

**IN THE MATTER OF THE SECURITIES ACT
(NORTHWEST TERRITORIES)**

AND

IN THE MATTER OF SPROTT ASSET MANAGEMENT INC.

DECISION DOCUMENT

WHEREAS the Northwest Territories Securities Registry (the “Registrar”) has received an application from Sprott Asset Management Inc. (the “Applicant”), the investment manager of Sprott Hedge Fund L.P. II (the “Partnership”) for a decision pursuant to section 43.1 of the *Securities Act* (Northwest Territories) (the “Act”) that trades in units of the Partnership, or of other limited partnerships or pooled fund trusts established or to be established and managed by the Applicant are not subject to certain of the reporting requirements in the Act, provided that a report of trade in accordance with the form requirements prescribed by the Registrar and the prescribed fees are filed within 30 days of each financial year end of such partnerships or funds, subject to certain conditions.

AND WHEREAS the Applicant has represented to the Registrar that:

1. The Applicant is a corporation incorporated under the laws of the Province of Ontario for the purpose of advising with respect to securities and is registered as an investment counsel/portfolio manager and a limited market dealer in the Province of Ontario.
2. The Applicant has been engaged to provide investment advisory services to the Partnership and is responsible for the investment management of the Partnership’s assets. The Applicant also provides administrative services to the Partnership on a day-to-day basis.
3. The Partnership was formed under the laws of Ontario by filing a Declaration of Limited Partnership under the *Limited Partnerships Act* (Ontario) on July 31, 2002.
4. The head office of the Applicant and the Partnership is Suite 3450, Royal Bank Plaza, South Tower, Toronto, Ontario, M5J 2J2.
5. Sprott Genpar Ltd., a corporation incorporated under the laws of the Province of Ontario, is the general partner of the Partnership.
6. The Applicant makes available to its clients Units of the Partnership (the “Units”) and may make available from time to time, units of other limited partnerships and pooled fund trusts which may be established by the Applicant or an affiliate

(collectively, the “Other Funds”). The Applicant will be responsible for the investment management of the assets of the Other Funds.

7. The Applicant coordinates the distribution of the Units and will co-ordinate the distribution of units of the Other Funds. The Units and units of the Other Funds will be distributed on a continuous basis and will be offered to residents in Alberta, British Columbia, Manitoba, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Ontario, Northwest Territories and Nunavut.
8. The distribution of the Units and units of the Other Funds to residents of the Northwest Territories is subject to sections 4 and 27(2) of the Act (the “Registration and Prospectus Requirements”).
9. The Partnership is, and each of the Other Funds will be, required by their respective constating documents to deliver to Unitholders annual audited financial statements. The Partnership also provides to its Unitholders, within 60 days of the end of each fiscal quarter, an unaudited performance report.
10. The Units and units of the Other Funds will not be offered by a prospectus. However, an offering memorandum (containing rights of action and rescission as required under the Act) will be delivered to prospective investors in respect of the Partnership and the Other Funds.
11. The Units and units of the Other Funds are redeemable at the request of the holder at their net asset value determined in accordance with the limited partnership agreement of the Partnership and the Other Funds. The Partnership has, and the Other Funds may have, additional restrictions on the right to redeem.
12. The minimum initial investment (the “Initial Investment”) in the Units or in units of the Other Funds by an investor will not be less than \$150,000.
13. The Initial Investment will be made in reliance upon the registration and prospectus exemptions contained in section 3(c) of Blanket Order 1 – In the Matter of the Securities Act, R.S.N. W.T 1988, ch.S-5, as Amended (“Blanket Order 1”)
14. Section 3(c)(iv) of Blanket Order 1 requires a vendor to file a Report with the Registrar in accordance with Form 1 within 10 days of the trade (the “Reporting Requirements”).

AND WHEREAS the Registrar is satisfied that the test contained in the Act that provides the Registrar with the jurisdiction to make the Decision has been met;

THE DECISION of the Registrar pursuant to the Act is that:

1. The Reporting Requirements do not apply to trades in Units of the Partnership or the Other Funds, provided that:
 - (a) within 30 days after each financial year end of the Partnership and the Other Funds, the Applicant files a report of trade in accordance with Form 1 in respect of trades in Units of the Partnership or the Other Funds during such financial year; and
 - (b) within 30 days after each financial year end of the Partnership and the Other Funds, the Applicant remits the applicable fees on behalf of the Partnership or such Other Funds, as the case may be.

DATED at Yellowknife, this 29th day of August, 2002.

“Tony Wong”

Tony S.K. Wong
Registrar, Securities & Corporate Registries
Dept. of Justice
Government of the N.W.T.
Yellowknife, N.W.T.
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