writing of Limited Partners holding in the aggregate not less than 33⅓% of the Units then outstanding. Each Limited Partner is entitled to one vote for each whole Unit held. Only Limited Partners of record on the date of the meeting shall be entitled to vote at such meeting. The General Partner is entitled to one vote in its capacity as General Partner. The approval of Limited Partners shall be given by an Ordinary Resolution (as defined below), except for those matters which require approval by Special Resolution (as defined below). A quorum for the transaction of business at a meeting of Limited Partners shall consist of two or more Limited Partners present in person or represented by proxy and entitled to vote holding at least 5% of the Units then outstanding, except for purposes of: (i) passing a Special Resolution in which case such persons must hold at least 33⅓% of the Units then outstanding and entitled to vote thereon; and (ii) passing a Special Resolution to remove the General Partner, in which case such persons must hold at least 50% of the Units then outstanding and entitled to vote thereon. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, Limited Partners holding a majority of the Units which are present in person or represented by proxy will have the power to adjourn the meeting to another day and time and at such adjourned meeting a quorum will consist of Limited Partners then and there present in person or represented by proxy and voting. The insiders and affiliates of the General Partner and any directors or officers of such persons, if any, who hold Units will not be entitled to vote on any Special Resolution to replace the General Partner.

An "**Ordinary Resolution**" means a resolution passed by a majority of the votes cast at a duly constituted meeting of the Limited Partners or an instrument in writing signed by a majority of the Limited Partners.

A "**Special Resolution**" means a resolution passed by not less than two-thirds of the votes cast at a duly constituted meeting of the Limited Partners called for the purpose of considering such resolution or an instrument in writing signed by two-thirds of the Limited Partners.

Amendments

Except as described herein, the Limited Partnership Agreement may only be amended with the consent of the General Partner and with the consent of the Limited Partners given by Special Resolution. However, no amendment can be made to the Limited Partnership Agreement which would have the effect of reducing the interest in the Partnership of the Limited Partners, changing the liability of any Limited Partner, allowing any Limited Partner to participate in the operation, management or control of the

business of the Partnership, changing the right of Limited Partners to vote at any meeting or changing the Partnership from a limited partnership to a general partnership. Limited Partners may by Special Resolution remove the General Partner and by ordinary resolution appoint a new General Partner, who, upon acceptance, will assume all managerial duties, powers and obligations imposed upon or granted to the General Partner under the Limited Partnership Agreement. No amendment which would adversely affect the interests of the General Partner may be made without the General Partner's consent.

The General Partner is entitled to make certain amendments from time to time to the Limited Partnership Agreement without prior notice to, or consent from, the Limited Partners for the purpose of amending or adding any provisions which, in the opinion of legal counsel to the Partnership, are for the protection or benefit of the Limited Partners or the Partnership, for the purpose of curing any ambiguity or clerical error, for the purpose of reflecting any changes to any applicable legislation, or for the purpose of correcting or supplementing any provision which may be defective or inconsistent with any other provision. Such amendments may only be made if they will not in any manner materially adversely affect the interests of any Limited Partner.

Power of Attorney

The Limited Partnership Agreement, and the subscription form and the transfer form forming a part thereof, includes an irrevocable power of attorney authorizing the General Partner on behalf of the Limited Partners to execute the Limited Partnership Agreement, any amendments to the Limited Partnership Agreement and all instruments necessary to reflect the dissolution and termination of the Partnership, all documents necessary to be filed with any governmental body of any province or other jurisdiction in connection with the activities, property, assets and undertaking of the Partnership as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or jurisdiction with respect to the affairs of the Partnership or a Limited Partner's interest in the Partnership.

DETAILS OF THE OFFERING

Units are being offered by the Partnership on a continuous basis to an unlimited number of eligible subscribers who are prepared to invest a sufficient amount to meet the minimum initial subscription requirements or who are otherwise qualified investors. There need not be any correlation between the number of Class A Units, Class F Units and Class I Units sold hereunder. The differences among the three classes of Units are the different eligibility criteria, fee structures and administrative expenses associated with each class. For a description of the Management Fees attributable to Class A Units, Class F Units and Class I Units, which the Investment Manager receives from the Partnership or in certain circumstances from a Limited Partner with respect to Class I Units, see "Fees and Expenses – Management Fees".

As at the date of this Offering Memorandum, the minimum initial subscription amount for persons purchasing as principal is $150,000. This minimum amount is net of any sales commissions paid by a subscriber to their registered dealer. At the sole discretion of the General Partner, subscriptions may be accepted for lesser amounts from persons who are "accredited investors" as defined under NI 45-106.

Class A Units will be issued to qualified purchasers.

Class F Units will be issued to: (i) purchasers who participate in fee-based programs through eligible registered dealers; (ii) qualified purchasers in respect of whom the Partnership does not incur distribution costs; and (iii) qualified individual purchasers in the General Partner's sole discretion. If a Limited Partner ceases to be eligible to hold Class F Units, the General Partner may, in its sole discretion, exchange such Limited Partner's Class F Units for Class A Units on five days' notice, unless such

Limited Partner notifies the Partnership during the notice period and the General Partner agrees that the Limited Partner is once again eligible to hold Class F Units.

Class I Units will be issued to institutional investors at the discretion of the General Partner. If a Limited Partner ceases to be eligible to hold Class I Units, the General Partner may, in its discretion, exchange such Limited Partner's Class I Units for Class A Units on five days' notice, unless such Limited Partner notifies the Partnership during the notice period and the General Partner agrees that the Limited Partner is once again eligible to hold Class I Units.

Subject to the consent of the General Partner, Limited Partners may exchange or switch all or part of their investment in the Partnership from one class of Units to another class if the Limited Partner is eligible to purchase that class of Units. The timing and processing rules applicable to purchases and redemptions of Units also applies to exchanges or switches between classes of Units. See "Redemption of Units". Upon an exchange or switch from one class of Units to another class, the number of Units held by the Limited Partner will change since each class of Units has a different Net Asset Value per Unit.

Generally, exchanges or switches between classes of Units are not dispositions for tax purposes. However, Limited Partners should consult with their own tax advisors regarding any tax implications of exchanging or switching between classes of Units.

Units are being offered to investors resident in the Offering Jurisdictions pursuant to exemptions from the prospectus requirements under section 2.3 (accredited investor exemption) and section 2.10 (minimum amount investment exemption) under NI 45-106 and, where applicable, the registration requirements under NI 31-103.

Purchasers will be required to make certain representations in the subscription form, and the General Partner and the Partnership will be entitled to rely on such representations, to establish the availability of the exemptions under NI 45-106 and NI 31-103. No subscription will be accepted unless the General Partner is satisfied that the subscription is in compliance with applicable securities legislation. Investors other than individuals that are "accredited investors" (as defined under NI 45-106) must also represent to the General Partner (and may be required to provide additional evidence at the request of the General Partner to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor.

The following persons and entities <u>may not</u> invest in Units of this Partnership:

(a) "non-Canadians" within the meaning of the *Investment Canada Act* (Canada);

(b) "non-residents" of Canada, "tax shelters", "tax shelter investments" or persons or entities an investment in which would be a "tax shelter investment", all within the meaning of the Tax Act;

(c) "financial institutions" within the meaning of Section 142.2 of the Tax Act; or

(d) a partnership which does not contain a prohibition against investment by the persons or entities referred to in the foregoing paragraphs (a), (b) and (c).

In the event that any Limited Partner subsequently becomes a "non-Canadian", a "non-resident" of Canada, a "tax shelter", a "tax shelter investment", a person or an entity an investment in which would be a "tax shelter investment", a "financial institution" or a partnership with any of the foregoing as a member or the Limited Partner's interest in the Partnership subsequently becomes a "tax shelter investment", such Limited Partner is required to immediately notify the General Partner in writing of such change in status and such Limited Partner's Units will be redeemed by the Partnership on the next Valuation Date.

Units will be distributed in the Offering Jurisdictions through registered dealers, including the Investment Manager and Sprott Private Wealth LP, and such other persons as may be permitted by applicable law. In the event of such distribution, registered dealers (other than the Investment Manager) will be entitled to the compensation described under "Dealer Compensation". Subject to the requirements under NI 31-103, the Investment Manager may pay, out of the Management Fees it receives from the Partnership, a negotiated referral fee to registered dealers or other persons in connection with the sale of Units. See "Dealer Compensation – Referral Fees".

Units will be offered at a price equal to the Net Asset Value per Unit for the applicable class of Units on each Valuation Date (determined in accordance with the Limited Partnership Agreement). A separate Net Asset Value per Unit is calculated on a Valuation Date for each class of Units by taking the proportionate share of the net assets of the Partnership allocated to that class of Units, subtracting the expenses of that class of Units and the proportionate share of the common expenses of the Partnership allocated to that class of Units and dividing the result by the number of Units of that class held by Limited Partners.

Units may be purchased as at the close of business on a Valuation Date if a duly completed subscription form and the required payment reaches the General Partner no later than 4:00 p.m. (Toronto time) on such Valuation Date.

The Net Asset Value (and Net Asset Value per Unit) for the applicable class of Units determined for the purposes of a subscription or redemption of Units which takes place other than at the Partnership's fiscal year-end will reflect a reduction to take into account the General Partner's share of Net Profits based on the annualized returns of the Partnership (realized and unrealized) from the date of commencement of the fiscal year to the date of the issuance or redemption of the Units.

By executing a subscription form for Units in the form prescribed from time to time by the General Partner, each subscriber is acknowledging that the investment portfolio and trading procedures of the Partnership are proprietary in nature and agrees that all information relating to such investment portfolio and trading procedures shall be kept confidential by such subscriber and will not be disclosed to third parties (excluding the subscriber's professional advisors) without the prior written consent of the General Partner.

See "The Limited Partnership Agreement - Units" for a brief summary of the attributes of the Units. Reference is made to the Limited Partnership Agreement attached hereto as Appendix "1" for a full and complete description of such attributes.

FEES AND EXPENSES

Management Fees

As compensation for providing services to the Partnership, the Investment Manager receives a monthly Management Fee from the Partnership attributable to Class A Units, Class F Units and, in certain circumstances described below, Class I Units. Each class of Units is responsible for the Management Fee attributable to that class.

Class A Units

The Partnership pays the Investment Manager a monthly Management Fee equal to 1/12 of 2% of the Net Asset Value of the Class A Units (determined in accordance with the Limited Partnership Agreement), plus any applicable HST, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class A Units as at the last business day of each month.

Class F Units

The Partnership pays the Investment Manager a monthly Management Fee equal to 1/12 of 1% of the Net Asset Value of the Class F Units (determined in accordance with the Limited Partnership Agreement), plus any applicable HST, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class F Units as at the last business day of each month.

Class I Units

Subject to the discretion of the General Partner, investors who purchase Class I Units must either: (i) enter into an agreement with the Investment Manager which identifies the monthly Management Fee negotiated with the investor which is payable by the investor directly to the Investment Manager; or (ii) enter into an agreement with the Partnership which identifies the monthly Management Fee negotiated with the investor which is payable by the Partnership to the Investment Manager. In each circumstance, the monthly Management Fee, plus any applicable HST, is calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class I Units as at the last business day of each month.

Allocation of Net Profits and Net Losses

Generally, Net Profits or Net Losses (as such terms are defined in the Limited Partnership Agreement) of the Partnership which are allocable to Limited Partners during any fiscal period will be allocated on each Valuation Date to Limited Partners in proportion to the number of Units held by each of them as at each Valuation Date, subject to adjustment to reflect subscriptions and redemptions of Units made during the fiscal period, as described below.

If the Partnership generates a positive return on investment which is equal to or less than 10% in any fiscal year, then all Net Profits of the Partnership for such fiscal year will be allocated to the Limited Partners.

To the extent that the Partnership generates a negative return on investment in any fiscal year, such negative return will be carried forward for a period of one year to effectively offset profits on which the General Partner's share of income would otherwise be calculated in the subsequent year.

If the Partnership generates a return on investment which is greater than 10% in any fiscal year (or which is sufficient to fully offset any negative returns from the previous fiscal year and then generate a return on investment which is greater than 10%), then the first 10% (plus an amount equal to the negative return from the previous year, if any) shall be allocated to the Limited Partners and all Net Profits of the Partnership above such return threshold for such fiscal year will be allocated as to 20% to the General Partner and as to 80% to the Limited Partners. Net Losses of the Partnership for any fiscal year will be allocated as to 99.999% to the Limited Partners and as to 0.001% to the General Partner. For these purposes, "return on investment" will include unrealized gains and losses. For the purposes of subscriptions and redemptions other than at a year-end, the Partnership's Net Profits will be annualized for the purposes of determining whether the return threshold has been met. The General Partner reserves the right to adjust allocations to account for Units purchased or redeemed during a fiscal year and other relevant factors. See "Distributions and Computation and Allocation of Net Profits or Net Losses".

Early Redemption Fee

The General Partner may, in its sole discretion, impose an early redemption fee equal to 5% of the aggregate Net Asset Value of Units redeemed if such Units are redeemed within 120 days of their date of purchase. This early redemption fee will be deducted from the redemption amount otherwise payable to a Limited Partner and will be paid to the Partnership. No early redemption fee will be charged in respect of the redemption of Units which were acquired by a Limited Partner through the automatic reinvestment of all distributions of net income or capital gains by the Partnership or where the General Partner requires a Limited Partner to redeem some or all of the Units owned by such Limited Partner. This early redemption fee is in addition to any other fees a Limited Partner is otherwise subject to under this Offering Memorandum.

Operating Expenses

The Partnership is responsible for its own operating expenses. Operating expenses include, among others, legal, audit, custodial, prime broker and safekeeping fees, distribution expenses, taxes, brokerage commissions, interest, operating and administrative costs, investor servicing costs and the costs of reports to the Limited Partners. Each class of Units is responsible for the operating expenses that relate specifically to that class and for its proportionate share of the common expenses of the Partnership that relate to all classes of Units.

Underlying Fund Fees and Expenses

Each of the Underlying Funds is generally subject to management fees, performance fees, if any, and operating expenses that are paid out of the assets of the Underlying Fund. As a result, Limited Partners in the Partnership will indirectly bear a proportionate share of such fees and expenses of the Underlying Funds. However, where an Underlying Fund is managed by the Investment Manager there will be no management fees or performance fees payable in respect of securities of such an Underlying Fund held by the Partnership that, to a reasonable person, would duplicate a fee payable to the Investment Manager by the Underlying Fund for the same service. In addition, no sales charges or redemption fees are payable by the Partnership in relation to its purchase or redemption of securities of the Underlying Funds. See "Conflicts of Interest".

DEALER COMPENSATION

Units will be distributed in the Offering Jurisdictions through registered dealers, including the Investment Manager and Sprott Private Wealth LP, and such other persons as may be permitted by applicable law. In the event of such distribution, registered dealers (other than the Investment Manager) will be entitled to the compensation described below.

Sales Commission

No sales commission is payable to the General Partner or the Investment Manager in respect of Units purchased directly by a subscriber. However, registered dealers may, at their discretion, charge purchasers a front-end sales commission of up to 5% of the Net Asset Value of the Class A Units purchased by the subscriber. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be payable directly by the purchaser to their dealer.

Service Commission

The Investment Manager pays a monthly service commission to participating registered dealers, including Sprott Private Wealth LP, equal to 1/12th of 1% of the Net Asset Value of the Class A Units sold by such dealers then outstanding. Payments are calculated and paid monthly to registered dealers from the Management Fees the Investment Manager receives from the Partnership. Notwithstanding the foregoing, the Investment Manager, in its sole discretion, reserves the right to change the frequency of payment to registered dealers of the service commission to a quarterly or annual basis.

Referral Fees

Subject to the requirements under NI 31-103, the Investment Manager may pay, out of the Management Fees it receives from the Partnership, a negotiated referral fee to registered dealers or other persons in connection with the sale of Units.

SUBSCRIPTION PROCEDURE

Subscriptions for Units must be made by completing the subscription form and power of attorney in the form prescribed from time to time by the General Partner and by forwarding such documents together with cheque(s) for payment of the minimum subscription amount to the General Partner. Subscription funds provided prior to a Valuation Date will be kept in a segregated account. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the General Partner in its sole discretion. No subscription for Units will be accepted from a purchaser unless the General Partner is satisfied that the subscription is in compliance with the requirements of applicable securities legislation. In the event a subscription for Units is rejected, any subscription funds forwarded by the subscriber will be returned without interest or deduction. Subscribers whose subscriptions for Units have been accepted by the General Partner will become Limited Partners.

By executing the subscription form for Units, each subscriber represents to the General Partner, the Partnership and to all other Limited Partners that, among other things, the Limited Partner is (a) not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada); (b) a "non-resident" of Canada, a "tax shelter", a "tax shelter investment" or a person or an entity an investment in which would be a "tax shelter investment", all within the meaning of the Tax Act; (c) a "financial institution" within the meaning of Section 142.2 of the Tax Act; or (d) a partnership which does not contain a prohibition against investment by the foregoing persons or entities. In the event that any Limited Partner subsequently becomes a "non-Canadian", a "non-resident" of Canada, a "tax shelter", a "tax shelter investment", a person or an entity an investment in which would be a "tax shelter investment", a "financial institution" or a partnership with any of the foregoing as a member or the Limited Partner's interest in the Partnership subsequently becomes a "tax shelter investment", such Limited Partner is required to immediately notify the General Partner in writing of such change in status and such Limited Partner's Units will be redeemed by the Partnership on the next Valuation Date.

Purchasers will be required to make certain representations (including those noted in the foregoing paragraph) in the subscription form, and the General Partner and the Partnership are entitled to rely on such representations, to establish the availability of exemptions from the prospectus and registration requirements described under NI 45-106 and NI 31-103. In addition, each subscriber is also acknowledging in the subscription form that the investment portfolio and trading procedures of the Partnership are proprietary in nature and agrees that all information relating to such investment portfolio and trading procedures will be kept confidential by such subscriber and will not be disclosed to third parties (excluding the subscriber's professional advisors) without the prior written consent of the General Partner.

ADDITIONAL SUBSCRIPTIONS

Following the required initial minimum investment in the Partnership, Limited Partners resident in the Offering Jurisdictions may make additional investments of not less than $5,000 provided that, at the time of the subscription for additional Units, the Limited Partner is an "accredited investor" as defined under NI 45-106. Limited Partners who are not "accredited investors", but previously invested in and continue to hold Units having an aggregate initial acquisition cost or current Net Asset Value equal to $150,000, will also be permitted to make subsequent investments in the Partnership of not less than $5,000. The General Partner may, in its sole discretion, from time to time permit additional investments of lesser amounts. Limited Partners subscribing for additional Units should complete the subscription form prescribed from time to time by the General Partner.

RESALE RESTRICTIONS

As the Units offered pursuant to this Offering Memorandum are being distributed pursuant to exemptions from the prospectus requirements under NI 45-106, the resale of these Units by subscribers is subject to restrictions unless a further statutory exemption may be relied upon by the subscriber or an appropriate discretionary order is obtained from the appropriate securities regulatory authorities pursuant to applicable securities legislation. Investors should consult with their professional advisors prior to subscribing for Units. Furthermore, no transfers of Units may be affected unless the General Partner, in its sole discretion, approves the transfer and the proposed transferee. The General Partner also reserves the right to exchange Class F Units or Class I Units, as the case may be, for Class A Units upon transfer if the General Partner determines that the proposed transferee is ineligible to hold Class F Units or Class I Units, as the case may be. Limited Partners should consult with their own tax advisors regarding the implications of transferring Units from one class to another. There is no market for these Units and no market is expected to develop, therefore it may be difficult or even impossible for a purchaser to sell their Units other than by way of a redemption of their Units on a Valuation Date.

Subscribers are advised to consult with their professional advisors concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable securities legislation and the Limited Partnership Agreement.

DISTRIBUTIONS AND COMPUTATION AND ALLOCATION OF NET PROFITS OR NET LOSSES

Distributions

Distributions will be made to holders of Units only at such times and in such amounts as may be determined in the discretion of the General Partner.

Computation and Allocation of Net Profits or Net Losses

Generally, Net Profits or Net Losses of the Partnership which are allocable to Limited Partners during any fiscal period will be allocated on each Valuation Date to Limited Partners in proportion to the number of Units held by each of them as at each Valuation Date, subject to adjustment to reflect subscriptions and redemptions of Units made during the fiscal period, as described below.

Net Profits or Net Losses of the Partnership will be determined in accordance with Canadian generally accepted accounting principles and subject to an annual audit by the Partnership's auditors. If the Partnership generates a positive return on investment which is equal to or less than 10% in any fiscal year, then all Net Profits of the Partnership for such fiscal year will be allocated to the Limited Partners.

To the extent that the Partnership generates a negative return on investment in any fiscal year, such negative return will be carried forward for a period of one year to effectively offset profits on which the General Partner's share of income would otherwise be calculated in the subsequent year.

If the Partnership generates a return on investment which is greater than 10% in any fiscal year (or which is sufficient to fully offset any negative returns for the previous fiscal year and then generate a return on investment which is greater than 10%), then the first 10% (plus an amount equal to the negative return for the previous year, if any) shall be allocated to the Limited Partners and all Net Profits of the Partnership above such return threshold for such fiscal year will be allocated as to 20% to the General Partner and as to 80% to the Limited Partners. Net Losses of the Partnership for any fiscal year will be allocated as to 99.999% to the Limited Partners and as to 0.001% to the General Partner. For these purposes, "return on investment" will include unrealized gains and losses. For the purposes of subscriptions and redemptions other than at a year-end, the Partnership's Net Profits will be annualized for the purposes of determining whether the return threshold has been met. The General Partner reserves the right to adjust allocations to account for Units purchased or redeemed during a fiscal year and other relevant factors. For further details see the Limited Partnership Agreement attached hereto as Appendix "1".

Allocation of Income or Loss for Tax Purposes

The Partnership will allocate its income or loss calculated in accordance with the provisions of the Tax Act and the Limited Partnership Agreement to the General Partner and to the Limited Partners in the same manner, as nearly as practicable, as Net Profits or Net Losses will be allocated.

Where in the course of any fiscal year Units are redeemed by one or more Limited Partners or are acquired from the Partnership, the General Partner may, but is not required to, adopt and amend an allocation policy from time to time intended to allocate income or loss (and/or taxable capital gains or allowable capital losses) in such a manner as to account for Units which are purchased or redeemed throughout such fiscal year, the class and/or series of such Units, the tax basis of such Units, the fees payable by the Partnership in respect of each such class and/or series of Units, and the timing of receipt of income or realization of gains or losses by the Partnership during such year, among other factors deemed relevant by the General Partner. To such end, any person who was a Limited Partner at any time during a fiscal year but who has redeemed or transferred all of their Units before the last day of such fiscal year may be deemed to be a Limited Partner on the last day of such fiscal year and/or the following fiscal year for the purposes of subsection 96(1.1) of the Tax Act (or any successor provision), and such person will be deemed to be a Limited Partner on the last tax day of such fiscal year pursuant to proposed subsection 96(1.01), and income or loss in such fiscal year may be allocated to such former Limited Partner. A Limited Partner who is considering disposing of Units during a fiscal year of the Partnership should obtain specific tax advice.

Notwithstanding the foregoing, in the event that a Limited Partner receives an amount from the General Partner or any other person which amount is included in computing the income of the Partnership in accordance with subsection 12(2.1) of the Tax Act (or any successor provision), for the purposes of allocating taxable income or loss of the Partnership for the year, any such amount shall be allocated to the particular Limited Partner to whom such payment was made in an amount equal to the amount of such payment and not to any other Limited Partner.

REDEMPTION OF UNITS

An investment in Units is intended to be a long-term investment. However, Units may be redeemed at their Net Asset Value per Unit for the applicable class (determined in accordance with the Limited Partnership Agreement) on any Valuation Date, provided the request for redemption is submitted at least 60 days prior to such Valuation Date. The General Partner has the sole discretion to accept or reject

redemption requests and intends to accept redemption requests in circumstances where it would not be prejudicial to the Partnership. Payment of the redemption amount will be paid to the redeeming Limited Partner not later than the 30th day following the applicable Valuation Date upon which such redemption is effective.

Any written request by a Limited Partner for the redemption of Units shall be deemed to constitute the entire notice to the Partnership and shall, unless the General Partner determines otherwise in its sole discretion, supersede all previous requests, communications, representations, understandings and agreements, written or verbal, between the Limited Partner and the Partnership with respect to the redemption of Units including, but not limited to, any prior notices of redemption.

The General Partner reserves the right to hold back up to 20% of the aggregate redemption amount payable to a Limited Partner in order to provide an orderly disposition of assets. The term of such hold back will not exceed a reasonable time period, having regard to the applicable circumstances.

Any Limited Partner whose total combined investment in all classes of Units in the Partnership represents 10% or greater of the Net Asset Value of the Partnership, when measured at market value, is restricted from filing a redemption request which exceeds 10% of the Net Asset Value of the Partnership, when measured at market value.

If on any Valuation Date the General Partner has received from one or more Limited Partners requests to redeem 10% or more of the outstanding Units, payment of the redemption amount to such Limited Partners may be deferred until the next quarter-end. Such deferral may take place if, in the sole judgement of the General Partner, extra time is warranted to facilitate the orderly liquidation of portfolio security positions to meet such redemption requests. The redemption amount payable to Limited Partners will be adjusted by changes in the Net Asset Value of the Partnership during this period and calculated on each Valuation Date in respect of the payment to be made on such date.

The General Partner may, in its sole discretion, impose an early redemption fee equal to 5% of the aggregate Net Asset Value of Units redeemed if such Units are redeemed within 120 days of their date of purchase. This early redemption fee will be deducted from the redemption amount otherwise payable to a Limited Partner and will be paid to the Partnership. No early redemption fee will be charged in respect of the redemption of Units which were acquired by a Limited Partner through the automatic reinvestment of all distributions of net income or capital gains by the Partnership or where the General Partner requires a Limited Partner to redeem some or all of the Units owned by such Limited Partner. This early redemption fee is in addition to any other fees a Limited Partner is otherwise subject to under this Offering Memorandum.

The General Partner may suspend redemption rights of Limited Partners for any period when normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives are traded which, in the aggregate, represent more than 50% of the Net Asset Value (or underlying market exposure) of the Partnership.

The General Partner shall have the right to require a Limited Partner to redeem some or all of the Units owned by such Limited Partner on a Valuation Date at the Net Asset Value per Unit thereof, by notice in writing to the Limited Partner given at least 30 days before the date of redemption, which right may be exercised by the General Partner in its absolute discretion.

At the option of the General Partner, payment of all or any portion of the redemption amount payable to a Limited Partner may be made by providing the Limited Partner with a *pro rata* portion of the securities held in the Partnership's portfolio.

If a redeeming Limited Partner owns Units of more than one class or series of a class, Units will be redeemed on a "first in, first out" basis. Accordingly, Units of the earlier class or series of a class owned by the Limited Partner will be redeemed first, at the redemption price for Units of such class or series of a class, until such Limited Partner no longer owns Units of such class or series of a class.

The Net Asset Value (and Net Asset Value per Unit) for the applicable class of Units determined for the purposes of a subscription or redemption of Units which takes place other than at the Partnership's fiscal year-end will reflect a reduction to take into account the General Partner's share of Net Profits based on the annualized returns of the Partnership (realized and unrealized) from the date of commencement of the fiscal year to the date of the issuance or redemption of the Units.

FINANCIAL DISCLOSURE

Ernst & Young, LLP, Chartered Accountants, Toronto, Ontario are the auditors of the Partnership. Ernst & Young, LLP are also the auditors of the Investment Manager.

Annual audited financial statements of the Partnership, including a calculation of the Net Asset Value per Unit for each class of Units, will be sent to Limited Partners by March 31 of each fiscal year. The General Partner will forward to each Limited Partner interim unaudited financial statements of the Partnership as at and for the six months then ended within 60 days after the end of each such interim period. Within 60 days of the end of each fiscal quarter, the General Partner will provide a short written commentary outlining highlights of the Partnership's activities. The most recent audited annual and/or unaudited interim financial statements of the Partnership are hereby incorporated by reference.

The Partnership has received exemptive relief from securities regulatory authorities from the requirement in paragraph 3.5(1)1 of National Instrument 81-106 – *Investment Fund Continuous Disclosure* to include in its Statement of Investment Portfolio the name of any issuer of securities sold short by the Partnership. The Statement of Investment Portfolio will disclose short positions by industry, the average cost and market value of each industry category, and the percentage of net assets represented by short positions for each industry category. If the Partnership holds any short position in an issuer's securities that exceeds 5% of the Partnership's net assets, the name of such issuer will be disclosed in the Statement of Investment Portfolio.

LIABILITY OF LIMITED PARTNERS AND REGISTRATION OF THE PARTNERSHIP

Under the laws of the Offering Jurisdictions in which Units are being offered, a limited partner of a limited partnership organized under the laws of the Province of Ontario generally will not be liable, subject to certain exceptions, for the obligations of the partnership except in respect of the amount of property that such limited partner contributes or agrees to contribute to the capital of the partnership. A limited partner may not have such limited liability: (i) if he or she is also a general partner of the limited partnership; (ii) if he or she takes part in the management of the business of the limited partnership; (iii) if a certificate of the limited partnership contains a false statement which is relied upon by a person suffering a loss and such limited partner became aware that the statement was false or misleading and failed within a reasonable time to take steps to have the record of limited partners corrected, or where the limited partner signed the certificate or declaration or later became aware of its falsehood and did not amend the certificate or declaration within a reasonable time; and (iv) if the limited partnership fails to comply with the formal requirements of applicable limited partnership legislation. As well, a limited partner may not have such limited liability where a limited partner holds, as trustee for the limited partnership, specific property stated in the certificate or record of limited partnership as contributed by such limited partner, but which has not in fact been contributed or which has been wrongfully returned and money or other property wrongfully paid or conveyed to him or her on account of his or her contribution. Where a limited partner has rightfully received the return, in whole or in part, of the capital

of his or her contribution, the limited partner is nevertheless liable to the limited partnership for any sum, not in excess of that returned with interest, necessary to discharge the limited partnership's liabilities to all creditors who extended credit or whose claims arose before such return.

For certain regulatory purposes, the Partnership may be considered to be carrying on business in certain Offering Jurisdictions by virtue of this offering being made therein and the trading activities of the Partnership. The Partnership has registered as an extra-jurisdictional limited partnership in those Offering Jurisdictions where the Partnership is advised that it will be carrying on business by virtue of this offering or otherwise and where there is provision for registration as an extra-jurisdictional limited partnership. However, there is a risk that Limited Partners may not be afforded limited liability in such Offering Jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one jurisdiction but carrying on business, owning property or incurring obligations in another jurisdiction. The General Partner is responsible for maintaining the registration of the Partnership as an extra-jurisdictional limited partnership in any such Offering Jurisdiction.

Pursuant to the Limited Partnership Agreement, the General Partner has agreed to indemnify and hold harmless each of the Limited Partners (including former Limited Partners) from and against all costs, damages, liabilities or losses incurred resulting from not having limited liability, other than the loss of limited liability caused by any act or omission of the Limited Partner. The General Partner has further agreed to indemnify the Partnership for any costs, damages, liabilities or losses incurred by the Partnership as a result of an act of negligence or misconduct by the General Partner pursuant to the Limited Partnership Agreement. The foregoing indemnity will not extend to liabilities arising from a Limited Partner being called upon to return any distributions paid to them (with interest), whether properly paid or paid in error. In addition, the General Partner has only nominal assets.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a fair summary of the principal Canadian federal income tax considerations with respect to the acquisition, ownership and disposition of Units to an investor who, for the purposes of the Tax Act, is a Canadian resident individual, deals at arm's length with the Partnership, is the initial investor in the Units and will hold Units as capital property and has invested for his or her own benefit and not as a trustee of a trust. The determination of whether the Units are capital property to a holder will depend, in part, on the holder's particular circumstances. Generally, Units will be considered to be capital property to a holder if acquired by him or her for investment purposes and not acquired or held in the course of carrying on a business of trading or dealing in securities or as part of an adventure in the nature of trade. Certain Limited Partners who might not otherwise be considered to hold their Units as capital property may be entitled to have their Units (and every other "Canadian security" owned by them in that taxation year or any subsequent taxation year) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Limited Partners should consult their own tax advisors regarding the availability and the appropriateness of making this election.

This summary is based on the current provisions of the Tax Act, the regulations (the "**Regulations**") and the administrative practices and policies of the Canada Revenue Agency ("**CRA**") and also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposals**"). Except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial or foreign income tax legislation or considerations. There can be no assurance that any Proposals will be enacted in the form proposed, if at all.

This summary is based on the assumption that the Partnership is not a "tax shelter" as that term is defined in the Tax Act and an investment in the Partnership is not a "tax shelter investment" for the purposes of the Tax Act. Legal counsel has obtained a certificate from the General Partner with respect to certain factual matters in regard to the foregoing. This summary further assumes that at all times, all members of the Partnership will be resident in Canada for purposes of the Tax Act and that they will comply in all respects with the restrictions on investors pursuant to the Limited Partnership Agreement.

The income and other tax consequences of acquiring, holding or disposing of Units vary according to the status of the investor, the province or territory in which the investor resides or carries on business and, generally, the investor's own particular circumstances. The following description of income tax matters is, therefore, of a general nature only and is not intended to constitute advice to any particular investor. The income tax consequences described in this summary are based on the assumptions that an investor does not undertake or arrange any transaction relating to his or her Units, other than those referred to in this Offering Memorandum, and that none of the transactions relating to the investor's Units and referred to in this Offering Memorandum is undertaken or arranged primarily to obtain a tax benefit other than those specifically described herein. **Each investor should seek independent advice regarding the tax consequences of investing in Units based upon the investor's own particular circumstances.**

Computation of Income or Loss

The income or loss of the Partnership will be computed as if the Partnership were a separate person resident in Canada. The Partnership's fiscal year end is December 31. In computing the income or loss of the Partnership, deductions will be claimed in respect of all expenses of the Partnership in accordance with and to the extent permitted under the Tax Act.

The Partnership is not itself liable for income tax unless it is a "specified investment flow-through" partnership", or a "SIFT partnership". A partnership is a "**SIFT Partnership**" if the partnership meets the following criteria: (i) the partnership is a Canadian resident partnership; (ii) the units or other securities of the partnership are listed or traded on a stock exchange or other public market; and (iii) the partnership holds one or more "non-portfolio properties". "**Non-portfolio properties**" include, among other things, equity, interests or debt of corporations, trusts or partnerships that are resident in Canada, and of non-resident persons or partnerships the principal source of income of which is one or any combination of sources in Canada, that are held by the SIFT Partnership and have a fair market value that is greater than 10% of the equity value of such entity, or that have, together with debt or equity that the SIFT Partnership holds of entities affiliated with such entity, an aggregate fair market value that is greater than 50% of the equity value of the SIFT Partnership. Units will not be listed on a stock exchange or other public market. Therefore, the Partnership should not be a SIFT Partnership.

Unless the Partnership becomes a SIFT Partnership, each Limited Partner will generally be required to include, in computing his or her income or loss for tax purposes for a taxation year, his or her share of the income or loss (including taxable capital gains or allowable capital losses) allocated to such Limited Partner for each fiscal year of the Partnership for such year, whether or not he or she has received or will receive a distribution from the Partnership. Income and loss of the Partnership for tax purposes will be allocated to Limited Partners in accordance with the provisions of the Limited Partnership Agreement as described under "Allocations of Net Profits or Net Losses". Depending upon the quantum and timing of any Partnership income or losses allocated to a Limited Partner and the amount and timing of distributions, a negative adjusted cost base in the Units held by the Limited Partner could arise. In the event that the adjusted cost base of a Unit held by a Limited Partner is negative at the end of any fiscal period of the Partnership, the Limited Partner would be required to recognize at that time a capital gain equal to such negative amount, one-half of which would be included in the income of the Limited Partner. The adjusted cost base of the Limited Partner's Unit would then be nil. As discussed under the heading "Distributions and Computation and Allocation of Net Profits or Net Losses", the Partnership is not

required to make distributions to Limited Partners in any year, even when income will be allocated to Limited Partners for purposes of the Tax Act. As a result, Limited Partners may be required to pay tax on such income allocation even though the Limited Partner has not received a cash distribution. This may also be the case where an allocation of income is made to a Limited Partner who transferred Units before the end of the year. The Partnership will furnish to each Limited Partner such information as is prescribed by CRA to assist in declaring the Limited Partner's share of the Partnership's income or loss. However, the responsibility for filing any required tax returns and reporting his or her share of the income or loss of the Partnership falls solely upon each Limited Partner.

In general, every member of a Partnership must, in accordance with the Tax Act, file an information return in prescribed form which contains specified information for each taxation year of the Partnership. An information return filed by one member of a Partnership is deemed to have been made by each member of the Partnership. The General Partner has agreed to file the necessary information return.

In general, a Limited Partner's share of any income or loss of the Partnership from any source or from sources in a particular place will be treated as if it were income or loss of the Limited Partner from that source or from sources in that particular place and any provisions of the Tax Act applicable to that type of income or loss will apply to the Limited Partner.

Subject to the "at-risk rules" and the "Proposed Loss Limitation Rules" discussed below, a Limited Partner's share of the business losses, if any, of the Partnership for any fiscal year may be applied against his or her income from any other source to reduce net income for the relevant taxation year and, to the extent it exceeds other income for that year, carried back three years and forward twenty years against taxable income of such other years. Subject to the "at risk rules" discussed below, a Limited Partner's share of the allowable capital losses of the Partnership may be applied only against taxable capital gains and may be carried back three years or forward indefinitely.

The Tax Act provides that, notwithstanding the income or loss allocation provisions of the Limited Partnership Agreement, any losses of the Partnership from a business or property allocated to a Limited Partner will be deductible by such Limited Partner in computing his or her income for a taxation year only to the extent that his or her share of the loss does not exceed his or her "at-risk amount" in respect of the Partnership at the end of the year. In general terms, the "**at-risk amount**" of a Limited Partner in respect of the Partnership at the end of a fiscal year of the Partnership is (i) the adjusted cost base of his or her Units at that time plus (ii) at the end of the fiscal period of the Partnership his or her share of the income of the Partnership for the fiscal year less the aggregate of (iii) all amounts owing by the Limited Partner to the Partnership or to a person with whom the Partnership does not deal at arm's length and (iv) subject to certain exceptions, any amount or benefit to which the Limited Partner is entitled to receive where the amount or benefit is intended to protect the Limited Partner from any loss he or she may sustain by virtue of being a member of the Partnership or holding or disposing of Units.

A Limited Partner's share of any Partnership loss that is not deductible by him or her in the year because of the "at-risk rules" is considered to be his or her "**limited partnership loss**" in respect of the Partnership for that year. Such "limited partnership loss" may be deducted by him or her in any subsequent taxation year against any income for that year to the extent that his or her "at-risk amount" at the end of the Partnership's fiscal year ending in that year exceeds his or her share of any loss of the Partnership for that fiscal year. Prospective purchasers who intend to finance the acquisition of their Units should consult their tax advisors in this regard.

Disposition and Redemption of Units

Upon the redemption or other actual or deemed disposition of a Unit by a Limited Partner, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Unit, net of any costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Limited Partner of the Unit. The portion of capital gains included in computing income ("**taxable capital gain**") and the portion of capital losses ("**allowable capital loss**") deductible from taxable capital gains is one-half. A taxable capital gain resulting from a disposition (including a deemed disposition) of the Units will be included in computing the income of a Limited Partner for the taxation year in which the disposition takes place. The unused portion of an allowable capital loss may be carried back three years or forward indefinitely and may only be used against taxable capital gains, subject to detailed rules in the Tax Act. Generally, transfers between classes of Units are not dispositions for tax purposes. However, Limited Partners should consult with their own tax advisors regarding any tax implications of exchanging or transferring between classes of Units.

In general, the adjusted cost base of a Unit to a Limited Partner is the subscription price of the Unit plus the Limited Partner's share of any income of the Partnership for any previously completed fiscal periods, less (i) the Limited Partner's share of the losses of the Partnership for any fiscal period ending before that time (except where any portion of such losses were included in his or her "limited partnership loss" in respect of the Partnership, such losses will reduce his or her adjusted cost base of his or her Units only to the extent they have been previously deducted), and (ii) any distributions made to the Limited Partner by the Partnership. The adjusted cost base could become a negative amount in the event that the total of the reductions referred to above exceeds the additions. If the adjusted cost base of a Limited Partner's Unit is negative at the end of any fiscal year of the Partnership, then the Limited Partner must recognize at that time a capital gain equal to such negative amount, one-half of which would be taxable. The adjusted cost base of the Limited Partner's Unit would then be nil. A Limited Partner who is considering disposing of Units during a fiscal period of the Partnership should obtain tax advice before doing so since ceasing to be a Limited Partner before the end of the Partnership's fiscal period may affect certain adjustments to his or her cost base and his or her entitlement to a share of the Partnership's income or loss. Although the Partnership may incur losses which exceed the aggregate amount of capital invested by the Limited Partners, as a result of the limitation in deducting such losses under the "at risk" rules, a Limited Partner will not normally have a negative adjusted cost base for his or her Units. The adjusted cost base of each Unit will be subject to the averaging provisions contained in the Tax Act.

A redemption of Units will be treated as a disposition for purposes of Tax Act. As described under "Distributions and Computation and Allocation of Net Profits or Net Losses", where Units are redeemed by one or more Limited Partners during the course of any fiscal year or are acquired from the Partnership during the course of any fiscal year, the General Partner may, but is not required to, adopt and amend an allocation policy from time to time intended to allocate income and loss (and/or taxable capital gains or allowable capital losses) in such manner as to account for Units which are purchased or redeemed throughout such fiscal year, the class and/or series of such Units, the tax basis of such Units, the fees payable by the Partnership in respect of each such class and/or series of Units, and the timing of receipt of income or realization of gains or losses by the Partnership during such year, among other factors deemed relevant by the General Partner. To such end, any person who was a Limited Partner at any time during a fiscal year but who has redeemed or transferred all of their Units before the last day of such fiscal year may be deemed to be a Limited Partner on the last day of such fiscal year and/or the following fiscal year for the purposes of subsection 96(1.1) of the Tax Act (or any successor provision), and such person will be deemed to be a Limited Partner on the last tax day of such fiscal year pursuant to proposed subsection 96(1.01), and income or loss in such fiscal year may be allocated to such former Limited Partner. A Limited Partner who is considering disposing of Units during a fiscal year of the Partnership should obtain specific tax advice.

Notwithstanding the foregoing, in the event that a Limited Partner receives an amount from the General Partner or any other person which amount is included in computing the income of the Partnership in accordance with subsection 12(2.1) of the Tax Act (or any successor provision), for the purposes of allocating taxable income or loss of the Partnership for the year, any such amount shall be allocated to the particular Limited Partner to whom such payment was made in an amount equal to the amount of such payment and not to any other Limited Partner.

Dissolution of the Partnership

On a taxable dissolution of the Partnership, a Limited Partner will generally be considered to have disposed of his or her Units for proceeds of disposition equal to the fair market value of the property, received or receivable by the Limited Partner on such dissolution, and the Partnership will be deemed to have disposed of, and the Limited Partner will be deemed to have acquired, such property at its fair market value.

Financing Costs

Subject to the Proposed Amendment (discussed below), under current law, reasonable interest expense incurred by a Limited Partner on funds borrowed for the purpose of acquiring Units will generally be deductible in the year that it is paid or payable (depending on the method regularly followed by the Limited Partner in computing his or her income) provided that the Limited Partner continues to own, throughout the period during which the interest accrues, all the Units so acquired with the borrowed funds and that the Partnership has not made any distribution to the Limited Partner of Partnership capital. Any compound interest is only deductible when paid. See the discussion below under "Proposed Loss Limitation Rules".

Proposed Loss Limitations Rules

On October 31, 2003, the Department of Finance (Canada) released for public comment a proposed amendment (the "**Proposed Amendment**") to the Tax Act dealing with the deductibility of interest and other expenses. The Proposed Amendment provides that a loss from a business or property is deductible in a taxation year only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit (excluding capital gains) from that business or property for the period in which the taxpayer has carried on or held, and can reasonably be expected to carry on or hold, the business or that property. The Proposed Amendment provides that profit for the purpose of determining the loss does not include a capital gain or a capital loss.

The Proposed Amendment, if enacted, is to take effect for taxation years beginning after 2004. The Department of Finance (Canada) has received a number of public comments with respect to the Proposed Amendment. In the budget papers accompanying the 2005 federal budget, the Department of Finance (Canada) indicated that it would seek to respond to such submissions, while still achieving the government's objectives, through a "more modest legislative initiative". No such legislative initiative has been publicly released at the time of this Offering Memorandum. If the Proposed Amendment is enacted in the form proposed, it may have a negative impact on a Limited Partner's ability to deduct losses from the Partnership, if any, or the Limited Partner's ability to deduct interest on money borrowed to acquire Units. Limited Partners are advised to consult their own tax advisors in this regard.

Non-Eligibility for Investment by Tax Deferred Plans

Units are **not** "qualified investments" under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans or tax-free savings accounts.

Class I Unit Management Fees

Management Fees paid by Limited Partners on Class I Units directly to the Investment Manager may not be deductible for tax purposes. Limited Partners should consult with their own tax advisors regarding any tax implications of such fees.

Filing Requirements

A Limited Partner at any time in a fiscal year of the Partnership is required to make an information return in prescribed form containing specific information for that year, including the income or loss of the Partnership and the names and shares of such income or loss of all the partners of the Partnership. The filing of an annual information return by the General Partner on behalf of the Limited Partners and the General Partner will satisfy this requirement.

Alternative Minimum Tax

The Tax Act requires that individuals (including certain trusts) compute an alternative minimum tax ("**AMT**") at a rate of 15% on the amount by which "adjusted taxable income" exceeds $40,000. An individual will be liable for AMT if the individual's AMT exceeds his or her tax otherwise payable for a taxation year. In computing his or her adjusted taxable income, a taxpayer must include, among other things, all taxable dividends (without application of the gross-up), and 80% of net capital gains. Furthermore, various deductions and credits are not allowed and certain amounts that are not otherwise included in taxable income are included for the purpose of computing adjusted taxable income, including all losses deducted by an individual limited partner in respect of such individual's limited partnership interests and associated carrying charges. To the extent the AMT of an individual exceeds income tax otherwise payable for a particular year, the difference may be deducted in the seven years following the year in computing tax otherwise payable for any such year, but only to the extent an individual's liability otherwise computed exceeds the individual's AMT for that year.

Accordingly, any losses of the Partnership which are allocated to a Limited Partner and associated carrying charges must be included in computing adjusted taxable income for AMT purposes. In addition, 80% of any capital gain allocated to a Limited Partner or arising upon a disposition by a Limited Partner of their Units (or a deemed capital gain arising from a negative adjusted cost base) must be included in computing adjusted taxable income. Consequently, the AMT of a Limited Partner may exceed his or her income tax otherwise computed, depending on the sources of income of the Limited Partner and the various expenses incurred, with the effect that a portion of the income of a Limited Partner against which any such Partnership losses are deducted may become subject to income tax. Prospective investors are urged to consult their tax advisors to determine the impact of AMT.

RISK FACTORS

An investment in Units involves certain risks, including risks associated with the Partnership's investment strategies. The Partnership is also subject to the risks inherent in each of the Underlying Funds as disclosed in their applicable prospectus or offering memorandum, if available. The following risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Prospective investors should read this entire Offering Memorandum and consult with their legal and other professional advisors before determining whether to invest in Units.

Risks Associated with an Investment in the Partnership

Limited Operating History for the Partnership

Although all persons involved in the management of the Partnership and the service providers to the Partnership have had long experience in their respective fields of specialization, it has to be considered that the Partnership has a limited operating and performing history upon which prospective investors can evaluate the Partnership's performance.

Distributions and Allocations

The Partnership is not required to distribute its profits. If the Partnership has income for Canadian federal income tax purposes for a fiscal year, such income will be allocated to the Limited Partners in accordance with the provisions of the Limited Partnership Agreement as described under "Distributions and Computation and Allocation of Net Profits or Net Losses" and will be required to be included in computing their income for tax purposes, irrespective of the fact that cash may not have been distributed to Limited Partners. Allocations for tax purposes to a particular Limited Partner may not correspond to the economic gains and losses which such Limited Partner may experience.

Class Risk

Each class of Units has its own fees and expenses which are tracked separately. If for any reason, the Partnership is unable to pay the expenses of one class of Units using that class' proportionate share of the Partnership's assets, the Partnership will be required to pay those expenses out of the other classes' proportionate share of the Partnership's assets. This could effectively lower the investment returns of the other class or classes even though the value of the investments of the Partnership might have increased.

Possible Loss of Limited Liability

The Partnership may, by virtue of this offering or otherwise, be carrying on business in Offering Jurisdictions other than the jurisdiction under which it was formed. The Partnership is registered as an extra-jurisdictional limited partnership in those Offering Jurisdictions where the Partnership has been advised that it will be carrying on business by virtue of this offering or otherwise and where there is provision for registration as an extra-jurisdictional limited partnership in those Offering Jurisdictions. However, there is a risk that Limited Partners may not be afforded limited liability in such Offering Jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of Limited Partners have not been authoritatively established with respect to limited partnerships formed under laws of one jurisdiction but carrying on business in another jurisdiction. See "Liability of Limited Partners and Registration of the Partnership" earlier in this Offering Memorandum.

Repayment of Certain Distributions

Other than with respect to the possible loss of limited liability as outlined above, no Limited Partner shall be obligated to pay any additional assessment on the Units held or subscribed. However, if the available assets of the Partnership are insufficient to discharge obligations to creditors incurred by the Partnership, the Partnership may have a claim against a Limited Partner for the repayment of any distributions or returns of contributions received by such Limited Partner (including upon redemption of Units), to the extent that such obligations arose before the distributions or returns of contributions sought to be recovered by the Partnership. In the Limited Partnership Agreement, each Limited Partner agrees to repay to the Partnership any such amount for which such Limited Partner could be liable pursuant to applicable limited partnership legislation upon the request of the General Partner. A Limited Partner who transfers his or her Units remains liable to make such repayments, irrespective of whether his or her transferee

becomes a substituted Limited Partner. See "Liability of Limited Partners and Registration of the Partnership" earlier in this Offering Memorandum.

Limited Partners Not Entitled to Participate in Management

Limited Partners are not entitled to participate in the management or control of the Partnership or its operations. Limited Partners do not have any input into the Partnership's trading. The success or failure of the Partnership will ultimately depend on the investment of the assets of the Partnership by the Investment Manager whom the Limited Partners will not have any direct dealings.

Dependence of Investment Manager on Key Personnel

The Investment Manager depends, to a great extent, on the services of a limited number of individuals in the administration of the Partnership's trading activities. The loss of such services for any reason could impair the ability of the Investment Manager to perform its investment management activities on behalf of the Partnership.

Reliance on Investment Manager

The Partnership relies on the ability of the Investment Manager to actively manage the assets of the Partnership. The Investment Manager will make the actual trading decisions upon which the success of the Partnership will depend significantly. No assurance can be given that the trading approaches utilized by the Investment Manager will prove successful. There can be no assurance that satisfactory replacements for the Investment Manager will be available, if needed. Termination of the Portfolio Management Agreement will not terminate the Partnership, but will expose investors to the risks involved in whatever new investment management arrangements the General Partner is able to negotiate for and on behalf of the Partnership. In addition, the liquidation of securities positions held by the Partnership as a result of the termination of the Portfolio Management Agreement may cause substantial losses to the Partnership.

Limited Ability to Liquidate Investment

There is no formal market for the Units and one is not expected to develop. Accordingly, it is possible that Limited Partners may not be able to resell their Units other than by way of redemption of their Units on a Valuation Date, subject to the limitations described under "Redemption of Units". Holders of Units may not be able to liquidate their investment in a timely manner and Units may not be readily accepted as collateral for a loan. This offering of Units is not qualified by way of prospectus and, consequently, the resale of Units is subject to restrictions under applicable securities legislation.

Possible Effect of Redemptions

Substantial redemptions of Units could require the Partnership to liquidate securities positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and to achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units that remain outstanding.

Tax Liability

Each Limited Partner is taxable in respect of the income of the Partnership allocated to him or her. Income will be allocated to Limited Partners according to the terms of the Limited Partnership Agreement and without regard to the acquisition price of such Units. Limited Partners may have an income tax liability in respect of profits not distributed.

The income or loss of the Partnership will be computed as if the Partnership were a separate person resident in Canada. CRA has stated that it will permit certain taxpayers to report their gains and losses from commodities-related transactions as capital gains and losses (rather than as ordinary income or losses from a business), but has also stated that it will not extend such treatment to a partnership whose prime activity is trading in commodities or commodities futures where the facts support the proposition that the partnership is carrying on a business of trading such items. CRA's administrative practices with respect to trading activities (other than commodities) to be undertaken by the Partnership may be applied in a similar manner. In the event that the Partnership treats certain of its gains and losses from trading in equities and equity derivative securities as giving rise to capital gains and capital losses, it is possible that CRA may recharacterize such gains and losses as being on income account.

Charges to the Partnership

The Partnership is obligated to pay Management Fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Partnership realizes profits. In addition, the Partnership will allocate Net Profits to the General Partner in respect of a fiscal year, as described under the heading "Distributions and Computation and Allocation of Net Profits or Net Losses".

Potential Indemnification Obligations

Under certain circumstances, the Partnership might be subject to significant indemnification obligations in respect of the General Partner, the Investment Manager or certain parties related to them. The Partnership will not carry any insurance to cover such potential obligations and none of the foregoing parties will be insured for losses for which the Partnership has agreed to indemnify them. Any indemnification paid by the Partnership would reduce the Net Asset Value of the Partnership and, by extension, the Net Asset Value per Unit for each class of Units.

Not a Public Mutual Fund

The Partnership is not subject to the securities regulatory restrictions placed on public mutual funds to ensure diversification and liquidity of the Partnership's portfolio securities.

Changes in Investment Strategies

The Investment Manager may alter its investment strategies without the prior approval of the Limited Partners if the General Partner and the Investment Manager determine that such changes are in the best interests of the Partnership.

Valuation of the Partnership's Investments

Valuation of the Partnership's portfolio securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Partnership could be adversely affected. Independent pricing information may not at times be available regarding certain of the Partnership's portfolio securities and other investments. Valuation determinations will be made in good faith in accordance with the Limited Partnership Agreement.

The Partnership may have some of its assets in investments which, by their very nature, may be extremely difficult to value accurately. To the extent that the value designated by the Partnership to any such investment differs from its actual value, the Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Limited Partner who redeems all or part of his or her Units while the Partnership holds such investments will be paid an amount less than such Limited Partner would otherwise be paid if the actual value of such investments is higher than the value

designated by the Partnership. Similarly, there is a risk that such Limited Partner might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Partnership. In addition, there is risk that an investment in the Partnership by a new Limited Partner (or an additional investment by an existing Limited Partner) could dilute the value of such investments for the other Limited Partners if the actual value of such investments is higher than the value designated by the Partnership. Furthermore, there is a risk that a new Limited Partner (or an existing Limited Partner that makes an additional investment) could pay more to purchase Units than he or she might otherwise be required to pay if the actual value of such investments is lower than the value designated by the Partnership. The Partnership does not intend to adjust the Net Asset Value per Unit of any class of Units retroactively.

Lack of Independent Experts Representing Limited Partners

Each of the Partnership, the General Partner and the Investment Manager have consulted with a single legal counsel regarding the formation and terms of the Partnership and the offering of Units. The Limited Partners have not, however, been independently represented. Therefore, to the extent that the Partnership, the Limited Partners or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult with his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Partnership.

No Involvement of Unaffiliated Selling Agent

The General Partner and Investment Manager are under common control and ownership. Consequently, no outside selling agent unaffiliated with such parties has made any review or investigation of the terms of this offering, the structure of the Partnership or the background of the General Partner and Investment Manager.

Use of a Prime Broker to Hold Assets

Some or all of the Partnership's assets may be held in one or more margin accounts due to the fact that the Partnership will use leverage and engage in short selling. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the Partnership's assets in such accounts, which may result in a potential loss of such assets. As a result, the Partnership's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Partnership may experience losses due to insufficient assets at the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded. See "The Custodian and The Prime Broker".

Speculative Investment

AN INVESTMENT IN THE PARTNERSHIP MAY BE DEEMED SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. A SUBSCRIPTION FOR UNITS SHOULD BE CONSIDERED ONLY BY PERSONS FINANCIALLY ABLE TO MAINTAIN THEIR INVESTMENT AND WHO CAN BEAR THE RISK OF LOSS ASSOCIATED WITH AN INVESTMENT IN THE PARTNERSHIP. INVESTORS SHOULD REVIEW CLOSELY THE INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS TO BE UTILIZED BY THE PARTNERSHIP AS OUTLINED HEREIN TO FAMILIARIZE THEMSELVES WITH THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE PARTNERSHIP.

Risks Associated with the Partnership's Underlying Investments

General Economic and Market Conditions

The success of the Partnership's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Partnership's investments. Unexpected volatility or illiquidity could impair the Partnership's profitability or result in losses.

Liquidity of Underlying Investments

Some of the securities in which the Partnership intends to invest may be thinly traded. There are no restrictions on the investment of the Partnership's assets in illiquid securities. It is possible that the Partnership may not be able to sell or repurchase significant portions of such positions without facing substantial adverse prices. If the Partnership is required to transact in such securities before its intended investment horizon, the performance of the Partnership could suffer.

Fixed Income Securities

To the extent that the Partnership holds fixed income investments in its portfolio, it will be influenced by financial market conditions and the general level of interest rates in Canada. In particular, if fixed income investments are not held to maturity, the Partnership may suffer a loss at the time of sale of such securities.

Equity Securities

To the extent that the Partnership holds equity investments in its portfolio, it will be influenced by stock market conditions in those jurisdictions where the securities held by the Partnership are listed for trading and by changes in the circumstances of the issuers whose securities are held by the Partnership. Additionally, to the extent that the Partnership holds any foreign investments in its portfolio, it will be influenced by world political and economic factors and by the value of the Canadian dollar as measured against foreign currencies which will be used in valuing the foreign investment positions held by the Partnership.

Commodities

To the extent the Partnership holds commodities such as gold, silver and other precious metals in its portfolio, it will be influenced by changes in the price of such commodities. Commodity prices can change significantly as a result of supply and demand, speculation, international monetary and political factors, government and central bank activity, and changes in interest rates and currency values.

Currency Risk

Investment in securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Thus, the value of securities within the Partnership's portfolio may be worth more or less depending on their susceptibility to foreign exchange rates.

Foreign Investment Risk

To the extent that the Partnership invests in securities of foreign issuers, it will be affected by world economic factors and, in many cases, by the value of the Canadian dollar as measured against foreign currencies. Obtaining complete information about potential investments from foreign markets may also be of greater difficulty. Foreign issuers may not follow certain standards that are applicable in North America, such as accounting, auditing, financial reporting and other disclosure requirements. Political climates may differ, affecting stability and volatility in foreign markets. As a result, the Net Asset Value of the Partnership may fluctuate to a greater degree by investing in foreign equities than if the Partnership limited its investments to Canadian securities.

Options

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however, investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

Trading Costs

The Partnership may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Partnership.

Risks Associated with Special Techniques

The special investment techniques that the Investment Manager may use are subject to risks including those summarized below.

Short Sales

The possible losses to the Partnership from a short sale of a security differ from losses that could be incurred from a long position in the same security. Losses from a short sale of a security may be unlimited. Losses from a long position in a security will be limited to the total amount of the investment. Short positions require the borrowing of stock from another party. A recall of borrowed stock could cause the Partnership to close out a short position at a disadvantageous price.

Market Call

The Investment Manager intends to invest in opportunities that provide what the Investment Manager, at the time of investment, believes to be the best reward per unit of risk. The Investment Manager also intends to optimize the reward per unit of risk of the Partnership's investment portfolio by varying the allocation of long and short positions depending on the Investment Manager's view of the domestic and international economy, market trends and other considerations. The Partnership's portfolio will be positioned in accordance with the Investment Manager's market view. There is no assurance that the Investment Manager's assessment of the market will be correct and result in positive returns. Losses may occur as a result of any incorrect assessment.

Leverage

The Partnership may use financial leverage by borrowing funds against the assets of the Partnership. The use of leverage increases the risk to the Partnership and subjects the Partnership to higher current expenses. Also, if the Partnership's portfolio value drops to the loan value or less, Limited Partners could sustain a total loss of their investment.

Concentration

The Investment Manager may take more concentrated securities positions than a typical public mutual fund or concentrate investment holdings in specialized industries, market sectors or in a limited number of issuers. Investment in this Partnership involves greater risk and volatility since the performance of one particular sector, market or issuer could significantly and adversely affect the overall performance of the entire Partnership.

Liquidity

Some of the securities in which the Partnership intends to invest are traded only in negotiated transactions with investment dealers or brokers. It is possible that the Partnership may not be able to sell significant portions of its positions without facing substantially adverse prices. If the Partnership is required to sell securities before their intended investment horizon, for example as a result of redemptions, the performance of the Partnership could suffer. The Partnership will be affected by those securities that are difficult to sell because they may be small companies with limited outstanding securities or they may be unknown to investors and are not traded regularly. Difficulty in selling securities may result in a loss or a costly delay to the Partnership.

Hedging

Although a hedge is intended to reduce risk, it does not eliminate risk entirely. A hedging strategy may not be effective. A hedge can result in a loss in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) a cease trade order being issued in respect of the underlying security; (ii) the inability to maintain a short position due to the repurchase or redemption of securities by the issuing company; (iii) disappearance of any conversion premium due to premature redemptions, changes in conversion terms or changes in an issuer's dividend policy; (iv) credit quality considerations, such as bond defaults; and (v) lack of liquidity during market panics. To protect the Partnership's capital against the occurrence of such events, the Investment Manager will attempt to maintain a diversified portfolio of securities.

Indebtedness

The Partnership is entitled to, and intends to, incur indebtedness secured by the assets of the Partnership. There can be no assurance that such a strategy will enhance returns, and such strategy may in fact reduce returns. The ability of the Partnership to incur indebtedness may increase losses in the event that securities purchased with the borrowed funds decline in value, or in the event that securities in respect of which uncovered short sales are made to increase in value.

Illiquidity

There can be no assurance that the Partnership will be able to dispose of its investments in order to honour requests to redeem Units.

Suspension of Trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render it impossible to liquidate positions and could thereby expose the Partnership to losses.

CONFLICTS OF INTEREST

The Investment Manager has established one independent review committee ("**IRC**") for all of the investment funds that it manages. The Investment Manager must refer certain conflict of interest matters for the Partnership to the IRC for its review or approval, if necessary. The conflicts of interest matters to be referred to the IRC for the Partnership are set out in three exemptive relief orders granted to the Investment Manager on July 27, 2010, August 27, 2010 and September 30, 2010 and are available at www.osc.gov.on.ca (collectively, the "**Exemptive Relief**"). The Investment Manager has established written policies and procedures for dealing with conflict of interest matters set out in the Exemptive Relief, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The IRC is comprised of a minimum of three independent members and is required to conduct regular assessments and provide reports to the Investment Manager in respect of its functions. The fees and expenses of the IRC are borne and shared by all of the investment funds in the Sprott family of funds, including expenses associated with insuring and indemnifying each IRC member.

Various potential conflicts of interest exist between the Partnership and the General Partner, SAM GP, the Investment Manager and the Administrator. These potential conflicts of interest may arise as a result of common ownership and certain common directors, officers and personnel and, accordingly, will not be resolved through arm's length negotiations but through the exercise of judgment consistent with fiduciary responsibilities to the Partnership and its Limited Partners generally.

The Investment Manager manages, and may in the future manage, the trading for other limited partnerships, trusts, corporations, investment funds or managed accounts in addition to the Partnership. In the event that the Investment Manager elects to undertake such activities and other business activities in the future, the Investment Manager and its principals may be subject to conflicting demands in respect of allocating management time, services and other functions. The Investment Manager and its principals and affiliates will endeavour to treat each investment pool and managed account fairly and not to favour one pool or account over another and will conduct their activities in accordance with the Investment Manager's fair allocation policy.

In executing its duties on behalf of the Partnership, the Investment Manager will be subject to the provisions of the Portfolio Management Agreement and the Investment Manager's Code of Ethics (a copy of which is available for review by Limited Partners upon request at the offices of the General Partner), which provide that the Investment Manager will exercise its duties in good faith and with a view to the best interests of the Partnership and its Limited Partners.

From time to time the Investment Manager may receive a portion of a sourcing or structuring fee from issuers in connection with securities acquired by the Partnership pursuant to certain financing transactions.

The Partnership may execute a portion of its portfolio transactions through Sprott Private Wealth LP which is a registered investment dealer. The Investment Manager believes Sprott Private Wealth LP. will offer competitive rates and will only execute trades as an investment dealer for the Partnership when the executions obtained would be on terms and conditions no less favourable to the Partnership than would otherwise be obtainable if the orders were placed through independent brokers or dealers and at

commission rates equal or comparable to rates that would have been charged by independent brokers or dealers.

In addition, Sprott Private Wealth LP is a registered dealer participating in the offering of the Units to its clients for which it will receive a service commission with respect to Class A Units. The Partnership, the Related Issuers and the Underlying Funds that are managed by the Investment Manager may be considered to be "connected issuers" and "related issuers" of Sprott Private Wealth LP and the Investment Manager under applicable securities legislation. Sprott Private Wealth LP, Sprott Private Wealth GP Inc., the General Partner, SAM GP, the Investment Manager and the Administrator are controlled, directly or indirectly, by Eric S. Sprott. See "Interest of Management and Others in Material Transactions".

The Investment Manager has received exemptive relief from securities regulatory authorities from certain requirements under applicable securities legislation to permit the Partnership to invest in securities of Sprott Inc., Sprott Resource Corp., Sprott Resource Lending Corp. and any future related persons or companies (being each individually, a Related Issuer and collectively, the Related Issuers). Each purchase of securities of a Related Issuer will occur in the secondary market and not under primary distributions or treasury offerings of such Related Issuers. In addition, the Partnership will only purchase exchange-traded securities of such Related Issuers. Furthermore, the IRC of the Partnership must approve the purchase or sale of securities of such Related Issuers by the Partnership in accordance with section 5.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds*. Not later than the 90th day after the end of each financial year of the Partnership, the Investment Manager will file with the applicable securities regulatory authority the particulars of any such investments on behalf of the Partnership. See "Investment Objective and Strategies – Investment Strategies".

The Partnership may obtain exposure to securities through investing in Underlying Funds, including underlying mutual funds, pooled funds and closed-end funds managed by the Investment Manager and/or its affiliates and associates. Underlying Funds will be selected with consideration for each Underlying Fund's investment objectives and strategies, past performance and volatility, among other factors. It is expected that no one Underlying Fund will represent, at the time of purchase, more than 20% of the net assets of the Partnership. Limited Partners may receive, upon request and free of charge, a copy of the prospectus or offering memorandum, if available, and the audited annual financial statements and semi-annual financial statements of any Underlying Fund in which the Partnership invests. See "Investment Objective and Strategies – Investment Strategies".

Each of the Underlying Funds is generally subject to management fees, performance fees, if any, and operating expenses that are paid out of the assets of the Underlying Fund. As a result, Limited Partners in the Partnership will indirectly bear a proportionate share of such fees and expenses of the Underlying Funds. However, where an Underlying Fund is managed by the Investment Manager there will be no management fees or performance fees payable in respect of securities of such an Underlying Fund held by the Partnership that, to a reasonable person, would duplicate a fee payable to the Investment Manager by the Underlying Fund for the same service. In addition, no sales charges or redemption fees are payable by the Partnership in relation to its purchase or redemption of securities of the Underlying Funds. The Investment Manager, on behalf of the Partnership, will not vote any of the securities the Partnership holds in an Underlying Fund managed by the Investment Manager or its affiliates and associates. However, the Investment Manager may, in its sole discretion, arrange for all of the securities of the Underlying Fund held by the Partnership to be voted by the beneficial owners of Units of the Partnership.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The General Partner and SAM GP, the general partner of the Investment Manager and the Administrator, are, directly or indirectly, wholly-owned subsidiaries of Sprott Inc., which is a public company listed on the Toronto Stock Exchange under the symbol "SII". Sprott Inc. is also the sole limited partner of the Investment Manager and the Administrator. Eric S. Sprott is the principal shareholder of Sprott Inc. through a holding company which he controls. Certain senior officers and directors of Sprott Inc. are also senior officers, directors and/or partners of the General Partner, SAM GP, the Investment Manager, the Administrator, Sprott Private Wealth LP, Sprott Private Wealth GP Inc., Sprott Resource Corp. and Sprott Resource Lending Corp. See "Conflicts of Interest".

Certain senior officers and directors of the Investment Manager and/or its affiliates and associates may purchase and hold Units of the Partnership and the securities of the Related Issuers and the Underlying Funds from time to time.

The General Partner, the Investment Manager and the Administrator may receive compensation and/or reimbursement of expenses from the Partnership as described under "The General Partner", "The Investment Manager" and "The Administrator", respectively. Sprott Private Wealth LP is a registered dealer participating in the offering of the Units to its clients for which it will receive a service commission with respect to Class A Units as described under "Dealer Compensation". In addition, the Partnership may execute a portion of its portfolio transactions through Sprott Private Wealth LP. From time to time the Investment Manager may receive a portion of a sourcing or structuring fee from issuers in connection with securities acquired by the Partnership pursuant to certain financing transactions. See "Conflicts of Interest".

MATERIAL CONTRACTS

The only material contracts of the Partnership are as follows:

(i) the Limited Partnership Agreement referred to under "The Limited Partnership Agreement";

(ii) the Portfolio Management Agreement referred to under "The Investment Manager";

(iii) the Administrative Services Agreement referred to under "The Administrator"; and

(iv) the Settlement Services Agreement referred to under "The Custodian And The Prime Broker".

PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION

In order to comply with federal legislation aimed at the prevention of money laundering, the Partnership may require additional information concerning each Limited Partner. If, as a result of any information or other matter which comes to the General Partner's or the Investment Manager's attention, any director, partner, officer or employee of the General Partner or the Investment Manager, or their respective professional advisors, knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of confidential information imposed by law or otherwise.

PRIVACY POLICY

In connection with the offering and sale of Units, personal information (such as address, telephone number, social insurance number, birth date, assets and/or income information, employment history and credit history, if applicable) about each Limited Partner is collected and maintained. Such personal information is collected to enable the General Partner and the Investment Manager to provide Limited Partners with services in connection with their investment in the Partnership, to meet legal and regulatory requirements and for any other purpose to which Limited Partners may consent in the future. Investors are encouraged to review the privacy policy of the Partnership attached hereto as Appendix "2". By completing a subscription form for Units, subscribers consent to the collection, use and disclosure of his or her personal information in accordance with such policy.

PURCHASERS' RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities laws in certain jurisdictions of Canada provide purchasers, in addition to any other rights they may have at law, with rights of action for damages or rescission if an offering memorandum, such as this Offering Memorandum, or any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation. However, these rights must be exercised by the purchaser within the time limits prescribed by the applicable securities laws. Each purchaser should refer to the provisions of the applicable securities laws for a complete text of these rights and/or consult with a legal advisor.

The following is a summary of the statutory rights of action for damages or rescission available to purchasers resident in certain provinces and territories. These summaries are subject to the express provisions of the applicable securities laws of such jurisdictions and the regulations, rules and policy statements thereunder, and reference is made thereto for the complete texts of such provisions. The rights of action described below are in addition to, and without derogation from, any other right or remedy that a purchaser may have under applicable laws.

Statutory Rights of Action

Purchasers Resident in Manitoba

In the event that this Offering Memorandum, or any amendment hereto, contains a misrepresentation and it is a misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the misrepresentation and shall have, in addition to any other rights the purchaser may have at law: (a) a right of action for damages against (i) the Partnership, (ii) every director of the Partnership at the date of the Offering Memorandum (each a "**Director**" and collectively, the "**Directors**"), and (iii) every person or company who signed the Offering Memorandum (each a "**Signatory**" and collectively, the "**Signatories**"); and (b) a right of rescission against the Partnership. If a purchaser elects to exercise a right of rescission against the Partnership, the purchaser will have no right of action for damages against the Partnership, the Directors or the Signatories.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into the Offering Memorandum, the misrepresentation is deemed to be contained in the Offering Memorandum.

The Partnership, the Directors and the Signatories will not be liable if they prove that the purchaser purchased the Units with knowledge of the misrepresentation.

All of the Partnership, the Directors and the Signatories that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

Directors or Signatories will not be liable:

(a) if they prove the Offering Memorandum was sent to the purchaser without their knowledge or consent and, after becoming aware that it was sent, promptly gave reasonable notice to the Partnership that it was delivered without their knowledge and consent;

(b) if they prove that, after becoming aware of a misrepresentation in the Offering Memorandum they withdrew their consent to the Offering Memorandum and gave reasonable notice to the Partnership of their withdrawal and the reasons therefor;

(c) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert ("**Expert Opinion**"), if they prove they did not have any reasonable grounds to believe and did not believe that there was a misrepresentation or that the relevant part of the Offering Memorandum did not fairly represent the Expert Opinion or was not a fair copy of, or an extract from, such Expert Opinion; or

(d) with respect to any part of the Offering Memorandum not purporting to be made on an expert's authority, or not purporting to be a copy of, or an extract from an Expert Opinion, unless the Director or Signatory (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

A person or company is not liable in an action for a misrepresentation in forward-looking information if the person or company proves that this Offering Memorandum contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection, and the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

In an action for damages, the Partnership, the Directors and the Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Units as a result of the misrepresentation. The amount recoverable under the right of action shall not exceed the price at which the Units were offered under this Offering Memorandum.

A purchaser of Units to whom the Offering Memorandum was required to be sent in compliance with the regulations respecting an offering memorandum but was not sent within the time prescribed for sending the Offering Memorandum by those regulations, has a right of action for rescission or damages against the Partnership or any dealer who did not comply with the requirement.

A purchaser to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Units by sending a written notice of rescission to the Partnership not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the Units.

Unless otherwise provided under applicable securities laws, no action shall be commenced to enforce a right of action unless the right is exercised:

(a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the cause of action; and (ii) two years from the day of the transaction that gave rise to the cause of action.

Purchasers Resident in New Brunswick

New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action for rescission or damages referred to in section 150 ("**Section 150**") of the *Securities Act* (New Brunswick) (the "**NBSA**") apply to information relating to an offering memorandum, such as this Offering Memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in section 2.3 of NI 45-106. Section 150 provides purchasers who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the NBSA with a statutory right of action against the issuer of securities for rescission or damages in the event that an offering memorandum provided to the purchaser contains a "misrepresentation". In New Brunswick, "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this Offering Memorandum is delivered to a prospective purchaser of Units in connection with a trade made in reliance on section 2.3 of NI 45-106, and this Offering Memorandum contains a misrepresentation, a purchaser who purchases Units will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Partnership for damages or, while still the owner of Units, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences an action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

The Partnership shall not be liable where it is not receiving any proceeds from the distribution of the Units being distributed and the misrepresentation was not based on information provided by the Partnership unless the misrepresentation (i) was based on information that was previously publicly disclosed by the Partnership, (ii) was a misrepresentation at the time of its previous public disclosure, and (iii) was not subsequently publicly corrected or superseded by the Partnership before the completion of the distribution of the Units being distributed.

In addition, if advertising or sales literature is relied upon by a purchaser in connection with a purchase of Units and such advertising or sales literature contains a misrepresentation, the purchaser shall also have a right of action for damages or rescission against every promoter or director of the Partnership at the time the advertising or sales literature was disseminated.

In addition, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of the Units, the purchaser shall be deemed to have relied upon the misrepresentation if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement. No such individual will be liable if:

(a) that individual can establish that he or she cannot reasonably be expected to have known that his or her statement contained a misrepresentation; or

(b) prior to the purchase of Units by the purchaser, that individual notified the purchaser that the individual's statement contained a misrepresentation.

Neither the Partnership nor any other person referred to above will be liable, whether for misrepresentations in this Offering Memorandum, any advertising or sales literature or in a verbal statement:

(a) if the Partnership or such other person proves that the purchaser purchased the Units with knowledge of the misrepresentation; or

(b) in an action for damages, for all or any portion of the damages that the Partnership or such other person proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied on.

No person, other than the Partnership, is liable for misrepresentations in any advertising or sales literature if the person proves:

(a) that the advertising or sales literature was disseminated without the person's knowledge or consent and that, on becoming aware of its dissemination, the person gave reasonable general notice that it was so disseminated,

(b) that, after the dissemination of the advertising or sales literature and before the purchase of the Units by the purchaser, on becoming aware of any misrepresentation in the advertising or sales literature the person withdrew the person's consent to it and gave reasonable general notice of the withdrawal and the reason for the withdrawal, or

(c) that, with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of, or an extract from, a public official document, it was a correct and fair representation of the statement or copy of, or extract from, the document, and the person had reasonable grounds to believe and did believe that the statement was true.

No person, other than the Partnership, is liable with respect to any part of the advertising or sales literature not purporting to be made on the authority of an expert and not purporting to be a copy of or, an extract from, a report, opinion or statement of an expert unless the person:

(a) failed to conduct such reasonable investigation as to provide reasonable grounds for a belief that there had been no misrepresentation, or

(b) believed there had been a misrepresentation.

Any person who, at the time the advertising or sales literature was disseminated, sells Units on behalf of the Partnership with respect to which the advertising or sales literature was disseminated is not liable if that person can establish that the person cannot reasonably be expected to have had knowledge that the advertising or sales literature was disseminated or contained a misrepresentation.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Units were offered.

This summary is subject to the express provisions of the NBSA and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

Purchasers Resident in Newfoundland and Labrador

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) (the "**NL Act**"). The NL Act provides, in the relevant part, that where an offering memorandum, such as this Offering Memorandum, contains a misrepresentation, as defined in the NL Act, a purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, (a) a statutory right of action for damages against (i) the Partnership, (ii) every director of the Partnership at the date of the offering memorandum, and (iii) every person or the Partnership who signed the offering memorandum; and (b) for rescission against the Partnership.

The NL Act provides a number of limitations and defences in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission:

(a) where the person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation;

(b) where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Partnership that it was sent without the knowledge and consent of the person or company;

(c) if the person or the Partnership proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Partnership of the withdrawal and the reason for it;

(d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

(i) there had been a misrepresentation; or

(ii) the relevant part of the offering memorandum:

(A) did not fairly represent the report, opinion or statement of the expert; or

(B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

(e) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:

(i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed there had been a misrepresentation;

(f) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and

(g) in no case will the amount recoverable in any action exceed the price at which the Units were offered under the offering memorandum.

Section 138 of the NL Act provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or

(ii) three years after the date of the transaction that gave rise to the cause of action.

This summary is subject to the express provisions of the NL Act and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

Purchasers Resident in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the "**NSSA**"). Section 138 provides, in the relevant part, that in the event that an offering memorandum, such as this Offering Memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the NSSA) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (in Nova Scotia, a "misrepresentation"), a purchaser of securities is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the seller of such securities, the directors of the seller at the date of the offering memorandum and the persons who have signed the offering memorandum or, alternatively, while still the owner of such securities, may elect instead to exercise a statutory right of rescission against the seller, in which case the purchaser will have no right of action for damages against the seller, the directors of the seller at the date of the offering memorandum or the persons who have signed the offering memorandum, provided that, among other limitations:

(a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date payment was made for the securities (or after the date on which initial payment was made for the securities where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;

(c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities; and

(d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, no person or company (other than the issuer if it is the seller) will be liable if such person or company proves that:

(a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting

(i) to be made on the authority of an expert, or

(ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that

(A) there had been a misrepresentation, or

(B) the relevant part of the offering memorandum or amendment to the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company (other than the issuer if it is the seller) will be liable under section 138 of the NSSA with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting

(a) to be made on the authority of an expert; or

(b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company;

(i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or amendment to the offering memorandum.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

This summary is subject to the express provisions of the NSSA and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

Purchasers Resident in Ontario

Securities laws of Ontario provide that, subject to the following paragraph, a purchaser resident in Ontario shall have, in addition to any other rights the purchaser may have at law, a right of action for damages or rescission against the Partnership and a selling security holder on whose behalf the distribution is made if an offering memorandum, such as this Offering Memorandum, contains a "misrepresentation" (for the purposes of this section, as defined in the *Securities Act* (Ontario)) (the "**OSA**"), without regard to whether the purchaser relied on the misrepresentation. Purchasers should refer to the applicable provisions of the Ontario securities laws for particulars of these rights or consult with a lawyer.

OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* provides that, when an offering memorandum is delivered to a prospective purchaser in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in section 2.3 of National Instrument 45-106 *Prospectus and Registration Exemptions* ("**NI 45-106**"), the rights of action referred to in section 130.1 of the OSA ("**Section 130.1**") will apply in respect of the offering memorandum unless the prospective purchaser is:

(a) a Canadian financial institution, meaning either:

(i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populair, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(d) a subsidiary of any person referred to in paragraphs (a), (b) and (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary.

Subject to the foregoing, Section 130.1 of the OSA provides a purchaser who purchases Units offered by this Offering Memorandum during the period of distribution with a statutory right of action for damages or rescission against the Partnership and a selling security holder on whose behalf the distribution is made in the event that the Offering Memorandum or any amendment to it contains a "misrepresentation", without regard to whether the purchaser relied on the misrepresentation. A "misrepresentation" is defined in the OSA as an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. A "material fact", when used in relation to securities issued or proposed to be issued, is defined in the OSA as a fact that would be reasonably expected to have a significant effect on the market price or value of the securities. In the event that this Offering Memorandum, together with any amendment to it, is delivered to a purchaser of Units and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the Units, the purchaser will have statutory right of action for damages against the Partnership and a selling security holder on whose behalf the distribution is made or, while still the owner of the Units, for rescission against the Partnership and a selling security holder on whose behalf the distribution is made, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Partnership and a selling security holder on whose behalf the distribution is made, provided that:

(a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;

(b) no person or company will be liable if he, she or it proves that the purchaser purchased the Units with knowledge of the misrepresentation;

(c) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon;

(d) no person or company will be liable for a misrepresentation in "forward-looking information" (as defined in the OSA) if he, she or it proves that:

(i) the Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) it had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(e) in no case will the amount recoverable exceed the price at which the Units were offered to the purchaser; and

(f) the right of action for damages or rescission is in addition to, and does not derogate from, any other right or remedy the purchaser may have at law.

Purchasers Resident in Prince Edward Island

The right of action for rescission or damages described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (the "**PEI Act**"). Section 112 provides, that in the event that an offering memorandum, such as this Offering Memorandum, contains a "misrepresentation", a purchaser who purchased securities during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Partnership, the selling security holder on whose behalf the distribution is made, every director of the Partnership at the date of the offering memorandum, and every person who signed the offering memorandum. Alternatively, the purchaser while still the owner of Units may elect to exercise a statutory right of action for rescission against the Partnership or the selling security holder on whose behalf the distribution is made. Under the PEI Act, "misrepresentation" means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the PEI Act, or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(a) no action shall be commenced to enforce the right of action for rescission by a purchaser resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action other than an action for rescission;

(i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or

(ii) three years after the date of the transaction giving rise to the cause of action or whichever period expires first;

(c) no person will be liable if the person proves that the purchaser purchased the Units with knowledge of the misrepresentation;

(d) no person other than the Partnership and selling security holder will be liable if the person proves that

(i) the offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Partnership that it had been sent without the knowledge and consent of the person;

(ii) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the Partnership of the withdrawal and the reason for it; or

(iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;

(A) there had been a misrepresentation; or

(B) the relevant part of the offering memorandum:

(I) did not fairly represent the report, statement or opinion of the expert, or

(II) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Units were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation.

This summary is subject to the express conditions of the PEI Act and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

Purchasers Resident in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**SSA**"), provides that where an offering memorandum, such as this Offering Memorandum, or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (for the purposes of this section, as defined in the SSA), a purchaser who purchases securities covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Partnership or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Partnership or a selling security holder on whose behalf the distribution is made;

(b) every promoter and director of the Partnership or the selling security holder, as the case may be, at the time of the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells Units on behalf of the Partnership or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects its right of rescission against the Partnership or selling security holder, it shall have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Units resulting from the misrepresentation relied on;

(c) no person or company, other than the Partnership or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed there had been a misrepresentation;

(d) in no case shall the amount recoverable exceed the price at which the Units were offered; and

(e) no person or company is liable in action for rescission or damages if that person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation.

In addition, no person or company, other than the Partnership or selling security holder, will be liable in an action pursuant to section 138 of the SSA if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

In addition, no person or company will be liable in an action pursuant to section 138 of the SSA if that person or company proves that in respect of a misrepresentation in forward looking information (as defined in the SSA), such person or company proves that with respect to the document containing the forward looking information, approximate to that information, there is contained reasonable cautionary language identifying the forward looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information; and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and the person or company had a reasonable basis for drawing the conclusions or making the forecast and projections set out in the forward looking information.

Similar rights of action for damages and rescission are provided in section 138.1 of the SSA in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Subsection 138.2(1) of the SSA also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser

has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Subsection 141(1) of the SSA provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold by a vendor who is trading in Saskatchewan in contravention of the SSA, the regulations to the SSA or a decision of the Saskatchewan Financial Services Commission.

Subsection 141(2) of the SSA also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by section 80.1 of the SSA.

Not all defences upon which the Partnership or others may rely are described herein. Please refer to the full text of the SSA for a complete listing.

Section 147 of the SSA provides that no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission, the earlier of:

  (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

  (ii) six years after the date of the transaction that gave rise to the cause of action.

Section 80.1 of the SSA also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the SSA with a right to withdraw from the agreement to purchase Units by delivering a notice to the person who or company that is selling the Units, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Purchasers Resident in Northwest Territories, Nunavut or the Yukon

If this Offering Memorandum, or any amendments thereto, delivered to a purchaser of Units resident in the Northwest Territories, Nunavut or the Yukon contains a misrepresentation, a purchaser in such jurisdictions who purchases the Units during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (i) the Partnership, (ii) the selling security holder on whose behalf the distribution was made, (iii) every director of the Partnership at the date of the Offering Memorandum, and (iv) every person who signed the Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of action for rescission against the Partnership or the selling security holder on whose behalf the distribution was made, in which case, the purchaser shall have no right of action for damages against the Partnership, the selling security holder, the directors and persons who signed the Offering Memorandum. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, or any amendments thereto, the misrepresentation is deemed to be contained in the Offering Memorandum, or any amendments thereto, as the case may be.

All or any one or more of the persons who are found to be liable, or who accept liability, for a misrepresentation will be jointly and severally liable; provided, however, that the Partnership, and every director of the Partnership at the date of the Offering Memorandum who is not a selling security holder, will not be liable if the Partnership does not receive any proceeds from the distribution of the Units and the misrepresentation was not based on information provided by the Partnership, unless the misrepresentation was

(a) based on information that was previously publicly disclosed by the Partnership;

(b) a misrepresentation at the time of its previous disclosure; and

(c) not subsequently publicly corrected or superseded by the Partnership before completion of the distribution of the Units.

Any person, including the Partnership and the selling security holder, will not be liable for a misrepresentation:

(a) if the person proves that the purchaser purchased the Units with knowledge of the misrepresentation; or

(b) in an action for damages, the person will not be liable for all or any part of those damages that the person proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and

(c) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser.

A person, other than the Partnership and the selling security holder, will not be liable in an action for damages for a misrepresentation:

(a) if the person proves that the Offering Memorandum, or any amendments thereto, was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Partnership that it was sent without the knowledge and consent of the person;

(b) if the person proves that the person, on becoming aware of the misrepresentation in the Offering Memorandum, or any amendments thereto, withdrew the person's consent to the Offering Memorandum, or any amendments thereto, and gave reasonable notice to the Partnership of the withdrawal and the reason for it; or

(c) if, with respect to any part of the Offering Memorandum, or any amendments thereto, purporting to be made on the authority of an expert or purporting to be a copy of, or any extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that

(i) there had been a misrepresentation, or

(ii) the relevant part of the Offering Memorandum, or any amendments thereto, (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person, other than the Partnership and the selling security holder, will not be liable in an action for damages for a misrepresentation with respect to any part of an Offering Memorandum, or any amendments thereto, not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:

(a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or

(b) believed that there had been a misrepresentation.

Any person, including the Partnership and the selling security holder, will not be liable for a misrepresentation in forward-looking information (as defined in the *Securities Act* (Northwest Territories), the *Securities Act* (Nunavut) or the *Securities Act* (Yukon)) if the person proves that:

(a) the Offering Memorandum, any amendments thereto, or other document contained, proximate to the forward-looking information, (A) reasonable cautionary language identifying the forward-looking information as such, and (B) identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information,

(b) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and

(c) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information;

provided, however, that the foregoing does not relieve a person of liability with respect to forward-looking information in a financial statement required to be filed under the securities laws of the Northwest Territories, Nunavut or the Yukon.

No action shall be commenced to enforce a right of action more than,

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any action, other than an action for rescission, the earlier of,

  (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or

  (ii) three years after the date of the transaction that gave rise to the cause of action.

Other Rescission Rights

In certain provinces a purchaser of Units may, where the amount of the purchase does not exceed the sum of $50,000, rescind the purchase by written notice given to the registered dealer from whom the purchase was made (i) within 48 hours after receipt of the confirmation for a lump sum purchase, or (ii) within 60 days after receipt of the confirmation for the initial payment under a contractual plan. Subject to the registered dealer's reimbursement of sales charges and fees to the purchaser as described below, the

amount a purchaser is entitled to recover on exercise of this right to rescind shall not exceed the Net Asset Value of the Units purchased, at the time the right is exercised. The right to rescind a purchase made under a contractual plan may be exercised only with respect to payments scheduled to be made within the time specified above for rescinding a purchase made under a contractual plan. Every registered dealer from whom the purchase was made must reimburse the purchaser who has exercised this right of rescission for the amount of sales charges and fees relevant to the investment of the purchaser in the Partnership in respect of the Units for which the written notice of the exercise of the right of rescission was given.

Purchasers must exercise these rights within the prescribed time limits under applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation in their province of residence to determine whether they have similar rescission rights or consult with their legal advisor for more details.

Contractual Rights of Action

Purchasers Resident in Alberta, British Columbia or Québec

If this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a purchaser resident in Alberta, British Columbia or Québec who purchased Units under this Offering Memorandum will not be entitled to the statutory rights of action described above. However, in consideration of purchasing Units under this Offering Memorandum and upon acceptance by the Manager of the purchaser's subscription in respect thereof, purchasers in those jurisdictions are hereby granted a contractual right of action for damages or rescission that is the same as the statutory rights of action described above provided to purchasers resident in Ontario under the *Securities Act* (Ontario).

CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

DATED as of the 16th day of April, 2012.

SPROTT HEDGE FUND L.P.,
by its general partner, Sprott GenPar Ltd.

By: (signed) Eric S. Sprott
Eric S. Sprott
President

By: (signed) Kirstin H. McTaggart
Kirstin H. McTaggart
Treasurer

APPENDIX "1"

SPROTT HEDGE FUND LP

FIFTH AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

THIS AGREEMENT (the "**Agreement**") originally made as of October 27, 2000, and as amended and restated as of December 31, 2000, as of March 15, 2002, as of May 28, 2003, as of April 30, 2008, as of December 16, 2010 and as of April 16, 2012.

BETWEEN:

> **SPROTT GENPAR LTD.**, a corporation incorporated under the laws of the Province of Ontario (hereinafter referred to as the "**General Partner**")
>
> - and -
>
> Each party who from time to time executes this Agreement in counterpart, by separate instrument, by attorney in fact or otherwise, as a subscriber for or transferee of one or more units of Sprott Hedge Fund LP and who is accepted by the General Partner as a limited partner in accordance with the terms hereof (such persons being hereinafter collectively referred to as the "**Limited Partners**" and individually referred to as a "**Limited Partner**")

WHEREAS a limited partnership (the "**Partnership**") was formed under the laws of the Province of Ontario by the General Partner under the name "Sprott Hedge Fund LP" by the filing and recording of a declaration dated October 27, 2000 (the "**Declaration**") under the *Limited Partnerships Act* (Ontario) (the "**Act**");

AND WHEREAS the General Partner and Kevin G. Rooney (the "**Initial Limited Partner**"), the initial limited partner, executed a limited partnership agreement dated as of October 27, 2000 (the "**Original Agreement**") in order to facilitate the admission of Limited Partners in, and to set forth the ongoing arrangements regarding, the Partnership, and regarding the status and rights of each Limited Partner;

AND WHEREAS pursuant to the Original Agreement, the Initial Limited Partner purchased and subsequently redeemed his Initial Interest (as defined in the Original Agreement);

AND WHEREAS certain amendments were made by the General Partner to the Original Agreement by an amended and restated limited partnership agreement dated as of December 31, 2000 and as of March 15, 2002 and certain additional amendments were made by a second amended and restated limited partnership agreement dated as of May 28, 2003, a third amended and restated limited partnership agreement dated as of April 30, 2008 and a fourth amended and restated limited partnership agreement dated as of December 16, 2010 (the "**Fourth Agreement**");

AND WHEREAS the General Partner wishes to make certain additional amendments to the Fourth Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency whereof is hereby acknowledged), the parties hereto (sometimes collectively referred to as "**Partners**" or individually as a "**Partner**") agree as follows:

ARTICLE 1
THE PARTNERSHIP

1.01 Formation of Limited Partnership

The Partnership was formed under the laws of the Province of Ontario by the filing of the Declaration. The Partnership shall continue until terminated in accordance with the provisions of this Agreement. The General Partner shall take all necessary action on the basis of information available to it in order to maintain the status of the Partnership as a limited partnership in the Province of Ontario and in any other jurisdiction in which the General Partner deems it advisable to do so.

1.02 Limited Liability

Subject to the Act, and any specific assumption of liability, the liability of each Limited Partner for the debts of the Partnership is limited to the amount of his capital contribution made or agreed to be made to the Partnership plus his *pro rata* share of the undistributed income of the Partnership and a Limited Partner shall have no further personal liability for such debts and, after making the full amount of his capital contribution to the Partnership, he shall not be subject to, nor be liable for, any further calls or assessments or further contributions to the Partnership.

1.03 Name

The Partnership shall carry on business under the name "Sprott Hedge Fund LP" and its French equivalent "Fonds de Couverture Sprott S.E.C." or such other name or names as the General Partner may determine from time to time, provided that the General Partner files a declaration under the Act as required. The name of the Partnership shall be changed to a name that does not include "Sprott" if the name of the General Partner does not also include the name "Sprott". The General Partner shall notify the Limited Partners of any change in the name of the Partnership in which case all relevant provisions of this Agreement shall be deemed to be amended to give effect to the new name.

1.04 Office

The Partnership's registered office shall be located at Suite 2700, Royal Bank Plaza, South Tower, 200 Bay Street, P.O. Box 27, Toronto, Ontario, M5J 2J1, or at such other location as the General Partner may from time to time determine.

1.05 Records and Registers

(a) The General Partner shall keep, during the term of the Partnership and for a period of six years thereafter, at its principal place of business, proper and complete records and books of account reflecting the assets, liabilities, income and expenditures of the Partnership and, either directly or by the Transfer Agent (as hereinafter defined) appointed pursuant to Section 2.06, a register listing the names and addresses of all the Limited Partners and the number of limited partnership units (collectively, the "**Units**" and individually, a "**Unit**") of each class or series held by each of them. The General Partner shall keep at the Partnership's registered office in Ontario the books, records and registers required to

be kept there pursuant to the Act. Such books, records and registers will be kept available for inspection and audit by any Limited Partner or his duly authorized representatives during business hours at the offices of the General Partner or the Partnership or, in the event that a Transfer Agent is appointed, at the office of any such Transfer Agent that may be duly appointed for such purpose.

(b) Notwithstanding Subsection 1.05(a), the General Partner may keep confidential from the Limited Partners for such period of time as the General Partner deems reasonable, any information (other than information regarding the affairs of the Partnership as is required to be provided to a Limited Partner under the Act) that the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or that the Partnership is required by law or by agreements with third parties to keep confidential.

1.06 Access of Limited Partners to Register

Limited Partners may obtain a copy of the information contained in the register referred to in Section 1.05 by mail on written request to the General Partner, within a reasonable period of time from the date of receipt of such request, subject to the Limited Partner:

(a) agreeing, in writing, that the information contained in the register will not be used by him except in connection with:

(i) an effort to influence the voting of Limited Partners;

(ii) an offer to acquire Units; or

(iii) any other matter relating to the affairs of the Partnership; and

(b) paying, if requested, a fee in an amount not exceeding the reasonable costs to the Partnership of providing the information.

1.07 Year End

The fiscal year end of the Partnership shall be the 31st day of December in each year or such other date as the General Partner shall determine.

1.08 Purpose of the Partnership

The investment objective of the Partnership will be to maximize absolute returns on investments while attempting to mitigate some market risk. In executing this strategy, the following core techniques will be employed:

(a) making long investments in securities that the Partnership believes are undervalued, typically in companies with improving fundamentals, strong balance sheets, superior earnings growth potential, and solid business models;

(b) short selling of securities which the Partnership believes are overvalued, especially those with deteriorating fundamentals, weak balance sheets, and other factors which merit a determination of overvaluation by the Partnership; and

(c) managing the relative weightings of long and short positions to reduce the overall portfolio exposure to certain risks, including stock market volatility and industry specific exposures.

To a lesser extent, the following techniques may also be used on an opportunistic basis in order to enhance the Partnership's returns:

(d) executing upon arbitrage strategies where the Partnership can capture the price spread between: (i) the current market price of a subject security and the value of the subject security upon completion of a take-over or merger that has been announced (merger arbitrage); and (ii) the price of the convertible securities and the value of the underlying securities to lock in a conversion profit or to conserve and protect the coupon on such securities (convertible arbitrage);

(e) identifying restructuring or spin-off opportunities in companies that may be involved in multiple lines of business. Spinning off divisions may provide arbitrage or net pricing opportunities;

(f) participating in select private placements of companies that have compelling growth characteristics (as outlined in (a) above) and offer potential for significant price appreciation upon completion of their initial public offering; and

(g) purchasing, holding and selling gold, silver and other precious metals.

The investment manager to the Partnership (the "**Investment Manager**") appointed by the General Partner has received exemptive relief from securities regulatory authorities from certain requirements under applicable securities legislation to permit the Partnership to invest in securities of Sprott Inc., Sprott Resource Corp., Sprott Resource Lending Corp. and any future related persons or companies (each individually, a "**Related Issuer**" and collectively, the "**Related Issuers**"). Each purchase of securities of a Related Issuer will occur in the secondary market and not under primary distributions or treasury offerings of such Related Issuers. In addition, the Partnership will only purchase exchange-traded securities of such Related Issuers. Furthermore, the independent review committee of the Partnership must approve the purchase or sale of securities of such Related Issuers by the Partnership in accordance with section 5.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds*. Not later than the 90th day after the end of each financial year of the Partnership, the Investment Manager will file with the applicable securities regulatory authority the particulars of any such investments on behalf of the Partnership.

In addition, the Partnership may obtain exposure to securities through investing in underlying funds (each individually, an "**Underlying Fund**" and collectively, the "**Underlying Funds**"), including underlying mutual funds, pooled funds and closed-end funds managed by the Investment Manager and/or its affiliates and associates. Underlying Funds will be selected with consideration for each Underlying Fund's investment objectives and strategies, past performance and volatility, among other factors. It is expected that no one Underlying Fund will represent, at the time of purchase, more than 20% of the net assets of the Partnership. Limited Partners may receive, upon request and free of charge, a copy of the prospectus or offering memorandum, if available, and the audited annual financial statements and semi-annual financial statements of any Underlying Fund in which the Partnership invests.

The Partnership is restricted to the foregoing activities, unless: (i) determined otherwise by Special Resolution (as defined in Section 1.12 below) and by the consent in writing of the General Partner; or (ii) determined otherwise by the General Partner and notice of the proposed change is provided to the Limited Partners not less than 105 days' prior to the effective date of the proposed change.

1.09 Liens

No Limited Partner shall, in his capacity as a Limited Partner, register any lien, caveat, charge or other encumbrance against the property or other assets of the Partnership, whether real or personal, or permit any lien, caveat, charge or other encumbrance affecting them personally to be recorded or to remain undischarged against such property or assets, nor shall any Limited Partner bring any action for partition or sale in connection with such property or assets.

1.10 Status of Each Limited Partner

Each Limited Partner covenants and agrees that he shall, at the request of the General Partner, sign such documents as the General Partner may reasonably require establishing the status or residence of the Limited Partner.

Each Limited Partner represents and warrants that he is, if an individual, of the age of majority.

Each Limited Partner also represents and warrants that he is not:

(a) a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada);

(b) a "non-resident" of Canada, a "tax shelter", a "tax shelter investment" or a person an investment in which would be a "tax shelter investment", all within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**");

(c) a "financial institution" within the meaning of Section 142.2 of the Tax Act; or

(d) a partnership which does not contain a prohibition against investment by the foregoing persons,

and any Limited Partner who fails to provide evidence satisfactory to the General Partner of such status when requested to do so from time to time shall be immediately removed as a Limited Partner and his Units shall be redeemed at the next Valuation Date in accordance with Article 3. In the event that any Limited Partner subsequently becomes a "non-Canadian", a "non-resident" of Canada, a "tax shelter", a "tax shelter investment", a person an investment in which would be a "tax shelter investment", a "financial institution" or a partnership with any of the foregoing as a member or the Limited Partner's interest in the Partnership subsequently becomes a "tax shelter investment", such Limited Partner is required to immediately notify the General Partner in writing of such change in status and such Limited Partner's Units will be redeemed by the Partnership on the next Valuation Date in accordance with Article 3.

1.11 Representations, Warranties and Covenants of the General Partner

The General Partner represents, warrants and covenants that the General Partner:

(a) is a corporation in good standing under the laws of the Province of Ontario;

(b) has the capacity and authority to act as the general partner of the Partnership and to perform its obligations under this Agreement, and such obligations do not and will not conflict with or breach its constating documents, or any agreement by which it is bound; and

(c) except as expressly permitted hereunder will not, and will not permit any other party, to borrow from the Partnership.

1.12 "Special Resolution" and "Ordinary Resolution"

In this Agreement the term "**Special Resolution**" means a resolution passed by not less than two-thirds of the votes cast at a duly constituted meeting of the Limited Partners called for the purpose of considering such resolution or an instrument in writing signed by two-thirds of the Limited Partners, and "**Ordinary Resolution**" means a resolution passed by a majority of the votes cast at a duly constituted meeting of the Limited Partners or an instrument in writing signed by a majority of the Limited Partners.

1.13 "Net Asset Value Per Unit"

Where there is only one class or series of Units, the net asset value per unit (the "**Net Asset Value per Unit**") shall be calculated as at 4:00 p.m. (Toronto time) on the last business day of each month (a "**Valuation Date**") by taking the Net Asset Value of the Partnership (as calculated pursuant to Section 1.14 hereof) as of such Valuation Date, subtracting the positive amount (if any) in the General Partner's Account (as defined in Section 3.06 hereof) on such Valuation Date, and dividing the result by the total number of Units of the Partnership outstanding on that Valuation Date, all before accounting for Units redeemed pursuant to Section 3.10 hereof or subscribed for pursuant to Section 3.01 hereof as of such Valuation Date.

Where there is more than one class or series of Units, the "**Net Asset Value**" with respect to a particular class or series, or with respect to Units of such class or series, shall have the meaning ascribed to such term in Subsection 2.04(f). Subject to Subsection 2.04(f), the Net Asset Value for a particular class or series of Units shall be calculated by subtracting from that class' or series' proportionate share of the assets of the Partnership its proportionate share of the common expenses of the Partnership and the liabilities attributable to that class or series. To arrive at the Net Asset Value per Unit for a particular class or series, the Net Asset Value of that class or series of Units is divided by the number of outstanding Units of that class or series.

The Net Asset Value per Unit determined for the purposes of a subscription or redemption of Units which takes place other than at the Partnership's fiscal year-end shall be reduced to take into account the General Partner's share of the Partnership's net profits based on the annualized returns of the Partnership (realized and unrealized) from the date of commencement of the fiscal year to the date of the issuance or redemption of the Units.

1.14 Calculation of Net Asset Value

As at 4:00 p.m. (Toronto time) on each Valuation Date, the net asset value of the Partnership (the "**Net Asset Value of the Partnership**") shall be determined by the General Partner, who may consult with the investment manager (the "**Investment Manager**"), any custodian and/or prime broker of the Partnership. The Net Asset Value of the Partnership on any Valuation Date shall equal the fair market value of the assets of the Partnership as of such Valuation Date, less an amount equal to the total liabilities of the Partnership as of such Valuation Date, determined in accordance with generally accepted accounting principles. For the purposes of the definition of "**Preferential Return**" contained in

Subsection 3.06(a) hereof, the Net Asset Value of the Partnership as at the beginning of any period within a fiscal year shall be equal to the Net Asset Value of the Partnership as at the commencement of such fiscal year: (i) plus the sum of the proceeds of all subscriptions for Units received at the commencement of such period; and (ii) less the sum of all redemptions and distributions made at the commencement of such period.

In addition to, and without derogating from, the other provisions of this Agreement, the following rules shall be applied by the General Partner to the determination of the Net Asset Value of the Partnership.

(a) In determining the market value of the assets of the Partnership the following rules shall apply:

(i) 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 Partnership is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the General Partner 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 General Partner shall determine to be the reasonable value thereof;

(ii) 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 Partnership 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 Partnership 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 Partnership. The value of inter-listed securities shall be computed in accordance with directions laid down from time to time by the General Partner; provided however that if, in the opinion of the General Partner, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Partnership upon the disposal of securities necessary to effect any redemptions of Units, the General Partner may place such value upon such securities as appears to the General Partner to most closely reflect the fair value of such securities;

(iii) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking, or agreement by the Partnership 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 Partnership'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;

(iv) a long position in an option or a debt-like security shall be valued at the current market value of the position;

(v) for options written by the Partnership (1) the premium received by the Partnership 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 per Unit of the Partnership; and (4) any securities that are the subject of a written option shall be valued at their current market value;

(vi) 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;

(vii) the value of any security or other property for which no price quotations are available or, in the opinion of the General Partner, 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 General Partner shall from time to time provide;

(viii) the value of all assets and liabilities of the Partnership valued in terms of a currency other than the currency used to calculate the Partnership's Net Asset Value shall be converted to the currency used to calculate the Partnership's Net Asset Value by applying the rate of exchange obtained from the best available sources to the General Partner;

(ix) 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

(x) 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.

(b) The liabilities of the Partnership shall be deemed to include:

(i) all bills and accounts payable;

(ii) all administrative expenses payable and/or accrued;

(iii) all obligations for the payment of money or property, including the amount of any declared but unpaid distributions;

(iv) all allowances authorized or approved by the General Partner for taxes or contingencies; and

(v) all other liabilities of the Partnership of whatever kind and nature, except liabilities represented by outstanding Units.

(c) Portfolio transactions (investment purchases and sales) will be reflected in the first computation of the Net Asset Value of the Partnership made after the date on which the transaction becomes binding.

(d) The Net Asset Value of the Partnership and Net Asset Value per Unit on the first business day following a Valuation Date shall be deemed to be equal to the Net Asset Value of the Partnership (or per Unit, as the case may be) on such Valuation Date after payment of all fees and after processing of all subscriptions and redemptions of Units in respect of such Valuation Date.

(e) The General Partner and the Investment Manager may determine such other rules as they deem necessary from time to time.

ARTICLE 2
THE UNITS

2.01 Capital

The capital of the Partnership shall be divided into an unlimited number of Units issuable in one or more classes and/or series of Units.

2.02 Capital Contributions and Sale of Units

A Limited Partner shall make a contribution to the capital of the Partnership by a subscription for Units pursuant to the offering, the amount of such contribution being the purchase price of such Units. Units shall be offered on each Valuation Date at the Net Asset Value per Unit on such date. If the General Partner has designated classes or series of Units, the General Partner may, in its discretion, determine the opening Net Asset Value per Unit for each new class or series (for greater certainty, each class or series of Units may have a different Net Asset Value per Unit from that of other classes or series from time to time). Upon acceptance of a subscription for Units by the General Partner, the Units will be deemed to be issued on the business day next following such Valuation Date. The General Partner is authorized and directed to do all things which it deems to be necessary, convenient, appropriate or advisable in connection therewith. A Limited Partner as a Partner is not required to make any further contributions to the capital of the Partnership.

2.03 Subdivision of Units: Fractional Units

The General Partner may consolidate or subdivide the Units from time to time in such manner as it considers appropriate. Fractional Units may be issued. The General Partner may consolidate or subdivide Units of any class or series in a manner that is different to the treatment of Units of another class or series only if the Net Asset Value per Unit of such class or series is amended such that the aggregate Net Asset Value of all Units of such class or series prior to such consolidation or subdivision is equal to the aggregate Net Asset Value of all Units of such class or series following such consolidation or subdivision.

2.04 Nature of a Unit

(a) No Unit shall have any preference, conversion, exchange, pre-emptive or redemption rights in any circumstances over any other Unit (except as may be specifically provided for herein).

(b) Each Limited Partner shall be entitled to one vote for each whole Unit held by him in respect of all matters to be decided upon by the Limited Partners. The Units represent the right to participate in all the profits or losses of the Partnership as provided for herein.

(c) Units may be designated by the General Partner as being Units of a series. Units of each series may be issued at a Net Asset Value per Unit as the General Partner may in its discretion assign, and the Net Asset Value per Unit of any one series need not be equal to the Net Asset Value of any other series. The General Partner may at any time name or rename each such series without otherwise affecting the attributes of such series.

(d) Each issued and outstanding Unit of each series shall be equal to each other Unit of the same series with respect to all matters, including the right to receive allocations and distributions from the Partnership and otherwise.

(e) Subject to any limits set out in Section 3.07, the General Partner may create and name (or rename) from time to time one or more classes of Units which may be subject to different administrative fees, management fees and performance fees, if any, than those chargeable against Units of another class, and may designate one or more series of Units within such class.

(f) Upon the designation of a new series of Units by the General Partner, the "**Net Asset Value**" per Unit for such series shall initially be as designated by the General Partner pursuant to Subsection 2.04(c) above and the Net Asset Value of such series shall initially be such Net Asset Value per Unit multiplied by the number of Units of such series issued and outstanding. After the initial issue of Units of a series, the Net Asset Value of such series on a Valuation Date shall be calculated as follows:

(i) by multiplying the Net Asset Value of such series on the previous Valuation Date (as calculated above or in accordance with clause (iii) on such date) by a fraction, the numerator of which is the Net Asset Value of the Partnership on the current Valuation Date (before payment or accrual of administrative fees, management fees and performance fees, if any, and before subscriptions and redemptions, but after allocation to the General Partner pursuant to Section 3.06) and the denominator of which is the Net Asset Value of the Partnership on the previous Valuation Date (after payment of all fees, after giving effect to all subscriptions and redemptions and after allocations to the General Partner pursuant to Section 3.06); and subtracting from such product all administrative fees, management fees and performance fees, if any, payable or accrued in respect of Units of such series pursuant to Section 3.07;

(ii) the Net Asset Value per Unit for all Units of such series as at such date for the purpose of subscriptions, redemptions, conversions or redesignations shall be calculated by dividing the result obtained pursuant to clause (i) by the number of Units of such series outstanding immediately following the previous Valuation Date; and

(iii) in the event of a subscription, redemption, conversion or redesignation of Units affecting such series on such current Valuation Date, the Net Asset Value of such series as at such current Valuation Date shall thereafter be calculated by multiplying the Net Asset Value per Unit calculated pursuant to clause (ii) by the number of Units of such series outstanding after all such events.

The Net Asset Value per class and the Net Asset Value per Unit for a particular class of Units shall be calculated in a similar manner.

(g) The General Partner may in its discretion from time to time convert Units of any one or more class or series into Units of another class or series, or rename a series such that it has the same name as another series of the same class, provided that:

(i) in the case of a conversion, the conversion rate is based on the respective Net Asset Values of each such series such that the aggregate Net Asset Value on the date of conversion of the Units received on conversion is equal to the aggregate Net Asset Value of the Units held immediately prior to such conversion;

(ii) in the case of a conversion to another class of Units, the administrative fees, management fees and performance fees, if any, payable pursuant to Section 3.07 in respect of the Units received on conversion are the same or lower than those payable on the Units held prior to such conversion;

(iii) in the case of a renaming, the Net Asset Value per Unit of each series is identical (following, if necessary, the consolidation or subdivision of Units of one or both such series);

(iv) any benchmark, high water mark, loss carry forward calculation or other criteria for determining fees payable are equivalent (relative to the respective Net Asset Values per Unit of each series) or more advantageous to the Limited Partner so affected;

(v) all securities or tax regulatory filings necessary to be made in respect thereof are made in a timely fashion and within any statutory deadlines; and

(vi) no Limited Partner is otherwise adversely affected thereby.

2.05 Receipt

The receipt of any money, securities or other property from the Partnership by a person in whose name any Unit is recorded, or of the duly authorized agent of any such person in that regard, or if such Unit is recorded in the names of more than one person, the receipt thereof by any one of such persons or by the duly authorized agent of any such persons in that regard, shall be a sufficient discharge for all such money, securities or other property payable, issuable or deliverable in respect of such Unit and from all liability of the Partnership to see to the application thereof.

2.06 Registrar and Transfer Agent

The General Partner, or such other person as may from time to time be appointed by the General Partner, shall act as the registrar and transfer agent (the "**Transfer Agent**") of the Units and shall maintain such books as are necessary to record the names, residential address or address for service including the municipality, street and number, if any, postal code and telephone number of each Limited Partner, the number of Units held by each Limited Partner and the particulars of any transfers of Units. The Transfer Agent shall perform all other duties usually performed by transfer agents of shares of a corporation, except as the same may be modified by reason of the nature of the Units.

2.07 Transfer of Units

No transfer of Units shall be effective unless:

(a) the General Partner has given its written consent approving the transfer by the holder of record to the transferee of the said Units;

(b) the holder of record thereof or his agent duly authorized in writing shall deliver to the Transfer Agent a duly executed instrument of transfer in the form annexed hereto as Exhibit "A" or in such other form acceptable to the Transfer Agent, together with such evidence of the genuineness of each such endorsement, execution and authorization and of other matters as may reasonably be required by the Transfer Agent;

(c) the transferee has executed a counterpart of this Agreement or otherwise agrees to be bound by its terms;

(d) the relevant requirements of the Act and the *Securities Act* (Ontario) and any applicable legislation have been complied with;

(e) evidence reasonably satisfactory to the Transfer Agent has been produced that the status of the transferee is as set forth in Section 1.10 hereof; and

(f) the transferee has become responsible for all obligations of the transferor to the Partnership.

Upon such conditions being met, the transfer shall be recorded in the books maintained by the Transfer Agent.

Except where specific provision has been made therefor in this Agreement, the Transfer Agent shall not be bound to see to the execution of any trust, express, implied or constructive, or any charge, pledge or equity to which any of the Units or any interest therein are subject, or to ascertain or inquire whether any sale or transfer of any such Units or interest therein by any Limited Partner or his personal representatives is authorized by such trust, charge, pledge or equity, or to recognize any person having any interest therein except for the person recorded in the register of the Partnership as such Limited Partner. No transfer shall relieve the transferor from any obligations to the Partnership incurred prior to the transfer being recorded.

2.08 Successors in Interest of Limited Partners

The Partnership shall continue notwithstanding the withdrawal, expulsion, death or insolvency of any Limited Partner and, subject to applicable legislation, no Limited Partner may require dissolution of the Partnership, the intent being that the Partnership shall be dissolved only in the manner provided for in this Agreement. Any person becoming entitled to any Units in consequence of the death or insolvency of any Limited Partner, or otherwise by operation of law, shall be recorded as the holder of such Units only upon production of the proper evidence of such entitlement, and upon execution of a counterpart of this Agreement (or otherwise agreeing to be bound by the terms of this Agreement), upon compliance with the other provisions of subsections 2.07(b) to (f) hereof and upon delivery of such other evidence as may be required by law.

2.09 Subscriptions for Units

The General Partner shall have the right to accept or reject subscriptions for Units in whole or in part. If a subscription is rejected, in whole or in part, monies received and not applied towards the purchase of Units shall be returned to the subscriber, without interest or deduction, within seven days following such rejection.

2.10 Unit Certificates and Confirmation

The Partnership will not issue Unit certificates. However, on any purchase or redemption of Units, the General Partner shall issue confirmation slips indicating the nature of the transaction effected by the Limited Partner and the number and class or series of Units held by such Limited Partner after such transaction.

ARTICLE 3
CONTRIBUTIONS, ALLOCATIONS AND DISTRIBUTIONS

3.01 Capital Contributions and Sale of Units

The initial capital of the Partnership shall include the aggregate amount of the capital contributions made by the Limited Partners. For these purposes, "**Initial Capital**" means the amount contributed to the Partnership by the Limited Partners in connection with their purchase of Units. The General Partner proposes to raise capital for the Partnership by offering Units at the applicable Net Asset Value per Unit, adjusted as contemplated in Section 1.13 hereof, and will admit subscribers for Units as Limited Partners in the Partnership.

3.02 [This section has been intentionally deleted.]

3.03 Determination of Net Profits or Net Losses and Taxable Income or Loss

Net profits or net losses of the Partnership will be determined in accordance with accounting principles generally accepted in Canada and subject to annual audit by the auditors (the "**Auditors**") of the Partnership. Net profits or net losses are calculated as the sum of the net income or loss for the period plus the net change in the unrealized gain or loss for the period. Such calculation, absent manifest error, shall be binding upon the General Partner and the Limited Partners. The General Partner shall determine the income or loss of the Partnership for tax purposes in accordance with the provisions of the Tax Act. Such determination will be binding on the General Partner and the Limited Partners.

3.04 Individual Capital Accounts

An individual capital account shall be maintained for the General Partner and each Limited Partner and shall initially be credited with the amount of his capital contribution to the Partnership and shall be adjusted as follows:

(a) all income and gains of the Partnership allocated to the General Partner or a Limited Partner shall be credited to the capital account of such Partner; and

(b) all losses of the Partnership allocated to the General Partner or a Limited Partner and any amount distributed by the Partnership to the General Partner or a Limited Partner in respect of Units shall be debited against such Partner's capital account.

No Limited Partner shall be entitled to withdraw any part of his capital account or to receive any distribution except as provided in this Agreement. The existence of a zero or negative balance in the capital account of any Partner shall not operate to terminate the Partnership.

The General Partner shall generally compute the Partnership's income, gains and losses, and adjust each Partner's capital account, no less frequently than quarterly. However, the General Partner may compute the Partnership's income, gains and losses, and adjust each Partner's capital account more often if, in the General Partner's determination, circumstances otherwise make it advisable to do so.

3.05 Reinvestment of Partnership Profits

The Partners recognize that the profitability of the Partnership depends upon long-term, uninterrupted investment of capital. It is agreed, therefore, that Partnership profits may be automatically reinvested and distributions of income and capital gains, if any, to the Partners will be as determined by the General Partner in its sole discretion. Nevertheless, the Limited Partners contemplate the possibility that one or more of their number may elect to realize upon and withdraw gains, if any, or may desire to withdraw capital prior to the dissolution of the Partnership pursuant to the redemption provisions of this Agreement.

3.06 Allocations of Net Profits or Net Losses

(a) For the purpose of this section,

"**General Partner's Account**" as at any Valuation Date in a year, means:

(i) the General Partner's Account as at the later of the previous Valuation Date and (to the extent it is not the same date) the last fiscal year-end of the Partnership, plus an amount equal to 20% of the amount by which the net profits of the Partnership, if any, for the period, that began on the first day following such previous Valuation Date (or fiscal year-end, as the case may be) and ended on the current Valuation Date, exceeds the Preferential Return (as defined below) for such period,

minus

(ii) in the event the net profits (if any) of the Partnership for such period is less than the Preferential Return for such period, an amount equal to 20% of the difference between such Preferential Return and such net profits (if any) or, in the event that there are losses in such period, 20% of the losses of the Partnership during such period; and

(iii) any amount paid to the General Partner as a distribution of income on or after such previous Valuation Date (or fiscal year-end, as the case may be),

provided that

(iv) at any time Units are redeemed when the General Partner's Account is less than zero, there shall be added back to the General Partner's Account a positive amount equal to the amount by which zero exceeds the General Partner's Account multiplied by the number of Units redeemed and divided by the number of Units outstanding on such date (before subscriptions and redemptions),

(v) for the purpose of calculating the Net Asset Value of the Partnership pursuant to Section 1.14 hereof, any negative amount in the General Partner's Account shall be ignored (and for greater certainty shall not be treated as an asset), and

(vi) in the event that the General Partner's Account is negative at a fiscal year-end of the Partnership, the General Partner's Account shall be reset to zero at such fiscal year-end; and

"**Preferential Return**" means, for any period, an amount equal to 10% of the Net Asset Value of the Partnership as of the beginning of such period (as calculated pursuant to Section 1.14 hereof) multiplied by the number of days in such period and divided by 365 (366 in the case of a leap year). In the event there is a negative return in any fiscal year of the Partnership, such negative return shall be added to the Preferential Return for the first Valuation Date in the next fiscal year. For this purpose, "**negative return**" in a fiscal year means the net loss of the Partnership in such year allocated to the Limited Partners pursuant to this Article 3 in respect of Units held by them (and not redeemed) on the last fiscal day of such fiscal year.

(b) All net profits of the Partnership for each fiscal year will be allocated as follows: (i) the General Partner shall be entitled to the amount equal to the positive amount, if any, in the General Partner's Account as at the last day of such fiscal year, and (ii) the Limited Partners shall be entitled to the balance. Net losses of the Partnership for any fiscal year will be allocated as to 99.999% to the Limited Partners and as to 0.001% to the General Partner. For greater certainty, but subject to Section 3.13, the General Partner shall not at any time be required to repay any negative amount in the General Partner's Account.

(c) Subject to the operation of subsection 3.06(a) hereof, the Partnership will allocate net profits in a fiscal year to the General Partner even if net losses which may have occurred in a previous fiscal year have not been recovered. Subject to the application of Section 3.11, net profits or net losses of the Partnership which are allocable to Limited Partners shall be allocated, as at the end of each fiscal year of the Partnership, to all holders of Units in proportion to the number of such Units held by each of them.

3.07 Management Fees

The Investment Manager shall be entitled to receive from the Partnership a monthly management fee equal to up to $^{1}/_{12}$ of 2% of the Net Asset Value of the particular class or series of Units, plus any applicable federal and provincial taxes, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the particular class or series of Units as at the last business day of each month. The management fee charged by the Investment Manager may be greater in respect of one class of Units than for another class of Units and, in such regard, shall be calculated and deducted from the Net Asset Value of each respective class in accordance with Subsection 2.04(f). The management fee charged by the Investment Manager shall be the same for all series of Units within a particular class.

3.08 Allocation of Taxable Income or Loss

Taxable income or loss of the Partnership for each year for the purposes of the Tax Act shall be allocated at the end of each fiscal year to the Limited Partners in the same manner as is specified for net profits or net losses of the Partnership in Section 3.06. The General Partner may adopt and amend an allocation policy from time to time intended to allocate income or loss (and/or taxable capital gains or

allowable capital losses) in such a manner as to account for Units which are purchased or redeemed throughout such fiscal year, the class and/or series of such Units, the tax basis of such Units, the fees payable by the Partnership in respect of each such class and/or series of Units, and the timing of receipt of income or realization of gains or losses by the Partnership during such year, among other factors deemed relevant by the General Partner. To such end, any person who was a Limited Partner at any time during a fiscal year but who has redeemed or transferred all of their Units before the last day of such fiscal year may be deemed to be a Limited Partner on the last day of such fiscal year and/or the following fiscal year for the purposes of subsection 96(1.1) of the Tax Act (or any successor provision), and such person will be deemed to be a Limited Partner on the last tax day of such fiscal year pursuant to proposed subsection 96(1.01), and income or loss in such fiscal year may be allocated to such former Limited Partner. All such determinations shall be made by the General Partner and shall, absent manifest error, be binding on the Limited Partners.

Notwithstanding the foregoing, in the event that a Limited Partner receives an amount from the General Partner or any other person which amount is included in computing the income of the Partnership in accordance with subsection 12(2.1) of the Tax Act (or any successor provision), for the purposes of allocating taxable income or loss of the Partnership for the year, any such amount shall be allocated to the particular Limited Partner to whom such payment was made in an amount equal to the amount of such payment and not to any other Limited Partner.

3.09 Distributions to the Limited Partners

Net profits of the Partnership allocated to the Limited Partners for any fiscal period may be distributed in whole or in part from time to time or at any time in the sole discretion of the General Partner. No payment may be made to a Limited Partner from the assets of the Partnership if the payment would reduce the assets of the Partnership to an insufficient amount to discharge the liabilities of the Partnership to persons who are not the General Partner or a Limited Partner.

3.10 Redemption

Subject to the following provisions, any Limited Partner may request that the Partnership redeem his Units at the applicable Net Asset Value per Unit. Such redemption shall be effective on the first Valuation Date which is not less than 60 days following receipt by the General Partner of a written request to redeem his Units. Payment of the redemption amount will be paid to the redeeming Limited Partner not later than the 30th day following the applicable Valuation Date upon which such redemption is effective.

The General Partner shall have the right to hold back up to 20% of the aggregate redemption amount payable to a Limited Partner in order to provide an orderly disposition of assets. The term of such hold back shall not exceed a reasonable time period, having regard to the applicable circumstances.

Any Limited Partner whose total combined investment in all classes of Units in the Partnership represents 10% or greater of the Net Asset Value of the Partnership, when measured at market value, is restricted from filing a redemption request which exceeds 10% of the Net Asset Value of the Partnership, when measured at market value.

If on any Valuation Date the General Partner has received from one or more Limited Partners requests to redeem 10% or more of the outstanding Units, payment of the redemption amount to such Limited Partners may be deferred until the next quarter-end. Such deferral may take place if, in the sole judgement of the General Partner, extra time is warranted to facilitate the orderly liquidation of portfolio security positions to meet such redemption requests. The redemption amount payable to Limited Partners

will be adjusted by changes in the Partnership's Net Asset Value during this period and calculated on each Valuation Date in respect of the payment to be made on such date.

The General Partner may, in its sole discretion, impose an early redemption fee as disclosed from time to time in the offering documents of the Partnership that would apply to purchases of Units on or after April 16, 2012. This early redemption fee will be deducted from the redemption amount otherwise payable to a Limited Partner and will be paid to the Partnership. No early redemption fee will be charged to a Limited Partner in respect of the redemption of Units which were acquired by a Limited Partner through the automatic reinvestment of all distributions of net income or net realized capital gains by the Partnership or where the General Partner requires a Limited Partner to redeem some or all of the Units owned by such Limited Partner. This early redemption fee is in addition to any other fees a Limited Partner is otherwise subject to under the offering documents of the Partnership.

The General Partner may suspend redemption rights of Limited Partners for any period when normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives are traded which, in the aggregate, represent more than 50% of the Net Asset Value (or underlying market exposure) of the Partnership.

At the option of the General Partner, payment of all or any portion of the redemption amount payable to a Limited Partner may be made by providing the Limited Partner with a *pro rata* portion of the securities held in the Partnership's portfolio.

If a redeeming Limited Partner owns Units of more than one class or series of a class of Units, Units will be redeemed on a "first in, first out" basis. Accordingly, Units of the earliest class or series owned by the Limited Partner will be redeemed first, at the redemption price for Units of such class or series, until such Limited Partner no longer owns Units of such class or series of a class of Units.

3.11 Allocation of Income and Losses Where Redemptions Occur During the Course of the Year

Allocation among Limited Partners will generally be made according to their respective holdings of Units on the relevant date. In the event that Units of the Partnership have been redeemed during the course of the fiscal year, the General Partner will adopt and amend an allocation policy from time to time intended to allocate income or loss (and/or taxable capital gains or allowable capital losses) in such a manner as to account for Units which are purchased or redeemed throughout such fiscal year. To such end, any person who was a Limited Partner at any time during a fiscal year but who has redeemed or transferred all of their Units before the last day of such fiscal year may be deemed to be a Limited Partner on the last day of such fiscal year and/or the following fiscal year for the purposes of subsection 96(1.1) of the Tax Act (or any successor provision), and such person will be deemed to be a Limited Partner on the last tax day of such fiscal year if subsection 96(1.01) contained in Bill C-10 receives Royal Assent, and income or loss in such fiscal year may be allocated to such former Limited Partner.

3.12 Interest on Capital Contributions

Interest shall not be payable on any capital accounts.

3.13 Repayments

If, as determined by the Partnership's Auditors, any Limited Partner has received from the Partnership an amount which is in excess of his entitlement, such Limited Partner shall forthwith reimburse the Partnership to the extent of such excess within five (5) days of receipt of written notice from the General Partner. The Limited Partner shall be liable for interest on the excess amount paid at a

rate per annum equal to the prime commercial lending rate of the Partnership's bankers from the date of receipt by it of such notice and determination to the date of refund of the excess amount if payment of such excess amount is not made by the Limited Partner within five (5) days as aforesaid. The General Partner may set-off and apply any sums otherwise payable to a Limited Partner against such amounts due from such Limited Partner, provided that there shall be no right of set-off against a Limited Partner in respect of amounts owed to the Partnership by a predecessor of such Limited Partner.

ARTICLE 4
THE GENERAL PARTNER

4.01 General Powers and Duties of the General Partner

Subject to any delegation of its powers properly authorized hereunder, the General Partner will control and have responsibility for the business of the Partnership, to bind the Partnership and to admit Limited Partners and do or cause to be done in a prudent and reasonable manner any and all acts necessary, appropriate or incidental to the business of the Partnership.

All agreements entered into by the Partnership shall contain the following:

> "The obligations of Sprott Hedge Fund LP herein and under all documents delivered pursuant hereto or which give effect to the terms hereof are not personally binding upon any registered or beneficial holder of limited partnership units of Sprott Hedge Fund LP (a "**Limited Partner**"), any annuitant under a plan of which a Limited Partner acts as a trustee or carrier, or any officers, employees or agents of Sprott Hedge Fund LP, and resort shall not be had to, nor shall recourse or satisfaction be sought from, any of the foregoing or the private property of any of the foregoing, but the property of Sprott Hedge Fund LP only shall be bound by such obligations and recourse or satisfaction may only be sought from the property of Sprott Hedge Fund LP."

4.02 Authority of the General Partner

The General Partner has exclusive authority to manage and control the activities of the Partnership and is liable, as a general partner is by law, for the debts of the Partnership. No person dealing with the Partnership is required to inquire into the authority of the General Partner to take any action or make any decision on behalf of and in the name of the Partnership and the Partnership will be bound by all agreements made by the General Partner on its behalf.

The General Partner shall be entitled to delegate any of its powers hereunder subject always to its overriding control and direction.

The funds and assets of the Partnership shall not be commingled with the funds or assets of any other person, including the General Partner, other than in connection with the ownership of property which is held jointly or in common with others.

4.03 Limitations on Authority of the Limited Partners

While Limited Partners have voting rights with respect to certain matters, including the termination of the Partnership, no Limited Partner, in his capacity as such, may take part in the operation or management of the activities of the Partnership nor may any Limited Partner, in his capacity as such,

have the power to sign for or to bind the Partnership. Limited Partners shall comply with the provisions of the Act in force or in effect from time to time and shall not take any action which will jeopardize or eliminate the status of the Partnership as a limited partnership.

4.04 Specific Powers

Without limiting the foregoing, the General Partner is authorized, at the appropriate time, on behalf of and without further authority from the Limited Partners:

(a) to act as the Transfer Agent or to appoint a Transfer Agent in respect of the Units;

(b) to engage such counsel and such professional or other consultants as the General Partner considers advisable in order to perform its duties hereunder;

(c) to open and operate in the name of the Partnership one or more bank and brokerage accounts and to name signing officers for these accounts and to borrow funds in the name of the Partnership and to grant security over the Partnership's assets therefor and to spend the capital of the Partnership in the exercise of any right or power possessed by the General Partner;

(d) to execute, deliver and carry out all contracts or agreements which require execution by or on behalf of the Partnership and all other agreements which may from time to time require execution by or on behalf of the Partnership;

(e) to act on behalf of the Partnership with respect to any and all actions and other proceedings brought by or against the Partnership;

(f) to determine the amount and type of insurance coverage to be maintained in order to protect the General Partner, the Partnership and the directors of the General Partner;

(g) to manage, administer, invest, conserve, develop, operate and dispose of any and all properties or assets of the Partnership and in general to engage in any and all phases of business of the Partnership, including through engaging appropriate persons to fulfil such functions;

(h) to appoint the Investment Manager and dealers or brokers in respect of the business of the Partnership;

(i) to execute any and all other deeds, documents and instruments and do all acts as may be necessary or desirable to carry out the intent and purpose of this Agreement; and

(j) to own Units.

4.05 Amendment of Agreement

Unless otherwise provided for herein, this Agreement may only be amended on the initiative of the General Partner with the consent of the Limited Partners given by Special Resolution. However, no amendment can be made to this Agreement which would have the effect of reducing the interest in the Partnership of the Limited Partners, changing the liability of any Limited Partner, allowing any Limited Partner to participate in the control of the business of the Partnership, changing the right of Limited Partners to vote at any meeting or changing the Partnership from a limited partnership to a general

partnership.

No amendment which would adversely affect the interests of the General Partner may be made without the General Partner's consent.

The General Partner may, without prior notice to or consent from any Limited Partner, amend any provision of this Agreement from time to time:

(a) for the purpose of adding to this Agreement any further covenants, restrictions, deletions or provisions which, in the opinion of counsel to the Partnership, are necessary for the protection of the Limited Partners;

(b) to cure any ambiguity herein or between this Agreement and any offering documents of the Partnership or to correct or supplement any provisions contained herein which, in the opinion of counsel to the Partnership, may be defective or inconsistent with any other provisions contained herein, provided that such cure, correction or supplemental provision does not and will not, in the opinion of such counsel, adversely affect the interests of the Limited Partners; or

(c) to make such other provisions in regard to matters or questions arising under this Agreement which, in the opinion of counsel to the Partnership, do not and will not adversely affect the interests of the Limited Partners.

Limited Partners will be notified of full details of any amendment to this Agreement within 30 days of the effective date of such amendment.

4.06 Power of Attorney

Each Limited Partner hereby irrevocably constitutes and appoints the General Partner and any person appointed to replace the General Partner pursuant to Section 4.09 hereof to act, as his true and lawful attorney with full power and authority in his name, place and stead to make, execute, swear to, acknowledge, deliver, record and file any and all of the following:

(a) this Agreement, all declarations, declarations of change and other instruments necessary to form, qualify or continue the Partnership as a limited partnership in Ontario;

(b) all instruments and declarations necessary to reflect any amendment to this Agreement;

(c) all conveyances and other instruments necessary to effect the dissolution and termination of the Partnership including cancellation of any declarations and further including the signing of any election under the Tax Act, as it may be amended or re-enacted from time to time, and any analogous provincial legislation;

(d) any documents necessary to be filed with any governmental body or instrumentality thereof of the Government of Canada or of a province or territory thereof in connection with the activities, property, assets and undertaking of the Partnership and qualification for sale of the Units in all provinces and territories of Canada;

(e) transfer forms and such other documents on behalf of and in the name of the Limited Partner as may be necessary to effect the transfer of Units; and

(f) such other documents on behalf of and in the name of the Limited Partner or in the name of the Partnership as may be deemed necessary or desirable by the General Partner to give effect to the provisions of this Agreement.

To evidence the foregoing, each Limited Partner has, in executing the subscription form for the purchase of Units or in executing the transfer form for the transfer of Units, executed a power of attorney substantially in the form noted above. The power of attorney granted herein is irrevocable and is a power coupled with an interest and will survive the death or disability of a Limited Partner and extends to the heirs, executors, administrators, successors and assigns of the Limited Partner, and may be exercised by the General Partner on behalf of each Limited Partner by listing all the Limited Partners executing any instrument with a single signature as attorney and agent for all of them. In accordance with the *Substitute Decisions Act, 1992* (Ontario), the Limited Partner declares that these powers of attorney may be exercised during any legal incapacity or mental infirmity on the part of the Limited Partner and that the Public Trustee of Ontario shall not become the committee of the estate of the Limited Partner in respect of the interest of the Limited Partner in the Partnership. The Limited Partner agrees to be bound by any representation or action made or taken by the General Partner pursuant to such power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the General Partner taken in good faith under such power of attorney.

4.07 Duty of General Partner

The General Partner shall exercise the powers and discharge the duties of its office hereunder honestly, in good faith and in the best interests of the Limited Partners, and shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The General Partner shall be entitled to retain advisors, experts or consultants to assist it in the exercise of its powers and the performance of its duties hereunder.

4.08 Assignment by General Partner

The General Partner shall not sell, assign or otherwise dispose of its interest as the general partner of the Partnership.

4.09 Replacement of General Partner

Except upon the bankruptcy, dissolution or winding-up of the General Partner or the appointment of a trustee or permanent receiver of the affairs of the General Partner (in which case the General Partner will be deemed to have resigned as general partner effective on the earlier of the appointment of a Substitute (as hereinafter defined) by the Limited Partners by Special Resolution or one hundred and eighty (180) days following the appointment of such trustee or permanent receiver), the General Partner may not be removed unless replaced for cause pursuant to a Special Resolution requiring such replacement and appointing a substitute general partner (the "**Substitute**") to assume the rights and responsibilities of the General Partner. For purposes hereof, cause shall mean the fraudulent actions or gross negligence of the General Partner in performing its obligations hereunder. Upon passage of such a Special Resolution, the General Partner shall do all things necessary to effectively transfer the management and to convey all assets of the Partnership (including legal and beneficial title to the assets of the Partnership) to the Substitute and, prior to registration of a declaration of change under the Act to reflect the replacement, the Substitute shall execute this Agreement. The General Partner shall continue as the general partner and such replacement shall not be effective until an effective declaration of change has been filed under the Act. From and after registration of such declaration of change, the Substitute shall assume the powers, duties and obligations of the General Partner under this Agreement and shall be subject to the terms hereof, and for the purposes of this Agreement the Substitute shall thereafter be the

"General Partner" in the place of the General Partner so replaced. The replacement of the General Partner as aforesaid shall not dissolve the Partnership. The activities of the Partnership shall be continued by the Substitute on behalf of the Partnership, and each Limited Partner hereby consents to the activities of the Partnership being continued by the Substitute on behalf of the Partnership.

4.10 Indemnity and Release

The General Partner assumes no responsibility to the Partnership and shall bear no liability to the Partnership or any Limited Partner for any loss suffered by the Partnership which arises out of any action or inaction of the General Partner if such course of conduct did not constitute negligence or misconduct of the General Partner and if the General Partner, in good faith, determined that such course of conduct was in the best interests of the Partnership. The General Partner shall be entitled to indemnification out of the assets of the Partnership against expenses, including legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by the General Partner in connection with the Partnership, provided such expenses were not the result of negligence or misconduct on the part of the General Partner.

Upon the removal of the General Partner, the Partnership and the Limited Partners shall release and hold harmless the General Partner from all actions, claims, costs, demands, losses, damages and expenses with respect to events which occur in relation to the Partnership after the effective time of such removal.

The General Partner agrees to indemnify and hold harmless each of the Limited Partners of the Partnership (including former Limited Partners) from and against all costs, damages, liabilities or losses incurred resulting from not having limited liability, other than the loss of limited liability caused by any act or omission of the Limited Partner. The General Partner further agrees to indemnify the Partnership for any costs, damages, liabilities or losses incurred by the Partnership as a result of an act of negligence or misconduct by the General Partner pursuant to this Agreement. The foregoing indemnity will not extend to liabilities arising from a Limited Partner being called upon to return any distributions paid to them (with interest), whether properly paid or paid in error.

ARTICLE 5
INVESTMENT RESTRICTIONS

5.01 General

The activities of the Partnership are subject to certain investment restrictions (the "**Investment Restrictions**"), which may be amended if changes are necessary in order to comply with applicable law (in which case the General Partner shall promptly notify the Limited Partners of any such amendment if it is material) or by Special Resolution and consent in writing of the General Partner. For the purpose of the Investment Restrictions listed below, all percentage limitations apply only immediately after a transaction, and any subsequent change in any applicable percentage resulting from changing values will not require the disposition of any portfolio securities. These Investment Restrictions will govern the activities of the Partnership including the investment of its assets and the incurrence of debt, and provide, among other things, as follows:

(a) *Sole Undertaking* - The Partnership will not engage in any undertaking other than the investment of its assets in accordance with the Partnership's investment objective and strategies, and subject to the Investment Restrictions, and such activities as are necessary or ancillary with respect thereto;

(b) *Purchasing Securities* - The Partnership will not purchase securities other than through normal market facilities unless the purchase price thereof approximates or is less than the prevailing market price or is negotiated or established on an arm's length basis by the Investment Manager;

(c) *Fixed Price* - The Partnership will not purchase any security which may by its terms require the Partnership to make a contribution in addition to the payment of the purchase price, other than as described under the heading "Investment Objective and Strategies" in the Partnership's current confidential offering memorandum, as amended from time to time, provided that this restriction shall not apply to the purchase of securities which are paid for on instalments which are fixed at the time the first instalment is paid;

(d) *Limitations* –

(i) The total amount invested by the Partnership in any one issuer (other than any Underlying Fund) will not exceed 15% of the Net Asset Value of the Partnership;

(ii) The Partnership shall invest primarily in securities traded in Canadian and U.S. markets; and

(e) *Commodities* – The Partnership shall be permitted to purchase or sell commodities and take physical delivery thereof without limitation. The Partnership may also purchase or sell commodity futures or options as a means of hedging certain identifiable commodity price risks inherent in the Partnership's portfolio.

The General Partner may, without consent of any Limited Partner, amend the Investment Restrictions, provided that it gives 105 days' prior written notice to each Limited Partner.

ARTICLE 6
MEETINGS

6.01 Calling of Meetings

Meetings of the Limited Partners may be called at any time by the General Partner and shall be called upon written request of Limited Partners holding in the aggregate not less than 33⅓% of the outstanding Units. Such request shall specify the purpose or purposes for which such meeting is to be called and shall include sufficient information to enable other Limited Partners to make a reasoned judgement on each matter to be considered at the meeting. Any such meeting shall be held at such place in the City of Toronto, Ontario as the General Partner shall reasonably designate. If the General Partner fails to call a meeting upon such request of Limited Partners within a period of ten (10) days after the giving of such request, the requesting Limited Partners may call such meeting and the notice calling such meeting shall be signed by such requesting Limited Partners or by any person as such requesting Limited Partners may specify in writing. Any meeting called by such requesting Limited Partners shall be conducted in accordance with the provisions of this Agreement. The expenses incurred in calling and holding such meeting shall be payable by the Partnership.

6.02 Purposes of Meetings

Except as permitted by Section 4.03 hereof, Limited Partners may not take part in the conduct of the business of the Partnership. Meetings of the Limited Partners will be held in order to permit the Limited Partners to:

(a) amend this Agreement as provided in Section 4.05 hereof;

(b) approve, by Ordinary Resolution, any action in respect of which the General Partner considers such approval to be desirable but, save as herein specifically provided, nothing herein contained shall oblige the General Partner to seek any approval or to act or fail to act in accordance with the vote of the Limited Partners on any such matter; and

(c) replace the General Partner as provided in Section 4.09.

6.03 Quorum

The presence in person or by proxy and entitled to vote of two or more Limited Partners holding at least 5% of the Units outstanding except for purposes of: (i) passing a Special Resolution in which case such persons must hold at least 33⅓% of the Units outstanding and entitled to vote thereon; and (ii) passing a Special Resolution to remove the General Partner, in which case such persons must hold at least 50% of the Units outstanding and entitled to vote thereon shall be necessary to constitute a quorum for the transaction of business at all meetings of Limited Partners. If such quorum is not present on the date for which the meeting is called within thirty (30) minutes after the time fixed for the holding of such meeting, the holders of a majority of the Units which are present in person or represented by proxy will have the power to adjourn the meeting to another day and time and at such adjourned meeting a quorum will consist of Limited Partners then and there present in person or represented by proxy and voting. Notice shall forthwith be given to all Limited Partners of the time and place of the adjourned meeting. Any business may be transacted at the adjourned meeting which might properly have been transacted at the original meeting.

6.04 Notice of Meeting

Notice of all meetings of the Limited Partners, stating the time, place and purpose of the meeting, shall be given to the General Partner, each Limited Partner, and the Auditors. Such notice shall be mailed at least ten (10) days and not more than twenty-one (21) days before the meeting. All notices of meetings shall provide sufficient information to enable the Limited Partners to make a reasoned judgement on each matter to be considered at the meeting. No business other than the specific business stated in the notice of meeting shall be considered at such meeting.

6.05 Voting

At all meetings of Limited Partners each Limited Partner shall be entitled to cast one vote for each whole Unit owned by him upon each matter presented for vote. Only Limited Partners of record shall be entitled to vote. In addition, the General Partner shall be entitled to one vote in its capacity as General Partner. The approval of Limited Partners shall be given by Ordinary Resolution, except for those matters which require approval by Special Resolution. In the case of an equality of votes, the chairman of the meeting shall have a casting vote. A poll shall be taken on every Special Resolution at a meeting and, when requested by any Limited Partner, on any Ordinary Resolution. For any poll taken at a meeting, each Limited Partner shall have one vote for each Unit in respect of which he is the registered owner. Votes may be given in person or by proxy and a person appointed by proxy need not be a Limited Partner. No person other than the holder of a Unit or a person appointed by proxy in respect thereof is entitled to vote at a meeting of Limited Partners. At any meeting on a matter voted upon for which no poll is required or requested a declaration made by the chairman of the meeting as to the voting on any particular resolution shall be conclusive evidence thereof.

Insiders and affiliates, as such terms are defined in the *Securities Act* (Ontario), of the General Partner and any directors or officers of such persons, if any, who hold Units will not be entitled to vote on any Special Resolution for the replacement of the General Partner.

6.06 Voting by Proxy

At any meeting of Limited Partners, any Limited Partner entitled to vote thereat may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the General Partner for verification prior to the time at which such vote shall be taken. When any Unit is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Unit, but if more than one of them shall be present at such meeting in person or by proxy and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Unit. A proxy purporting to be executed by or on behalf of a Limited Partner shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

6.07 Form of Proxy

The form of proxy shall comply in form and content with the rules pertaining to forms of proxy in the *Securities Act* (Ontario) and the regulations thereunder, as amended from time to time.

6.08 Notice of Revocation of Proxy

A vote cast in accordance with the terms of a proxy shall be valid notwithstanding the previous death or insanity of the Limited Partner or revocation of the proxy or transfer of the Unit in respect of which the proxy was given provided that no notice in writing of such death, insanity, revocation or transfer shall have been received by the General Partner prior to the time fixed for the holding of the meeting.

6.09 Chairman

The chairman at any meeting of Limited Partners shall be the person nominated as such by the General Partner and need not be a Partner, failing which the chairman shall be selected by the meeting.

6.10 Conduct of Meetings

To the extent that the rules and procedures for the conduct of a meeting of the Limited Partners are not prescribed in this Agreement, such rules and procedures shall be determined by the chairman of the meeting.

6.11 Persons Entitled to Attend

The General Partner may attend and take part in the discussions and proceedings at any meeting of Limited Partners. The General Partner shall have the right to authorize the presence of any person at any meeting of Limited Partners regardless of whether such person is a Limited Partner. With the approval of the General Partner, such persons shall be entitled to address the meeting. Any legal advisor of a Limited Partner, any other person authorized in writing by a Limited Partner, and the Auditors in circumstances where such person is entitled to notice of the meeting, may attend any meeting of Limited Partners and shall be entitled to address the meeting and to move resolutions thereat.

6.12 Effect of Resolutions

An Ordinary Resolution or Special Resolution passed at a meeting of the Limited Partners shall be binding on the General Partner and each Limited Partner and their respective heirs, executors, administrators, successors and assigns.

6.13 Minute Book

All proceedings at all meetings of Limited Partners shall be recorded in a minute book by the General Partner, which minute book shall be available for the inspection of the Limited Partners at all meetings of Limited Partners and at all other reasonable times during normal business hours at the offices of the Partnership.

ARTICLE 7
ACCOUNTING AND REPORTING

7.01 Annual Financial Information

Annual audited financial statements of the Partnership consisting of a balance sheet and statements of income and source and use of funds and such other information which the General Partner may provide, shall be audited by an Auditor who shall be selected by the General Partner. A copy of such annual financial statements and necessary tax information shall be sent to the Limited Partners by March 31 of each fiscal year. The General Partner shall complete in prescribed form and file on a timely basis a partnership information return in accordance with the regulations to the Tax Act and any applicable corresponding provincial taxing legislation.

7.02 Interim Financial Information

Within 60 days of the end of the second fiscal quarter, the General Partner will provide unaudited interim financial statements as at and for the six months then ended. Such interim financial statements shall consist of a balance sheet and statements of income and source and use of funds and such other information which the General Partner may provide.

7.03 Other Information

The General Partner shall provide or cause to be provided to the Limited Partners such additional financial and other information as may be required from time to time under applicable legislation.

ARTICLE 8
DISSOLUTION OF THE PARTNERSHIP AND TERMINATION OF AGREEMENT

8.01 Dissolution of the Partnership

(a) Upon the earlier of:

(i) 60 days following delivery by the General Partner to all Limited Partners of a notice of dissolution of the Partnership; and

(ii) 180 days after the bankruptcy, insolvency or dissolution of the General Partner, unless within such 180 day period a Substitute is appointed,

the assets of the Partnership shall be liquidated and distributed in accordance with the provisions of this Agreement. Notwithstanding any rule of law or equity to the contrary, the Partnership shall not be dissolved except in the manner provided for herein.

(b) The General Partner (or other Partner if the General Partner has been dissolved) shall distribute the net proceeds from liquidation of the Partnership in the following order:

(i) to pay the expenses of liquidation and the debts and liabilities of the Partnership (including accrued fees, if any) or to make due provision for the payment thereof;

(ii) to set up any reserves which the General Partner or such other Partner may reasonably deem necessary for any contingent or unforeseen liability or obligation of the Partnership. The General Partner or such other Partner may select a trust company to act as trustee in lieu of the General Partner and shall pay over to such trustee the reserve to be held by that institution for the purpose of disbursing such reserve in payment of any of the contingencies and to distribute the balance remaining, after the expiration of whatever period the General Partner or other Partner in its discretion deems reasonable, in the manner hereinafter set forth;

(iii) to distribute all net income of the Partnership for such fiscal year to the date of distribution in accordance with Section 3.06 and Section 3.09;

(iv) to pay to the Limited Partners the amount of their respective capital; and

(v) to pay the balance, if any, to the General Partner.

(c) Upon completion of the liquidation of the Partnership and the distribution of all Partnership funds, the Partnership shall dissolve and the General Partner (or any other Partner in the event the General Partner is dissolved) shall have the authority to execute and record a declaration of dissolution as well as any and all other documents required to effect the dissolution of the Partnership and the termination of the Agreement.

ARTICLE 9
MISCELLANEOUS

9.01 Competing Interests

Each Partner is entitled, without the consent of the other Partners, to carry on any business of the same nature as, or competing with those activities of, the Partnership, and is not liable to account to the other Partners or the Partnership therefor.

9.02 Notice

Any notice, direction or request required or permitted to be given to the Partnership, the General Partner or the Limited Partners hereunder shall be in writing and shall be given by personal service or by mailing the same by first class mail, with postage thereon fully prepaid, to be addressed as follows:

(a) to the Partnership or the General Partner at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1, or to such other address as the General Partner may notify the Limited Partners; and

(b) to each Limited Partner at the address of such Limited Partner as it appears on the register of the Partnership, or to such other address as a Limited Partner may from time to time notify the General Partner or the Transfer Agent of the Partnership.

Any notice, direction or request mailed as aforesaid shall be deemed to have been given to the addressee when personally served, or if mailed, on the third business day following the date of mailing, provided that for such purposes, no day during which there shall be a strike or other occurrence which shall interfere with normal mail service shall be considered a business day. The General Partner may change its address for receipt of notice by giving notice of its new address to each Limited Partner as herein contemplated.

9.03 Transactions Involving Affiliates

A member of the General Partner or any affiliate (as such term is defined in the *Securities Act* (Ontario)) thereof may be employed by or retained by the Partnership to provide goods and services to the Partnership, provided that the goods and services are provided on terms no less favourable than could be obtained in an arm's length transaction. The validity of any transaction, agreement or payment involving the Partnership and any affiliate of the General Partner otherwise permitted by the terms of this Agreement shall not be affected solely by reason of the relationship between the General Partner and such affiliate.

9.04 Counterparts

This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

9.05 Severability

Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

9.06 Further Acts

The parties hereto agree to execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part thereof.

9.07 Gender

Whenever the context of this Agreement requires, masculine gender includes the feminine or neuter, and singular number includes the plural and vice versa.

9.08 Assignment

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

9.09 Entire Agreement

This Agreement constitutes the entire agreement among the parties hereto with respect to all of the matters herein, and this Agreement shall not be amended except in accordance with the provisions of Section 4.05 hereof.

9.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

SPROTT GENPAR LTD., as General Partner

By: (signed) Kirstin H. McTaggart
Kirstin H. McTaggart
Treasurer

SPROTT GENPAR LTD., on behalf of the Limited Partners

By: (signed) Kirstin H. McTaggart
Kirstin H. McTaggart
Treasurer

EXHIBIT "A"

TRANSFER OF UNITS

The undersigned (the "**Transferor**"), a limited partner of Sprott Hedge Fund LP (hereinafter referred to as the "**Partnership**"), hereby transfers, assigns and sells to

_____

(Name of Transferee) (the "**Transferee**")

_____

(Residence Address)

all rights, title and beneficial interest of the Transferor in the (**please check the appropriate box**) ☐ Class A, ☐ Class F or ☐ Class I limited partnership units (collectively, the "**Units**") of the Partnership. The Transferor hereby agrees to execute or furnish such documents and to perform any other acts as Sprott GenPar Ltd. (the "**General Partner**") may reasonably require to properly and legally effect a valid transfer of the Units to the Transferee.

DATED this _____ day of_____, _____.

_____ _____

(Witness) (Signature of Transferor)

_____

(Residence Address)

The Transferee by execution hereof hereby accepts such transfer and agrees to be bound, as a party to, and as a limited partner (individually, a "**Limited Partner**" and collectively, the "**Limited Partners**") of the Partnership, by the fifth amended and restated limited partnership agreement dated as of April 16, 2012 (the "**Limited Partnership Agreement**"), as amended, restated or supplemented from time to time, among the General Partner and the Limited Partners which contains obligations on the part of the Limited Partners as therein set out and the Transferee hereby acknowledges receipt of a copy of the Limited Partnership Agreement.

The Transferee hereby covenants and agrees that the Transferee will perform or will cause to be performed all the obligations of the Transferor under the Limited Partnership Agreement and will observe or cause to be observed the provisions of the Limited Partnership Agreement as fully as if the Transferee had entered into the Limited Partnership Agreement in the place and stead of the Transferor. The Transferee hereby declares that he is, if an individual, of the age of majority.

The Transferee hereby covenants to and in favour of the Partnership and the General Partner that the Transferee is acting for the Transferee's own account and is acquiring the Units as principal, to be held for investment purposes only and not with a view to resale and is one of the following **(Please check the appropriate box)**:

$150,000 minimum investment amount

☐ the aggregate acquisition cost to the Transferee of the Units is not less than $150,000 and, if the Transferee is not an individual, either

(a) the Transferee has not been formed, created, established or incorporated for the purpose of permitting the acquisition of the Units without a prospectus, or

(b) the share or portion of each member or partner of the partnership, syndicate or unincorporated organization, each beneficiary of the trust or each shareholder of the corporation, of the aggregate acquisition cost to the Transferee of the Units is not less than $150,000; and

(c) the Transferee will provide such information to the Partnership respecting its date of formation, its primary business purpose and/or the number of members, partners, beneficiaries or shareholders as the Partnership may reasonably request; or

Subsequent top-up investment

☐ is acquiring Units with an aggregate acquisition cost of less than $150,000, but prior to September 14, 2005 had purchased and continues to own Units with an aggregate initial acquisition cost or current Net Asset Value equal to $100,000 (if resident in Newfoundland and Labrador) or $97,000 (if resident in British Columbia, Alberta, Manitoba or Prince Edward Island); or

☐ is acquiring Units with an aggregate acquisition cost of less than $150,000, but has already purchased and continues to own Units which have an aggregate initial acquisition cost or current Net Asset Value equal to at least $150,000; or

Accredited Investor

☐ meets the definition of "accredited investor" under National Instrument 45-106 *Prospectus and Registration Exemptions* **(accredited investors must complete the Certificate of Accredited Investor set out as Schedule "A" attached hereto)**; or

To the extent permitted by applicable law, the Transferee hereby irrevocably constitutes and appoints the General Partner (as defined in the Limited Partnership Agreement) and any person appointed to replace the General Partner pursuant to the Limited Partnership Agreement, as the Transferee's true and lawful attorney and agent with full power and authority in the Transferee's name, place and stead to make, execute, swear to, acknowledge, deliver, record and file any and all of the following:

(a) such documents on behalf of and in the name of the Transferee as may be required to make the Transferee responsible for all of the obligations of the Transferor to the Partnership;

(b) the Limited Partnership Agreement and all declarations, declarations of change and other instruments necessary to form, qualify or continue the Partnership as a limited partnership in Ontario;

(c) all instruments and declarations necessary to reflect any amendment to the Limited Partnership Agreement;

(d) all conveyances and other instruments necessary to reflect the dissolution and termination of the Partnership, including cancellation of any declarations and further including the signing of any election under the *Income Tax Act* (Canada), as it may be amended or re-enacted from time to time, and any analogous provincial legislation;

(e) any documents necessary to be filed with any governmental body or instrumentality thereof of the Government of Canada or a province or territory thereof in connection with the activities, property, assets and undertaking of the Partnership and the qualification for sale of the Units in all provinces and territories of Canada;

(f) such other documents on the Transferee's behalf and in the Transferee's name or in the name of the Partnership as may be deemed necessary or desirable by the General Partner to give effect to the provisions of the Limited Partnership Agreement; and

(g) transfer forms and such other documents on behalf of and in the name of the Transferee as may be necessary to effect the transfer of the Units from the Transferor in accordance with the provisions of the Limited Partnership Agreement.

The power of attorney granted herein is irrevocable and is a power coupled with an interest and shall survive the dissolution, death or mental disability of the Transferee until notice of dissolution, death or mental disability is delivered to the General Partner, and extends to the heirs, executors, administrators, successors, assigns and other legal representatives of the Transferee, and may be exercised by the General Partner on behalf of each Limited Partner, including the Transferee, by executing an instrument with a single signature as attorney and agent for all of them. In accordance with the *Substitute Decisions Act, 1992* (Ontario), the Transferee declares that these powers of attorney may be exercised during any legal incapacity or mental disability on the part of the Transferee and that the Public Trustee of Ontario shall not become the statutory guardian of property of the Transferee in respect of the interest of the Transferee in the Partnership. The Transferee agrees to be bound by any representation or action made or taken by the General Partner pursuant to such power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the General Partner taken in good faith under such power of attorney.

The Transferee acknowledges and agrees that the Transferee may become a Limited Partner only in compliance with the terms and conditions of the Limited Partnership Agreement.

DATED this _____ day of _____, _____.

SIGNED, SEALED AND DELIVERED in the presence of:	)	
_____	)	_____
(Witness)	)	(Signature of Transferee)

[*To be Completed by Accredited Investors Only*]

SCHEDULE "A"

CERTIFICATE OF ACCREDITED INVESTOR

TO: Sprott Hedge Fund LP
AND TO: Sprott GenPar Ltd.

In connection with the transfer to the undersigned (the "**Transferee**") of limited partnership units of Sprott Hedge Fund LP (the "**Partnership**"), the Transferee or the undersigned on behalf of the Transferee, as the case may be, certifies for the benefit of Sprott GenPar Ltd. and the Partnership that the Transferee is an "accredited investor" (as such term is defined in National Instrument 45-106 – *Prospectus and Registration Exemptions* ("**NI 45-106**")) as indicated below:

PLEASE CHECK THE BOX OF THE APPLICABLE CATEGORY:

(a)	a Canadian financial institution, or a Schedule III bank;	☐
(b)	the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);	☐
(c)	a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;	☐
(d)	a person registered under the securities legislation of a jurisdiction of Canada as an adviser or a dealer, other than a person registered solely as an exempt market dealer under the securities legislation of a jurisdiction of Canada;	☐
(e)	an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);	☐
(f)	the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;	☐
(g)	a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;	☐
(h)	any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;	☐
(i)	a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada;	☐
(j)	an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;	☐
(k)	an individual whose net income before taxes exceeded $200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;	☐
(l)	an individual who, either alone or with a spouse, has net assets of at least $5,000,000;	☐
(m)	a person, other than an individual or an investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements;	☐

(n) an investment fund that distributes or has distributed its securities only to ☐
(i) a person that is or was an accredited investor at the time of the distribution,
(ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum amount investment*], or 2.19 [*Additional investment in investment funds*] of NI 45-106, or
(iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*] of NI 45-106;

(o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt; ☐

(p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; ☐

(q) a person acting on behalf of a fully managed account managed by that person, if that person ☐
(i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
(ii) in Ontario, is purchasing a security that is not a security of an investment fund;

(r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded; ☐

(s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function; ☐

(t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors; ☐

(u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or ☐

(v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor. ☐

The foregoing representation is true and accurate as of the date of this certificate.

Dated: _____, 20__

_____
Name of the Transferee

_____
Name of Witness (if the Transferee is an individual)

_____
Signature

_____
Signature of Witness

_____
If the Transferee is a corporation, a partnership or other entity, print name and title of authorized signing officer.

APPENDIX "2"

SPROTT HEDGE FUND LP

PRIVACY POLICY

The privacy of our investors is very important to us. Sprott Hedge Fund LP (the "**Partnership**") is committed to protecting your privacy and maintaining confidentiality of your personal information. This Privacy Policy may be updated from time to time without notice. This Privacy Policy was last modified on April 30, 2008.

The Partnership complies with the requirements of Part 1 and Schedule 1 of the *Personal Information Protection and Electronic Documents Act* (Canada) ("**PIPEDA**") and all applicable provincial personal information laws. Below is an overview of the privacy principles set out in Schedule 1 of PIPEDA.

What is personal information?

The term "personal information" refers to any information that specifically identifies you, including information such as your home address, telephone numbers, social insurance number, birth date, assets and/or income information, employment history and credit history.

How do we collect your personal information?

We collect your personal information directly from you or through your financial advisor and/or dealer in order to provide you with services in connection with your investment in the Partnership, to meet legal and regulatory requirements and for any other purposes to which you consent. Your personal information may be collected from a variety of sources, including:

(a) subscription forms, applications, questionnaires or other forms that you submit to us or agreements and contracts that you enter into with us;

(b) your transactions with us;

(c) meetings and telephone conversations with you;

(d) e-mail communications with us; and

(e) the website of Sprott Asset Management LP (the "**Investment Manager**"), the investment manager of the Partnership (www.sprott.com).

How do we use your personal information?

We collect and maintain your personal information in order to give you the best possible service and to allow us to establish your identity, protect us from error and fraud, comply with applicable law and assess your eligibility to purchase securities of the Partnership. In addition, we may use your personal information for:

(a) executing your transactions;

(b) verifying and correcting your personal information; and

(c) providing you and/or your financial advisor and/or dealer with confirmations, tax receipts, proxy mailings, financial statements and other reports.

Who do we share your personal information with?

We may transfer your personal information, when necessary, to our third party service providers and to our agents in connection with the services we provide relating to your investment in the Partnership, however, please note that these third party service providers and agents will not share this information with others. Such information is only used for the purposes identified above. The Partnership will use contractual or other means to provide a comparable level of protection while the information is being handled by a third party service provider or agent. The following is a list of such third party service providers and agents:

(a) your financial advisor/dealer;

(b) financial service providers such as investment dealers, custodians, prime brokers, banks and others used to finance or facilitate transactions by, or operations of, the Partnership;

(c) other service providers such as accounting, legal or tax preparation services; and

(d) registrar and transfer agents, portfolio managers, brokerage firms and similar service providers.

We may also be required by law to disclose information to government regulatory authorities (for example, we may be required to report your income to taxation authorities). We may also be required to disclose your personal information to self-regulatory organizations ("**SROs**"), which collect, use and disclose such personal information for regulatory purposes, including trading surveillance, audits, investigations, maintenance of regulatory databases and enforcement proceedings. SROs may, in turn, disclose such personal information when reporting to securities regulators or when sharing information with other SROs and law enforcement agencies.

We do not sell, lease, barter or otherwise deal with your personal information with third parties.

The Partnership may be involved in the sale, transfer or reorganization of some or all of its business at some time in the future. As part of that sale, transfer or reorganization, the Partnership may disclose your personal information to the acquiring organization, however, the Partnership will require the acquiring organization to agree to protect the privacy of your personal information in a manner that is consistent with this Privacy Policy.

How do we obtain your consent to the collection, use and disclosure of your personal information?

By signing a subscription form or an application form and/or continuing to do business with us, you are consenting to the collection, use and disclosure of your personal information for the purposes identified in this Privacy Policy. The Partnership will not, as a condition of the supply of services, require you to consent to the collection, use or disclosure of your personal information beyond that required to fulfill those purposes.

Can you withdraw your consent?

You may withdraw all or part of your consent for us to collect, use or disclose your personal information subject to legal restrictions and reasonable notice. The Partnership will inform you of the implications of such withdrawal of consent for the continued provision of services to you.

How do we safeguard your personal information?

We carefully safeguard your personal information and, to that end, restrict access to personal information about you to those employees and other persons who need to know the information to enable the Partnership to provide services to you. Each employee of the Partnership, the Investment Manager and Sprott GenPar Ltd., the general partner of the Partnership, is responsible for ensuring the confidentiality of all personal information they may access. Annually, each such employee is required to sign a code of conduct, which contains policies on the protection of personal information.

Where is your personal information kept?

Your personal information is maintained on our networks or on the networks of our service providers accessible at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. Your information may also be stored on a secure off-site storage facility.

How can you access your personal information?

You may request access to your personal information by writing to the Partnership at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. We will respond to your written request promptly. The Partnership may be unable to provide you with full access to your personal information if we are prohibited by law or regulatory reasons or it has been destroyed. The Partnership will provide you with an explanation if we are unable to fulfill your access request.

Who do you contact if you have any questions or concerns?

If you have any questions with respect to this Privacy Policy, please contact our Chief Privacy Officer by telephone at (416) 943-6707 or toll free at 1-866-299-9906, by e-mail to scompliance@sprott.ca or by mail to Sprott Hedge Fund L.P., Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1 Attention: Chief Privacy Officer.

Summary of Privacy Principles set out in Schedule 1 of PIPEDA

1. *Accountability:* The Partnership is responsible for personal information under its control and the Chief Privacy Officer is accountable for the Partnership's compliance with the principles described in this Privacy Policy.
2. *Identifying Purpose:* The purposes for which personal information is collected will be identified by the Partnership at or before the time the information is collected. The Partnership will also document the purposes for which personal information is collected at or before the time the information is collected.
3. *Consent:* The knowledge and consent of the individual, express or implied, are required for the collection, use or disclosure of personal information by the Partnership, except where inappropriate.
4. *Limiting Collection:* The Partnership will limit the amount and type of personal information collected to that which is necessary for the purposes identified by the Partnership. The personal information will be collected by fair and lawful means.
5. *Limiting Use, Disclosure and Retention:* The Partnership will not use or disclose personal information for purposes other than those for which it was collected, except with the consent of the individual or as required or permitted by law. Personal information will be retained only as long as necessary for the fulfillment of those purposes.

6. *Accuracy:* The Partnership will keep personal information as accurate, complete and up-to-date as is necessary for the purposes for which it is to be used. The Partnership will minimize the possibility that inappropriate information is used to make a decision about the individual.

7. *Safeguards:* The Partnership will protect personal information with security safeguards appropriate to the sensitivity of the information.

8. *Openness:* The Partnership will be open about its policies and procedures with respect to the management of personal information. The Partnership will ensure that individuals are able to acquire information about the Partnership's policies and procedures without unreasonable effort. The Partnership will make this information available in a form that is generally understandable.

9. *Individual Access:* Upon a request in writing, the Partnership will inform the individual of the existence, use and disclosure of his or her personal information and the individual will be given access to that information, except where the law requires or permits the Partnership to deny access.

10. *Questions and Concerns:* An individual will be able to direct a challenge concerning compliance with the above principles to the Partnership's Chief Privacy Officer.

Your personal information may be delivered to the Ontario Securities Commission and is thereby being collected indirectly by the Ontario Securities Commission under the authority granted to it under applicable securities legislation for the purposes of the administration and enforcement of the securities legislation of the Province of Ontario. The public official in Ontario who can answer questions about the Ontario Securities Commission's indirect collection of personal information is the Administrative Assistant to the Director of Corporate Finance by mail to the Ontario Securities Commission at 19th Floor, 20 Queen Street West, Toronto, Ontario, M5H 2S8, by telephone at (416) 597-0681 or by e-mail to Inquiries@osc.gov.on.ca.