

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.*

*These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended or any state securities laws and may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption from the registration requirements of those laws. See “Plan of Distribution”.*

## PROSPECTUS

Initial Public Offering

December 6, 2016

### SPROTT ENERGY OPPORTUNITIES TRUST



**Maximum \$100,000,000 (10,000,000 Units)**

Sprott Energy Opportunities Trust (the “**Fund**”) is a closed-end investment fund established under the laws of the Province of Ontario that proposes to issue transferable units of the Fund (the “**Units**”) at a price of \$10.00 per Unit (the “**Offering**”).

The investment objective of the Fund is to achieve long term capital growth. The Fund has been created to invest in an actively managed portfolio (the “**Portfolio**”) comprised primarily of equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, or uranium and other related activities in the energy and resource sector (“**Resource Issuers**”). See “Investment Objective” and “Investment Strategies”.

Sprott Asset Management LP (“**Sprott**” or the “**Manager**”) will act as manager and portfolio manager of the Fund. See “Organization and Management Details of the Fund”.

The Manager currently intends that on or about October 17, 2018, the Fund will, subject to applicable law, which may require Unitholder and/or regulatory approval, convert into an exchange traded mutual fund (“**ETF**”) managed by the Manager or an affiliate. It is the Manager’s intention that the ETF will have a similar investment objective and investment strategies to that of the Fund. The expenses associated with any such conversion will be paid by the Manager and not the Fund. See “Conversion of the Fund” and “Income Tax Considerations”.

Prospective purchasers may purchase Units either by: (i) cash payment; or (ii) an exchange (the “**Exchange Option**”) of freely tradeable securities of one or more of those issuers set forth in this prospectus under the heading “Purchase of Securities – Exchange Eligible Issuers” (collectively, the “**Exchange Eligible Issuers**”). The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Eligible Issuer. See “Purchase of Securities”.

The Manager will pay certain of the fees of the Offering. As a result, the net asset value per Unit immediately following the closing of the Offering will be \$9.875 less the expenses of the Offering.

—————  
**Price: \$10.00 per Unit**  
**Minimum purchase: 100 Units**  
—————

	<u>Price to the Public<sup>(1)</sup></u>	<u>Net Proceeds to the Fund<sup>(2)</sup></u>
Per Unit .....	\$10.00	\$9.875
Total Minimum Offering <sup>(3)</sup> .....	\$20,000,000	\$19,750,000
Total Maximum Offering <sup>(3)(4)</sup> .....	\$100,000,000	\$98,750,000

Notes:

- (1) The Offering price was established by negotiation between the Manager and the Agents (as defined below). The price per Unit is payable in cash or in securities of Exchange Eligible Issuers deposited pursuant to the Exchange Option.
- (2) The Manager will pay a portion of the Agent's fees equal to \$0.275 per Unit (2.75%). Before deducting expenses of the Offering which will be paid by the Fund and are estimated to be \$350,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering). As a result, the net asset value per Unit immediately following the Closing will be \$9.875, less the expenses of the Offering. See "Use of Proceeds", "Fees and Expenses – Fees and Expenses Payable by the Fund", "Fees and Expenses – Fees and Expenses Payable by the Manager" and "Fees and Expenses – Fees and Expenses Payable by Unitholders".
- (3) There will be no Closing unless at least 2,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, this Offering may not continue without the consent of the securities authorities and those who have subscribed for Units on or before such date.
- (4) The Fund has granted the Agents an option (the "**Over-Allotment Option**"), exercisable for a period of 30 days following the closing of the Offering (the "**Closing**"), to purchase additional Units in an amount up to 15% of the aggregate number of Units issued at the Closing on the same terms as set forth above. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fees and the net proceeds to the Fund will be \$115,000,000, \$1,437,500 and \$113,562,500, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires those Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

**There is no assurance that the Fund will be able to achieve its investment objective. See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in the Units. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of such legislation or any other legislation. See "Risk Factors".**

The Toronto Stock Exchange has conditionally approved the listing of the Units. Listing is subject to the Fund fulfilling all of the requirements of the Toronto Stock Exchange on or before February 24, 2017, including distribution of the Units to a minimum number of public securityholders.

RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Sprott Private Wealth LP (collectively, the "**Agents**") conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined below), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP. See "Plan of Distribution".

**Sprott Private Wealth LP, an affiliate of the Manager, is one of the Agents in connection with the Offering. The Manager is also the promoter of the Fund and administers the operations of the Fund pursuant to the Trust Agreement (as defined below) and receives fees therefor. The Fund may also enter into a prime brokerage facility with a Canadian chartered bank or an affiliate thereof, which may be an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a "connected issuer" of such Agent or Agents. See "Relationship between the Fund and Agents".**

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about December 20, 2016 (the "**Closing Date**"), or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund. Registrations and transfers of Units will be effected through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See "Plan of Distribution" and "Attributes of the Units - Registration of Units".

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the offering (the “Offering”) and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.*

- Issuer:** Sprott Energy Opportunities Trust (the “Fund”) is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a trust agreement (the “Trust Agreement”) dated as of November 30, 2016. See “Overview of the Legal Structure of the Fund”.
- Offering:** The Offering consists of transferable units of the Fund (the “Units”).
- Maximum Issue:** \$100,000,000 (10,000,000 Units).
- Minimum Issue:** \$20,000,000 (2,000,000 Units).
- Price:** \$10.00 per Unit.
- Minimum Subscription:** 100 Units (\$1,000).
- Exchange Option:** At the election of a prospective purchaser of Units, the price for each Unit purchased may be paid either by (a) cash or (b) an exchange (the “Exchange Option”) of freely tradeable securities of one or more of those issuers set forth in this prospectus under the heading “Purchase of Securities – Exchange Eligible Issuers” (collectively, the “Exchange Eligible Issuers”).
- A prospective purchaser of Units who elects to pay for Units by using the Exchange Option must do so by depositing (in the form of a book-entry deposit) securities of one or more Exchange Eligible Issuers with TSX Trust Company, the Fund’s agent for the Exchange Option, through CDS Clearing and Depository Services Inc. (“CDS”) prior to 5:00 p.m. (Toronto time) on December 7, 2016. Such book-entry deposits must be made by a participant in CDS, which may have an earlier deadline for receiving instructions from their clients to deposit securities of Exchange Eligible Issuers under the Exchange Option. See “Purchase of Securities”.
- The purchase of Units by the exchange of securities of an Exchange Eligible Issuer pursuant to the Exchange Option will be a taxable event for the purchaser. See “Income Tax Considerations”.
- Investment Objective:** The investment objective of the Fund is to achieve long-term capital growth. The Fund has been created to invest in an actively managed portfolio (the “Portfolio”) comprised primarily of equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, or uranium and other related activities in the energy and resource sector (“Resource Issuers”).

**Conversion of the Fund:**

The Manager currently intends that on or about October 17, 2018, the Fund will, subject to applicable law, which may require Unitholder and/or regulatory approval, convert into an exchange traded mutual fund (“**ETF**”) managed by the Manager or an affiliate. It is the Manager’s intention that the ETF will have a similar investment objective and investment strategies to that of the Fund. Notwithstanding the Manager’s current intention to convert the Fund into an ETF, the Manager may instead determine, subject to applicable Unitholder and/or regulatory approvals, to merge the Fund on a tax-deferred basis into an ETF or to convert or merge the Fund into an open-end mutual fund (any such transaction being the “**Conversion**”). The expenses associated with the Conversion will be paid by the Manager and not the Fund. In the event of any postponement or abandonment of the Conversion by the Manager, the Fund will implement a redemption right on at least an annual basis at NAV commencing on the second last Business Day of January in 2019. See “Conversion of the Fund” and “Income Tax Considerations”.

**Investment Strategies:**

To achieve the Fund’s investment objective, the Manager will employ fundamental analysis to seek to identify superior investment opportunities with the potential for capital appreciation over the long term. This will be accomplished by seeking out undervalued companies backed by strong management teams and solid business models that can benefit from both industry and macroeconomic trends.

The Fund may follow a more concentrated investment approach and, from time to time, overweight certain sub-sectors within the energy and resource sector when deemed appropriate by the Manager. This may result in the Portfolio’s weightings being substantially different from the weightings of the S&P/TSX Capped Energy Total Return Index (or its successor index).

The Fund may also engage in short selling in a manner which is consistent with the investment objective of the Fund and as permitted by securities regulations as though the Fund were a mutual fund subject to NI 81-102 to a maximum of 20% of NAV or 5% of NAV per holding.

The Fund will invest primarily in securities of North American Resource Issuers.

*Risk Management*

The Fund will manage risk by using a “hedge fund” approach in a primarily “long only” strategy. This will be demonstrated by the following risk management strategies:

- The Manager will focus on downside risk and opportunistically use cash to reduce risk and volatility when it believes that stocks have gotten ahead of fundamentals;
- The Fund will be very active, which will allow it to take advantage of volatility and protect capital;
- The use of short selling will allow the Fund to lower the risk of offsetting long positions by identifying weaker/overvalued stocks; and
- The Fund will take a high conviction, focused approach with the top 10 names in the Portfolio expected to frequently represent more than 50% of the Fund’s assets.

In addition to the above risk management strategies, the Fund will offer advantages over other energy and resource sector focused investment products through: (i) the ability to meaningfully outperform passive strategies; (ii) the expected execution advantages to entering and exiting positions due to the size of the Fund; and (iii) a transparent disclosure and communication strategy with Unitholders.

**Currency Hedging:**

The Portfolio will include securities which are denominated in currencies other than the Canadian dollar (any such currencies being “**foreign currencies**”) and, accordingly, the Fund will be exposed to foreign currency risk. The Fund may, from time to time, hedge some or all of its exposure to foreign currencies back to the Canadian dollar. The decisions

as to whether the Fund's exposure to foreign currencies will be hedged back to the Canadian dollar, and the amount of such exposure to be hedged, will depend on such factors as exchange rates, the Manager's outlook for the economy both in Canada and globally and for the energy and resource sector and a comparison of the costs associated with such hedging transactions against the benefits expected to be obtained therefrom. See "Investment Strategies – Currency Hedging".

**No Leverage:**

The Fund will not borrow money.

**Distribution Policy:**

The Fund will not make regular distributions. However, if the Fund has net income for tax purposes, including net realized capital gains, for any taxation year, the Fund will pay one or more special distributions (either in cash and/or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). If such a distribution is payable in Units, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See "Distribution Policy".

**Redemption of Units:**

Units may be surrendered at any time for redemption on the second last Business Day of any month (other than the month of an Annual Redemption Date, if applicable) (a "**Monthly Redemption Date**"), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the 15th day of the month following the Monthly Redemption Date.

Unitholders surrendering a Unit for redemption on a Monthly Redemption Date will receive a redemption price per Unit equal to the lesser of (i) 95% of the Market Price of a Unit, and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, provided that in no event shall the redemption price per Unit exceed 100% of the NAV per Unit on the Monthly Redemption Date (the "**Monthly Redemption Amount**"). A Unitholder who redeems a Unit on a Monthly Redemption Date will also be required to pay a redemption fee to the Manager equal to 3.0% of the Monthly Redemption Amount. See "Fees and Expenses – Fees and Expenses Payable by Unitholders".

In addition, in the event that the Conversion is not implemented on or about October 17, 2018, the Manager will implement an annual redemption at Net Asset Value per Unit commencing on the second last Business Day of January in 2019.

See "Redemption of Units".

**Market Purchase Program:**

To enhance liquidity and to provide market support for the Units, the Fund will have a market purchase program under which the Fund will, subject to the following exceptions and to compliance with any applicable regulatory requirements, be obligated to purchase any Units offered on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) if, at any time, the price at which Units are then offered on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) is less than 97% of the NAV per Unit as at the close of business in Toronto, Ontario on the immediately preceding Business Day. The maximum number of Units to be

purchased by the Fund pursuant to such mandatory market purchase program in any calendar quarter will be 1.25% of the number of Units outstanding at the beginning of such period. In addition, the Fund will not be obligated to make such purchases, if among other things: (i) the Manager reasonably believes that the Fund would be required to make an additional year end special distribution in respect of the year to Unitholders in order that the Fund will generally not be liable to pay income tax after the making of such purchase, (ii) in the opinion of the Manager, the Fund lacks the cash, debt capacity or other resources to make such purchases, or (iii) in the opinion of the Manager, such purchases would adversely affect the ongoing activities of the Fund or the remaining Unitholders.

In addition, the Fund will have the right (but not the obligation), exercisable in its sole discretion, at any time to purchase additional Units in the market, subject to any applicable regulatory requirements and limitations.

In connection with any market purchases of Units, the Fund will pay to the Manager an amount as partial compensation for the fees and expenses the Manager paid in connection with the Offering. See “Fees and Expenses – Fees and Expenses Payable by the Fund – Market Purchases”.

See “Attributes of the Securities – Market Purchases”.

**Termination:**

The Fund does not have a fixed termination date and may be terminated by Extraordinary Resolution of Unitholders. The Manager may, in its discretion, on 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. See “Termination of the Fund”.

**Use of Proceeds:**

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to acquire the Portfolio.

To the extent that securities of Exchange Eligible Issuers are acquired pursuant to the Exchange Option, the Fund will consider such securities in light of the Fund’s investment objective, strategy and restrictions and also in light of the Manager’s outlook for the issuers of such securities and the sectors in which such issuers operate. If the Fund determines to sell any such securities based on the foregoing considerations, the timing and manner of any such sales will be made having regard to maximizing value for the Fund. The Fund will ensure that the holdings of such securities comply with the investment restrictions of the Fund set out under “Investment Restrictions”.

See “Use of Proceeds”.

**Risk Factors:**

An investment in the Fund involves risks. In addition to the considerations set out elsewhere in this prospectus, the following are certain risk factors and considerations related to the Fund which prospective investors should consider before purchasing Units:

- (i) no assurance of achieving the Fund’s investment objective;
- (ii) risks relating to fluctuations in the value of Portfolio Securities and performance of the Portfolio;
- (iii) risks relating to investing in equity securities;
- (iv) small capitalization natural resource company risk;
- (v) small company risk;

- (vi) Portfolio concentration risk;
- (vii) risks related to foreign currency exposure;
- (viii) illiquid securities;
- (ix) short selling and margin purchases;
- (x) foreign market exposure;
- (xi) volatility in the trading price of Units;
- (xii) reliance on the Manager;
- (xiii) lack of prior operating history of the Fund;
- (xiv) conversion risk;
- (xv) risks related to trading price of Units;
- (xvi) risks relating to redemptions;
- (xvii) risks relating to market disruptions;
- (xviii) risks relating to global financial developments;
- (xix) risks relating to the Exchange Option;
- (xx) tax related risks;
- (xxi) risks relating to ownership interest;
- (xxii) loss of investment risk;
- (xxiii) changes in legislation and regulatory environment;
- (xxiv) risks relating to the status of the Fund;
- (xxv) potential conflicts of interest; and
- (xxvi) risks relating to the nature of the Units.

See "Risk Factors".

**Income Tax Considerations:** A Unitholder who is an individual resident in Canada will generally be required to include in computing income for a taxation year the amount of the Fund's net income, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. To the extent that amounts payable to Unitholders are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and credit available in respect of "eligible dividends", will apply to Unitholders. To the extent so designated by the Fund, foreign source income earned by, and foreign tax paid by, the Fund will be treated as foreign source income of, and foreign tax paid by, Unitholders for purposes of determining whether Unitholders are entitled to claim a foreign tax credit for their share of such foreign tax paid by the Fund. To the extent that amounts payable to Unitholders are designated by the Fund as taxable capital gains, those amounts will be treated as taxable capital gains realized by such Unitholders. To the extent that distributions to a Unitholder exceed the Unitholder's share of the Fund's net income and net realized capital gains for the taxation year of the Fund, the excess will not be included in the Unitholder's income but will reduce the adjusted cost base of the Unitholder's Units, and if a negative adjusted cost base results, the Unitholder will be considered to realize a capital gain equal to such

negative amount. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Units exceed (or are less than) the adjusted cost base of such Units and any reasonable costs of disposition.

A purchaser who disposes of securities of an Exchange Eligible Issuer pursuant to the Exchange Option and holds such securities as capital property will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of the securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the purchaser's adjusted cost base of such securities.

Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in the securities offered hereby by obtaining advice from his or her tax advisor.

See "Income Tax Considerations".

**Eligibility for Investment:**

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, provided that the Fund qualifies as a "mutual fund trust" within the meaning of the Tax Act or the Units are listed on a designated stock exchange (which includes the TSX), the Units, if issued on the date hereof, would be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts. Unitholders planning to hold their Units in a tax-free savings account, registered retirement savings plan or registered retirement income fund should consult their own tax advisor regarding whether the Units would be "prohibited investments" for purposes of the Tax Act for such registered plans. See "Income Tax Considerations - Taxation of Registered Plans".

**Organization and Management of the Fund:**

*Manager and Portfolio Manager*

Sprott Asset Management LP will act as manager and portfolio manager of the Fund. The Manager will be responsible for the performance of management and administration services for the Fund and will also be responsible for implementing the investment strategy of the Fund. The principal office of the Manager is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, M5J 2J1. See "Organization and Management Details of the Fund – The Manager".

*Trustee*

RBC Investor Services Trust, at its location in Toronto, Ontario, is the trustee of the Fund. See "Organization and Management Details of the Fund - The Trustee".

*Promoter*

The Manager may be considered a promoter of the Fund within the meaning of the securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Fund. See "Organization and Management Details of the Fund - Promoter".

*Custodian*

RBC Investor Services Trust, at its principal offices in Toronto, Ontario, will act as custodian (the "Custodian") of the assets of the Fund. See "Organization and Management Details of the Fund - The Custodian".

*Valuation Agent*

RBC Investor Services Trust, at its principal office in Toronto, Ontario, has been retained as the valuation agent of the Fund (the "Valuation Agent") to provide fund accounting and

valuation services to the Fund.

*Transfer Agent and Registrar and Exchange Agent*

TSX Trust Company, at its principal offices in Toronto, Ontario, will be appointed the registrar, transfer agent and distribution agent for the Units pursuant to a registrar, transfer agency and distribution agency agreement to be entered into as of the date of Closing and will act as the Exchange Agent for the Exchange Option. See “Organization and Management Details of the Fund - Transfer Agent and Registrar and Exchange Agent”.

*Auditor*

The auditor of the Fund is KPMG LLP, Chartered Professional Accountants, Chartered Accountants, located in Toronto, Ontario. See “Organization and Management Details of the Fund — Auditor”.

**Agents:**

RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Sprott Private Wealth LP (collectively, the “**Agents**”) conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined below), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP.

The Fund has granted the Agents an option (the “**Over-Allotment Option**”), exercisable until 30 days after the closing of the Offering, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum Offering will be \$115,000,000, the Agents’ fees will be \$1,437,500 and the net proceeds to the Fund will be \$113,562,500. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such Units under this prospectus regardless of whether the Agents’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<b>Agents’ Position</b>	<b>Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allocation Position	1,500,000 Units	Within 30 days following Closing	\$10.00 per Unit

## SUMMARY OF FEES AND EXPENSES

The following tables contain a summary of the fees and expenses payable by the Fund and the Unitholders which will therefore reduce the value of the Unitholders' investment in the Fund, as well as fees and expenses payable by the Manager. For further particulars, see "Fees and Expenses".

### Fees and Expenses Payable by the Fund

Type of Fee	Amount and Description
<b>Agents' Fees:</b>	The Fund will pay a portion of the fees payable to the Agents in connection with the Offering of the Units equal to \$0.125 (1.25%) per Unit. The portion of the Agents' fees payable by the Fund will be paid by the Fund out of the proceeds of the Offering. See "Plan of Distribution" and "Fees and Expenses – Fees and Expenses Payable by the Fund – Agents' Fees".
<b>Expenses of the Offering:</b>	In addition to a portion of the Agents' fees, the Fund will pay all of the expenses in connection with the Offering, which the Manager estimates will be approximately \$350,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering).
<b>Management Fees:</b>	The Fund will pay to the Manager an annual management fee (the " <b>Management Fee</b> ") equal to 2.0% per annum of the NAV of the Fund, accrued and calculated daily and payable monthly in arrears, plus applicable taxes. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Management Fee".
<b>Operating Expenses:</b>	<p>The Fund will pay for all ordinary expenses incurred in connection with its operation and administration, estimated to be \$300,000 per annum plus applicable taxes. The Fund will also be liable for the costs of all Portfolio transactions which it may incur from time to time and the Fund will be liable for any extraordinary expenses incurred from time to time.</p> <p>Ordinary expenses will include, without limitation, mailing and printing expenses; fees payable to the Custodian, Valuation Agent, auditor, legal advisors and other parties engaged by the Fund to perform certain financial, record keeping, reporting and general administrative services; out-of-pocket expenses of the Manager; regulatory filing, stock exchange and licensing fees; and fees payable to members of the independent review committee. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses".</p>
<b>Market Purchases:</b>	In connection with any market purchases of Units (as discussed under "Attributes of the Securities – Market Purchases" and "Attributes of the Securities – Purchase for Cancellation"), the Fund will pay to the Manager the following amounts as partial compensation for the fees and expenses the Manager paid in connection with the Offering: (i) if the purchase is made at a greater than 3.0% discount to the then current NAV of the Unit purchased, the Fund will pay to the Manager an amount (inclusive of taxes) equal to 3.0% of the then current NAV of the Unit purchased, or (ii) if the purchase is made at a discount to the then current NAV of the Unit that is less than or equal to 3.0%, the Fund will pay to the Manager an amount (inclusive of taxes) equal to such discount. Each such amount paid by the Fund is intended to partially compensate the Manager for the fees and expenses paid by the Manager in connection with the Offering. The maximum amount that the Manager may be paid in respect of any market purchase is 3.0% of the NAV of the Units purchased. Such amounts will only be paid if the Units purchased by the Fund are cancelled and will not be paid by the Fund once the Manager has received, together with any Redemption Fees, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering. To the extent that a purchase is made at a price that is greater than a 3.0% discount to the then current NAV of the Unit, the amount of the balance will be accretive to the NAV of the Fund. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Market Purchases".

### **Fees and Expenses Payable Directly by Unitholders**

Type of Fee

Amount and Description

---

**Redemption Fee:**

A Unitholder who redeems a Unit on a Monthly Redemption Date will be required to pay the Manager a redemption fee (the “**Redemption Fee**”) equal to 3.0% of the Monthly Redemption Amount. **No redemption fee is payable by a Unitholder who redeems a Unit on an Annual Redemption Date.**

The Redemption Fee will be deducted by the Fund from the amount payable to the redeeming Unitholder and remitted on behalf of the Unitholder to the Manager. However, no Redemption Fee will be payable by Unitholders, nor will any fee be payable by the Fund, upon a termination of the Fund by the Manager. No Redemption Fee will be payable by Unitholders once the Manager has received, together with any fees in respect of market purchases, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering. See “Fees and Expenses – Fees and Expenses Payable by Unitholders” and “Termination of the Fund”.

### **Fees and Expenses Payable Directly by the Manager**

Type of Fee

Amount and Description

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**Fees payable to the Agents:**

The Manager will pay a portion of the fees payable to the Agents in connection with the Offering equal to \$0.275 (2.75%) per Unit. See “Plan of Distribution” and “Fees and Expenses – Fees and Expenses Payable by the Manager – Agents’ Fees”.

## **FORWARD LOOKING STATEMENTS**

Certain statements in this prospectus are forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund, the Manager or the Agents. Forward-looking statements are not historical facts but reflect the current expectations of the Manager regarding future results or events. Such forward-looking statements reflect the Manager’s current beliefs and are based on information currently available to it. Forward looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this prospectus are based upon assumptions that the Manager and the Agents believe to be reasonable, none of the Manager or the Agents can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. None of the Fund, the Manager or the Agents assume any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**1940 Act**” has the meaning ascribed thereto under “Plan of Distribution”.

“**affiliate**” has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

“**Agency Agreement**” means the agency agreement dated as of December 6, 2016 among the Fund, the Manager and the Agents.

“**Agents**” means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Sprott Private Wealth LP.

“**allowable capital loss**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of the Fund”.

“**Annual Redemption Date**” means, if the Conversion has not occurred, the second last Business Day of January for each year commencing in 2019.

“**Annual Redemption Notice Period**” has the meaning ascribed thereto under “Redemption of Units”.

“**Business Day**” means any day on which the TSX is open for business.

“**Capital Gains Refund**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of the Fund”.

“**Cash Equivalents**” means (i) cash on deposit with the Custodian or a broker; (ii) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by (A) any of the Federal or Provincial Governments of Canada, (B) U.S. federal, state or local governments, (C) U.S. government agencies or (D) a Canadian financial institution (provided that in the case of (A), (B) or (C), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS Limited or the equivalent rating from another designated rating organization); or (iii) other cash cover as defined in NI 81-102.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**Closing**” means the closing of the Offering on the Closing Date.

“**Closing Date**” means the date of the Closing, which is expected to be on or about December 20, 2016 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund.

“**Closing Market Price**” means, in respect of a security on a particular date, the closing price of such security on the TSX on such date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the security on the TSX on such date (or such other stock exchange on which the security is listed).

“**Continuing Fund**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**Continuing Fund Units**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**Continuing Fund Unit Exchange Ratio**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**Conversion**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**Converted Fund**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means RBC Investor Services Trust, the custodian of the assets of the Fund, and its successors or assigns.

“**DFA Rules**” has the meaning ascribed thereto under “Risk Factors – Tax Matters Affecting the Fund”.

“**Distribution Record Date**” means the last Business Day of each month.

“**Effective Date**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**ETF**” means an exchange traded mutual fund.

“**Exchange Agent**” means TSX Trust Company, in its capacity as the Fund’s exchange agent for the Exchange Option.

“**Exchange Eligible Issuers**” has the meaning ascribed thereto under “Purchase of Securities – Method to Purchase Units”.

“**Exchange Option**” has the meaning ascribed thereto under “Purchase of Securities – Method to Purchase Units”.

“**Exchange Option Election**” has the meaning ascribed thereto under “Purchase of Securities – Procedure”.

“**Exchange Ratio**” has the meaning ascribed thereto under “Purchase of Securities – Determination of Exchange Ratio”.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least 66 <sup>2</sup>/<sub>3</sub>% of the votes cast either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution or in writing pursuant to the Trust Agreement.

“**Fund**” means Sprott Energy Opportunities Trust a trust established under the laws of the Province of Ontario pursuant to the Trust Agreement.

“**IRC**” means the independent review committee of the Fund.

“**Management Fee**” has the meaning ascribed thereto under “Fees and Expenses – Fees and Expenses Payable by the Fund – Management Fee”.

“**Manager**” means Sprott Asset Management LP, in its capacity as the registered portfolio manager and investment fund manager, as applicable, of the Fund.

“**Market Price**” in respect of a security on a date means the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such date.

“**Maximum Ownership Level**” has the meaning ascribed thereto under “Purchase of Securities – Method to Purchase Units”.

“**Merged Fund**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**Merger**” has the meaning ascribed thereto under “Unitholder Matters – Merger”.

“**Monthly Redemption Date**” means the second last Business Day of each month other than, if the Conversion has not occurred, commencing in 2019, the month of the Annual Redemption Date.

“**Net Asset Value of the Fund**”, “**NAV of the Fund**” or “**NAV**” on a particular date will be equal to (i) the Total Assets, less (ii) the aggregate fair value of the liabilities of the Fund.

“**Net Asset Value per Unit**” or “**NAV per Unit**” means, on any date, the number obtained by dividing the NAV of the Fund by the total number of Units outstanding on such date.

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“**Offering**” means the offering of a minimum of 2,000,000 Units and a maximum of 10,000,000 Units at a price of \$10.00 per Unit, as contemplated in this prospectus.

“**Ordinary Resolution**” has the meaning ascribed thereto under “Unitholder Matters – Matters Requiring Unitholder Approval”.

“**Over-Allotment Option**” has the meaning ascribed thereto under “Plan of Distribution”.

“**Permitted Merger**” has the meaning ascribed thereto under “Unitholder Matters – Permitted Merger”.

“**plan trust**” has the meaning ascribed thereto under “Income Tax Considerations – Status of the Fund”.

“**Portfolio**” has the meaning ascribed thereto under “Investment Objective”.

“**Pricing Period**” has the meaning ascribed thereto under “Purchase of Securities – Determination of Exchange Ratio”.

“**Purchase Price**” has the meaning ascribed thereto under “Conversion of the Fund”.

“**Redemption Fee**” has the meaning ascribed thereto under “Fees and Expenses – Fees and Expenses Payable by the Unitholders”.

“**Redemption Notice**” has the meaning ascribed thereto under “Redemption of Units – Exercise of Redemption Right”.

“**Resource Issuers**” means equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, or uranium and other related activities in the energy and resource sector.

“**Securities Act**” means *Securities Act* (Ontario), R.S.O. 1990, c. S.5, as it may be amended from time to time.

“**SIFT Rules**” means the provisions of the Tax Act providing for a tax on certain income earned by a “SIFT partnership” or distributed by a “SIFT trust”, as those terms are defined in the Tax Act.

“**substituted property**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of the Fund”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as they may be amended from time to time.

“**Tax Proposals**” has the meaning ascribed thereto under “Income Tax Considerations”.

“**Termination Date**” has the meaning ascribed thereto under “Termination of the Fund”.

“**Total Assets**” means the aggregate fair value of the assets of the Fund as determined in accordance with the terms of the Trust Agreement.

“**Trust Agreement**” means the trust agreement of the Fund dated November 30, 2016 establishing the Fund under the laws of the Province of Ontario, as it may be amended from time to time.

“**Trustee**” means RBC Investor Services Trust, in its capacity as trustee of the Fund.

“**TSX**” means the Toronto Stock Exchange.

“**Units**” means transferable units of the Fund.

“**Unitholder**” means, unless the context requires otherwise, a holder of a Unit.

“**U.S.**” means the United States of America.

“**US\$**” means U.S. dollars.

“**U.S. Securities Act**” has the meaning ascribed thereto under “Plan of Distribution”.

“**Valuation Agent**” means RBC Investor Services Trust, the valuation agent of the Fund, and its successors and assigns.

“**Valuation Day**” means any day that the TSX is open for trading.

“**Valuation Time**” has the meaning ascribed thereto under “Calculation of Net Asset Value – Calculation of Net Asset Value and NAV per Unit”.

“**\$**” means Canadian dollars, unless otherwise indicated.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Sprott Energy Opportunities Trust (the “**Fund**”) is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a trust agreement (the “**Trust Agreement**”) dated November 30, 2016. Sprott Asset Management LP (“**Sprott**” or the “**Manager**”) will act as manager and portfolio manager of the Fund. The Manager will be responsible for the performance of management and administration services for the Fund and will also be responsible for implementing the investment strategy of the Fund. See “Organization and Management Details of the Fund”.

The principal office of the Fund is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, M5J 2J1.

### Status of the Fund

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to NI 81-102, it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation.

### INVESTMENT OBJECTIVE

The investment objective of the Fund is to achieve long-term capital growth. The Fund has been created to invest in an actively managed portfolio (the “**Portfolio**”) comprised primarily of equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, or uranium and other related activities in the energy and resource sector.

### INVESTMENT STRATEGIES

To achieve the Fund’s investment objective, the Manager will employ fundamental analysis to seek to identify superior investment opportunities with the potential for capital appreciation over the long term. This will be accomplished by seeking out undervalued companies backed by strong management teams and solid business models that can benefit from both industry and macroeconomic trends.

The Fund may follow a more concentrated investment approach and, from time to time, overweight certain sub-sectors within the energy and resource sector when deemed appropriate by the Manager. This may result in the Portfolio’s weightings being substantially different from the weightings of the S&P/TSX Capped Energy Total Return Index (or its successor index).

The Fund may also engage in short selling in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations to a maximum of 20% of NAV or 5% of NAV per holding (see “Investment Strategies - Short Selling” below).

The Fund will invest primarily in securities of North American Resource Issuers.

### Risk Management

The Fund will manage risk by using a “hedge fund” approach in a primarily “long only” strategy. This will be demonstrated by the following risk management strategies:

- The Manager will focus on downside risk and opportunistically use cash to reduce risk and volatility when it believes that stocks have gotten ahead of fundamentals (e.g. the SE Fund (defined below) held over 70% of its assets in cash twice in 2015 and in 2016 held as much as 73% in cash at one point);
- The Fund will be very active, which will allow it to take advantage of volatility and protect capital;
- The use of short selling (discussed in more detail below under “Investment Strategies - Short Selling”) will allow the Fund to lower the risk of offsetting long positions by identifying weaker/overvalued stocks; and
- The Fund will take a high conviction, focused approach with the top 10 names in the Portfolio expected to frequently represent more than 50% of the Fund’s assets.

In addition to the above risk management strategies, the Fund will offer advantages over other energy and resource sector focused investment products through: (i) the ability to meaningfully outperform passive strategies; (ii) the expected execution advantages to entering and exiting positions due to the size of the Fund; and (iii) a transparent disclosure and communication strategy with Unitholders.

### No Leverage

The Fund will not borrow money.

### Short Selling

The Fund may engage in short selling up to a maximum of 20% of the NAV or 5% of the NAV per holding. These limits, however, do not apply to short sales of securities or short positions maintained by the Fund for the purposes of hedging (as defined in NI 81-102) the exposure of the Portfolio to equity securities that are to be received by the Fund in connection with (i) the exercise by the Fund of a right to acquire such securities pursuant to a conversion or (ii) the exercise by the issuer of a right to issue such securities at maturity. The Fund may engage in short selling, as permitted by securities laws as though the Fund were a mutual fund subject to NI 81-102, and may do so as a complement to the Fund's investment strategies in circumstances where the Manager expects that the securities of an issuer will decrease in market value.

### Currency Hedging

The Portfolio will include securities which are denominated in currencies other than the Canadian dollar (any such currencies being "foreign currencies") and, accordingly, the Fund will be exposed to foreign currency risk. The Fund may, from time to time, hedge some or all of its exposure to foreign currencies back to the Canadian dollar. The decisions as to whether the Fund's exposure to foreign currencies will be hedged back to the Canadian dollar, and the amount of such exposure to be hedged, will depend on such factors as exchange rates, the Advisor's outlook for the economy both in Canada and globally and for the energy and resource sector and a comparison of the costs associated with such hedging transactions against the benefits expected to be obtained therefrom.

### Sprott Energy Fund

In managing the Portfolio, the Manager will employ substantially the same investment strategy as it employs in the Sprott Energy Fund (the "**SE Fund**"), a Canadian mutual fund. As at September 30, 2016, the SE Fund had assets under management of \$129.3 million. The SE Fund's investment objective is to seek long-term capital appreciation. Under normal market conditions, the SE Fund invests primarily in equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, uranium and other related activities in the energy and resource sector. The SE Fund is the only fund advised by the Manager that has an investment objective and investment strategies which are substantially similar to those of the Fund.

The Manager will employ substantially the same investment strategies with respect to the Portfolio as it employs in managing the SE Fund, but the two funds will differ in some respects, including with respect to size, with respect to fees and expenses and with respect to distributions and redemptions.

The table below outlines, as at October 31, 2016, the performance of the SE Fund compared to the S&P/TSX Capped Energy Total Return Index. Active management by Sprott has outperformed the S&P/TSX Capped Energy Total Return Index over the 1 year, 3 year, 5 year and since inception time periods.

<b>Annualized Returns of Sprott Energy Fund</b>				
<b>As at October 31, 2016</b>	<b>1 YR<sup>(2)</sup></b>	<b>3 YRS<sup>(2)</sup></b>	<b>5 YRS<sup>(2)</sup></b>	<b>Inception</b>
Sprott Energy Fund, Series A <sup>(1)</sup>	22.1%	2.9%	0.6%	5.6%
S&P/TSX Capped Energy Total Return Index	17.0%	(6.2%)	(2.8%)	4.2%
Value Add after-fees	+5.1%	+9.1%	+3.4%	

(1) Performance shown is of the SE Fund (Series A Shares from inception on April 15, 2004) and assumes reinvestment of all distributions, net of fees and operating expenses, and expressed in Canadian dollars.

(2) Eric Nuttall lead portfolio manager (assumed responsibility for SE Fund in March 2010).

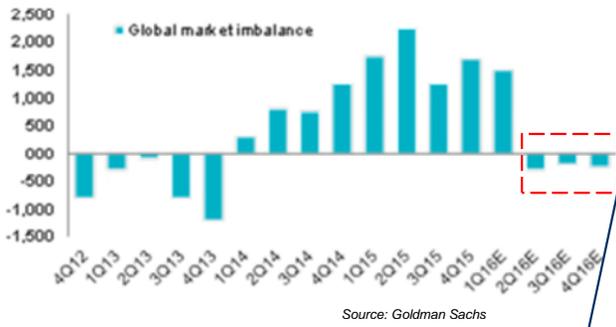
**The performance of the Fund may differ substantially from the performance of the SE Fund. There can be no assurance that the performance of the Fund will equal or exceed the performance of the SE Fund. While the Manager will employ a substantially similar investment strategy with respect to the Portfolio as it employs in managing the SE Fund, the investments in the Portfolio and of the SE Fund will not be identical and may differ significantly from time to time as a result of, among other things, the different size of the two funds, differences in the fees and expenses of the two funds and differences in the two funds' policies with respect to distributions and redemptions. Past performance does not guarantee future results.**

## SECTORS IN WHICH THE FUND INVESTS

### Decrease in Global Oil Production Expected to Drive Price Appreciation

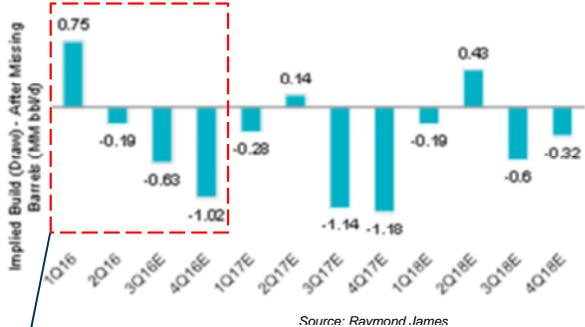
Due to prolonged periods of low oil prices, oil production globally has decreased as a result of spending cuts and large project deferrals. The combination of these market themes is now becoming more apparent and the Manager believes that global oil inventory draws have begun. If the pattern of inventory draws continues, the market will be further undersupplied. Once this trend becomes recognized and accepted, the Manager believes that there will be an upward price response that will allow oil companies to increase activity and ultimately oil production.

**Global Supply Minus Demand (000s bbl/d)**



Recent supply/demand imbalance has led to inventory drawdown

**Est. Quarterly Global Petroleum Inventory Builds (Draws)**

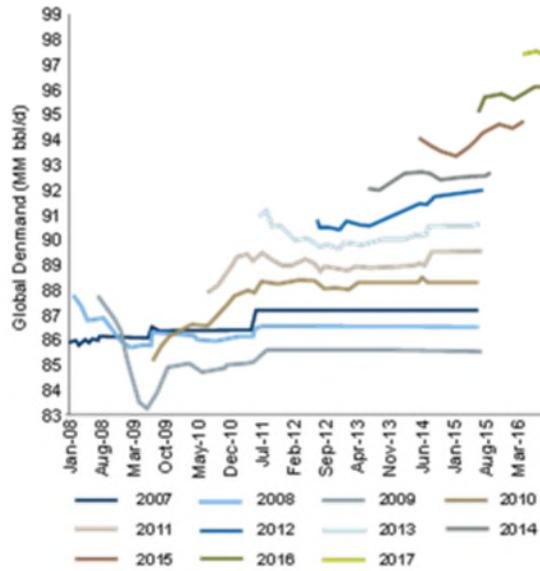


Global oil market is projected to be undersupplied as production decreases and demand steadily grows

As a result of strong demand growth and an implosion in global supply, the oil market entered into a period of undersupply in or about the second or third quarter of 2016. The Manager believes this situation will lead to a normalization of year-over-year oil in storage within the next six months and that the state of undersupply will persist until the price of oil increases enough to prompt a material increase in North American oil drilling.

Despite the decreasing production, demand growth remains strong, driven by emerging economies' transportation needs. International Energy Agency ("IEA") projections continue to be revised upwards, indicating that demand growth for oil not only remains strong, but continues to increase.

### Crude Oil Demand Revisions



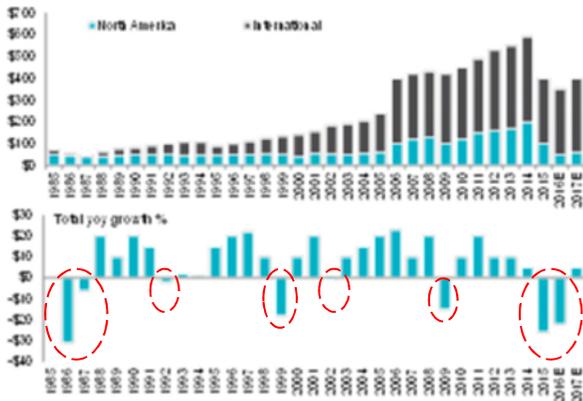
Source: IEA, Bernstein

Given the largest cuts in spending in the history of the oil sector and commensurate project deferrals/cancellations, the Manager believes there is the potential for an oil shortage beyond 2017 that could prompt a price spike materially above U.S.\$65/bbl. Large project deferrals beyond 2017 account for ~3MM – 5MM bbl/d. Furthermore, when the price of oil rallies, it will take time to reinitiate such projects, resulting in a production response lag.

Based on estimates, demand is expected to grow at approximately 1MM bbl/d, and production to decline at approximately 4MM bbl/d. In aggregate, this would then require approximately 5MM bbl/d of new production additions per year. However, OPEC has largely used up its spare capacity (beyond Libya and Nigeria) and ignoring all possible impediments to growth (labour constraints, equipment constraints, financial constraints), the U.S. only has the capability to add approximately 1MM bbl/d. Given that the deferred projects would take several years to come online, there exists the strong possibility that a price spike materially above U.S.\$65/bbl would be required to bring forth some of the deferred production in a more timely manner, as well as allow for a material increase in drilling in less and less economically attractive areas. As a result, it is uncertain where the incremental supply will come from to meet medium term oil demand.

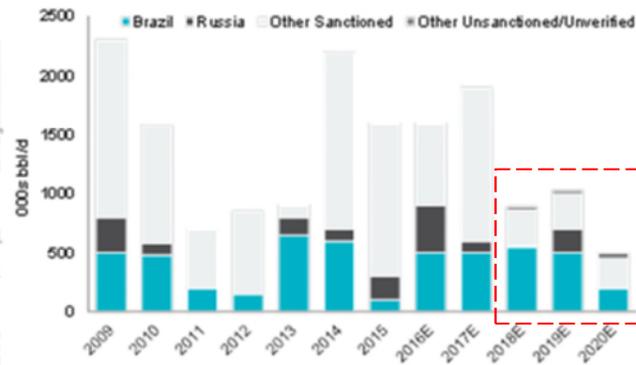
The above trends can be observed in current capex levels with cuts over past three years impacting production two years out due to lag between spending and on-stream production and non-OPEC Major Project Startups plummeting after 2017.

### Upstream Capital Spending (\$bn)



Source: Barclays

### Non-OPEC Major Project Start-ups by Year

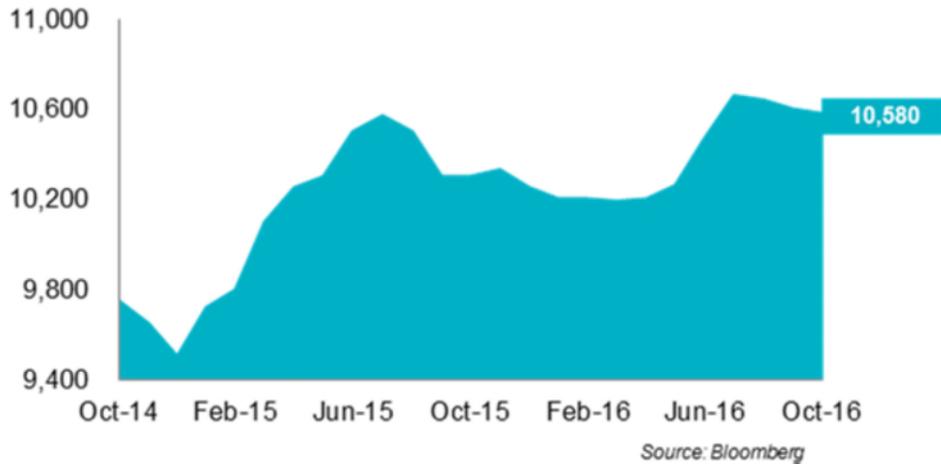


Source: Simmons

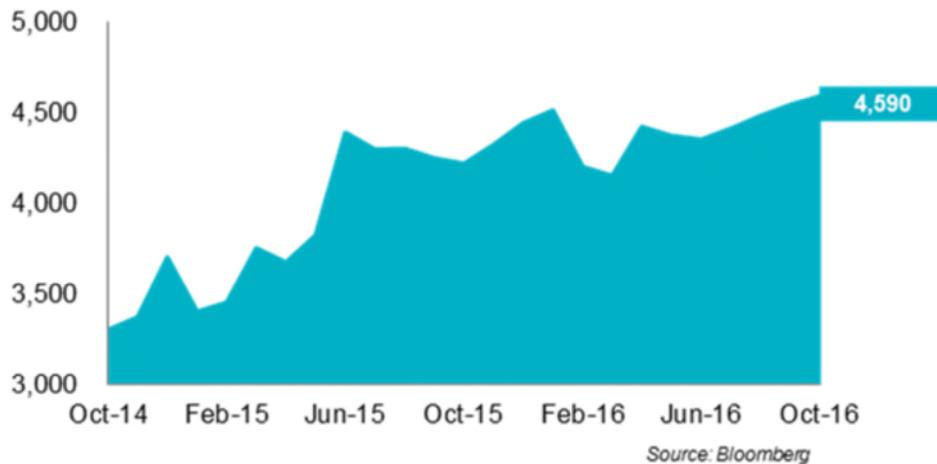
### OPEC Countries' Production Limited

OPEC accounts for a significant portion of the world's oil production. However, the "Big 3" OPEC producers (Saudi Arabia, Iraq and Iran) are unlikely to increase production meaningfully from current levels, which will require another producer to fill the expected demand for oil going forward. Outputs from Saudi Arabia, Iraq and Iran are largely exhausted. Increases to Iraqi and Iranian production would require additional investment from Western oil producers and time for projects to come online. Meaningful OPEC production increases outside of the "Big 3" producers would require stability in Nigeria and Libya which are currently suffering from instability due to country specific factors.

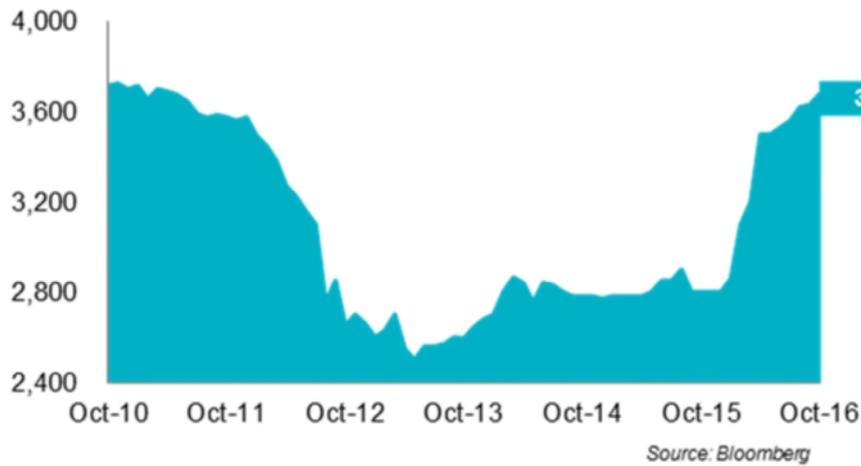
**Saudi Arabia – up ~0.8MM bbl/d over past 2 years**



**Iraq – up ~1.3MM bbl/d over past 2 years**

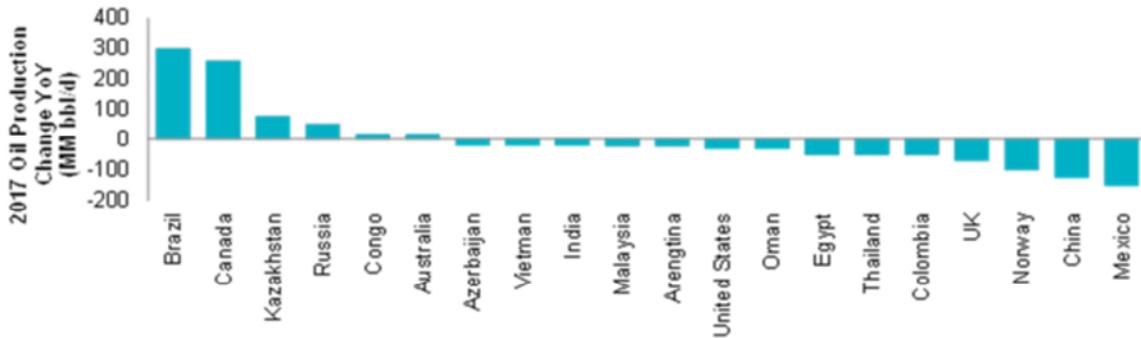


**Iran – up ~0.9MM bbl/d over past 2 years**



Outside of OPEC, the majority of growth in 2017 is expected to come from Canada and Brazil. However, Canadian production is expected to be flat beyond 2017 and Brazilian production is projected to be flat in the most optimistic scenarios with spending cuts of U.S.\$150 billion planned from 2017 through 2021.

**Non-OPEC Supply: Declines Outside North America (2017)**



Source: IEA, Evercore ISI

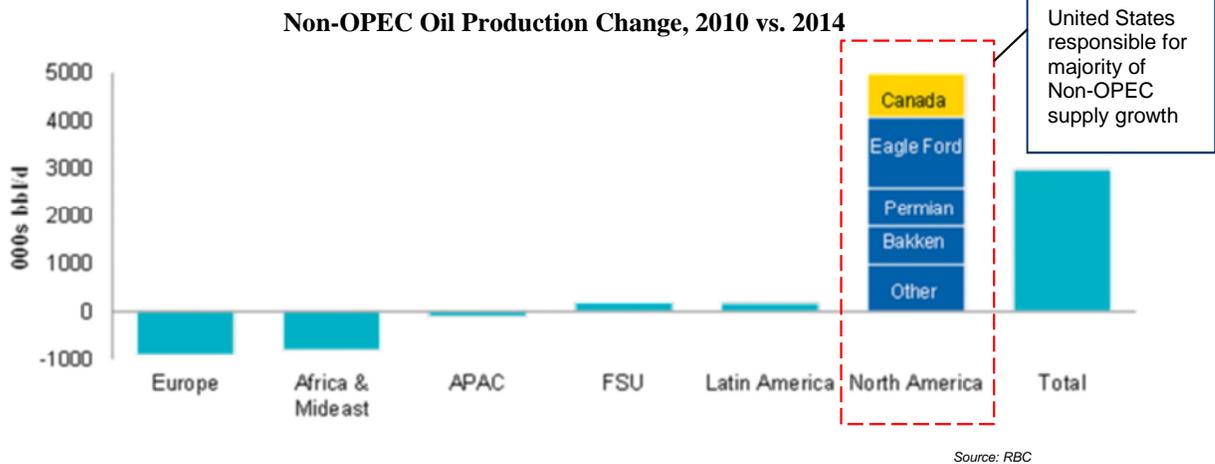
**Canada Major Project Start-Ups by Year**



Source: Simmons

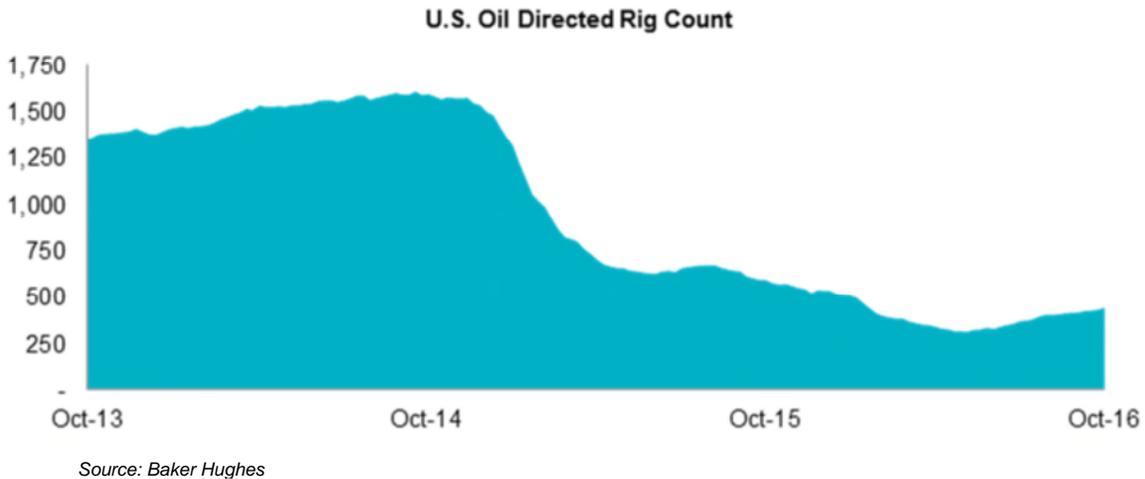
**United States – the New Oil Swing Producer**

Over the past four years, the United States, as opposed to OPEC countries, has largely been responsible for the majority of global oil production growth. Despite an average oil price of approximately U.S.\$100/bbl between 2010 and 2014, most oil producing nations outside of OPEC saw negative to modest production growth. This further supports the Manager’s view that the U.S. is the new global swing producer and as such, given the state of undersupply, the oil price must increase high enough to allow for a material increase in drilling activity. The Manager estimates this price to be above U.S.\$60/bbl. At present, the Manager estimates that current oilfield services activity levels are 30% – 40% below the levels needed to keep production flat on a sustainable basis.



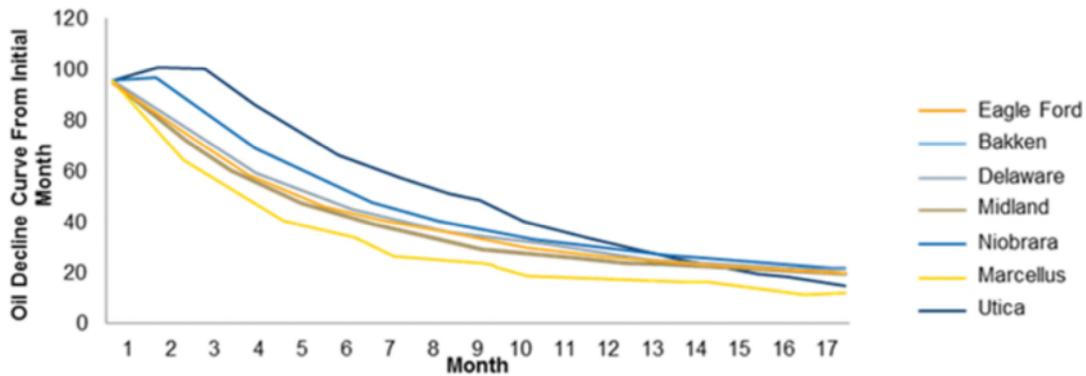
Given that oil directed drilling activity has fallen by 72%, the number of rigs drilling for oil is not sufficient to offset base decline rates (the natural loss of productive capability due to a depletion of reservoir pressure). The Manager estimates that the base decline rate in the U.S. is approximately 32%. As such, until the rig count increases to around 600 rigs, in the Manager’s opinion, the amount of new production will not be enough to offset the production loss from natural well declines. The Manager estimates that the oil industry requires an oil price of around U.S.\$60/bbl in order to generate enough cash flow to fund adequately the activity level required to keep U.S. production flat. This is further supported by the increasing number of bankruptcy filings made by energy producers and explorers in the past two years. Continued production decreases and sustained levels of demand should lead to increased prices going forward.

Despite the rig count rallying 40% from the lows, it remains, in the Manager’s opinion, approximately 30-40% below the required activity level to keep production flat.



Despite the ability to drill “economic” oil wells below U.S.\$60/bbl, the cash flow generated at such price levels is not enough to allow for an activity level high enough to offset decline rates.

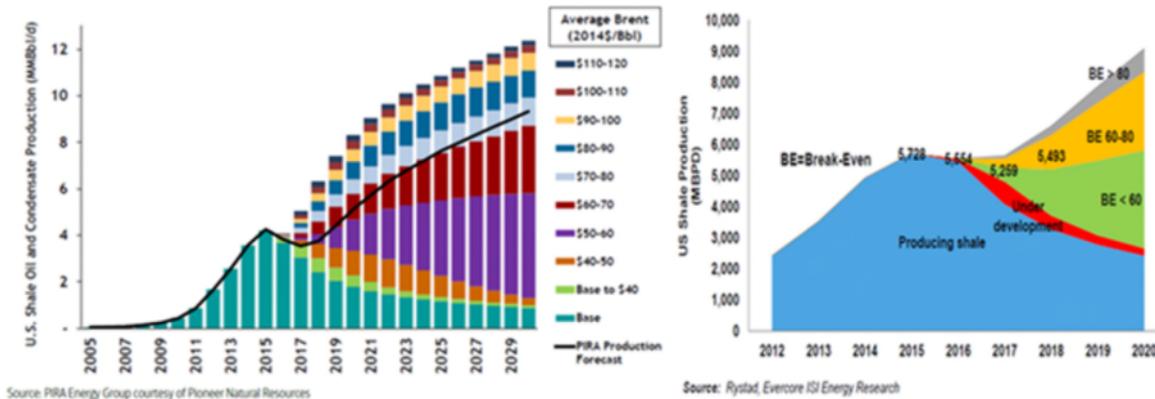
### Shale Oil Decline Curves



Source: BMO Capital Markets, HPDI

U.S. oil production is expected to continue to fall at an oil price below U.S.\$60/bbl.

### U.S. Shale Crude and Condensate Production



Source: Rystad, Evercore ISI Energy Research

### Manager’s Industry Outlook

Reductions in spending are further exacerbated by what the Manager views as an unrealistic assumption that the United States oil supply will be highly responsive to any oil price recovery in the short term. This view is seen as unrealistic for the following reasons:

- Financial constraints: The primary allocation of excess cash flow generated by an increase in global oil prices will be balance sheet repair; given high debt levels, few companies are in the position to increase meaningfully drilling programs in 2016; there is a 6 – 9 month supply response from when the inflection in drilling activity resumes to production.
- Labour constraints: ~150,000 people have exited the service sector. Therefore, when producers decide to ramp up drilling, it will be a multi-quarter/year initiative to rehire skilled labour.
- Psychological constraints: CEOs will look for price stability and clarity before committing to an increase in drilling due to false starts over the past year.

The Manager believes that oil could spike above U.S.\$60/bbl due to a shortage of supply in 2017 and a several quarter lag for industry to respond (mid-2017) and be able to meet excess demand:

- Floor pricing for oil likely to be ~ U.S.\$40/bbl going forward with a sustainable ceiling price around U.S.\$60 – U.S.\$65/bbl in 2017.
- Meaningful industry response to higher oil prices is not likely until the second half of 2017.

The Manager believes that the U.S. is not big enough to offset global declines and meet annual demand growth of approximately 1MM Bbl/d for more than a year or so:

- Non-U.S. production dominantly comes from long-lead large scale projects that will not be sanctioned until the oil price is above U.S.\$60/bbl and shows signs of stability.
- Larger projects take years from approval to first oil which further supports the view that production increases in response to rising prices will not respond fast enough to meet demand in the medium term.

The Manager's industry outlook is further supported by major players in the energy sector such as Total Corporation, which predicts continued volatility as the oil market rebalances. The company cites reduced industry investments from U.S.\$700 billion in 2014 to U.S.\$400 billion in 2016 and projects 5 – 10 MM bbl/d of unidentified supply increases required to balance supply and demand between 2015 and 2020.

Despite potential for upward price corrections going forward, there will be a time lag between price increases and companies being able to ramp up production and drilling activity. Therefore, there is potential for an extended period of undersupply as producers respond to higher prices.

## **INVESTMENT RESTRICTIONS**

The Fund is subject to certain investment restrictions including restrictions set out in NI 81-102 applicable to non-redeemable funds. In addition, the investment activities of the Fund will be conducted in accordance with the following investment restrictions:

- (a) subject to (b) below, at least 95% of the Total Assets shall be invested in Resource Issuers;
- (b) at the Manager's discretion, the Portfolio may be invested up to 100% in cash or Cash Equivalents, including bonds issued by the governments of the United States or Canada;
- (c) except in accordance with applicable securities legislation, including NI 81-102, not more than 10% of the Total Assets may be invested in securities of any one issuer (other than in respect of Cash Equivalents);
- (d) the Fund will not borrow money;
- (e) except in accordance with applicable securities legislation, including NI 81-102, no securities will be purchased if after such purchase the Fund would hold more than 10% of the outstanding voting securities of that issuer;
- (f) the Fund will not invest in or use derivative instruments other than for hedging purposes;
- (g) the Fund will not make short sales of securities or maintain short positions, in each case in excess of 20% of the NAV or 5% of the NAV per holding and except in accordance with the provisions of NI 81-102 as though the Fund was a mutual fund. These limits, however, do not apply to short sales of securities or short positions maintained by the Fund for the purposes of hedging (as defined in NI 81-102) the exposure of the Portfolio to equity securities that are to be received by the Fund in connection with (i) the exercise by the Fund of a right to acquire such securities pursuant to a conversion or (ii) the exercise by the issuer of a right to issue such securities at maturity;
- (h) not more than 10% of the Total Assets may be invested in illiquid securities, which for these purposes means securities the resale of which is restricted by a representation, undertaking or agreement by the Fund or by law or that could not be disposed of within a period of 30 days at an amount which at least approximates the amount that the securities are valued for purposes of calculating NAV;

- (i) the Fund will not engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (j) the Fund will not purchase securities of an issuer if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for purposes of the *Securities Act* (Ontario) or the equivalent provision of applicable securities laws of any other jurisdiction;
- (k) the Fund will not purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 9.9% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (i) any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing market price; or (ii) is approved by the Manager’s independent review committee;
- (l) the Fund will not invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to include significant amounts in income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act;
- (m) the Fund will not invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (n) the Fund will not invest in any security of an issuer that would be a “foreign affiliate” of the Fund for purposes of the Tax Act;
- (o) the Fund will not enter into any arrangement (including the acquisition of securities for the Portfolio) where the result is a “dividend rental arrangement” for the purposes of the Tax Act;
- (p) the Fund will not make any investment or conduct any activity that would result in the Fund failing to qualify or ceasing to qualify as a “mutual fund trust” for purposes of the Tax Act or acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition);
- (q) the Fund will not make or hold any investment that would result in the Fund itself being a SIFT trust for purposes of the SIFT Rules.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Net Asset Value of the Fund will not be considered a violation of the investment restrictions (except for the restriction in paragraph (q) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

Unitholder approval by way of Extraordinary Resolution is required to change the investment restrictions and investment objective of the Fund. See “Unitholders Matters – Matters Requiring Unitholder Approval”.

## FEES AND EXPENSES

### Fees and Expenses Payable by the Fund

#### *Management Fee*

The Fund will pay to the Manager an annual management fee (the “**Management Fee**”) equal to 2.0% per annum of the NAV of the Fund, accrued and calculated daily and payable monthly in arrears, plus applicable taxes.

#### *Agents’ Fees*

The Fund will pay a portion of the fees payable to the Agents in connection with the Offering of the Units equal to \$0.125 (1.25%) per Unit. The portion of the Agents’ fees payable by the Fund will be paid by the Fund out of the proceeds of the Offering. See “Plan of Distribution”.

#### *Offering Expenses*

The Fund will pay all of the expenses incurred on behalf of the Fund in connection with the Offering, which the Manager estimates will be approximately \$350,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering).

#### *Operating Expenses*

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that such ongoing expenses will include, without limitation, mailing and printing expenses for periodic reports to Unitholders and other Unitholder and market awareness communications; fees payable to the registrar, transfer agent, distribution agent and Exchange Agent; fees payable to the Trustee; fees payable to the Custodian, the Valuation Agent and/or other parties engaged by the Fund for performing certain financial, record keeping, reporting and general administrative services; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; fees payable to the auditor and legal advisers; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the members of the independent review committee. The aggregate annual amount of these fees and expenses is estimated to be \$300,000 per annum, plus applicable taxes. The Fund will also be liable for the costs of all Portfolio transactions which it may incur from time to time and the Fund will be liable for any extraordinary expenses incurred from time to time. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or any other party is entitled to indemnity by the Fund.

#### *Market Purchases*

In connection with any market purchases of Units (as discussed under “Attributes of the Securities – Market Purchases” and “Attributes of the Securities – Purchase for Cancellation”), the Fund will pay to the Manager the following amounts as partial compensation for the fees and expenses the Manager paid in connection with the Offering: (i) if the purchase is made at a greater than 3.0% discount to the then current NAV of the Unit purchased, the Fund will pay to the Manager an amount (inclusive of taxes) equal to 3.0% of the then current NAV of the Unit purchased, or (ii) if the purchase is made at a discount to the then current NAV of the Unit that is less than or equal to 3.0%, the Fund will pay to the Manager an amount (inclusive of taxes) equal to such discount. Each such amount paid by the Fund is intended to partially compensate the Manager for the fees and expenses paid by the Manager in connection with the Offering. The maximum amount that the Manager may be paid in respect of any market purchase is 3.0% of the NAV of the Units purchased. Such amounts will only be paid if the Units purchased by the Fund are cancelled and will not be paid by the Fund once the Manager has received, together with any Redemption Fees, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering. To the extent that a purchase is made at a price that is greater than a 3.0% discount to the then current NAV of the Unit, the amount of the balance will be accretive to the NAV of the Fund.

### Fees and Expenses Payable by the Manager

#### *Agents’ Fees*

The Manager will pay a portion of the fees payable to the Agents in connection with the Offering equal to \$0.275 (2.75%) per Unit. See “Plan of Distribution”.

## **Fees and Expenses Payable by Unitholders**

A Unitholder who redeems a Unit on a Monthly Redemption Date will be required to pay the Manager a redemption fee (the “**Redemption Fee**”) equal to 3.0% of the Monthly Redemption Amount. **No redemption fee is payable by a Unitholder who redeems a Unit on an Annual Redemption Date.**

The Redemption Fee will be deducted by the Fund from the amount payable to the redeeming Unitholder and remitted on behalf of the Unitholder to the Manager. However, no Redemption Fee will be payable by Unitholders, nor will any fee be payable by the Fund, upon a termination of the Fund by the Manager. No Redemption Fee will be payable by Unitholders once the Manager has received, together with any fees in respect of market purchases, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering.

## **RISK FACTORS**

In addition to the considerations set out elsewhere herein, the following are certain considerations relating to an investment in Units which prospective investors should consider before investing in Units.

### *No Assurance of Achieving Investment Objective*

There is no assurance that the Fund will be able to achieve its investment objective.

### *Risks Relating to Fluctuations in Value of Portfolio Securities and Performance of the Portfolio*

The NAV per Unit will vary as the value of the Portfolio securities varies. The Fund and the Manager have no control over the factors that affect the value of the Portfolio securities, including factors that affect the markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio and its business, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies, operational risk relating to the specific business activities of the issuers, industry competition and other events that may affect the value of its securities. Some global economies are experiencing significantly diminished growth and some are suffering a recession. No assurance can be given that diminished availability of credit and significant devaluations will not adversely affect the markets into which the Fund will invest in the near to medium term.

### *Risks of Investing in Equity Securities*

Equities such as common shares give the holder part ownership in an issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

### *Small Capitalization Natural Resource Company Risk*

A portion of a Fund’s portfolio may be invested in securities of small capitalization Resource Issuers. The business models for these companies involve significant risks including the entire loss of the investment in the company. These companies can also provide significant returns if their exploration properties hold reserves which can be brought into production. Small capitalization natural resource companies typically have limited production, markets and financial resources. They are less able to sustain adverse competitive and market changes. Other risk factors include changes in resource prices, environmental regulations and possible claims on their resource properties.

### *Small Company Risk*

Small companies can be riskier investments than larger companies. For one thing, they are often newer and may not have a track record, extensive financial resources or a well-established market for their securities. They generally do not have as many shares trading in the market, so it could be difficult for a Fund to buy or sell small company stock when it needs to. All of this means their prices can change significantly in a short period of time.

### *Portfolio Concentration Risk*

The assets of the Fund will consist primarily of Resource Issuers or issuers that derive a significant portion of their revenue or earnings from the energy and resource sector. Accordingly, diversification of the Fund's investments will be limited by industry, and the securities of such issuers are likely to be adversely impacted by any downturns in the global energy and resource sector. Accordingly, this Portfolio concentration may have a negative impact on the value of the equity securities and the general risk of the Portfolio may be increased as a result of such industry concentration.

### *Foreign Currency Exposure*

The Portfolio will include securities denominated and paying distributions in foreign currencies, including the U.S. dollar. As the NAV will be calculated in Canadian dollars, to the extent the Fund's exposure to foreign currencies has not been hedged back to the Canadian dollar, the NAV will be affected by changes in the value of those foreign currencies against the Canadian dollar. While the Fund may hedge its exposure to foreign currencies back to the Canadian dollar, it may not be fully hedged at all times. Distributions received on Portfolio securities will not be hedged and any hedging strategy of the Fund may not be successful. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors.

### *Illiquid Securities*

Up to 10% of the Total Assets may be invested in illiquid securities. As such, there is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or at their respective par or net asset values. There can be no assurance that the Fund will be able to dispose of its investments in order to honour requests to redeem Units.

### *Short Selling*

The Fund may engage in short selling securities or maintain short positions to a maximum of 20% of the NAV or 5% of the NAV per holding, provided that such limits do not apply to short sales of securities or short positions maintained for purposes of hedging (as defined in NI 81-102) the Portfolio's exposure to the equity securities to be received by the Fund in connection with the exercise of the right to acquire such securities pursuant to a conversion or in connection with the exercise by the issuer of the right to issue such securities at maturity. A short sale of a security may expose the Fund to losses if the price of the security sold short increases because the Fund may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short. The potential loss on the short sale of securities is unlimited, since there is no limit on how much the price of a security will appreciate before the short position is closed out. In addition, a short sale entails the borrowing of the security in order that the short sale may be transacted. There is no assurance that the lender of the security will not require the security to be repaid before the Fund wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price. In the event that numerous lenders of the security in the market simultaneously recall the same security, a "short-squeeze" may occur, whereby the market price of the borrowed security may increase significantly. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that a borrowing fee will not increase during the borrowing period, adding to the expense of the short sale strategy. In addition, there is no assurance that the security sold short can be repurchased due to supply and demand constraints in the marketplace.

### *Foreign Market Exposure*

Investments made by the Fund may include securities of issuers established in jurisdictions outside Canada and the U.S. Although some of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. issuers, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. issuer. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Other risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy and the effect of local market conditions on the availability of public information. Investments in foreign markets carry potential exposure to the risk of political upheaval, acts of terrorism and war, all of which may have an adverse impact on the value of such securities.

### *Volatility in Trading Price of Units*

The Units may trade in the market at a discount to NAV per Unit, and there can be no assurance that the Units will trade at a price equal to (or greater than) the NAV per Unit. In addition, Units may trade at a discount to the NAV per Unit less the current Redemption Fee having regard to the effect that this fee will have on the proceeds realized by a Unitholder in connection with a monthly redemption of Units.

### *Reliance on the Manager*

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund and the Portfolio in a manner consistent with the investment objective, strategies and restrictions of the Fund. The employees of the Manager who will be primarily responsible for the management of the Portfolio have experience in managing investment portfolios. There is no certainty that the employees of the Manager who will be primarily responsible for the management of the Portfolio will continue to be employees of the Manager throughout the term of the Fund.

### *A Lack of Operating History for the Fund*

The Fund is a newly organized investment fund with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

### *Conversion Risk*

Implementation of the Conversion is subject to compliance with applicable law, which may require Unitholder or regulatory approval. Accordingly, there are no assurances that the Conversion will be implemented as described in this prospectus or at all. In such circumstances, an alternative transaction (including the termination of the Fund) may not be available on a tax-deferred basis. Investors should consult their own professional advisors to assess the income tax, legal and other aspects of the Conversion.

### *Trading Price of Units*

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that Units will trade at a price equal to such amount. This risk is separate and distinct from the risk that the NAV per Unit may decrease, or possibly be zero.

In recognition of the possibility that the Units may trade at a discount, the terms and conditions attaching to the Units have been designed to attempt to reduce or eliminate a market value discount from the NAV per Unit by way of mandatory and optional purchases of Units by the Fund, as described under “Attributes of Securities – Market Purchases”. There can be no assurance that purchases of Units by the Fund will result in the Units trading at a price which is equal to the NAV per Unit. The Fund anticipates that the market price of the Units will in any event vary from the NAV per Unit. The market price of the Units will be determined by, among other things, the relative demand for and supply of Units in the market, the performance of the Portfolio and investor perception of the Fund’s overall attractiveness as an investment as compared with other investment alternatives. The NAV per Unit and the market price of the Units is subject to factors beyond the control of the Fund and the Manager.

### *Risks Related to Redemptions*

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV could be significantly reduced. If a substantial number of Units are redeemed, this could decrease the liquidity of the Units in the market and increase the management expense ratio of the Fund. In any such circumstance, the Manager may determine it appropriate to: (i) subject to applicable laws, suspend redemptions of Units (as described under “Redemption of Units — Suspension of Redemptions”); or (ii) terminate the Fund without the approval of the Unitholders if, in the opinion of the Manager, it is no longer economically feasible to continue the Fund or the Manager determines that it would be in the best interests of Unitholders to terminate the Fund.

Redemption costs will be paid by the redeeming Unitholder. The amount of any such redemption costs will depend on the circumstances at the time of the redemption, including the NAV, the number of Units surrendered for redemption, the available cash of the Fund, the current market price of the securities of each issuer included in the Portfolio at the time of the

redemption, and the brokerage fees, commissions and other transaction costs as described under “Redemption of Units”. As a result of the foregoing variables, the amount of redemption costs payable by a Unitholder upon the redemption of Units may vary from time to time.

#### *Market Disruptions*

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the Portfolio securities.

#### *Global Financial Developments*

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks’ efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis, developments in the Middle East and the Ukraine, matters relating to the United Kingdom’s referendum on withdrawing from the European Union, matters related to the U.S. government debt limits and the inflationary effects of quantitative easing may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio securities.

#### *Exchange Option*

A portion of the proceeds realized pursuant to the Offering may be by way of deposits of securities of Exchange Eligible Issuers under the Exchange Option (as each such term is defined under “Purchase of Securities – Method to Purchase Units”). To achieve the desired initial Portfolio, the Manager may be required to dispose of certain securities of Exchange Eligible Issuers acquired pursuant to the Exchange Option at prices below the prices at which they are then trading and possibly at prices which are below what the Manager believes they are worth. Such dispositions may have an adverse impact on the NAV per Unit. Additionally, if the price of a security of an Exchange Eligible Issuer on the closing of the Offering is less than the price used to calculate the Exchange Ratio (as defined under “Purchase of Securities – Determination of Exchange Ratio”), the Fund will, in effect, have paid more to acquire the security of the Exchange Eligible Issuer than it would have paid if it had acquired the same security in the market at that time.

#### *Tax Matters Affecting the Fund*

The Fund will be subject to certain tax risks generally applicable to investment funds that hold Canadian and non-Canadian securities, including the following:

If the Fund fails to or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of Portfolio securities as capital gains and losses. The Fund may use derivative instruments for hedging purposes. Subject to the discussion below regarding the DFA Rules, gains or losses realized on such derivatives will be treated and reported for purposes of the Tax Act on capital account provided there is sufficient linkage. Designations with respect to the Fund’s income and capital gains will be made and reported to Unitholders on this basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If the foregoing dispositions or transactions of the Fund are not on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The Tax Act contains rules (the “**DFA Rules**”) that target certain financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted, and could apply to other agreements or transactions. If the DFA Rules were to apply to certain derivatives to be utilized by the Fund, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains.

To the extent that the Fund invests in securities of foreign issuers, dividends, distributions and certain interest received by the Fund will be subject to foreign withholding tax and the Fund may be subject to other foreign taxes. See “Income Tax Considerations – Taxation of the Fund” for a discussion of certain considerations relevant to a Canadian resident Unitholder relating to foreign taxes withheld from dividends, distributions and certain interest paid to the Fund.

Pursuant to certain rules in the Tax Act, if the Fund experiences a “loss restriction event”, the Fund may make distributions of net income and net realized capital gains to Unitholders which will be automatically reinvested in additional Units. Generally, the Fund would be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, as those terms are defined in the Tax Act. Generally, a person would be a majority-interest beneficiary of the Fund if it, together with persons and partnerships with whom it is affiliated, owns Units representing more than 50% of the fair market value of all Units of the Fund. If the Fund experiences a loss restriction event, the Fund (i) will have a deemed tax year-end immediately before the day on which the loss restriction event occurs, (ii) will be required to realize any accrued losses on capital property, which may expire at the date of the loss restriction event, (iii) may lose the benefit of any unused losses carried forward before the loss restriction event, and (iv) will not be able to carry back any net capital losses realized after the loss restriction event to periods before the loss restriction event. The Tax Act currently provides relief from the application of the loss restriction event rules to certain trusts that meet certain asset diversification requirements to qualify as a “portfolio investment fund”. Retroactive amendments to such provisions are proposed which will provide relief from the application rules to trusts that qualify as an “investment fund” including by meeting certain asset diversification requirements. The Fund expects that it will qualify as an investment fund but there is no assurance in this regard.

The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). If the Fund were considered to be a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects

#### *Distributions*

The Fund may make distributions of income and gains through the issuance of additional Units that may, at the discretion of the Fund, be automatically consolidated. Income or taxable capital gains distributed to a Unitholder in Units are nevertheless required to be included in the Unitholder’s income even though no cash may be distributed to fund any resulting tax payment.

#### *No Ownership Interest Risk*

An investment in Units does not constitute an investment by Unitholders in the assets included in the Portfolio. Unitholders will not own the assets held by the Fund. It is possible that the proceeds from the sale of Portfolio securities will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of such Portfolio securities, to pay its liabilities.

#### *Loss of Investment Risk*

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss.

#### *Changes in Legislation and Regulatory Risk*

There can be no assurance that certain laws applicable to the Fund, including income tax laws and the treatment of trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders. If such laws change, such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Fund.

### *Status of the Fund*

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to NI 81-102, it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. However, it is intended that the Fund will be a mutual fund trust for purposes of the Tax Act. If the Fund ceases or fails to qualify as a mutual fund trust for purposes of the Tax Act, certain tax considerations described in this prospectus would be materially and adversely different.

### *Potential Conflicts of Interest*

The Manager, its directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which may invest primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager will devote as much time to the Fund as is deemed appropriate to perform their duties, the staff of the Manager may allocate their time and services among the Fund and the other funds managed by the Manager.

### *Risks Relating to the Nature of the Units*

The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to hybrid instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

## **CONVERSION OF THE FUND**

The Manager currently intends that on or about October 17, 2018, the Fund will, subject to applicable law, which may require Unitholder and/or regulatory approval, convert into an ETF managed by the Manager or an affiliate. It is the Manager’s intention that the Converted Fund (defined below) will have a similar investment objective and investment strategies to that of the Fund. Notwithstanding the Manager’s current intention to convert the Fund into an ETF, the Manager may instead determine, subject to applicable Unitholder and/or regulatory approvals, to merge the Fund on a tax-deferred basis into an ETF or to convert or merge the Fund into an open-end mutual fund. The investment fund resulting from any conversion, including, for certainty, the investment fund resulting from conversion into an ETF, is referred to herein as the “**Converted Fund**”. The investment fund resulting from any merger, including, for certainty, the investment fund resulting from a merger into an ETF, is referred to herein as the “**Merged Fund**”. The conversion or merger of the Fund into the Converted Fund or the Merged Fund is referred to herein as the “**Conversion**”. The expenses associated with the Conversion will be paid by the Manager and not the Fund.

The Fund shall provide notice by press release of the Conversion to Unitholders, not less than 60 days prior to the expected date of the Conversion. In the event the Manager determines in its sole discretion that effecting the Conversion as described above would not be in the best interest of Unitholders, the Manager may postpone the Conversion to such later date as it determines or may abandon the Conversion. In the event of any such postponement or abandonment the Fund will implement a redemption right on at least an annual basis at NAV commencing on the second last Business Day of January in 2019. The Fund shall provide notice to Unitholders by press release of any change to the time for completing the Conversion, not less than 60 days prior to the expected effective date. Pending such notice, the Fund will continue to operate in accordance with its investment objective, strategies and restrictions.

If required by applicable law, the Fund will seek Unitholder approval at a meeting of Unitholders duly held to consider the Conversion. At least 21 days prior to the date of any such meeting the Fund will send a written notice to Unitholders describing the Conversion, including the expected effective date of the Conversion (the “**Effective Date**”), as well as all other information or documents necessary to comply with applicable proxy solicitation requirements. In order to be effective, the resolution approving the Conversion would be required to be passed by at least a majority of the votes cast at such meeting. In the event that Unitholder approval for the Conversion is not obtained at such meeting, the Fund will continue to operate in accordance with its investment objective, strategies and restrictions.

Although it is the Manager’s current intention to effect the Conversion by converting the Fund into an ETF, the Manager may also effect a tax-deferred Conversion by way of merger into an ETF or an open-end mutual fund (in this paragraph and under

“Income Tax Considerations – Taxation of Conversion”, as applicable, the “**Continuing Fund**”), as described below. On the Effective Date of such a merger, the Fund will transfer all of its assets and liabilities to the Continuing Fund in exchange for an amount (the “**Purchase Price**”) equal to the value of the assets transferred to the Continuing Fund. The Continuing Fund will satisfy the Purchase Price by assuming the liabilities of the Fund and issuing to the Fund that number of its securities (the “**Continuing Fund Units**”) (rounded down to the nearest whole Continuing Fund Unit) equal to the number of Units of the Fund outstanding as of the Effective Date multiplied by the exchange ratio (the “**Continuing Fund Unit Exchange Ratio**”) obtained by dividing the NAV per Unit by the net asset value per Continuing Fund Unit, each as determined at the close of trading on the TSX on the Business Day prior to the Effective Date. The Units will then be redeemed by the Fund without further action and the redemption price therefor will be paid to Unitholders by distributing the applicable number of Continuing Fund Units to the former Unitholders, with each Unitholder receiving that number of Continuing Fund Units (rounded down to the nearest whole Continuing Fund Unit) as is equal to the Continuing Fund Unit Exchange Ratio multiplied by the number of Units held by such Unitholder immediately prior to the completion of the merger. The Fund would be terminated following completion of the merger.

Following the Conversion, the securities of the Converted Fund or the Merged Fund, as applicable, will be redeemable daily at net asset value and, in the case of a Conversion into an exchange traded mutual fund, will be listed for trading on the TSX or another stock exchange in Canada. In the event the Conversion is effected by way of merger, the exchange of Units for securities of the Merged Fund will be effected on a tax-deferred rollover basis. The merger may require receipt of regulatory approval. In the event that the Fund is converted into the Converted Fund or merges with the Merged Fund, the investment objective and investment strategies of the Fund will be substantially similar following the Conversion, except as may be necessary to comply with applicable law, including the provisions of NI 81-102 as they apply to mutual funds.

#### *Redemption of Securities following the Conversion*

Following a Conversion, securityholders will be permitted to redeem securities of the Converted Fund or the Merged Fund, as applicable, on any Business Day. To do so, securityholders must complete a written redemption request. If the redemption request is deposited with a dealer, the dealer must send the redemption request to the Toronto office of the registrar and transfer agent of the Converted Fund or the Merged Fund, as applicable, on the same day. If the dealer receives the redemption request after the close of business (usually 4:00 p.m. Toronto time) or on a day that is not a Business Day, the dealer must send it to the registrar and transfer agent on the next Business Day. Any period of illiquidity following the Conversion will be as short as possible. The Units are expected to be listed on the TSX until the date prior to the date of the Conversion and, upon Conversion, Unitholders will be able to redeem their securities of the Converted Fund or the Merged Fund, as applicable, immediately after investment dealers’ back offices complete their necessary operations in respect of the Conversion.

A redemption request received by the registrar and transfer agent before the close of business (usually 4:00 p.m. Toronto time) on a Business Day will be processed at the net asset value per security on that Business Day. A redemption request received by the registrar and transfer agent after the close of business on a Business Day or on a day which is not a Business Day will be processed at the net asset value per security determined at the close of business on the next Business Day.

A securityholder’s right to redeem securities of the Converted Fund or the Merged Fund, as applicable, may be suspended with the consent of the Canadian securities regulatory authorities or for any period when normal trading is suspended on any stock exchange in or outside Canada, on which securities are listed and traded where more than 50% of the securities held by such fund by market value are listed or traded if those securities are not traded on any other exchange that represents a reasonably practical alternative for such Converted Fund or Merged Fund.

In the case of a Conversion into an exchange traded mutual fund, securities of the Converted Fund or the Merged Fund, as applicable, will also be listed for trading on the TSX or another stock exchange in Canada.

### **DISTRIBUTION POLICY**

The Fund will not make regular distributions. However, if the Fund has net income for tax purposes, including net realized capital gains, for any taxation year, the Fund will pay one or more special distributions (either in cash and/or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). If such a distribution is payable in Units, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation,

the same number of Units as the Unitholder held before the distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

## PURCHASE OF SECURITIES

### *Method to Purchase Units*

Prospective purchasers may acquire Units either by: (a) cash payment; or (b) an exchange (the “**Exchange Option**”) of freely tradeable securities of one or more of those issuers set forth below under the heading “Purchase of Securities – Exchange Eligible Issuers” (collectively, the “**Exchange Eligible Issuers**”) in accordance with the procedure described below. Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of this Offering is expected to occur on or about December 20, 2016 and, in any event, no later than 90 days after the issuance of a receipt for the final prospectus. Subscriptions will be received for the Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time.

The maximum number of securities of any one Exchange Eligible Issuer which the Fund may acquire under the Offering pursuant to the Exchange Option is the lesser of: (i) that number of securities which would amount to less than 10.0% of the outstanding securities of that class of such Exchange Eligible Issuer for the purposes of reporting obligations under applicable securities laws, and (ii) that number of securities having a fair market value which constitutes 9.9% of the equity value of such Exchange Eligible Issuer for purposes of section 122.1 of the Tax Act (such number being referred to as the “**Maximum Ownership Level**”). For greater certainty, when the Maximum Ownership Level has been achieved in respect of the securities of a particular Exchange Eligible Issuer accepted as payment for Units pursuant to this Offering, the Fund will not accept any further securities of such Exchange Eligible Issuer as payment. To the extent the Maximum Ownership Level has been achieved in respect of the securities of any one Exchange Eligible Issuer, and an excess of securities of such Exchange Eligible Issuer above the Maximum Ownership Level have been deposited and not withdrawn, then the securities of such Exchange Eligible Issuer will be accepted by the Fund to the Maximum Ownership Level on a *pro rata* basis or such other reasonable basis that it may determine to be appropriate. The Fund reserves the right to accept, in its sole discretion and for any reason, the securities of additional issuers under the Exchange Option and to reject, in its sole discretion, in whole or in part, any securities of Exchange Eligible Issuers deposited pursuant to the Exchange Option.

### *Procedure*

A prospective purchaser of Units who elects to pay for such Units by using the Exchange Option (the “**Exchange Option Election**”) must do so by means of a book-entry deposit of the securities of Exchange Eligible Issuers through CDS. Prospective purchasers who utilize the Exchange Option must deposit their securities of Exchange Eligible Issuers with TSX Trust Company (in such capacity, the “**Exchange Agent**”) through CDS prior to 5:00 p.m. (Toronto time) on December 7, 2016. Such book-entry deposits must be made by a CDS Participant which may have an earlier deadline for receiving instructions from their clients to deposit securities of Exchange Eligible Issuers under the Exchange Option. Once submitted to the Exchange Agent through CDS, a deposit of securities of an Exchange Eligible Issuer (including the transfers authorized thereby) is, subject to the completion of this Offering, irrevocable unless withdrawn as described below under the heading “Purchase of Securities – Withdrawal of Exchange Option Elections”. By authorizing a deposit of securities of an Exchange Eligible Issuer through CDS, a prospective purchaser has authorized the transfer to the Fund of each security of the Exchange Eligible Issuers so deposited and represents and warrants that the prospective purchaser has full right and authority to transfer the securities of the Exchange Eligible Issuers covered thereby and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such securities of Exchange Eligible Issuers. The Fund’s interpretation of the terms and conditions of the Exchange Option will be final and binding. The Fund reserves the right to waive any conditions of the Exchange Option and any irregularities in the deposit of securities of Exchange Eligible Issuers pursuant to the Exchange Option and to accept the deposit of securities of Exchange Eligible Issuers in exchange for less than an aggregate of 100 Units. Neither the Fund, the Agents nor the Exchange Agent shall be under any duty to notify a prospective purchaser of irregularities related to its deposit of securities of Exchange Eligible Issuers under the Exchange Option and will not incur any liability for failure to give such notification.

If for any reason securities of an Exchange Eligible Issuer deposited pursuant to the Exchange Option are not acquired by the Fund, the holders of such securities will be notified of such fact as soon as practicable following the closing or the termination of this Offering, as the case may be, and such securities will be re-credited to their accounts through CDS.

#### *Determination of Exchange Ratio*

The number of Units issuable for each class of security of an Exchange Eligible Issuer (the “**Exchange Ratio**”) will be determined by dividing the weighted average trading price of such security on the TSX (or such other exchange or market on which such security is then listed) during the period of five consecutive trading days ending on December 12, 2016 (the “Pricing Period”), as adjusted to reflect distributions declared by any Exchange Eligible Issuer that will not be received by the Fund, by \$10.00. The Exchange Ratio for any such securities that do not trade in Canadian dollars will be determined by converting the weighted average trading price on the applicable exchange of such securities into Canadian dollars based on the Bank of Canada noon rate of exchange on the last day of the Pricing Period. Holders of securities of Exchange Eligible Issuers who deposited such securities pursuant to the Exchange Option will continue to be holders of record up to but not including the date of the closing of this Offering and will be entitled to receive distributions in respect of such securities of Exchange Eligible Issuers that are declared up to but not including such date. Each Exchange Ratio will be rounded down to five decimal places. The Fund will not issue fractional Units pursuant to the Exchange Option. Entitlement to fractional Units will be determined on the basis of the aggregate number of securities of each Exchange Eligible Issuer acquired pursuant to the Exchange Option and the Fund will issue to CDS cash in lieu thereof. Allocations by CDS of cash in lieu of fractional Units to participants in CDS will be at the discretion of CDS and the allocation of cash in lieu of fractional Units to purchasers who have authorized the deposit of securities of Exchange Eligible Issuers through CDS will be at the discretion of the CDS Participants.

#### *Delivery of Final Prospectus*

Each prospective purchaser who properly authorizes the deposit of securities of an Exchange Eligible Issuer through CDS will be furnished with a copy of the final prospectus relating to this Offering.

The Fund will issue a press release as soon as practicable after the close of business on December 12, 2016 announcing for each of the Exchange Eligible Issuers, the name of the Exchange Eligible Issuer, the ticker symbol, the CUSIP number, the ISIN, the volume weighted average trading price of the securities during the Pricing Period and the Exchange Ratio.

#### *Withdrawal of Exchange Option Elections*

Each prospective purchaser who deposits securities of an Exchange Eligible Issuer through CDS has the right to withdraw such deposit of securities by notifying in writing such prospective purchaser’s investment advisor or other nominee who effected the deposit. To be effective, a written notice of withdrawal must be received by the CDS Participant who effected such deposit on or before midnight on the second Business Day after the later of: (i) receipt or deemed receipt of the final prospectus relating to the Offering and any amendment thereto, and (ii) the date on which the press release referred to above is issued. Any such notice of withdrawal must specify the securities of each Exchange Eligible Issuer to be so withdrawn and the name of the prospective purchaser, and notification thereof must be received by the Exchange Agent through CDS prior to the specified time. Each such notice must be signed by the person who authorized the deposit under the Exchange Option.

#### *Maximum Offering*

The maximum Offering (prior to the exercise of the Over-Allotment Option), comprised of the aggregate cash subscriptions and securities of the Exchange Eligible Issuers (based on the applicable Exchange Ratio and excluding that number of securities of Exchange Eligible Issuers deposited and not acquired as a result of such securities causing the Fund to hold more than the Maximum Ownership Level of the outstanding securities of an Exchange Eligible Issuer), shall not be more than \$100,000,000. If the maximum Offering (prior to the exercise of the Over-Allotment Option) is exceeded, the Fund will accept cash subscriptions first and will then accept securities of Exchange Eligible Issuers on a *pro rata* basis or such other reasonable basis that it may determine appropriate until the maximum Offering size of \$100,000,000 is achieved, subject to the conditions set forth above under the heading “Purchase of Securities – Method to Purchase Units”.

#### *Exchange Eligible Issuers*

The following table lists the names of the Exchange Eligible Issuers whose securities will be accepted by the Fund pursuant to the Exchange Option, as well as the ticker symbol, CUSIP number and ISIN of the applicable securities. The list below

includes the securities of certain Canadian and U.S.-listed issuers that have CDS as their depository and clearing system and which may be included in the Portfolio. The Fund will ensure that all securities of Exchange Eligible Issuers acquired pursuant to the Exchange Option are held in compliance with the investment restrictions of the Fund set out under “Investment Restrictions”.

<b>NAME</b>	<b>TICKER SYMBOL</b>	<b>CUSIP</b>	<b>ISIN</b>
Advantage Oil & Gas Ltd.	AAV	00765F101	CA00765F1018
ARC Resources Ltd.	ARX	00208D408	CA00208D4084
Baytex Energy Corp.	BTE	07317Q105	CA07317Q1054
Birchcliff Energy Ltd.	BIR	090697103	CA0906971035
Bonavista Energy Corporation	BNP	09784Y108	CA09784Y1088
Bonterra Energy Corp	BNE	098546104	CA0985461049
Canadian Energy Services & Technology Corp.	CEU	13566W108	CA13566W1086
Canadian Natural Resources Limited	CNQ	136385101	CA1363851017
Cenovus Energy Inc.	CVE	15135U109	CA15135U1093
Crescent Point Energy Corp.	CPG	22576C101	CA22576C1014
Crew Energy Inc.	CR	226533107	CA2265331074
Encana Corporation	ECA	292505104	CA2925051047
Enerflex Ltd.	EFX	29269R105	CA29269R1055
Enerplus Corporation	ERF	292766102	CA2927661025
Ensign Energy Services Inc.	ESI	293570107	CA2935701078
Freehold Royalties Ltd.	FRU	356500108	CA3565001086
Gran Tierra Energy, Inc.	GTE	38500T101	US38500T1016
Husky Energy Inc.	HSE	448055103	CA4480551031
Imperial Oil Ltd.	IMO	453038408	CA4530384086
Kelt Exploration Ltd.	KEL	488295106	CA4882951060
MEG Energy Corp.	MEG	552704108	CA5527041084
Mullen Group Ltd.	MTL	625284104	CA6252841045
NuVista Energy Ltd.	NVA	67072Q104	CA67072Q1046
Parex Resources Inc.	PXT	69946Q104	CA69946Q1046
Pason Systems Inc.	PSI	702925108	CA7029251088
Peyto Exploration & Development Corp	PEY	717046106	CA7170461064
PrairieSky Royalty Ltd.	PSK	739721108	CA7397211086
Precision Drilling Corporation	PD	74022D308	CA74022D3085
Raging River Exploration Inc.	RRX	750649105	CA7506491058
Secure Energy Services Inc.	SES	81373C102	CA81373C1023
Seven Generations Energy Ltd.	VII	81783Q105 <sup>(1)</sup>	CA81783Q1054 <sup>(1)</sup>

NAME	TICKER SYMBOL	CUSIP	ISIN
ShawCor Ltd.	SCL	820439107 <sup>(2)</sup>	CA8204391079 <sup>(2)</sup>
Spartan Energy Corp.	SPE	846785103	CA8467851033
Suncor Energy Inc.	SU	867224107	CA8672241079
Surge Energy Inc.	SGY	86880Y109	CA86880Y1097
TORC Oil & Gas Ltd.	TOG	890895303	CA8908953034
Tourmaline Oil Corp.	TOU	89156V106	CA89156V1067
Vermilion Energy Inc.	VET	923725105	CA9237251058
Whitecap Resources Inc.	WCP	96467A200	CA96467A2002

(1) Class A Common Shares of Seven Generations Energy Ltd.

(2) Class A subordinate voting shares of ShawCor Ltd.

## REDEMPTION OF UNITS

In the event the Conversion is not implemented, commencing in January 2019, the Units may be surrendered annually for redemption during the period from December 1 until 5:00 p.m. (Toronto time) on the last Business Day in December of each year (the “**Annual Redemption Notice Period**”) subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Annual Redemption Notice Period will be redeemed on the second last Business Day in January of each year (the “**Annual Redemption Date**”) and the Unitholder will receive payment on or before the 15th day of the month following the Annual Redemption Date. Redeeming Unitholders will receive a redemption price per Unit equal to the applicable NAV per Unit on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs. See “Fees and Expenses – Fees and Expenses Payable by Unitholders”.

Units may be surrendered at any time for redemption on the second last Business Day of any month (other than the month of an Annual Redemption Date, if applicable) (a “**Monthly Redemption Date**”), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the 15th day of the month following the Monthly Redemption Date.

Unitholders surrendering a Unit for redemption on a Monthly Redemption Date will receive a redemption price per Unit equal to the lesser of (i) 95% of the Market Price of a Unit, and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, provided that in no event shall the redemption price per Unit exceed 100% of the NAV per Unit on the Monthly Redemption Date (the “**Monthly Redemption Amount**”). A Unitholder who redeems a Unit on a Monthly Redemption Date will also be required to pay a redemption fee to the Manager equal to 3.0% of the Monthly Redemption Amount. See “Fees and Expenses – Fees and Expenses Payable by Unitholders”.

The Fund may, in its discretion, determine what portion, if any, of the amount paid to a redeeming Unitholder on a redemption of Units is an allocation and/or designation to the Unitholder of net realized capital gains and income, as applicable, of the Fund realized by the Fund to facilitate the redemption of Units. Any such allocation and/or designation will reduce the redemption price otherwise payable to the redeeming Unitholder.

### Exercise of Redemption Right

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice (the “**Redemption Notice**”) of the owner’s intention to redeem Units. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant

notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the transfer agent and registrar of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the transfer agent and registrar. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under “Suspension of Redemptions”, by causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the owner.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) for a period not exceeding 30 days with the consent of the securities regulatory authorities. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Fund of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. In such circumstances, all such Unitholders shall have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Fund shall be conclusive.

## **INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Fund and the Manager, and Stikeman Elliott LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to investors who acquire Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident or deemed to be resident in Canada, deals at arm’s length and is not affiliated with the Fund and holds Units and securities of Exchange Eligible Issuers as capital property. Generally, Units and any securities of Exchange Eligible Issuers will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units or such securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and all other “Canadian securities” owned or subsequently owned by such Unitholders, treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary does not apply to a Unitholder who enters into a “derivative forward agreement”, as defined in the Tax Act, in respect of Units.

This summary is based on the assumptions that (i) none of the issuers of the Portfolio securities will be a foreign affiliate of the Fund or of any Unitholder; (ii) none of the Portfolio securities will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act; (iii) the Fund will not enter into any arrangement that would result in a dividend rental arrangement within the meaning of the Tax Act; (iv) the Fund will not acquire any investment that would cause the Fund to become a SIFT trust within the meaning of subsection 122.1(1) of the Tax Act; (v) none of the Portfolio securities will be property that would be “taxable Canadian property” within the meaning of the Tax Act (without reference to paragraph (b) thereof); and (vi) none of the Portfolio securities will be an interest in an “offshore investment fund property” that would require the Fund to include significant amounts in income in respect of such interest pursuant to section 94.1 of the Tax Act, or an interest in a trust (or a partnership which holds such an interest) that would require the Fund (or the partnership) to include significant amounts in income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or

an interest in a non-resident trust (or a partnership that holds such an interest) other than an “exempt foreign trust” as defined in section 94 of the Tax Act. This summary is also based on the advice of the Manager and of the Agents respecting certain factual matters.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act, counsel’s understanding of the current administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “**Tax Proposals**”). This summary does not otherwise take into account or anticipate any changes in law or in the CRA’s administrative policy or assessing practice, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.**

### **Status of the Fund**

This summary is based on the assumptions that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that it expects the Fund will qualify as a mutual fund trust no later than the Closing Date, that the Fund will elect to be deemed to be a mutual fund trust from the date it was established and that it is expected to qualify as a mutual fund trust at all relevant times.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations as described below would in some respects be materially and adversely different.

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or the Units are listed on a designated stock exchange (which includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**plan trust**”). See “Income Tax Considerations – Taxation of Registered Plans” for the consequences of holding Units in plan trusts.

### **Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the taxation year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. Counsel have been advised that it is intended that the Fund will deduct, in computing its income for each taxation year, an amount in respect of distributions to Unitholders sufficient to ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act (after taking into account all other available deductions and all available credits and refunds). The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund, if any, for such taxation year which may arise upon the sale or other disposition of a security in the Portfolio in connection with the redemption of Units.

The Fund will be required to include in its income for a taxation year all dividends received or considered to be received in the year on shares of corporations.

In determining the income of the Fund, gains or losses realized upon dispositions of Portfolio securities will constitute capital gains or capital losses of the Fund in the taxation year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Fund intends to elect irrevocably pursuant to subsection 39(4) of the Tax Act that gains or losses realized upon dispositions of Portfolio securities that are “Canadian securities” will be deemed to be capital gains or capital losses. Gains and losses from short sales of securities will generally be on income account unless the securities are “Canadian securities”.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, as well as certain short sales of securities, except where such derivatives are used to hedge Portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules (discussed above, see “Risk Factors-Tax Matters Affecting the Fund”) and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

The Fund may be subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a “**substituted property**”) that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund’s capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

The Portfolio may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, dividends, interest, distributions and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars. Where currency hedging transactions are sufficiently linked, gains and losses on such transactions will be treated as capital gains and capital losses.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay tax to such countries. To the extent that such foreign tax paid qualifies as an income or profits tax (for example, withholdings on foreign source dividends) and does not exceed 15% of such amount and has not been deducted in computing the Fund’s income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income. Any losses of the Fund may not be allocated to Unitholders but may be carried forward and deducted in computing the taxable income of the Fund in accordance with the detailed rules of the Tax Act.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder the amount of the Fund’s net income, including net realized taxable capital gains, paid or payable to the Unitholder (including in Units) in that particular year including the taxable portion of any amounts paid on a redemption of Units treated as an allocation of net realized capital gains and income by the Fund. The non-taxable portion of the Fund’s net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Unitholder, paid or payable to the Unitholder in that taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in that taxation year, such as a return of capital of the Fund, will generally not be included in the Unitholder’s income for the year. Such an amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base of the Unit will then be zero.

Provided that appropriate designations are made by the Fund, such portion of (i) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit, (ii) the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations, and (iii) the net realized taxable capital gains of the Fund, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax

Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and credit available in respect of "eligible dividends", will apply to Unitholders .

A Unitholder who acquires additional Units may become taxable on the Unitholder's share of any income and gains of the Fund that have accrued or been realized but have not been made payable at the time the additional Units are acquired.

On the disposition or deemed disposition of a Unit, including a redemption, the Unitholder will generally realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition, excluding any portion of amounts paid on redemption treated as an allocation of capital gains and income by the Fund, exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition (including any Redemption Fees paid by the Unitholder). The cost of Units acquired as a distribution by the Fund to a Unitholder will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units.

One-half of any capital gain realized on the disposition of Units, or paid to the Unitholder out of the Fund's net realized capital gains and so designated by the Fund, will be included in the Unitholder's income and one-half of any capital loss realized by a Unitholder will be deducted from taxable capital gains subject to and in accordance with the provisions of the Tax Act.

In general terms, distributions by the Fund paid or payable to a Unitholder that are designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains, and taxable capital gains realized by the Unitholder on the disposition of Units, may increase the Unitholder's liability, if any, for alternative minimum tax.

#### **Tax Implications of the Fund's Distribution Policy**

When a Unitholder purchases Units, a portion of the price paid may reflect income or capital gains accrued or realized in the Fund but not yet paid or made payable before such purchase. If these amounts are paid or payable by the Fund to such Unitholder as distributions, they must be included in the Unitholder's income for tax purposes subject to the provisions of the Tax Act, even though such amounts may have been earned or accrued before the purchase and reflected in the purchase price. This may be the case, for example, if Units are purchased near year-end before a year-end distribution, if any, is made by the Fund.

#### **Exchange Option**

A Unitholder who disposes of securities of Exchange Eligible Issuers in exchange for Units pursuant to this prospectus generally will realize a capital gain (or a capital loss) in the taxation year of the Unitholder in which the disposition of such securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the Unitholder's adjusted cost base of such securities. For this purpose, the proceeds of disposition to the Unitholder will equal the aggregate of the fair market value of the Units received and the amount of any cash received in lieu of fractional Units. The cost to a Unitholder of Units so acquired will be equal to the fair market value of the securities of the Exchange Eligible Issuers disposed of in exchange for such Units at the time of disposition less any cash received in lieu of fractional Units, which sum would generally be equal to or would approximate the fair market value of the Units received as consideration for the securities of Exchange Eligible Issuers.

To the extent that a Unitholder has received distributions on certain securities of Exchange Eligible Issuers which were in excess of the Unitholder's share of the net income and net realized capital gains of the relevant Exchange Eligible Issuer (i.e., returns of capital), those distributions may have resulted in a reduction of the Unitholder's adjusted cost base of such securities.

For commentary on the taxation of capital gains and losses see the discussion of "Income Tax Considerations – Taxation of Unitholders" above.

#### **Taxation of Conversion**

As stated under "Conversion of the Fund" the Fund intends either to convert itself into the Converted Fund, or merge on a tax-deferred basis into a Continuing Fund.

If the Fund converts itself to the Converted Fund solely by changing the terms relating to redemptions of Units, a Unitholder should not be considered to have disposed of its Units as a result of such conversion.

The following is a summary of the principal tax considerations that apply upon a merger of the Fund with a Continuing Fund (the “Merger”). It is assumed that at the time of the Merger, the Fund and the Continuing Fund will each qualify as a mutual fund trust under the Tax Act and that the Fund and Continuing Fund will jointly elect under the Tax Act for the Merger to be a “qualifying exchange” under the Tax Act. To carry out the Merger, the Fund will transfer its assets to the Continuing Fund for fair market value which will be satisfied by the Continuing Fund assuming the liabilities of the Fund and delivering units of the Continuing Fund having a value equal to the balance. The Fund will then transfer the units of the Continuing Fund to Unitholders on the redemption of their Units. Unitholders and assets of the Fund will thereby become unitholders and assets of the Merged Fund.

The taxation year of the Fund during which the Merger occurs will be deemed to end on the date of the Merger, resulting in such taxation year being shorter in length than normal. To the extent necessary, the Fund will distribute to Unitholders a sufficient amount of the Fund’s income and net realized capital gains for this short taxation year to ensure that the Fund will not be required to pay any income tax for such taxation year.

For income tax purposes, on the date of the Merger, the Fund will be deemed to dispose of each of its assets for proceeds equal to the lesser of the then fair market value of the asset and the Fund’s cost amount of the asset for tax purposes, subject to the election described below. Accordingly, the Fund must realize for tax purposes any unrealized accrued losses. Where the fair market value of an asset of the Fund exceeds its cost amount for purposes of the Tax Act, the Fund will be entitled to elect to have deemed to have disposed of the asset for an amount in excess of its cost amount but not in excess of its fair market value, and thereby realize a gain on the disposition. The Fund may elect to realize capital gains to the extent that capital losses and loss carryforwards are available to offset such gains. In addition, the Fund may elect to realize capital gains to the extent it is entitled to a refund of taxes on such gains pursuant to the Tax Act. If the Fund cannot use all its losses, including any accrued losses realized as described above, such losses cannot be used to shelter income or gains arising after the Merger and will therefore expire. Consequently, Unitholders may receive a taxable distribution earlier from the Merged Fund than they would otherwise had the Fund not merged.

Unitholders will be subject to the same tax consequences on any distributions for the taxation year in which the Merger occurs as on other distributions made by the Fund. Unitholders will not realize any capital gain or loss in respect of their Units as a result of a Merger and the aggregate adjusted cost base of their Units will become their aggregate cost of their units of the Merged Fund received on completion of the Merger. For the purpose of determining the adjusted cost base of units of the Merged Fund to a Unitholder, the cost of the newly acquired units of the Merged Fund on the Merger will be averaged with the adjusted cost base of all of the units of the Merged Fund, if any, owned by the Unitholder as capital property at that time.

The tax rules that apply to an investment in units of the Merged Fund are the same as the tax rules that currently apply to an investment in Units of the Fund. Units of the Merged Fund acquired by Registered Plans on the Merger will be qualified investments for Registered Plans under the Tax Act provided that the Merged Fund is a mutual fund trust under the Tax Act at all relevant times. If units of the Merged Fund are a “prohibited investment” for a particular trust governed by a TFSA, RRSP or RRIF the holder or annuitant of the Registered Plan may be subject to a penalty tax. See “Taxation of Registered Plans.”

### **Taxation of Registered Plans**

Amounts of income and capital gains included in a plan trust’s income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the plan trust. See “Income Tax Considerations – Status of the Fund”. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a plan trust.

Notwithstanding that the Units will be qualified investments for plan trusts in the circumstances described under “Income Tax Considerations – Status of the Fund”, if Units are a “prohibited investment” for a registered retirement savings plan, a registered retirement income fund or a tax-free savings account that acquires Units, the annuitant or holder thereof will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust (i) that does not deal at arm’s length with the annuitant or holder; or (ii) in which the annuitant or holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust’s outstanding units by the annuitant or holder, either alone or together with persons and partnerships with which the annuitant or holder does not deal at arm’s length. Annuitants

under registered retirement savings plans and registered retirement income funds and holders of tax-free savings accounts should consult with their own tax advisors in this regard.

### **Exchange of Tax Information**

There are due diligence and reporting obligations in the Tax Act which were enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement. As long as the Units continue to be registered in the name of CDS, the Fund should not have any U.S. reportable accounts and, as a result, it should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units. If a Unitholder is a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder's investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a registered plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

Canada has signed the OECD Multilateral Competent Authority Agreement and Common Reporting Standard (“CRS”) which provides for the implementation of the automatic exchange of tax information. The CRS will be effective in Canada as of July 1, 2017 with the first exchanges of financial account information beginning in 2018. Under the CRS, as long as the Units continue to be registered in the name of CDS, the Fund should not have any reportable accounts. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Unitholders may be requested to provide information to their dealer to identify non-resident persons holding Units unless the investments are held within certain registered plans and such persons will be required to provide their foreign tax identification numbers. Dealers will provide that information to the CRA which will provide that information to the tax authority of the countries in which such Unitholders are resident, if those countries are participants in CRS.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **The Manager**

Founded in 2000, Sprott Asset Management LP, the Manager, is an independent asset management company that is wholly-owned by Sprott Inc. Sprott Inc.'s common shares trade on the TSX under the symbol SII. Sprott is dedicated to achieving superior returns for its clients over the long term. As at June 30, 2016, the Sprott group of companies had approximately \$8.9 billion in assets under management in various mutual funds and hedge funds. Sprott specializes in investing in small and mid-cap stocks, and searches for opportunities that have material upside potential.

The head office and principal place of business of the Manager is at the Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario, M5J 2J1. The general partner of the Manager is Sprott Asset Management GP Inc.

The Manager will perform or arrange for the performance of management and administrative services for the Fund and will also be responsible for implementing the investment strategies and complying with the investment restrictions of the Fund pursuant to the Trust Agreement. The Manager will act as the investment fund manager and the portfolio manager of the Fund pursuant to the Trust Agreement. The Manager will be entitled to receive fees as compensation for the management and investment management services rendered to the Fund. See “Duties and Services to be Provided by the Manager”, “Details of the Manager’s Obligations under the Trust Agreement” and “Fees and Expenses – Fees and Expenses Payable by the Fund”.

## Officers and Directors of the Manager and of the general partner of the Manager

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

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Position with the general partner of the Manager</u>	<u>Principal Occupation</u>
John Wilson Toronto, Ontario	Chief Executive Officer, Co-Chief Investment Officer and Senior Portfolio Manager	Chief Executive Officer and Director	Chief Executive Officer of the Manager and the general partner of the Manager, Co-Chief Investment Officer and Senior Portfolio Manager of the Manager.
Peter Grosskopf Toronto, Ontario	N/A	Director	Chief Executive Officer and Director of Sprott Inc.
James R. Fox Toronto, Ontario	President	President and Director	President of the Manager and the general partner of the Manager.
Kevin Hibbert Toronto, Ontario	Chief Financial Officer	Director	Chief Financial Officer and Corporate Secretary of Sprott Inc.
Kirstin H. McTaggart Mississauga, Ontario	Chief Compliance Officer	Corporate Secretary and Director	Chief Compliance Officer of the Manager.
Scott Colbourne Toronto, Ontario	Co-Chief Investment Officer and Senior Portfolio Manager	N/A	Co-Chief Investment Officer and Senior Portfolio Manager of the Manager.
Eric Nuttall Toronto, Ontario	Portfolio Manager	N/A	Portfolio Manager of the Manager.

Set out below are the particulars of the professional experience of the senior officers of the Manager:

**John Wilson:** Mr. Wilson joined the Manager in January 2012 and has over 26 years of investment and business experience. Mr. Wilson currently serves as the Chief Executive Officer and co-Chief Investment Officer of the Manager. Most recently, he was the Chief Investment Officer of Cumberland Private Wealth Management from March 2009 to January 2012. Previously, Mr. Wilson was the founder of DDX Capital Partners, an alternative investment manager, where he worked from September 2004 to March 2009. Prior to that, from December 2000 to January 2004, he was a Managing Director and a top-rated technology analyst at RBC Capital Markets; and previously, a Director at UBS Canada from November 1996 to November 2000. Mr. Wilson is an MBA graduate of The Wharton School, University of Pennsylvania in 1996.

**Peter Grosskopf:** Mr. Grosskopf assumed the role of Chief Executive Officer of Sprott Inc. in September 2010. Mr. Grosskopf has over 26 years of experience in the financial services industry and an extensive background as an advisor and underwriter to companies in a wide variety of sectors. In addition to his role at Sprott Inc., he also serves as Chief Executive Officer and a director of Sprott Resource Lending Corp., President and a director of Sprott Consulting LP and Managing Director and a director of Sprott Resource Corp. Prior to joining Sprott Inc., he was President of Cormark Securities Inc. Prior to joining Cormark Securities Inc., Mr. Grosskopf was one of the co-founders of Newcrest Capital Inc., which was acquired by the TD Bank Financial Group in 2000. Mr. Grosskopf holds a Bachelor of Arts degree and a Masters of Business Administration from the University of Western Ontario.

**James Fox:** Mr. Fox was appointed President of Sprott in 2009. Mr. Fox is a Director of Sprott and an active member of Sprott Inc.'s Steering Committee. Mr. Fox began his career at Sprott Securities Inc. in 1999 and was one of Sprott's founding

executives when the Firm spun out of Sprott Securities Inc. in 2001. He has been a key contributor to the growth of Sprott. Domestically, Mr. Fox has led the development and management of the Wholesale and Institutional sales teams and is actively involved in product development, product launches and overall management decisions. In recent years, Mr. Fox helped lead the launch of three Bullion Trust investment vehicles that are dually listed on NYSE Arca and TSX exchanges, raising approximately \$4B in assets. Internationally, James has represented Sprott as a panel speaker at Institutional conferences in London, Geneva, New York, Tokyo, and, has been a key contributor to the firm's Institutional accounts and client relationships. Mr. Fox is an MBA graduate from the Rotman School of Management at the University of Toronto (1999) and BA in Finance and Economics at the University of Western Ontario (1996).

**Kevin Hibbert:** Mr. Hibbert was appointed as Chief Financial Officer of Sprott Inc. in December 2015. Mr. Hibbert has been in the financial services industry for more than 14 years. Prior to joining Sprott Inc. in 2014 as Vice-President, Finance, Mr. Hibbert was employed at the Royal Bank of Canada, serving as Controller, RBC Dominion Securities Inc., and was also the Chief Financial Officer, RBC Direct Investing Inc. and the Chief Financial Officer of the RBC Capital Markets Real Estate Group. These companies had over \$250 billion of combined assets under administration/management. During his time at RBC, Mr. Hibbert oversaw all aspects of financial reporting, regulatory reporting, bank reporting, investment administration, general accounting, controls and governance for these companies. Prior to joining RBC, Mr. Hibbert held roles at other Canadian financial institutions and service providers including Ernst & Young LLP where his audit clients included some of the firm's largest asset management, hedge fund and investment banking firms. Mr. Hibbert holds a B.A. (Hons.) degree in Management (High Distinction) from the University of Toronto and is a CPA, CA (Ontario).

**Kirstin McTaggart:** Ms. McTaggart joined the 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 Corporate Secretary of the general partner of the Manager, Sprott Inc., Sprott Private Wealth LP and Sprott Private Wealth GP Inc. Ms. McTaggart has accumulated over 27 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.

**Scott Colbourne:** Mr. Colbourne joined the Manager in March 2010 and brings over 23 years of global fixed income and currency market experience to the firm. Mr. Colbourne currently serves as the co-Chief Investment Officer of the Manager. Prior to joining Sprott, Mr. Colbourne was a senior fixed income portfolio manager at TD Asset Management, as part of a team that managed all the firm's active fixed income institutional, retail and private client assets from October 2007 to February 2010. Previously, Mr. Colbourne was senior Vice President and portfolio manager at AGF Funds Inc. where he managed all of the fixed income mandates and co-managed balanced funds from May 1996 to April 2006. Mr. Colbourne began his career at the Bank of Canada where he worked in both research and trading which assisted in the execution of monetary policy from September 1986 to August 1989 and from May 1993 to May 1996. Mr. Colbourne is a four-time winner of the Best Foreign Bond Fund at the Morningstar Canadian Investment Awards. Mr. Colbourne is a CFA charterholder and earned an MBA from University of Toronto in 1991 and an Honours BA from Queen's University in 1986.

**Eric Nuttall:** Mr. Nuttall has over ten years of investment industry experience. Mr. Nuttall is a portfolio manager with the Manager and is the lead portfolio manager for Sprott Energy Fund and Sprott Small Cap Equity Fund. He joined the Manager in February 2003, and has primarily focused on the oil and gas sector. In addition to his portfolio management duties for Sprott Energy Fund and Sprott Small Cap Equity Fund, Mr. Nuttall supports the portfolio management team with identifying oil and gas investment opportunities for the rest of the Sprott fund family. Further, Mr. Nuttall contributes towards internal macro energy forecasts.

#### *Duties and Services to be Provided by the Manager*

Pursuant to the Trust Agreement, the Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the undertaking of the Fund and to bind the Fund. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager's duties will include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's reports to Unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Fund to fulfil its fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on

the termination of the Fund; dealing and communicating with Unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager will also implement and monitor the Fund's investment strategy to ensure compliance with the Fund's investment guidelines and that the net proceeds of the Offering are invested as described under "Use of Proceeds".

The Fund will enter into a registrar, transfer agency and distribution agency agreement and an exchange agency agreement as referred to under "Organization and Management Details of the Fund – Transfer Agent and Registrar and Exchange Agent". The Fund may terminate the foregoing agreements upon notice.

#### *Details of the Manager's Obligations under the Trust Agreement*

Pursuant to the Trust Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and Unitholders and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Trust Agreement provides that the Manager shall not be liable in any way for any default, failure or defect in the assets held by the Fund or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreement and is responsible for any investment advisory and portfolio management services provided to the Fund.

The Manager may resign as manager of the Fund upon at least 60 days' notice to Unitholders and to the Fund or upon such lesser notice period as the Fund may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by Unitholders. If the Manager is in material default of its obligations under the Trust Agreement and such default has not been cured within 20 Business Days after notice of same has been given to the Manager, the Fund shall give notice thereof to Unitholders, and the Unitholders may remove the Manager and appoint a successor manager. The Manager will be deemed to have resigned (i) if it ceases to be resident in Canada for purposes of the Tax Act; (ii) if the Manager has lost any registration, licence or other authorization or cannot rely on an exemption therefrom required by the Manager to perform its services under the Trust Agreement; or (iii) if it ceases to carry out its functions of managing the Fund in Canada.

The Manager is entitled to fees for its services under the Trust Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of the Fund. To compensate for the fees and expenses paid by the Manager in connection with the Offering (which will result in the initial NAV per Unit being equal to \$9.875, less the expenses of the Offering), if the Manager is removed from its position by Unitholders as described above prior to the Conversion or the first Annual Redemption Date, the Fund will be required to pay the Manager a fee equal to the aggregate amount of all redemption fees that would be payable to the Manager, calculated as if all outstanding Units were redeemed on the Monthly Redemption Date prior to the month in which the Manager is removed. No such fee will be paid to the Manager to the extent that: (i) a court of competent jurisdiction in a final judgment that has become non-appealable has determined that the Manager acted with willful misconduct, bad faith, negligence or breached the Manager's obligations under the Trust Agreement or its standard of care; or (ii) the Manager has received, together with any Redemption Fees and fees in respect of market purchases, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering.

The Manager and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith or negligence or the Manager's failure to meet the standard of care set forth above.

The administration, management, portfolio advisory and investment management services of Spratt under the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents Spratt from providing similar administrative and investment management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

## **Brokerage Arrangements**

The Manager has brokerage arrangements for purposes of trading in the equity markets. The Manager may utilize brokers with whom soft commission arrangements are in place. Any such arrangements will provide for Best Execution (as defined below) and any goods or services received will be of a type which assist in the provision of investment services to the Fund. The Manager nor any of its connected persons will retain any cash commission rebates from such arrangements.

"Best Execution" means the best price and results for the Fund, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature, or any other consideration relevant to the execution of the order.

## **Conflicts of Interest**

### *Management Conflicts*

Conflicts may arise because none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund. However, each such director and officer will devote as much time as is necessary for the management of the business and affairs of the Fund.

Certain of the directors and officers of the Manager may also be or become directors and officers of the Resource Issuers in which the Fund may invest. Certain of the directors and officers of the Manager (and its affiliates) may own shares in the Resource Issuers in which the Fund invests.

### *Investment Opportunities and Duty of Care*

The services of the Manager are not exclusive to the Fund. The Manager acts as the investment advisor to other funds and may in the future act as the investment advisor to other funds which invest in equity and equity-related and other securities, if any, of Resource Issuers and which may have similar investment mandates to the Fund. Conflicts of interest may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities of Resource Issuers. Where conflicts of interest arise, the Manager will address such conflicts of interest with regard to the investment objectives of each of the persons involved and will act in accordance with the duty of care owed to each of them.

## **Independent Review Committee**

The Independent Review Committee for the Fund deals with conflict of interest matters presented to it by the Manager in accordance with NI 81-107. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Fund and the other investment funds managed by it, and request input from the Independent Review Committee on how it manages those conflicts of interest. NI 81-107 also requires the Manager to establish written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee will provide its recommendations or approvals, as required, to the Manager with a view to the best interests of the Fund. The Independent Review Committee reports annually to Unitholders as required by NI 81-107. The reports of the Independent Review Committee will be available free of charge from the Manager on request by contacting the Manager at [invest@sprott.com](mailto:invest@sprott.com) and will be posted on the Manager's website at [www.sprott.com](http://www.sprott.com). Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

The initial Independent Review Committee members are Lawrence A. Ward, Eamonn McConnell and W. William Woods.

**Lawrence A. Ward** (Chair): Mr. Ward is a consultant and a retired partner of PricewaterhouseCoopers LLP, Chartered Professional Accountants.

**Eamonn McConnell**: Mr. McConnell is a consultant and a former managing director of Deutsche Bank (Europe and Asia).

**W. William Woods**: Mr. Woods is a consultant and a lawyer, and the former Chief Executive Officer of the Bermuda Stock Exchange.

Each member of the Independent Review Committee is independent, as that term is defined in NI 81-107, of the Fund and the Manager.

The compensation and other reasonable expenses of the Independent Review Committee will be paid by the Fund. The main components of compensation for members of the Independent Review Committee are an annual retainer and a fee for each committee meeting attended. The Chair of the Independent Review Committee receives an annual retainer of \$30,000 and each of the other members receives an annual retainer of \$25,000. The fees and expenses, plus associated legal costs, are allocated among all of the funds managed by the Manager to which NI 81-107 applies, in a manner that is considered by the Manager to be fair and reasonable. In addition, the Fund has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

### **The Trustee**

RBC Investor Services Trust is the trustee of the Fund.

The Trustee may resign upon at least 90 days' notice to the Manager and to Unitholders. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement, which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor of the Trustee must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

Pursuant to the Trust Agreement, the Trustee shall be deemed to have resigned if it ceases to (i) be resident in Canada for purposes of the Tax Act; (ii) carry out its functions of managing the Fund in Canada; or (iii) exercise the main powers and discretions of the trustee of the Fund in Canada.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent Canadian trust company would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is 155 Wellington Street West, 2<sup>nd</sup> floor, P.O. Box 7500, station "A", Toronto, Ontario, M5V 3G3.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses – Fees and Expenses Payable by the Fund" and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

### **The Custodian**

RBC Investor Services Trust (the "**Custodian**") will be appointed as the custodian of the Fund's assets pursuant to the Trust Agreement. The Custodian will provide custodial services to the Fund from its offices in Toronto, Ontario. The Custodian may employ sub-custodians as considered appropriate in the circumstances.

The Custodian shall exercise the same degree of care, diligence and skill in the safekeeping of the accounts of the Fund and providing the custodial services to the Fund described in the Trust Agreement that a reasonably prudent person would exercise in the circumstances, or, if higher, the degree of care, diligence and skill that the Custodian uses in respect of its own property of a similar nature in its custody.

### **Fund Accounting**

RBC Investor Services Trust (the "**Valuation Agent**") is the valuation agent for the Fund and will provide fund accounting and valuation services to the Fund.

### **Auditor**

The auditor of the Fund is KPMG LLP, Chartered Professional Accountants. The address of the auditor is 4600-333 Bay St, Bay Adelaide Centre, Toronto, Ontario, M5H 2S5.

In accordance with NI 81-102, the auditor of the Fund may not be changed unless the independent review committee has approved the change and Unitholders are sent a written notice at least 60 days before the effective date of the change.

### **Transfer Agent and Registrar and Exchange Agent**

TSX Trust Company, at its principal offices in Toronto, Ontario, will be appointed the registrar, transfer agent and distribution agent for the Units pursuant to a registrar, transfer agency and distribution agency agreement to be entered into as of the date of Closing and will act as the Exchange Agent for the Exchange Option.

### **Promoter**

The Manager may be considered a promoter of the Fund within the meaning of the securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Fund. The Manager will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under “Fees and Expenses”.

### **Accounting and Reporting**

The Fund’s fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the Fund elects. The annual financial statements of the Fund shall be audited by the Fund’s auditor in accordance with Canadian generally accepted auditing standards. The auditor will be asked to report on the fair presentation of the annual financial statements in accordance with International Financial Reporting Standards, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles. The Manager will arrange for the Fund’s compliance with all applicable reporting and administrative requirements.

The Manager will keep, or arrange for the keeping of, adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

## **CALCULATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value and NAV per Unit**

The NAV of the Fund on a particular date will be equal to the value of the total assets of the Fund less the aggregate value of the liabilities of the Fund.

The NAV per Unit on any day will be obtained by dividing the NAV of the Fund by the number of Units then issued and outstanding.

The NAV per Unit will be calculated as of 4:00 p.m. (Toronto time) on each Valuation Day (the “**Valuation Time**”). Such information will be provided by the Manager to Unitholders on request.

### **Valuation Policies and Procedures of the Fund**

In determining the NAV of the Fund, the following will be taken into account:

- (a) cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends receivable and interest declared or accrued and not yet received are valued at the full amount or at what the Valuation Agent considers to be the fair value;
- (b) the value of any loans, bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or independent third party pricing service, such as Thomson Reuters (Markets) LLC, in such assets on a Valuation Day at such times as the Valuation Agent, in its discretion, deems appropriate;
- (c) money market investments are recorded at their fair value;
- (d) any security that is listed or dealt in on a stock exchange shall be valued at the closing sale price (or such other value as the Canadian Securities Administrators may permit) last reported at the Valuation Time on

- the principal stock exchange on which such security is traded, or, if no reliable closing sale price is available at that time, the security shall be fair valued;
- (e) securities or property which have no available price quotations are valued at the Valuation Agent's best estimate of the fair value;
  - (f) foreign currency accounts shall be expressed in Canadian dollars on the following basis: (i) investments and other assets shall be valued by applying the applicable exchange rate at the end of the relevant valuation period and (ii) purchases and sales of investments, income and expenses shall be recorded by applying the applicable exchange rate on the dates of such transactions;
  - (g) the Fund's holdings are valued in Canadian dollars before the Valuation Agent calculates the NAV of the security;
  - (h) forward foreign exchange contracts shall be valued as the difference between the value of the contract on the date the contract was originated and the value of the contract at the Valuation Time. Foreign exchange options shall be valued at their quoted market value. When the contract or option closes or expires, a realized foreign exchange gain or loss shall be recognized;
  - (i) forward contracts shall be valued as the difference between the value of the contract on the date the contract originated and the value of the contract at the Valuation Time;
  - (j) clearing corporation options shall be valued at the current market value;
  - (k) futures contracts shall be valued at the outstanding current margin payable or receivable;
  - (l) estimated operating expenses payable by the Fund shall be accrued to the date as of which the NAV is being determined;
  - (m) all other assets shall be valued at the Valuation Agent's best estimate of fair value; and
  - (n) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable.

The Valuation Agent may also fair value securities in the following circumstances:

- (a) when there is a halt trade on a security that is normally traded on an exchange;
- (b) where securities trade on markets that have closed prior to the time of calculation of the NAV of the Fund and for which there is sufficient evidence that the closing price on that market is not the most appropriate value at the time of valuation; and
- (c) when there are investment or currency restrictions imposed by a country that affect the Fund's ability to liquidate the assets held in that market.

### **Reporting of Net Asset Value**

The NAV per Unit will be made available at no cost daily on a website established for such purpose ([www.caldwellinvestment.com](http://www.caldwellinvestment.com)).

## **ATTRIBUTES OF THE SECURITIES**

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be determined by the Manager from time to time. Initially, Units have been authorized for issuance. The Fund is authorized to issue an unlimited number of Units.

### **Description of the Securities Distributed**

Each Unit entitles the holder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On the redemption of Units, however, the Fund may in its sole discretion, allocate

and/or designate as payable to redeeming Unitholders any net realized capital gains and income realized by the Fund to facilitate the redemption of Units. Any such allocation and designation will reduce the redemption price otherwise payable to the redeeming Unitholder. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

The Trust Agreement provides that the Fund may not issue additional Units following completion of the Offering except (i) for net proceeds per Unit of not less than 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of Units, the most recently calculated NAV per Unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of the Units and which will not be received by the subscriber) or (ii) by way of Unit distributions.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises: (i) the trust is a reporting issuer under the Securities Act; and (ii) the trust is governed by the laws of Ontario. The Fund will be a reporting issuer under the Securities Act prior to Closing and the Fund is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

### **Registration of Units**

Registration of interests in, and transfers of, the Units will be made only through non-certificated interests issued under the book-entry only system of CDS. On the date of Closing, non-certificated interests representing the aggregate number of Units subscribed for under the Offering will be recorded in the name of CDS, or its nominee, on the register of the Fund maintained by the Transfer Agent. Units must be purchased, converted, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation from the registered dealer which is a CDS Participant (from or through which the Units were purchased). References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system in which case the certificate for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

### **Voting Rights in the Portfolio Securities**

Unitholders will not have any voting rights in respect of the Portfolio Securities.

### **Market Purchases**

To enhance liquidity and to provide market support for the Units, the Fund will have a market purchase program under which the Fund will, subject to the following exceptions and to compliance with any applicable regulatory requirements, be obligated to purchase any Units offered on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) if, at any time, the price at which Units are then offered on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) is less than 97% of the NAV per Unit as at the close of business in Toronto, Ontario on the immediately preceding Business Day. The maximum number of Units to be purchased by the Fund pursuant to such mandatory market purchase program in any calendar quarter will be 1.25% of the number of Units outstanding at the beginning of such period. In addition, the Fund will not be obligated to make such purchases, if among other things: (i) the Manager reasonably believes that the Fund would be required to make an additional year end special distribution in respect of the year to Unitholders in order that the Fund will generally not be liable to pay income tax after the

making of such purchase, (ii) in the opinion of the Manager, the Fund lacks the cash, debt capacity or other resources to make such purchases, or (iii) in the opinion of the Manager, such purchases would adversely affect the ongoing activities of the Fund or the remaining Unitholders. In addition, as described below under “Purchase for Cancellation”, the Fund will have the right (but not the obligation), exercisable in its sole discretion, at any time to purchase additional Units in the market, subject to any applicable regulatory requirements and limitations. Following the closing of this Offering, the Fund may submit an application to the Canadian securities regulatory authorities to obtain the necessary regulatory approvals in order that the Fund may arrange for one or more securities dealers to find purchasers for any such Units as well as any Units purchased by the Fund in the open market (under normal course issuer bids or otherwise). There is no guarantee that the Fund will make such application or, if made, receive the necessary regulatory approvals.

In connection with any market purchases of Units (including those discussed below under “Purchase for Cancellation”), the Fund will pay to the Manager the following amounts as partial compensation for the fees and expenses the Manager paid in connection with the Offering: (i) if the purchase is made at a greater than 3.0% discount to the then current NAV of the Unit purchased, the Fund will pay to the Manager an amount (inclusive of taxes) equal to 3.0% of the then current NAV of the Unit purchased, or (ii) if the purchase is made at a discount to the then current NAV of the Unit that is less than or equal to 3.0% the Fund will pay to the Manager an amount (inclusive of taxes) equal to such discount. Each such amount paid by the Fund is intended to partially compensate the Manager for the fees and expenses paid by the Manager in connection with the Offering. The maximum amount that the Manager may be paid in respect of any market purchase is 3.0% of the NAV of the Units purchased. Such amounts will only be paid if the Units purchased by the Fund are cancelled and will not be paid by the Fund once the Manager has received, together with any Redemption Fees, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering. To the extent that a purchase is made at a price that is greater than a 3.0% discount to the then current NAV of the Unit, the amount of the balance will be accretive to the NAV of the Fund.

### **Purchase for Cancellation**

The Trust Agreement also provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market) Units for cancellation subject to applicable law and stock exchange requirements based on the Manager’s assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated NAV per Unit immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders will be given in accordance with the Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than 15% of the Units then outstanding. The quorum for a meeting is two or more holders of Units present in person or represented by proxy holding not less than 15% of the Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no more than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

The Fund, subject to obtaining any necessary regulatory approvals, does not intend to hold annual meetings of Unitholders.

### **Matters Requiring Unitholder Approval**

In addition to the matters requiring Unitholder approval under NI 81-102, pursuant to the Trust Agreement, the following matters require the approval of Unitholders by Extraordinary Resolution, other than items (e) and (f), which require approval

of Unitholders by a simple majority vote at a meeting called and held for such purpose or in writing pursuant to the Trust Agreement (an “**Ordinary Resolution**”):

- (a) a change in the investment objective of the Fund as described under “Investment Objective”;
- (b) a change in the investment restrictions of the Fund as described under “Investment Restrictions”;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund;
- (d) a change of the manager of the Fund, other than a change resulting in an affiliate of the Manager assuming such position;
- (e) the removal of the trustee of the Fund, other than a change resulting in an affiliate of the Trustee or the Manager becoming a successor or replacement trustee or another person acceptable to the Manager assuming such position;
- (f) other than pursuant to the Conversion or a Permitted Merger, a reorganization with, or transfer of assets to, another mutual fund trust, if
  - i. the Fund ceases to continue after the reorganization or transfer of assets; and
  - ii. the transaction results in Unitholders becoming securityholders in the other mutual fund trust;
- (g) other than pursuant to the Conversion or a Permitted Merger, a reorganization with, or acquisition of assets from, another mutual fund trust, if
  - i. the Fund continues after the reorganization or acquisition of assets;
  - ii. the transaction results in the securityholders of the other mutual fund trust becoming Unitholders of the Fund; and
  - iii. the transaction would be a material change to the Fund;
- (h) a termination of the Fund, other than as described below under “Termination of the Fund”;
- (i) the issuance of additional Units, other than (i) for net proceeds per Unit of not less than 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of Units, the most recently calculated NAV per Unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of the Units and which will not be received by the subscriber) or (ii) by way of unit distributions; and
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units.

### **Permitted Merger**

The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred “rollover basis” (a “**Permitted Merger**”) with any other investment fund or funds managed or advised by the Manager or an affiliate thereof that has or have investment objectives and investment strategies that are substantially the same as the Fund’s on an exchange ratio based on the relative NAVs of such funds, subject to NI 81-102 which requires, among other things:

- (a) approval of the Permitted Merger by the Fund's independent review committee;
- (b) written notice to Unitholders at least 60 days before the effective date of the Permitted Merger;
- (c) a special redemption right allowing Unitholders to redeem Units at 100% of NAV per Unit if they so choose prior to the Permitted Merger; and
- (d) the merging funds bearing none of the costs associated with the Permitted Merger.

### **Amendments to the Trust Agreement**

The Manager may, without the approval of or notice to Unitholders, amend the Trust Agreement for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of the Unitholders;
- (d) maintain, or permit the Manager or Trustee to take such steps as may be desirable or necessary to maintain, the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to the Tax Act or the interpretation thereof;
- (e) effect the Conversion or a Permitted Merger;
- (f) add additional classes of units whose rights and privileges are not greater than the existing classes of units of the Fund; or
- (g) provide added protection or benefit to Unitholders.

Except for changes to the Trust Agreement which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Trust Agreement may be amended from time to time by the Manager upon not less than 30 days' prior written notice to Unitholders.

### **Reporting to Unitholders**

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law to be furnished by the Manager, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

## **TERMINATION OF THE FUND**

The Fund does not have a fixed termination date and may be terminated by Extraordinary Resolution of Unitholders. However, the Manager may, in its discretion, on 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the NAV of the Fund is reduced as a result of redemptions of Units or otherwise so that it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to terminate the Fund or the Manager determines to terminate the Fund in connection with the Conversion or a Permitted Merger. Upon termination, following the conversion of the assets of the Fund to cash (except in the case of the Conversion or a Permitted Merger), and the satisfaction of, or provision for, all liabilities of the Fund, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Following such distribution, the Fund will terminate. The Manager may, in its discretion and upon not less than 30 days' notice to the Unitholders, extend any date set for termination

of the Fund (a “**Termination Date**”) by a period of up to 180 days if the Manager would be unable to convert all of the property of the Fund to cash prior to the original Termination Date and the Manager determines that it would be in the best interests of the Unitholders to do so.

The Fund will provide Unitholders notice in writing through CDS no less than 30 days and no more than 60 days prior to the Termination Date and will issue a press release in respect thereof at least 15 days in advance of the Termination Date. The Fund will include a description of the entitlement of the Unitholders, which will be based on the NAV of the Fund, in such notice and press release.

The Fund will also be terminated in the event of the resignation of the Manager if a replacement Manager has not been appointed within 60 days of the date upon which the Manager gives notice to the Trustee of its resignation. Such termination shall occur on the date which is 60 days following the last day of the aforementioned 60 day period.

No Redemption Fee will be payable by a Unitholder, nor will any fee be payable by the Fund, upon a termination of the Fund by the Manager as described above. However, if the Fund is terminated pursuant to an Extraordinary Resolution considered at a meeting convened at the request of a Unitholder prior to the Conversion or first Annual Redemption Date, the Fund will be required to pay the Manager on the Termination Date a fee equal to the aggregate amount of all redemption fees that would be payable to the Manager, calculated as if all outstanding Units were redeemed on the Monthly Redemption Date prior to the month in which the Fund is terminated. No such fee will be paid to the Manager to the extent that: (i) a court of competent jurisdiction in a final judgment that has become non-appealable has determined that the Manager acted with willful misconduct, bad faith, negligence or breached the Manager’s obligations under the Trust Agreement or its standard of care; or (ii) the Manager has received, together with any Redemption Fees and fees in respect of market purchases, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering. See “Fees and Expenses”.

## **USE OF PROCEEDS**

The Manager will pay a portion of the Agents’ fees equal to \$0.275 (2.75%) per Unit. The Fund will pay a portion of the Agents’ fees equal to \$0.125 (1.25%) per Unit and the Fund will pay the expenses incurred by the Fund in connection with the Offering, which the Manager estimates to be approximately \$350,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering). As a result, the NAV per Unit immediately following Closing will be \$9.875, less the expenses of the Offering. If the Over-Allotment is not exercised and the minimum number of Units is sold under the Offering, the total net proceeds to the Fund will be \$19,750,000. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to acquire the Portfolio securities. A Unitholder who redeems a Unit on a Monthly Redemption Date will be required to pay a Redemption Fee to the Manager. See “Fees and Expenses Payable by Unitholders”.

To the extent that securities of Exchange Eligible Issuers are acquired pursuant to the Exchange Option, the Fund will consider such securities in light of the Fund’s investment objective, strategies and restrictions and also in light of the Manager’s outlook for the issuers of such securities and the sectors in which such issuers operate. If the Fund determines to sell any such securities based on the foregoing considerations, the timing and manner of any such sales will be made having regard to maximizing value for the Fund. The Fund will ensure that the holdings of such securities comply with the investment restrictions of the Fund set out under “Investment Restrictions”.

## **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement dated as of December 6, 2016 (the “**Agency Agreement**”) among RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Sprott Private Wealth LP (collectively, the “**Agents**”), the Manager and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. As negotiated between the Agents and the Manager, the Units will be issued at a price of \$10.00 per Unit (payable in cash or securities of Exchange Eligible Issuers pursuant to the Exchange Option) with a minimum purchase of 100 Units. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.40 (4.0%) per Unit sold (either for cash or for securities of Exchange Eligible Issuers deposited pursuant to the Exchange Option) under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Manager will pay a portion of the Agents’ fees equal to \$0.275 (2.75%) per Unit. The Fund will also pay a portion of the Agents’ fee equal to \$0.125 (1.25%) per Unit sold. The Agents may form a sub-agency group including other qualified

investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units which are not sold.

The Fund has granted the Agents an option (the “**Over-Allotment Option**”), exercisable for a period of 30 days from Closing, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30<sup>th</sup> day following Closing. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the Offering price hereunder and the Agents will receive a fee equal to \$0.40 per Unit purchased. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such Units under this prospectus, regardless of whether the Agents’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Units has been obtained. If subscriptions for a minimum of 2,000,000 Units (or \$20,000,000 including securities of Exchange Eligible Issuers deposited and accepted pursuant to the Exchange Option and based on the applicable Exchange Ratio) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the Canadian Securities Administrators and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum Offering is not achieved by the Fund and the necessary consents are not obtained or if Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing of the Offering will take place on or about December 20, 2016, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund.

The TSX has conditionally approved the listing of the Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before February 24, 2017, including distribution of the Units to a minimum number of public securityholders.

There is currently no market through which the Units can be sold. Accordingly, the offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund.

Pursuant to policy statements of certain Canadian Securities Administrators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (“**U.S. Securities Act**”) or any state securities laws and may not be offered or sold in the United States or to U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of those laws. In addition, until 40 days after the commencement of the Offering, any offer or sale of Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Further, the Fund has not been registered under the Investment Company Act of 1940, as amended (“**1940 Act**”) and any offer or sale of Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1940 Act if such offer or sale is made otherwise than in accordance with an exclusion or an exemption from the registration requirements of the 1940 Act.

## **RELATIONSHIP BETWEEN THE FUND AND AGENTS**

Sprott Private Wealth LP, an affiliate of the Manager, is one of the Agents in connection with the Offering. The Manager is also the promoter of the Fund and administers the operations of the Fund pursuant to the Trust Agreement and receives fees therefor. The Fund may also enter into a prime brokerage facility with a Canadian chartered bank or an affiliate thereof, which may be an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a “connected issuer” of such Agent or Agents.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager will receive the fees described under “Fees and Expenses” for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

## **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

The Manager has adopted written policies relating to how securities held in the Portfolio will be voted. In general, these policies require that all proxies will be voted on behalf of the Fund in a manner that is consistent with the best interests of the Fund.

The Manager will review and analyze on a case-by-case basis, non-routine proposals that are more likely to affect the structure or operation of the issuer or have a material economic effect on the issuer.

In certain circumstances the Manager may have a conflict of interest in voting proxies on behalf of the Fund. If it is determined that there is a conflict, the Manager shall vote such proxy question in a manner consistent with and uninfluenced by considerations other than, the best interests of the Fund. A copy of the Manager’s proxy voting policies and procedures will be made available to Unitholders on request.

The Manager will prepare an annual proxy voting record for the period ending on June 30 of each year. This annual proxy voting record will be made available no later than August 31 of each year and will be made available to any Unitholder on request, at no cost.

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Trust Agreement described under “Attributes of the Units”; and
- (b) the Agency Agreement described under “Plan of Distribution”.

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Manager during the course of distribution of the Units offered hereby.

## **EXPERTS**

The matters referred to under “Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Fund and the Manager by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP.

The auditor of the Fund is KPMG LLP, Chartered Professional Accountants, Toronto, Ontario. The auditor of the Fund has prepared a report to the Manager dated November 30, 2016 which is included herein. KPMG LLP has advised the Fund and the Manager that it is independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

## **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is

not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

## INDEPENDENT AUDITORS' REPORT

To the Unitholder and Manager of Sprott Energy Opportunities Trust (the "Fund")

We have audited the accompanying financial statement of the Fund which comprises the statement of financial position as at November 30, 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at November 30, 2016 in accordance with International Financial Reporting Standards relevant to preparing such a financial statement.

(signed) "KPMG LLP"  
Chartered Professional Accountants,  
Licensed Public Accountants  
Toronto, Ontario  
November 30, 2016

**SPROTT ENERGY OPPORTUNITIES TRUST  
STATEMENT OF FINANCIAL POSITION**

As at November 30, 2016

<b>ASSETS</b>	
Cash .....	\$10.00
<b>Total Assets</b>	<u>\$10.00</u>
 <b>EQUITY</b>	
Unit (1 Unit issued and redeemable) .....	\$10.00
<b>Total Equity</b>	<u>\$10.00</u>
 <b>Net Assets Attributable to Holders of Equity Units (per unit)</b>	
Unit (Note 5).....	\$10.00

**Approved by the Manager:**

(Signed) JOHN WILSON  
Director

(Signed) KIRSTIN H. MCTAGGART  
Director

The accompanying notes are an integral part of the financial statements.

## **SPROTT ENERGY OPPORTUNITIES TRUST**

### **NOTES TO THE STATEMENT OF FINANCIAL POSITION**

*(All amounts in C\$ unless otherwise stated)*

#### **1. General Information**

Sprott Energy Opportunities Trust (the “**Fund**”) is a closed-end investment fund established as a trust under the laws of the province of Ontario pursuant to a trust agreement on November 30, 2016. Sprott Asset Management LP (“**Sprott**” or the “**Manager**”) will act as manager and portfolio manager of the Fund. The investment objective of the Fund is to achieve long term capital growth. The Fund has been created to invest in an actively managed portfolio (the “**Portfolio**”) comprised primarily of equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, or uranium and other related activities in the energy and resource sector.

This financial statement was authorized for issue by the Board of Directors on November 30, 2016.

#### **2. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of this financial statement are set out below.

##### *2.1 Basis of Preparation*

The financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), relevant to preparing a statement of financial position. The financial statement of the Fund has been prepared under the historical cost convention.

##### *2.2 Financial Instruments*

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date.

Cash comprises a deposit with a financial institution. Cash is classified as loans and receivables and is measured at amortized cost subsequent to initial recognition.

The Fund’s obligation for net assets attributable to holders of redeemable units is presented at the redemption amount that is payable if the holder exercises the right to put the units back to the Fund on the Annual Redemption Date.

##### *2.3 Redeemable Units*

The Fund is authorized to issue units which are redeemable at the holder’s option, referred to as redeemable units (“**Units**”). The Unit has met all the criteria for classification as equity in accordance with the requirements of International Accounting Standard 32, Financial Instruments: Presentation.

#### **3. Risks associated with financial instruments**

The Fund’s overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund’s financial performance.

##### *3.1 Credit risk*

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at November 30, 2016, the credit risk is

considered limited as the cash balance represents a deposit in the trust account of legal counsel to the Fund and the Manager.

### 3.2 *Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund maintains sufficient cash on hand to fund anticipated redemptions.

## 4. **Capital Risk Management**

The capital of the Fund is represented by the net assets attributable to holders of equity units. The amount of net assets attributable to holders of equity units can change. In order to maintain the capital structure, the Fund allows annual and monthly redemptions.

In the event the Conversion is not implemented, commencing in January 2019, the Units may be surrendered annually for redemption during the period from December 1 until 5:00 p.m. (Toronto time) on the last Business Day in December (the “**Annual Redemption Notice Period**”) subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Annual Redemption Notice Period will be redeemed on the second last Business Day in January of each year (the “**Annual Redemption Date**”) and the Unitholder will receive payment on or before the 15th day of the month following the Annual Redemption Date. Redeeming Unitholders will receive a redemption price per Unit equal to the net asset value per Unit on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, if any.

Units may also be surrendered at any time for redemption on the second last Business Day of any month (other than the month of an Annual Redemption Date, if applicable) (a “**Monthly Redemption Date**”), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the 15th day of the month following the Monthly Redemption Date.

Unitholders surrendering a Unit for redemption on a Monthly Redemption Date will receive a redemption price per Unit equal to the lesser of (i) 95% of the Market Price of the Unit, and (ii) 100% of the Closing Market Price of the Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, provided that in no event shall the redemption price per Unit exceed 100% of the NAV per Unit on the Monthly Redemption Date (the “**Monthly Redemption Amount**”). A holder who redeems a Unit on a Monthly Redemption Date will also be required to pay a redemption fee to the Manager equal to 3.0% of the Monthly Redemption Amount.

On the redemption of Units, however, the Fund may in its sole discretion, allocate and/or designate as payable to redeeming Unitholders any net realized capital gains and income realized by the Fund to facilitate the redemption of Units. Any such allocation and designation will reduce the redemption price otherwise payable to the redeeming Unitholder.

In connection with any market purchases of Units, the Fund will pay to the Manager the following amounts as partial compensation for the fees and expenses the Manager paid in connection with the Offering: (i) if the purchase is made at a greater than 3.0% discount to the then current NAV of the Unit purchased, the Fund will pay to the Manager an amount (inclusive of taxes) equal to 3.0% of the then current NAV of the Unit purchased, or (ii) if the purchase is made at a discount to the then current NAV of the Unit that is less than or equal to 3.0%, the Fund will pay to the Manager an amount (inclusive of taxes) equal to such discount. Each such amount paid by the Fund is intended to partially compensate the Manager for the fees and expenses paid by the Manager in connection with the Offering. The maximum amount that the Manager may be paid in respect of any market purchase is 3.0% of the NAV of the Units purchased. Such amounts will only be paid if the Units purchased by the Fund are cancelled and will not be paid by the Fund once the Manager has received, together with any Redemption Fees, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering. To the extent that

a purchase is made at a price that is greater than a 3.0% discount to the then current NAV of the Unit, the amount of the balance will be accretive to the NAV of the Fund.

## 5. Authorized Units

The Fund's authorized unit issued is as follows:

	Unit	Consideration (\$)	Price per Unit (\$)
Unit	1	10.00	10.00

The Fund is authorized to issue an unlimited number of Units.

Each Unit entitles the holder to the same rights and obligations as any other holder of Units. Each holder of Units is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On termination or liquidation of the Fund, the holders of Units on record are entitled to receive on a *pro rata* basis all of the assets of the Fund attributable to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

The issued Unit is fully paid. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of securities held where necessary.

The initial purchase of the Fund's unit by the Manager is as follows:

	Unit	Consideration (\$)	Price per Unit (\$)
Unit	1	10.00	10.00

## 6. Related Party Transactions

As at November 30, 2016, the Manager held the issued and outstanding unit of the Fund.

## 7. Agency Agreement

The Fund has engaged RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Sprott Private Wealth LP (collectively, the "**Agents**") as agents to offer (the "**Offering**") Units for sale to the public pursuant to a prospectus dated December 6, 2016 and pursuant to which the Fund has agreed to create, issue and sell a minimum of 2,000,000 Units at \$10.00 per Unit. Prospective purchasers may purchase Units either by: (i) cash payment; or (ii) an exchange (the "**Exchange Option**") of freely tradeable securities of one or more of those issuers set forth in the prospectus under the heading "Purchase of Securities – Exchange Eligible Issuers" (collectively, the "**Exchange Eligible Issuers**"). The Fund will pay the expenses of the Offering, estimated at \$350,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering). The Manager will pay \$0.275 per Unit of the total Agents' fee of \$0.40 per Unit sold (either for cash or for securities of Exchange Eligible Issuers deposited pursuant to the Exchange Option). As set forth in the prospectus, the Fund has granted the Agents an over-allotment option exercisable, in whole or in part, and from time to time for a period of 30 days following the closing of the offering at a price of \$10.00 per Unit.

**CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER**

Dated: December 6, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**SPROTT ENERGY OPPORTUNITIES TRUST, BY ITS MANAGER,  
SPROTT ASSET MANAGEMENT LP,  
by its general partner SPROTT ASSET MANAGEMENT GP INC.**

*(Signed)* JOHN WILSON  
CHIEF EXECUTIVE OFFICER

*(Signed)* KEVIN HIBBERT  
AS CHIEF FINANCIAL OFFICER

On behalf of the Board of Directors of Sprott Asset Management GP Inc.

*(Signed)* JAMES R. FOX  
DIRECTOR

*(Signed)* KIRSTIN H. MCTAGGART  
DIRECTOR

**SPROTT ASSET MANAGEMENT LP, AS PROMOTER,  
by its general partner SPROTT ASSET MANAGEMENT GP INC.**

*(Signed)* JOHN WILSON  
CHIEF EXECUTIVE OFFICER

## CERTIFICATE OF THE AGENTS

Dated: December 6, 2016

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces and territories of Canada.

RBC DOMINION SECURITIES INC.

CIBC WORLD MARKETS INC.

TD SECURITIES INC.

*(Signed)* Christopher Bean

*(Signed)* Valerie Tan

*(Signed)* Adam Luchini

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

SCOTIA CAPITAL INC.

*(Signed)* Robin G. Tessier

*(Signed)* Etienne Dubuc

*(Signed)* Robert Hall

GMP SECURITIES L.P.

MANULIFE SECURITIES  
INCORPORATED

RAYMOND JAMES  
LTD.

*(Signed)* Andrew Kiguel

*(Signed)* David MacLeod

*(Signed)* J. Graham Fell

CANACCORD GENUITY  
CORP.

DESJARDINS SECURITIES INC.

*(Signed)* Ron Sedran

*(Signed)* Nikolas Javaheri

INDUSTRIAL ALLIANCE SECURITIES INC.

SPROTT PRIVATE WEALTH LP

*(Signed)* Frederik Westra

*(Signed)* Kirstin H. McTaggart