



**SPROTT ASSET MANAGEMENT USA INC.
PART 2A OF FORM ADV**

1910 Palomar Point Way #200
Carlsbad, CA 92008

Updated: November 2012

This brochure provides information about the qualifications and business practices of Sprott Asset Management USA Inc. If you have any questions about the contents of this brochure, please contact us at 866-531-8746. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Sprott USA is also available on the SEC's website at: <http://www.adviserinfo.sec.gov>.

Item 2. Material Changes

Item 4. Advisory Business: An affiliate to the Adviser commenced operations on a new investment partnership, Resource Income Partners Limited Partnership, in November 2012.

Item 3. Table Of Contents

Item 2. Material Changes	2
Item 3. Table Of Contents.....	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	5
Item 6. Performance Based Fees and Side-by-Side Management	6
Item 7. Types of Clients	7
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9. Disciplinary Information	10
Item 10. Other Financial Industry Activities and Affiliations.....	10
Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading	12
Item 12. Brokerage Practices	13
Item 13. Review of Accounts.....	15
Item 15. Custody.....	15
Item 16. Investment Discretion.....	15
Item 17. Voting Client Securities	16
Item 18 Financial Information	17

Item 4. Advisory Business

Sprott USA, formerly known as Terra Resource Investment Management, Inc., is an investment advisory firm with its principal place of business in Carlsbad, California and was founded in 2005. Sprott USA is owned by Sprott U.S. Holdings, Inc., a subsidiary of Sprott Inc., a Canadian public company. Sprott USA commenced operations as an investment adviser on and has been registered with the SEC since February 7, 2006.

Sprott USA provides investment supervisory services on a discretionary basis to its clients, which include individuals and institutions with separately managed accounts (collectively, “Managed Account Clients”). Sprott USA generally limits its investment advice to investments in natural resources and related industries.

Sprott USA’s affiliate, Resource Capital Investment Corporation (“RCIC”), a Nevada corporation, serves as the General Partner of various investment partnerships intended for sophisticated investors that also invest in natural resources and related industries, including: Exploration Capital Partners 1998-B Limited Partnership, Exploration Capital Partners 2000 Limited Partnership, Exploration Capital Partners 2005 Limited Partnership, Exploration Capital Partners 2006 Limited Partnership, Exploration Capital Partners 2008 Limited Partnership and Exploration Capital Partners 2009 Limited Partnership and Resource Income Partners Limited Partnership (each, a “Partnership” and collectively, the “Partnerships”).

For Managed Account Clients, Sprott USA offers four different investment programs, and works with each Managed Account Client to establish which program would be most appropriate. The four programs include:

1. **Diversified Resource:** the Diversified Resource platform offers broad exposure to exploration, development, and production companies operating in a variety of resource- based sectors utilizing a value-oriented approach.
2. **Resource Income:** the Resource Income platform invests primarily in mid-to-large capitalization resource companies and utilizes put and covered call option writing strategies to seek to enhance income.
3. **Precious Metals:** the Precious Metals platform invests in securities of companies with producing or development stage gold, silver, or platinum group metals deposits. The program can also invest in physical bullion.
4. **Energy:** the Energy platform invests primarily in small-to-mid capitalization companies engaged in the production and development of oil, natural gas, uranium, coal, alternative energy and the companies that service those sectors.

Clients who are “Qualified clients” under Rule 205-3 of the Investment Advisers Act may choose any of the programs; clients who are not “Qualified clients” may only choose either the Diversified Resource Program or the Resource Income program (together, the “Traditional

Programs”). The Diversified Resource program, the Precious Metals program, and the Energy program are referred to herein together as the “Premium Programs”.

Sprott USA does not tailor advisory services within each investment program to the individual needs of clients. Clients cannot impose restrictions on Sprott USA’s management of their accounts within each investment program or Partnership.

As of October 31, 2012, Sprott USA managed \$126,015,430 on a discretionary basis, and RCIC managed \$456,394,834 in the Partnerships.

Item 5. Fees and Compensation

Managed Account Clients:

Sprott USA charges its Managed Account Clients fees based on the following schedule:

Traditional Programs: The management fee is 2.0% on first \$250,000 in net assets under management, and 1.5% on net assets under management above \$250,000.

Premium Programs: The management fee is 1.5% on net assets under management. In addition there is a performance fee of 10% of ten percent (10%) of the net profits (including net unrealized gains), if any, during each calendar year allocable to the client’s account, subject to a Loss Carry forward (as defined below). If the Account has a net loss during any calendar year or years and during a subsequent calendar year there is a profit allocable to the Account, there will be no performance fee payable with respect to such the Account until the amount of the cumulative losses of all prior years previously allocated to the Account (“Loss Carry forward”) have been recouped. In the event of any withdrawal of capital from the Account (in whole or in part) at any time other than at the end of a calendar year, the Performance Fee shall be payable at such time as though it were the end of a calendar year. In the event of any partial withdrawal of capital from the Account at a time when a Loss Carry forward has accumulated, such Loss Carry forward will be reduced proportionately for the purposes of subsequent performance fees. Only “Qualified Clients” may choose a Premium Program.

Accounts opened in mid-quarter will be assessed at a pro-rated management fee. Fees are payable quarterly in advance and such fees generally shall be deducted from Managed Account Client’s account(s) quarterly, within thirty (30) days following the end of the quarter for which said fees will be incurred. Fees for the initial quarter will be adjusted pro- rata based upon the number of calendar days in the calendar quarter that the management agreement goes into effect and shall be based on initial assets under management. Fees are generally not negotiable; however, Sprott USA may waive or negotiate lower fees for certain Managed Account Clients, such as charitable organizations, employees’ family members or clients with multiple accounts. Fees are subject to change with 30 days written notice. In the event of termination of this Agreement, the client will generally be entitled to a prorated refund of any pre-paid management fee based upon the number of days remaining in the quarter after the termination date; however, to the extent that there are private or illiquid securities remaining in the client’s account after the termination date, the management fees and performance fees shall continue to be due and payable thereon.

Partnerships

The Partnerships each pay RCIC a monthly management fee in arrears in an amount equal to 2.0% per annum based on the value of net assets on the last day of the month (the "Management Fee. All Partnerships except Exploration Capital Partners 2000 Limited Partnership have their respective Management Fees deducted on a monthly basis. Exploration Capital Partners 2000 Limited Partnership has its Management Fee deducted on a quarterly basis.

RCIC will also be paid a performance-based allocation, which is compensation that is based on a share of capital appreciation of the assets of each Partnership. This allocation will be paid to RCIC (or in some Partnerships a portion may be paid to Sprott Global Resource Investments, Ltd., an affiliate of RCIC, as special limited partner) and is generally equal to 30% of appreciation actually distributed in excess of a "hurdle" rate payable to the limited partners equal to the 30-year U.S. Treasury Bond Yield Index, but not less than 6%.

In addition to paying management fees and, if applicable, performance fees or allocations, Managed Account Client accounts and the Partnerships are also subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. Please refer to Item 12 of this brochure for a discussion of brokerage practices.

Referrals

Sprott USA pays a referral fee to the brokers of Sprott Global Resource Investments, Ltd., an affiliated broker dealer, of 0.4% of the initial investment and 0.15% annually based on portfolio market value as compensation for solicitation services. Clients do not pay more for advisory services as a result of being referred by brokers.

Item 6. Performance Based Fees and Side-by-Side Management

Sprott USA and RCIC provide investment management services to multiple portfolios for multiple clients. Sprott USA and RCIC are paid performance-based compensation by Managed Account Clients in the Premium Program, and by the Partnerships, respectively. Sprott USA and its investment personnel, including investment personnel that share in performance-based compensation, manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When Sprott USA and RCIC and their investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. Sprott USA and RCIC and their investment personnel have a greater incentive to favor client accounts that pay Sprott USA or RCIC (and indirectly the portfolio manager)

performance-based compensation or higher fees.

Sprott USA and RCIC have adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. Sprott USA reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, Sprott USA's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities generally based on available cash as a percentage of total assets under management in the account, subject to tax considerations, odd lots, and other applicable investment guidelines and restrictions and require that, to the extent orders are aggregated, the orders are generally price-averaged. These areas are monitored by Sprott USA's Chief Compliance Officer.

Item 7. Types of Clients

Sprott USA primarily provides customized investment management services to high net-worth individuals and their associated trusts, estates, pension and profit sharing plans, as well as certain other business entities. Sprott USA's minimum account size is generally \$100,000, but this amount is negotiable.

RCIC's clients consist of the Partnerships. With respect to the Partnerships, the subscription minimums are disclosed in each Partnership's respective offering memorandum.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Sprott USA and RCIC utilize a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental analysis and cyclical analysis, as well as use of quantitative tools and investment approaches. The analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses of the issuer;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

Sprott USA and RCIC employ the following investment strategies:

Equity. Sprott USA's and RCIC's equity strategies focus on a broad range of equity

investment styles, including growth, core, and value, as well as blended portfolios. Most Managed Account Client and Partnership accounts focus on investment opportunities in more than one capitalization category or across all capitalization levels. In addition, Sprott USA and RCIC manage Managed Account Client and Partnership accounts respectively that are multi-national.

Buy and Hold. Sprott USA and RCIC each engage in buy and hold investment strategies wherein Sprott USA and RCIC each buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

Fundamental Value. Sprott USA and RCIC each engage in fundamental value investment strategies wherein Sprott USA and RCIC each attempts to invest in asset-oriented securities Sprott USA and RCIC believe are undervalued by the market.

Growth. Sprott USA and RCIC engage in growth investment strategies wherein Sprott USA and RCIC attempt to select securities of a company whose earnings Sprott USA and RCIC expect to grow at an above-average rate compared to the company's specific industry or the overall market.

Option Trading. Sprott USA engages in option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser engages in the following types of option trading strategies: call and put writing, covered calls.

Short Selling. Sprott USA engages in short selling strategies. In a short sale transaction, Sprott USA may sell a security not owned in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities and (ii) for potential profit.

These methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

The following are certain risks of investment:

Natural Resources and Related Industries. Investments in natural resources and related industries are affected by business, financial market or legal uncertainties. There can be no assurance that Sprott USA and/or RCIC will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on underlying natural resource investments. Prices of natural resource investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of Sprott USA's and RCIC's respective portfolios and the value of their investments. In addition, the value of Sprott USA's and RCIC's portfolios may fluctuate as the general level of interest rates fluctuates.

Lack of Diversification. Managed Account Client and Partnership accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, the portfolios are subject to more rapid change in value than would be the case if Sprott USA and RCIC were required to maintain a wider diversification among types of

securities and other instruments.

Natural Resource Assets. The production and marketing of natural resource assets may be affected by actions and changes in governments. In addition, natural resource assets and natural resource asset securities may be cyclical in nature. During periods of economic or financial instability, securities of companies with natural resource assets may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various natural resource assets. In addition, these companies may also be subject to the risks associated with extraction of natural resources as well as the risks of the hazards associated with natural resources, such as fire, drought, and increased regulatory and environmental costs. These securities may also experience greater price fluctuations than the relevant natural resource asset.

Emerging Markets. The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Fixed-Income and Debt Securities. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Investments in low-rated or unrated debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S.

entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Options Risk. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Short Selling Risk. Short selling transactions involve the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein a portfolio might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Item 9. Disciplinary Information

This item is inapplicable.

Item 10. Other Financial Industry Activities and Affiliations

Sprott USA and RCIC is each affiliated with Sprott Global Resource Investment, Ltd. (“GRIL”), a registered broker/dealer with the SEC and member firm of the Financial Industry Regulatory Authority, Inc. (“FINRA”). GRIL is under common ownership and control with Sprott USA and RCIC. Certain of Sprott USA’s and RCIC’s management persons are principals or registered representatives of GRIL.

Sprott USA and RCIC each has entered into a relationship with GRIL whereby each has engaged GRIL to effect securities transactions on behalf of the Managed Account Clients and the Partnerships, respectively. GRIL serves as an introducing broker on behalf of the Managed Account Clients and the Partnerships and routes securities transactions to various third-party executing brokers. GRIL does not receive any compensation for effecting any such transactions. This relationship is disclosed to the Managed Account Clients and the Partnerships.

Trades for GRIL client accounts may be aggregated with trades for Sprott USA and/or RCIC client accounts. This practice may limit the amount of stock allotted to Sprott USA

and/or RCIC clients if there is insufficient liquidity in the security.

The Partnerships and Managed Account Clients in the Premium Program may subscribe to certain privately placed securities where GRIL is compensated as a placement agent by the issuing company. This creates a potential conflict of interest, in that this compensation may create an incentive for Sprott USA to recommend such privately placed securities to the Managed Account Client, and for RCIC to purchase such securities on behalf of the Partnerships, additionally based on its own financial interests rather than solely the interests of a client. In order to address such potential conflict of interest, a committee consisting of personnel from Sprott USA and Sprott Asset Management LP, an affiliate of Sprott USA, none of whom have a direct pecuniary interest in such transactions, must independently approve of such transaction before it is recommended to Managed Account Clients or purchased on behalf of the Partnerships.

Sprott USA has entered into a sub-advisory agreement with Sprott Asset Management LP ("SAM LP"), a Canadian investment adviser and affiliate of Sprott USA, whereunder Sprott USA pays SAM LP an annual fee equal to .20% of the assets under management of Sprott USA's Managed Account Clients, in exchange for non-discretionary advice from SAM LP with respect to the portfolios of such clients.

Arthur Richards Rule IV, Chairman of Sprott USA, and Jeffrey Howard, CEO of Sprott USA, are members of Buttonwood Tree Management, LLC, an investment advisory firm with a similar investment strategy to that of Sprott USA. Buttonwood Tree Management is the general partner of Buttonwood Tree Value Partners, L.P., an equity fund in which Mr. Rule and Mr. Howard are also limited partners. GRIL, and indirectly Mr. Rule and Mr. Howard, may receive compensation from Buttonwood Tree Value Partners in respect of introducing investors. Mr. Rule and Mr. Howard also periodically review the holdings of Buttonwood Tree Value Partners and make recommendations concerning purchases or sales for its portfolio.

Mr. Rule provides investment advice to Casey Capital Advisors, LLC ("CCA") and Vancouver Venture Reports, Inc. ("VVR") with respect to KCR Fund, LLC ("KCR"). CCA will pay Mr. Rule 10% of any payment of a performance allocation actually received by CCA from KCR, and VVR will pay Mr. Rule 10% of any payment of a performance allocation actually received by VVR from the Nevis subsidiary of KCR.

The above relationships with Buttonwood and KCR create a potential conflict of interest, in that Mr. Rule and or Mr. Howard may determine to make recommendations to either Buttonwood or KCR which are the same as recommendations made to Sprott USA's or RCIC's clients. In order to address such potential conflict of interest, Mr. Rule or Mr. Howard, as the case may be, will inform a committee consisting of Sprott USA's and RCIC's Chief Compliance Officer and Chief Financial Officer, prior to making any recommendation to Buttonwood or KCR. The committee will approve dissemination of such a recommendation if the recommendation is not suitable for any of Sprott USA's or RCIC's clients. In the event that the recommendation is suitable for any of Sprott USA's or RCIC's clients, the recommendation will be implemented in the account of any such client prior to the recommendation being made to Buttonwood or KCR, as the case may be.

Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading

Code of Ethics

Sprott USA and RCIC have adopted a Code of Ethics to ensure that securities transactions by Sprott USA and RCIC employees are consistent with Sprott USA's and RCIC's respective fiduciary duties to their clients and to ensure compliance with legal requirements and Sprott USA's and RCIC's standards of business conduct. The Code of Ethics requires that employees obtain prior approval for personal securities transactions and requires quarterly reporting of such transactions. Written copies of the Code of Ethics are available upon request.

Client Transactions in Securities where Adviser has a Material Financial Interest

As set forth above, the Partnerships and Managed Account Clients in the Premium Program may subscribe to certain privately placed securities where GRIL is compensated as a placement agent by the issuing company. This creates a potential conflict of interest, in that this compensation may create an incentive for Sprott USA to recommend such privately placed securities to the Managed Account Client, and for RCIC to purchase such securities on behalf of the Partnerships, additionally based on its own financial interests rather than solely the interests of a client. In order to address such potential conflict of interest, a committee consisting of personnel from Sprott USA and Sprott Asset Management LP, an affiliate of Sprott USA, none of whom have a direct pecuniary interest in such transactions, must independently approve of such transaction before it is recommended to Managed Account Clients or purchased on behalf of the Partnerships.

Investing in Securities Recommended to Clients

All Sprott USA and RCIC principal and employee trades will be reviewed by the Chief Compliance Officer ("CCO") or an employee designated by the CCO. Sprott USA and RCIC principals and employees may purchase or sell the same securities for their personal accounts and accounts of their families on the same day that those securities are being purchased or sold by Managed Account Client and/or Partnership accounts that they manage. Trades for principals and employee personal accounts may be aggregated with trades for other clients. If an order is partially filled, Managed Account Clients and Partnerships will have their orders fully filled prior to employees.

To prevent conflicts of interest, all employees of Sprott USA and RCIC must comply with each firm's Code of Ethics, which imposes certain restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.

Employees involved in the Sprott USA and/or RCIC investment recommendation process or their related persons will be required to pre-clear their personal securities transactions (except for transactions in registered open-end investment company securities and/or other exempt transactions) with each firm's Chief Compliance Officer. Sprott USA and RCIC will also maintain quarterly reports on all personal securities transactions, except exempt transactions. Further, each firm's Code of Ethics imposes certain policies and procedures to prohibit unlawful use of material non-public information and is designed to prevent insider trading by any officer, partner, or associated person of Sprott USA and/or RCIC.

Conflict of Interest Created By Contemporaneous Trading

Sprott USA or a related person from time to time may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that such related person buys or sells the same securities for its own account, in accordance with the procedures described above designed to seek to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for such related person to the detriment of the client. In addition, the Adviser has adopted the aggregation policies and procedures discussed in Item 12.

Item 12. Brokerage Practices

Factors Considered in Selecting Broker-Dealers for Client Transactions

As set forth above, Sprott USA utilizes GRIL as introducing broker; however Sprott USA selects the executing brokers to which GRIL routes trade orders. Sprott USA considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, and offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Best Execution Oversight Committee meets periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

Research and Other Soft Dollar Benefits

Sprott USA and RCIC may receive research or other products or services other than execution from a broker-dealer in connection with Managed Account Client and Partnership securities transactions. This is known as a "soft dollar" relationship. Sprott USA and RCIC will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such

as comparison services, electronic confirms or trade affirmations.

When Sprott USA or RCIC uses Managed Account Client or Partnership commissions to obtain Section 28(e) eligible research and brokerage products and services, Sprott USA's and RCIC's Best Execution Oversight Committee meets periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or Sprott USA's and RCIC's overall responsibilities to the accounts or portfolios over which Sprott USA and/or RCIC exercises investment discretion.

The use of Managed Account Client and Partnership commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, Sprott USA and RCIC will not have to pay for the products and services themselves. This creates an incentive for Sprott USA and/or RCIC to select a broker-dealer based on its interest in receiving those products and services.

Sprott USA and/or RCIC may cause Managed Account Clients and/or the Partnerships to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for such Managed Account Clients and/or Partnerships.

Research and brokerage services obtained by the use of commissions arising from a Managed Account Client and/or the Partnership's portfolio transactions may be used by Sprott USA and/or RCIC, respectively, in its other investment activities, including, and for the benefit of other Managed Account Client and/or Partnership accounts. Sprott USA and/or RCIC does not seek to allocate soft dollar benefits to Managed Account Client and/or Partnership accounts proportionately to the soft dollar credits the accounts generate.

During Sprott USA's and RCIC's last fiscal year, as a result of Managed Account Client brokerage commissions (or markups or markdowns), Sprott USA and/or its related persons acquired broker-dealer generated research reports and services related to connectivity between Sprott USA and a broker-dealer to route orders to the broker-dealer.

Order Aggregation

Sprott USA and RCIC typically aggregate Managed Account Client and Partnership trades in an effort to treat all of the Managed Account Clients and Partnerships equitably. Managed Account Clients and Partnerships participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades. If an order is partially filled, Managed Account Clients and Partnerships will have their orders fully filled based on cash available, i.e., the Managed Account Clients and Partnerships with the highest percentage of cash will be filled on buys first; the Managed Account Clients and Partnerships with the lowest percentage of cash will be filled on sells first.

When trading accounts through one or more broker/dealers, Sprott USA's and RCIC's

trader may choose to place smaller trades ahead of larger trades when the smaller trades are not expected to materially affect the price or liquidity of the security in question. This practice may result in certain Managed Account Client and Partnership accounts trading after other accounts with disproportionate frequency. It is possible that, over time, this practice could result in certain Managed Account Client and Partnership clients experiencing a benefit at the expense of other Managed Account Client and Partnership accounts.

Item 13. Review of Accounts

Each managed account and Partnership is reviewed at least every sixty days to determine if those security holdings in such account should be adjusted. Criteria include performance of the account, operational developments, management changes, financial condition, and the price outlook for various commodities that might affect the future cash flow of those companies. The reviews are conducted by Jeffrey Howard.

Managed Account Clients receive brokerage transaction confirmations and statements on at least a quarterly basis from RBC Capital Markets LLC ("RBC"), as custodian. Such reports may be delivered electronically in accordance with the client's agreement with Sprott USA.

Limited Partners receive reports from the Partnerships pursuant to the terms of each Partnership's offering memoranda or as otherwise described in the offering document of each Partnership.

Item 14. Client Referrals and Other Compensation

The Adviser receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices.

Item 15. Custody

Clients will receive account statements from RBC on at least a quarterly basis. Clients should carefully review those statements.

Item 16. Investment Discretion

Sprott USA provides investment advisory services on a discretionary basis to clients. Prior to assuming full discretion in managing a client's assets, Sprott USA enters into an investment management agreement or other agreement that sets forth the scope of its discretion.

RCIC as general partner of the Partnerships, and Sprott USA have the authority to determine (i) the securities to be purchased and sold for the relevant account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written

investment guidelines) and (ii) the amount of securities to be purchased or sold for the account. Because of the differences in investment objectives and strategies and other criteria, there may be differences among the accounts in invested positions and securities held. Sprott USA and/or RCIC submit an allocation statement to GRIL for trades to be entered in the accounts. Sprott USA and RCIC may consider the following factors, among others, in allocating securities among accounts: (i) investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a portfolio; (iv) size of the account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows.

Item 17. Voting Client Securities

Sprott USA and RCIC (as the general partner of the Partnerships) exercise voting authority over securities held by the respective Accounts and Partnerships. Generally speaking, Sprott USA and RCIC will vote in favor of the following proxy proposals:

• electing and fixing number of directors	• authorizing directors to fix remuneration of auditors
• appointing auditors	• approving private placements to insiders exceeding 10% threshold
• ratifying director actions	• changing registered address
• approving special resolutions to change the authorized capital of the company to an unlimited number of common shares without par value	

Sprott USA and RCIC will vote against any proposal relating to stock option plans that: (i) exceed 10% of the common shares issued and outstanding at the time of grant over a three year period (on a non-diluted basis); (ii) provide that the maximum number of common shares issuable pursuant to such plan be a "rolling" maximum equal to 10% of the outstanding common shares at the date of the grant of applicable options; or (iii) reprices the stock option.

Sprott USA and RCIC will vote against any proposal giving directors discretion to exceed 25% or more dilution annually without shareholder approval.

In certain cases, proxy votes may not be cast when Sprott USA and RCIC determine that it is not in the best interests of the Accounts or the Partnership to vote such proxies. In the event a proxy raises a potential material conflict of interest between the interests of an Account or a Partnership and Sprott USA or RCIC, the conflict will be resolved by Sprott USA and RCIC in favor of that Account or Partnership.

Sprott USA and RCIC retain the discretion to depart from these policies on any particular proxy vote depending upon the facts and circumstances.

The proxy voting guidelines of the Accounts and Partnerships are available on request, free of charge, by contacting Sprott USA at 1-866-531-8746 and RCIC at 1-800-611-0827 and are available on the websites at www.sprottusa.com and www.explocapital.com, respectively. Sprott USA and RCIC will maintain and prepare an annual proxy voting record for each Account and Partnership. The proxy voting record for the annual period ending December 31 each year for each Account or Partnership will be available free of charge to that Account holder or the Limited Partner of that Partnership upon request at any time after January 31 of the following year, or at any time by contacting Sprott USA or RCIC at the above telephone numbers.

Item 18 Financial Information

This item is not applicable.



**SPROTT ASSET MANAGEMENT USA INC.
PART 2B OF FORM ADV
(Brochure Supplement)**

1910 Palomar Point Way #200
Carlsbad, CA 92008

Updated: November 2012

This brochure supplement provides information about Arthur Richards Rule IV and Jeffrey Howard. It supplements Sprott Asset Management USA Inc.'s ("Sprott USA") accompanying Form ADV brochure. You should have received a copy of that brochure. Please contact Sprott USA's Chief Compliance Officer, Thomas W. Ulrich, at 866-531-8746 if you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated copies of either document.

Additional information about Mr. Rule and Mr. Howard is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Educational Background and Business Experience

Arthur Richards Rule IV

Born: 1953

Educational Background:

1971 to 1974 - Attended University of British Columbia

Business Background for preceding five (5) years:

12/2005 to present: Sprott Asset Management USA Inc. (formerly Terra Resource Investment Management, Inc.), Chairman, Founder

02/1998 to present: Resource Capital Investment Corp. (“RCIC”), Chairman, President

09/1993 to present: Rule Investments, Inc., President

10/1993 to present: Sprott Global Resource Investments, Ltd., Chairman, Founder, President

02/2011 to present: Sprott U.S. Holdings Inc., Director

02/2011 to present: Sprott Inc., Director,

02/2008 to present: Buttonwood Tree Management LLC, Member

Item 3 - Disciplinary Information

None

Item 4 & 5 - Other Business Activities; Additional Compensation

Mr. Rule is a principal of Sprott Global Resource Investments, Ltd. (“GRIL”), a broker/dealer under common control with Sprott USA. Clients of Sprott USA and RCIC may subscribe to certain privately placed securities where GRIL is compensated as a placement agent by the issuing company. GRIL in turn will pay a portion of such compensation to Mr. Rule. This creates a conflict of interest, in that this compensation may create an incentive for Sprott USA to recommend such privately placed securities to clients, and for RCIC to purchase such securities on behalf of its managed partnerships, additionally based on its own financial interests rather than solely the interests of a client. In order to address such conflict of interest, a committee consisting of personnel from Sprott USA and Sprott Asset Management LP, an affiliate of Sprott USA, none of whom have a direct pecuniary interest in such transactions, must independently approve of such transaction before it is recommended or purchased, as the case may be.

Mr. Rule is a member of Buttonwood Tree Management, LLC, an investment advisory firm with a similar investment strategy to that of Sprott USA. Buttonwood Tree Management is the general partner of Buttonwood Tree Value Partners, L.P., an equity fund in which Mr. Rule is a limited partner. GRIL, and indirectly Mr. Rule, may receive compensation from Buttonwood Tree Value Partners in respect of introducing investors. Mr. Rule also periodically reviews the holdings of Buttonwood Tree Value Partners and may make recommendations concerning the purchase or sale of securities in its portfolio.

Mr. Rule provides investment advice to Casey Capital Advisors, LLC (“CCA”) and Vancouver Venture Reports, Inc. (“VVR”) with respect to KCR Fund, LLC (“KCR”). CCA will pay Mr. Rule 10% of any payment of a performance allocation actually received by CCA from KCR, and VVR will pay Mr. Rule 10% of any payment of a performance allocation actually received by VVR from the Nevis subsidiary of KCR.

The above relationships with Buttonwood and KCR create a potential conflict of interest, in that Mr. Rule may determine to make recommendations to either Buttonwood or KCR which are the same as recommendations made to Sprott USA’s or RCIC’s clients. In order to address such potential conflict of interest, Mr. Rule will inform a committee consisting of Sprott USA’s and RCIC’s Chief Compliance Officer and Chief Financial Officer, prior to making any recommendation to Buttonwood or KCR. The committee will approve dissemination of such a recommendation if the recommendation is not suitable for any of Sprott USA’s or RCIC’s clients. In the event that the recommendation is suitable for any of Sprott USA’s or RCIC’s clients, the recommendation will be implemented in the account of any such client prior to the recommendation being made to Buttonwood or KCR, as the case may be.

Item 6 - Supervision

Mr. Rule has authority over portfolio positions and personnel. The investment advice that Mr. Rule provides to clients is not subject to supervision. The activities of all supervised persons, including Mr. Rule, are subject to the Adviser’s compliance policies and procedures, which are administered by Thomas W. Ulrich, In-House Counsel & Chief Compliance Officer of the Adviser. Mr. Ulrich can be reached by telephone at (760) 444-5297.

Item 2 – Educational Background and Business Experience

Jeffrey Howard

Born: 1953

Education Background:

1975 — University of Arizona, B.S., Business Administration

Business Background for preceding five (5) years:

12/2005 to present: Sprott Asset Management USA Inc. (formerly Terra Resource Investment Management, Inc.), CEO

07/2008 to present: Resource Capital Investment Corp. (“RCIC”), VP

02/2011 to present: RCIC, Director

07/2008 to present: Rule Investments, Inc., VP

02/2011 to present: Rule Investments, Inc., Director

12/1994 to present: Sprott Global Resource Investments, Ltd., Account Executive, CEO, Principal

02/2011 to present: Sprott U.S. Holdings Inc., Director

02/2008 to present: Buttonwood Tree Management LLC, Member

Item 3 - Disciplinary Information

None.

Item 4 & 5 - Other Business Activities; Additional Compensation

Mr. Howard is a principal of Sprott Global Resource Investments, Ltd. (“GRIL”), a broker/dealer under common control with Sprott USA. Clients of Sprott USA and RCIC may subscribe to certain privately placed securities where GRIL is compensated as a placement agent by the issuing company. GRIL in turn will pay a portion of such compensation to Mr. Howard. This creates a conflict of interest, in that this compensation may create an incentive for Sprott USA to recommend such privately placed securities to clients, and for RCIC to purchase such securities on behalf of its managed partnerships, additionally based on its own financial interests rather than solely the interests of a client. In order to address such conflict of interest, a committee consisting of personnel from Sprott USA and Sprott Asset Management LP, an affiliate of Sprott USA, none of whom have a direct pecuniary interest in such transactions, must independently approve of such transaction before it is recommended or purchased, as the case may be.

Mr. Howard is a member of Buttonwood Tree Management, LLC, an investment advisory firm with a similar investment strategy to that of Sprott USA. Buttonwood Tree Management is the general partner of Buttonwood Tree Value Partners, L.P., an equity fund in which Mr. Howard is a limited partner. GRIL, and indirectly Mr. Howard, may receive compensation from Buttonwood Tree Value Partners in respect of introducing investors. Mr. Howard also periodically reviews the holdings of Buttonwood Tree Value Partners and may make recommendations concerning the purchase or sale of securities in its portfolio.

The above relationship with Buttonwood creates a potential conflict of interest, in that Mr.

Howard may determine to make recommendations to Buttonwood which are the same as recommendations made to Sprott USA's or RCIC's clients. In order to address such potential conflict of interest, Mr. Howard will inform a committee consisting of Sprott USA's and RCIC's Chief Compliance Officer and Chief Financial Officer, prior to making any recommendation to Buttonwood. The committee will approve dissemination of such a recommendation if the recommendation is not suitable for any of Sprott USA's or RCIC's clients. In the event that the recommendation is suitable for any of Sprott USA's or RCIC's clients, the recommendation will be implemented in the account of any such client prior to the recommendation being made to Buttonwood.

Item 6 - Supervision

Mr. Howard has authority over operations. Mr. Howard is supervised by Mr. Rule in respect of investment advice given to clients. The activities of all supervised persons, including Mr. Howard, are subject to the Adviser's compliance policies and procedures, which are administered by Thomas W. Ulrich, In-House Counsel & Chief Compliance Officer of the Adviser. Mr. Ulrich can be reached by telephone at (760) 444-5297.