



Information Circular: Sprott Physical Gold Trust

To: Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

From: NASDAQ Listing Qualifications Department
BX Listing Qualifications Department

DATE: February 25, 2010

Exchange-Traded Fund	Symbol	CUSIP #
Sprott Physical Gold Trust Units	PHYS	85207H104

Background Information on the Trust

The Sprott Physical Gold Trust (the "Trust") will issue Sprott Physical Gold Units ("Units" or "Shares") which represent units of fractional undivided beneficial interest in and ownership of the Trust. Sprott Asset Management LP is the manager/sponsor of the Trust (the "Sponsor"), RBC Dexia Investor Services Trust is the trustee of the Trust (the "Trustee"), and the custodian for the Trust's physical gold bullion is the Royal Canadian Mint (the "Custodian"). The Trust intends to issue additional Shares on a continuous basis.

The initial public offering price will be \$10.00 per Unit. Units are being offered to investors who are prepared to invest a minimum initial subscription amount of \$1,000.

The Trust was established on August 28, 2009 under the laws of the Province of Ontario, Canada pursuant to a trust agreement dated as of August 28, 2009, as amended and restated as of December 7, 2009 and as further amended and restated as of February 1, 2010. The Trust was created to invest and hold substantially all of its assets in physical gold bullion. The Trust seeks to provide a secure, convenient and exchange-traded investment alternative for investors interested in holding physical gold bullion without the inconvenience that is typical of a direct investment in physical gold bullion. The Trust intends to invest primarily in long-term holdings of unencumbered, fully allocated, physical gold bullion and will not speculate with regard to short-term changes in gold prices. The Trust does not anticipate making regular cash distributions to unitholders. Sprott Asset Management LP is the sponsor and promoter of the Trust and serves as manager of the Trust pursuant to a management agreement with the Trust. The material terms of the trust agreement and the management agreement are discussed in greater detail in the prospectus for the Trust. Each outstanding unit will represent an equal, fractional, undivided ownership interest in the net assets of the Trust attributable to the particular class of units. Expected advantages of investing in the units include:

- Convenient Way to Own Physical Gold Bullion. The Trust has filed an application to list its units on the NYSE Arca, and conditional approval to trade on the TSX has been received subject to the Trust fulfilling all of the requirements of the TSX. The Trust will provide institutional and retail investors with indirect access to the physical gold bullion market while providing them with the liquidity of an exchange traded security. The units may be bought and sold on the NYSE Arca and the TSX like any other exchange-listed securities.
- Investment in Physical Gold Bullion Only. Except with respect to cash held by the Trust to pay expenses and anticipated redemptions, the Trust expects to own only London Good Delivery physical gold bullion. The Manager intends to invest and hold 97% of the total net assets of the Trust in physical gold bullion in London Good Delivery bar form. The Trust will not invest in gold certificates or other financial instruments that represent gold or that may be exchanged for gold.
- Lower Transaction Costs. The Manager expects that, for many investors, costs associated with buying and selling the units in the secondary market and the payment of the Trust's ongoing expenses will be lower than the costs associated with buying and selling physical gold bullion and storing and insuring physical gold bullion in a traditional allocated gold bullion account.
- Ability to Redeem Units for Physical Gold Bullion. Unitholders will have the ability, on a monthly basis and as described herein, to redeem their units for physical gold bullion for a redemption price equal to 100% of the NAV of the redeemed units, less redemption and delivery expenses, including the handling of the notice of redemption, the delivery of the physical bullion for units that are being redeemed and the applicable gold storage in-and-out fees, and subject to certain minimum redemption amounts.
- Storage at the Royal Canadian Mint. The Trust's physical gold bullion will be fully allocated and stored at the Royal Canadian Mint, to which we will refer as the Mint. The Mint is a Canadian Crown corporation, which acts as an agent of the Canadian Government, and its obligations generally constitute unconditional obligations of the Canadian Government. The Mint will be responsible for and bear the risk of loss of, and damage to, the Trust's physical gold bullion that is in the custody of the Mint. The physical gold bullion will be subject to periodic inspection and audits.
- Experienced Manager. The Trust will be administered by Sprott Asset Management LP. The Manager is a licensed portfolio manager that is wholly-owned by Sprott Inc., a public company whose shares are listed on the TSX. The Manager has considerable experience and a long track record of investing in physical gold bullion on behalf of investors.
- Potential Tax Advantage For Certain U.S. Investors. Any gains realized on the sale of units by an investor that is an individual, trust or estate, including such investors that own units through partnerships and other pass-through entities for U.S. federal income tax purposes, may be taxable as long-term capital gains (at a maximum rate of 15% under current law, compared to a long-term capital gains tax rate of 28% applicable to the disposition of physical gold bullion and other "collectibles" held for more than one year), provided that such U.S. investor has held the units for more than one year at the time of the sale and such U.S. investor has made a timely and valid Qualified Electing Fund election with respect to the units.
- Benefits of Investing in Gold. Investment in gold may provide several benefits to investors. Gold may assist in protecting a portfolio from inflation,

financial collapse and currency devaluation. Gold has a negative or low correlation with many other asset classes, making it an effective portfolio diversifier. In particular, given that gold prices have generally increased during times of U.S. dollar decline and during inflationary periods, gold may provide a hedge against purchasing power erosion. In addition, over the past ten years, gold has outperformed equity indices such as the S&P 500 Index, the S&P/TSX Composite Index, the MSCI EAFE Index and the S&P Global Gold Index.

Investing in the units does not insulate the investor from risks, including price volatility.

The value of the net assets of the Trust and the value of net assets of the Trust per outstanding unit of the Trust will be determined daily as of 4:00 p.m., Toronto time, on each business day by the Trust's valuation agent, which is RBC Dexia Investor Services Trust. The value of the net assets of the Trust on any such day will be equal to the aggregate fair market value of the assets of the Trust as of such date, less an amount equal to the fair value of the liabilities of the Trust (excluding all liabilities represented by outstanding units) as of such date. The valuation agent will calculate the NAV by dividing the value of the net assets of the class of the Trust represented by the units offered hereby on that day by the total number of units of that class then outstanding on such day.

For more information regarding the Trust's investment strategy and certain fees charged by the Trust, please read the prospectus for the Trust.

The listing exchange, NYSE Arca, will calculate and disseminate to the consolidated tape an indicative per share value for the Shares every 15 seconds.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The registration statement for the Trust describes the various fees and expenses for the Shares. For a more complete description of the Trust, visit the Trust's website at www.sprott.com.

Purchases and Redemptions in Creation Unit Size

NASDAQ members and BX members are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and SAI, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

Principal Risks

Interested persons are referred to the discussion in the prospectus for the Trust of the principal risks of an investment in the Shares. These include tracking error risk (factors causing the Trust's performance to not match the performance of its underlying security), market trading risk (for example, trading halts, trading above

or below net asset value), investment style risk, sector risk, investment approach risk, non-diversification risk, commodity risk, management risk and liquidity risk.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading of the Shares on BX is on a UTP basis and is subject to BX equity trading rules.

Trading Hours

The values of any security underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on NASDAQ between 7:00 a.m. and 8:00 p.m. ET. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. For trading during Nasdaq's and BX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Shares during these sessions, when the underlying security's values, intraday indicative value, or similar value may not be disseminated or calculated.

Dissemination of Data

The Consolidated Tape Association will disseminate real time trade and quote information for the Shares to Tape B.

Name	Listing Market	Trading Symbol	IOPV Symbol	NAV Symbol
Sprott Physical Gold Trust Units	NYSE Arca	PHYS	PHYS.IV	PHYS.NV

Suitability

Trading in the Shares on NASDAQ will be subject to the provisions of NASDAQ Rule 2310. Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in both the NASDAQ Conduct Rules and the BX Conduct Rules.

NASDAQ and BX members also should review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

Trading Halts

NASDAQ will halt trading in the Shares in accordance with NASDAQ Rule 4120. BX will halt trading in the Shares in accordance with BX Equity Rule 4120. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Shares, the value of its underlying security, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ and BX will also stop trading the Shares if the primary market delists the Shares of the Trust.

Delivery of a Prospectus

NASDAQ and BX members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Shares of the Trust.

Prospectuses may be obtained through the Trust's website. The prospectus for the Trust does not contain all of the information set forth in the Trust's registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about the Trust, please refer to the registration statement.

In the event that the Trust relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, NASDAQ Rules 4420 and 4421, and BX Equity Rules 4420 and 4421, require that NASDAQ members and BX members, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, NASDAQ members and BX members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a NASDAQ member or a BX member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Trust. In addition, upon request you may obtain from your broker a prospectus for Shares of the Trust."

A NASDAQ member or a BX member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to NASDAQ members and BX members under this rule.

Upon request of a customer, NASDAQ members and BX members also shall provide a copy of the prospectus.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Shares.

Regulation M Exemptions

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Funds to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Funds (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Funds for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)

Broker-dealers who handle purchases or redemptions of Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to a Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Trust for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;

- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

SEC Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of a Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of a Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of a Fund, for purposes of

Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

SEC Rule 15c1-5 and 15c1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. NASDAQ members and BX members should consult the Trust's prospectus and/or the Trust's website for relevant information.

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, NASDAQ Listing Qualifications / BX Listing Qualifications, at 301.978.8088
- NASDAQ Market Sales / BX Market Sales, at 800.846.0477