



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**April 4, 2013**

**May 8, 2013 at 4:00 p.m. (Toronto time)  
Toronto Board of Trade  
First Canadian Place, Suite 350  
77 Adelaide Street West  
Toronto, Ontario**

## SPROTT INC.

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders (the “**Meeting**”) of Sprott Inc. (the “**Corporation**”) will be held at the Toronto Board of Trade, Room A/B, First Canadian Place, Suite 350, 77 Adelaide Street West, Toronto, Ontario, on May 8, 2013 at 4:00 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2012 together with the auditors’ report thereon;
2. to elect the directors for the ensuing year;
3. to reappoint Ernst & Young LLP as auditors of the Corporation and to authorize the board of directors (the “**Board**”) to fix their remuneration and terms of engagement; and
4. to transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the accompanying management information circular. Holders of common shares of record at the close of business on April 8, 2013 will be entitled to vote at the Meeting or any adjournment(s) thereof.

Dated at Toronto, Ontario as of April 4, 2013.

#### BY ORDER OF THE BOARD

(signed) “*Eric S. Sprott*”

Eric S. Sprott  
Chairman of the Board

#### Notes:

1. A management information circular and form of proxy accompany this notice of Meeting. Your vote is important to us. If you are a registered shareholder and are unable to be present at the Meeting, please specify on the accompanying form of proxy the manner in which the common shares represented thereby are to be voted, and sign, date and return same in accordance with the instructions set out in the form of proxy and management information circular.
2. If you are a beneficial shareholder and receive these materials through your broker or another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or intermediary.

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**SPROTT INC.  
MANAGEMENT INFORMATION CIRCULAR**

*Unless otherwise stated, the information in this management information circular (the “Circular”) is as of April 4, 2013.*

**PROXY INSTRUCTIONS**

**This Circular is furnished in connection with the solicitation of proxies by the management of Sprott Inc. (the “Corporation”) for use at the annual meeting of shareholders of the Corporation (the “Meeting”) to be held at the Toronto Board of Trade, Room A/B, First Canadian Place, Suite 350, 77 Adelaide Street West, Toronto, Ontario, on May 8, 2013 at 4:00 p.m. (Toronto time) and at any adjournment(s) thereof, for the purposes set out in the foregoing Notice of Meeting (the “Notice”).** It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by officers and directors of the Corporation (but not for additional compensation). The costs of solicitation will be borne by the Corporation. Except as otherwise stated, the information contained herein is given as of the date hereof.

Holders of common shares of the Corporation (the “**Common Shares**”) may vote on all matters to come before the Meeting. The form of proxy forwarded to holders of Common Shares affords the shareholder the opportunity to specify the manner in which the proxy nominees are to vote with respect to any specific item by checking the appropriate space in order to indicate whether the Common Shares registered in the shareholder’s name shall be: (i) voted for or withheld from voting for the directors to be named in this Circular; and (ii) voted for or withheld from voting for the appointment of auditors and authorizing the directors to fix their remuneration and terms of engagement.

The proxy must be signed by the holder of Common Shares or the shareholder’s attorney duly authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as executors, administrators, trustees or in any other representative capacity should so indicate and give their full title as such.

The persons named in the enclosed form of proxy are officers of the Corporation and represent management. **Each shareholder has the right to appoint a person other than the persons named in the accompanying form of proxy, who need not be a shareholder, to attend and act for him and on his behalf at the Meeting.** A shareholder wishing to appoint some other person as a representative at the Meeting may do so either by inserting such person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed form of proxy to the Corporation’s registrar and transfer agent, Equity Financial Trust Company, Attention: Proxy Department, at 200 University Avenue, Suite 400, Toronto, Ontario, Canada, M5H 4H1 or faxing the completed form to (416) 361-0470 at least 24 hours before the Meeting time or to the Secretary of the Corporation in time for use at the Meeting.

**A proxy given by a shareholder for use at the Meeting may be revoked at any time prior to its use.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) thereof, at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof. The registered office of the Corporation is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, Canada, M5J 2J1.

## MANNER IN WHICH PROXIES WILL BE VOTED

The management representatives designated in the enclosed form of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions of the shareholder as indicated on the proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

**In the absence of such direction, such Common Shares will be voted by the management representatives in favour of the passing of the matters set out in the Notice.** The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice, and with respect to other matters which may properly come before the Meeting or any adjournment(s) thereof. At the date hereof, management of the Corporation knows of no such amendments, variations or other matters. **However, if any other matters should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the proxy nominee.**

## VOTING BY BENEFICIAL SHAREHOLDERS

**The information in this section is of significant importance to shareholders who do not hold their Common Shares in their own name. Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shareholders are “non-registered” shareholders (each, a “Non-Registered Holder”) if the Common Shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or trust company.**

More particularly, a person is not a registered shareholder in respect of Common Shares which are held on behalf of that person but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as non-objecting beneficial owners (“**NOBOs**”). Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Corporation are referred to as objecting beneficial owners (“**OBOs**”).

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Corporation has elected to send copies of the Notice, this Circular and the form of proxy (collectively, the “**Meeting Materials**”) directly to the NOBOs, and indirectly through clearing agencies and Intermediaries to the OBOs.

### **Distribution to NOBOs**

The Meeting Materials are being sent to both registered shareholders and Non-Registered Holders of Common Shares. If you are a Non-Registered Holder, and the Corporation or its agent has sent these Meeting Materials directly to you, your name and address and information about your holdings of

securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf.

By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. **Please return your voting instructions as specified in the request for voting instructions.**

### **Distribution to OBOs**

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to the OBOs. Generally, OBOs who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the OBO but which is otherwise not completed and must be deposited with the Corporation's registrar and transfer agent. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the OBO when submitting the proxy. In this case, the OBO who wishes to submit a proxy should otherwise properly complete the form of proxy and **deliver it to Equity Financial Trust Company, Attention: Proxy Department, at 200 University Avenue, Suite 400, Toronto, Ontario, Canada, M5H 4H1**; or
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the OBO and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "**proxy authorization form**") which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares which they beneficially own. **Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder's name in the blank space provided. In either case, Non Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares, of which 178,964,159 Common Shares were issued and outstanding as of the date hereof.

The close of business on April 8, 2013 has been fixed as the record date (the "**Record Date**") for the determination of shareholders entitled to receive notice of the Meeting and any adjournment(s) thereof.

Each Common Share carries one vote in respect of each matter to be voted upon at the Meeting. Only holders of Common Shares of record at the close of business on the Record Date are entitled to vote at the Meeting or any adjournment(s) thereof. The Corporation will prepare, or cause to be prepared, a list of shareholders ("**Shareholders List**") entitled to receive notice of the Meeting not later than 10 days after

the Record Date. At the Meeting, the holders of Common Shares shown on the Shareholders List will be entitled to one vote per Common Share shown opposite their names on the Shareholders List.

Two persons present and each holding or representing by proxy at least one issued share of the Corporation shall be a quorum of any meeting of shareholders for the choice of a chair of the meeting and for the adjournment of the meeting to a fixed time and place but may not transact any other business; for all other purposes a quorum for any meeting shall be persons present not being less than two in number and holding or representing by proxy not less than 5% of the total number of the issued shares of the Corporation for the time being enjoying voting rights at such meeting.

As of the date hereof, the only persons or companies known by the Corporation to own beneficially, or control or direct, directly or indirectly, more than 10% of the Common Shares are as follows:

Name	Number of Common Shares Beneficially Owned or Controlled or Directed	Percentage of Outstanding Common Shares
2176423 Ontario Ltd. <sup>(1)</sup>	94,241,270	52.7%
The Rule Family Trust <sup>(2)</sup>	19,267,500	10.8%

Notes:

- (1) Eric S. Sprott, a director and the Chairman of the Board of Directors of the Corporation (the “Board”) and the Chief Investment Officer of the Corporation, owns all of the voting securities of 2176423 Ontario Ltd.
- (2) Arthur Richards Rule IV, a director of the Corporation, is a co-trustee of The Rule Family Trust.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. Financial Statements

The audited financial statements of the Corporation for the fiscal year ended December 31, 2012, together with the report of the auditors thereon, and the annual management’s discussion and analysis, will be presented to the shareholders at the Meeting for their consideration.

### 2. Election of Directors

The Articles of the Corporation provide that the Board shall consist of a minimum of one and a maximum of ten directors. The Board currently has seven members, and the Board, pursuant to its authority granted by special resolution of the shareholders, has fixed the number of directors to be elected at the Meeting at seven. All of the Corporation’s current seven directors intend to stand for election to the Board. Management has put forward the names of such current directors as outlined below. The term of each of the Corporation’s present directors expires at the Meeting and each director elected at the Meeting will hold office until the next annual general meeting of shareholders of the Corporation or until his successor is duly elected or appointed, unless he resigns, is removed or becomes disqualified in accordance with the Corporation’s by-laws or governing legislation.

**The persons named in the enclosed form of proxy intend to vote for the election of each of the below-named nominees unless otherwise instructed on a properly executed and validly deposited proxy.** Management does not contemplate that any of the nominees named below will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

Shareholders can vote or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of shareholders to be by individual nominee as opposed to by slate of directors, e.g. shareholders will be asked to vote in favour of, or withhold from voting, separately for each nominee. The Board has not adopted a majority voting policy at this time. In a majority voting policy, if a director nominee has more “withhold” votes than votes in favour, the nominee will be considered not to have received the support of a majority of shareholders (though duly elected as a matter of corporate law), and such nominee would tender his or her resignation to the board which the board would generally be expected to accept.

As Mr. Sprott, the Chairman of the Board and the Chief Investment Officer of the Corporation is the controlling shareholder of the Corporation, the number of Common Shares voted in favour of the nominees proposed by management of the Corporation for election as directors will exceed the number of Common Shares withheld, thereby rendering a majority voting policy irrelevant at this time. The Corporation intends to adopt a majority voting policy when there is no longer a controlling shareholder of the Corporation, or when required by applicable law. The Corporation will disclose the results of the election of directors promptly after the Meeting.

The following table sets out the name of each person proposed to be nominated by management for election as a director at the Meeting, all offices of the Corporation now held by such person, their principal occupation, the period of time for which they have been a director of the Corporation, and the number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by them, as at the date hereof. The information as to Common Shares owned or controlled has been provided by the person named. Biographical information for each nominee is also provided below.

<b>Name, Municipality and Country of Residence</b>	<b>Position with the Corporation</b>	<b>Principal Occupation</b>	<b>Service as Director</b>	<b>Common Shares beneficially owned, or controlled or directed, directly or indirectly</b>
Eric S. Sprott Toronto, Ontario Canada	Chairman and Chief Investment Officer	Chief Executive Officer and Senior Portfolio Manager of Sprott Asset Management LP (“SAM”)	February 13, 2008	94,241,270 <sup>(4)</sup>
Jack C. Lee <sup>(1)(2)(3)</sup> Calgary, Alberta Canada	Lead Director	Private Investor; President of Facet Resources Ltd.	March 10, 2008	160,504
Marc Faber <sup>(1)</sup> Ampur Chaingmai, Thailand	Director	Managing Director of Marc Faber Ltd.	January 19, 2010	—
Peter Grosskopf, Toronto, Ontario Canada	Chief Executive Officer	Chief Executive Officer of the Corporation (“CEO”) and Chief Executive Officer of Sprott Resource Lending Corp.	September 7, 2010	4,800,000 <sup>(5)</sup>

<b>Name, Municipality and Country of Residence</b>	<b>Position with the Corporation</b>	<b>Principal Occupation</b>	<b>Service as Director</b>	<b>Common Shares beneficially owned, or controlled or directed, directly or indirectly</b>
James T. Roddy, (1)(2)(3) Toronto, Ontario Canada	Director	Corporate Director	March 10, 2008	77,504
Arthur Richards Rule IV, Carlsbad, California, USA	Director	President and Chief Executive Officer of Sprott US Holdings, Inc. (" <b>Sprott US</b> ")	June 2, 2011	19,267,500 <sup>(6)</sup>
Paul H. Stephens, San Francisco, California, USA	Director	Chairman and Partner of Stephens Investment Management LLC	May 23, 2012	250,000

Notes:

- (1) Member of the Audit Committee of the Board (the "**Audit Committee**").
- (2) Member of the Compensation Committee of the Board (the "**Compensation Committee**").
- (3) Member of the Corporate Governance and Nominating Committee of the Board (the "**Corporate Governance and Nominating Committee**").
- (4) Held directly and indirectly through 2176423 Ontario Ltd., a corporation of which Mr. Sprott owns all of the voting securities. See "Voting Securities and Principal Holders Thereof".
- (5) Held indirectly through a wholly-owned holding company, 1833764 Ontario Inc.
- (6) Held indirectly through The Rule Family Trust, for which Mr. Rule is a co-trustee. See "Voting Securities and Principal Holders Thereof".

Except as noted below, each of the foregoing directors and officers has held the same principal occupation for the previous five years.

*Eric S. Sprott, CA*

Eric S. Sprott has over 40 years of experience in the investment industry and has managed client funds for most of that time. Mr. Sprott entered the investment industry as a research analyst at Merrill Lynch Canada, Inc. In 1981, he founded Sprott Securities Limited (a predecessor to Sprott Securities Inc., now Cormark Securities Inc. ("**Cormark**")). After establishing Sprott Asset Management Inc. ("**SAMI**") in December 2001 as a separate entity, Mr. Sprott divested his entire stake in Sprott Securities Inc. to its employees. Mr. Sprott's investment abilities are demonstrated by the track records of various Sprott hedge funds (both domestic and offshore), Sprott Canadian Equity Fund, Sprott Energy Fund and certain managed accounts. In October 2006, Mr. Sprott was the recipient of the 2006 Ernst & Young Entrepreneur of the Year Award (Financial Services) and the 2006 Ernst & Young Entrepreneur of the Year for Ontario. Mr. Sprott was also honoured as Investment Executive's "Fund Manager of the Year" for 2007. In March 2011, Mr. Sprott was named "Top Financial Visionary in Canada" by Advisor.ca. Mr. Sprott graduated with a Bachelor of Commerce from Carleton University in 1965 and was awarded an Honorary Doctorate from Carleton University in 2003. He received his Chartered Accountant designation in 1968 and was awarded the FCA designation in 2011.

*Jack C. Lee*

Mr. Lee is President of Facet Resources Ltd., a private investment company. Mr. Lee is currently lead director of the Corporation, and Chairman of Alaris Royalty Corp. and Ithaca Energy Inc., all Toronto Stock Exchange (“**TSX**”) listed companies. Mr. Lee is also the Chairman of the board of directors of CanEra Energy Inc. and Gryphon Petroleum Corp., both private oil and gas companies and he sits on the board of a TerraMer Inc. a private oil and gas service company. Prior thereto he was Vice Chairman of Penn West Energy Trust, Chairman of Canetic Resources Trust and Chairman, President and Chief Executive Officer of Acclaim Energy Trust. Mr. Lee has Bachelors of Arts and a Bachelors of Commerce degree and holds an ICD.D designation from the Institute of Corporate Directors (the “**ICD**”).

*Marc Faber*

Dr. Faber is the Managing Director of Marc Faber Ltd., an investment advisory and fund management firm. He also acts as a director of Ivanplats Limited, an African continent focused mining company, as a director of NovaGold Resources Inc., a mineral exploration and development company and as a director and advisor to a number of private investment funds. Dr. Faber publishes a widely read monthly investment newsletter entitled “The Gloom, Boom & Doom Report” and is the author of several books including “Tomorrow’s Gold – Asia’s Age of Discovery”. He is a regular contributor to several leading financial publications around the world, including Barron’s. Dr. Faber has nearly 40 years of experience in the finance industry, including acting as manager of an investment bank in the U.S. where he routinely performed financial analyses on a range of companies. Dr. Faber received his PhD in Economics magna cum laude from the University of Zurich. He is a member of the ICD.

*Peter Grosskopf*

Mr. Grosskopf assumed the role of CEO in September 2010. Mr. Grosskopf has nearly 25 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 the Corporation, he also serves as Chief Executive Officer of Sprott Resource Lending Corp. and President of Sprott Consulting LP (“**Sprott Consulting**”). Prior to joining the Corporation, he was President of Cormark since 2004. Prior to joining Cormark, 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 T. Roddy*

Mr. Roddy has held a number of senior positions and directorships with companies in various industries. He served as President and Chief Executive Officer and director of Ontario Bus Industries Inc. in 1994 and from 1989 to 1993 was President and Chief Operating Officer and director of Slater Industries Inc. From 1985 to 1989 he held various positions with Campeau Corporation, including President, Chief Financial Officer and Chief Operating Officer and director, and served in the roles of Chief Financial Officer, Executive Vice President and Chief Operating Officer and director of Peoples Jewellers Limited between 1967 and 1984. Mr. Roddy has also held directorships with numerous public and not-for-profit corporations. He received his Chartered Accountant designation in 1967 and is a member of the ICD.

*Arthur Richards Rule IV*

Mr. Rule has over 35 years of experience in natural resource investing. He founded Sprott Global Resource Investments Ltd. (“**Global**”), a full services U.S. brokerage firm that specializes in natural resources companies, in 1993, Resource Capital Investments Corp. (“**RCIC**”), the manager of pooled

investment vehicles that invest in natural resource companies, in 1998, and Terra Resource Investment Management (now Sprott Asset Management USA Inc. (“SAM USA”)), a registered investment advisor that provides segregated managed accounts, in 2006. At Global, Mr. Rule leads a team that features professionals trained in resource related disciplines, such as geology and engineering, who work together to evaluate investment opportunities. Mr. Rule is the lead portfolio manager for the RCIC limited partnerships and also advises some of the SAM USA investment platforms. He is a leading American retail broker specializing in mining, energy, water utilities, forest products and agriculture.

*Paul H. Stephens*

Mr. Stephens is the Chairman and Partner of Stephens Investment Management LLC, a San Francisco based hedge fund and venture capital firm. He has been a leading figure in west coast asset management and investment banking for over forty years. Paul was the co-founder and Chief Investment Officer of RS Investments, a mutual fund firm from 1998 to 2005. Prior to RS Investments, he was the co-founder and Chief Investment Officer of Robertson Stephens & Company and Robertson Stephens Investment Management from 1978 to 1998. Robertson Stephens, a boutique investment bank, financed hundreds of Silicon Valley growth companies and was acquired by Bank of America in 1997. Paul is a past Chairman of the Haas Business School Advisory Board at the University of California at Berkeley (“U.C. Berkeley”). As an Adjunct Professor of Finance at Haas in the 1990’s, Paul taught a thirty hour class for ten years entitled “Investment Styles and Strategies” to MBA students. He is also a former board member of Duke University’s Endowment (DUMAC) from 1994 to 1999, as well as a director of the U.C. Berkeley Endowment. In 2002, Paul was named a Berkeley Fellow. Paul holds both BS (1967) and MBA (1969) degrees in Finance from the Haas School of Business.

**Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of the Corporation, no proposed director is, or within the ten years prior to the date hereof has been, a director, Chief Executive Officer or Chief Financial Officer of any company that was the subject of a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than thirty consecutive days issued while that person was acting in such capacity or issued thereafter but resulted from an event that occurred while that person was acting in such capacity.

To the knowledge of the Corporation, no proposed director is now, or within the ten years prior to the date hereof, has been, a director or executive officer of any company while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Jack C. Lee who was a director of an Alberta-based private company that has sought protection under the Companies’ Creditors Arrangement Act.

**Penalties or Sanctions and Personal Bankruptcies**

To the knowledge of the Corporation, no proposed director has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

To the knowledge of the Corporation, no proposed director has, during the ten years prior to the date hereof, been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has

been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

### 3. Appointment of Auditors

Management proposes the re-appointment of Ernst & Young LLP, 222 Bay Street, Toronto, Ontario, M5K 1J7, as auditors of the Corporation and to authorize the directors to fix the auditors' remuneration and terms of engagement. **In the absence of a contrary specification made in the form of proxy, the persons named in the enclosed form of proxy intend to vote for the appointment of Ernst & Young LLP as auditors of the Corporation and to authorize the Board to fix their remuneration and terms of engagement.** Ernst & Young LLP was first appointed as auditors of the Corporation on February 13, 2008.

## CORPORATE GOVERNANCE

### Board of Directors

The Board is currently comprised of seven directors, four of whom are independent directors. The following are the Corporation's independent directors: Messrs. Lee, Roddy, Faber and Stephens. The following are not independent: Mr. Sprott (who is the Chairman of the Board and Chief Investment Officer of the Corporation and Chief Executive Officer and Senior Portfolio Manager of SAM; Mr. Grosskopf (who is CEO); and Mr. Rule (who is President and Chief Executive Officer of Sprott US, a wholly-owned subsidiary of the Corporation).

As noted above, the Chairman of the Board is Eric S. Sprott, who also serves as Chief Investment Officer of the Corporation and as Chief Executive Officer and Senior Portfolio Manager of SAM, and is, therefore, not considered to be independent of management. The Board has appointed Mr. Jack C. Lee as lead director. Mr. Lee is an independent director who has served on the Board since March 10, 2008. The Chairman of the Board, together with the lead director, is responsible for overseeing the performance by the Board of its duties, for communicating periodically with committee chairs regarding the activities of their respective committees and for ensuring the Board functions in a cohesive manner and providing the leadership essential to achieve this.

The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Since the beginning of the Corporation's most recently completed fiscal year, five such meetings have been held.

The Board discharges its responsibility for overseeing the management of the Corporation's business by delegating to the Corporation's senior officers the responsibility for day-to-day management of the Corporation. The Board discharges its responsibilities both directly and through its committees, the Audit Committee, the Corporate Governance and Nominating Committee and the Compensation Committee, all of which were established on April 3, 2008. In addition to these regular committees, the Board may appoint *ad hoc* committees periodically to address certain issues of a more short-term nature. Certain of the directors are also directors of other reporting issuers as set forth below:

Name	Reporting Issuer
Jack C. Lee	Alaris Royalty Corp. Ithaca Energy Inc.
Marc Faber	NovaGold Resources Inc. Ivanplats Limited

Name	Reporting Issuer
Peter Grosskopf	Sprott Resource Lending Corp. Virginia Energy Resources Inc. Sprott Resource Corp. (“SRC”)

### **Board Mandate**

The Board has adopted a written mandate that acknowledges its responsibility for the stewardship of the business and affairs of the Corporation. The Board reviews and assesses the adequacy of the Board mandate at least annually or otherwise, as it deems appropriate, and makes any necessary changes. A copy of this mandate is attached to this Circular as Schedule A.

### **Position Descriptions**

The Board is responsible for: (a) developing position descriptions for the Chairman of the Board, the chair of each Board committee and, together with the CEO, the CEO (which includes delineating management’s responsibilities); (b) developing and approving the corporate goals and objectives that the CEO is responsible for meeting; and (c) developing a description of the expectations and responsibilities of the Corporation’s directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials. Written descriptions for the positions of Chairman and the chair of each Board committee are set forth in the respective mandates for the Board and each committee. A written description of expectations and responsibilities is circulated on an annual basis to each member of the Board who is required to sign an acknowledgment that he has read and understands the contents of such description.

### **Orientation and Continuing Education**

The Board is responsible for ensuring that all new directors fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Corporation expects from its directors) and that they understand the nature and operation of the Corporation’s business. Each member of the Board is provided with copies all of the mandates of the Board (and its committees) as well as all governance-related policies of the Corporation. In order to provide members of the Board with a more comprehensive understanding of the operations of the group, each senior portfolio manager and other senior executives are provided with an opportunity to present to the Board at a regularly scheduled meeting. Board members are also encouraged to contact the CEO, the Chief Financial Officer or the Chief Compliance Officer of the Corporation should they have any specific questions or concerns.

The Board does not have a formal continuing education program for its directors. All directors are encouraged to attend, enroll or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each current member of the Board is an experienced director who is aware of his responsibility to maintain the skill and knowledge necessary to meet his obligations as a director. Directors have the resources to engage outside consultants to review matters on which they feel they require independent advice.

### **Ethical Business Conduct**

The Board has approved policies and procedures (collectively, the “**Policies**”) designed to ensure that the Corporation operates with the highest ethical and moral standards “best practices”. The Policies include a whistleblower policy, to ensure that the Corporation, its subsidiaries, directors, officers and employees

comply with all applicable legal and regulatory requirements relating to corporate reporting and disclosure, accounting and auditing controls and procedures, securities compliance and other matters pertaining to fraud against the Corporation and its shareholders, and an insider trading policy, to ensure that the Corporation, its subsidiaries, directors, officers and employees comply with, or do not violate, insider trading obligations or restrictions under applicable securities laws. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct. SAM and Sprott Private Wealth LP (“SPW”) also have written policies and procedures that establish strict rules for professional conduct and management of conflicts of interest.

### **Nomination of Directors**

In connection with the nomination or appointment of individuals as directors, the Board is responsible for: (a) considering what competencies and skills the Board, as a whole, should possess; (b) assessing what competencies and skills each existing director possesses; and (c) considering the appropriate size of the Board, with a view to facilitating effective decision making. The Board will consider the recommendation of the Corporate Governance and Nominating Committee. See “Corporate Governance and Nominating Committee” below for further details regarding such committee, including its members and responsibilities.

### **Board Evaluation**

The Board is responsible for ensuring that the Board, its committees and each individual director are regularly assessed regarding his, her or its effectiveness and contribution. These assessments consider, in the case of the Board or a committee thereof, its mandate or charter and in the case of an individual director, any applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board.

### **Audit Committee**

The Board has established an Audit Committee comprised of Messrs. Roddy (Chair), Lee and Faber. All members of the Audit Committee are independent and non-executive directors of the Corporation. All members of the Audit Committee meet the independence and financial literacy requirements of National Instrument 52-110 – *Audit Committees* (“NI 52-110”). See “Particulars of Matters to be Acted Upon – Election of Directors” for a biographical description of each member of the Audit Committee. For further information regarding the Audit Committee, see the Corporation’s Annual Information Form for the financial year ended December 31, 2012 (the “AIF”) which is incorporated by reference into, and forms an integral part of, this Circular. The AIF is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Corporation will, upon request at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, Canada, M5J 2J1, Attention: Chief Financial Officer, promptly provide a copy of the AIF free of charge to any securityholder of the Corporation.

### **Corporate Governance and Nominating Committee**

The Board has established a Corporate Governance and Nominating Committee comprised of Messrs. Roddy (Chair) and Lee, and until his resignation in February 2012, Mark McCain. The overall purpose of the Corporate Governance and Nominating Committee is to assist the Board in maintaining high standards of corporate governance by developing, recommending and monitoring effective guidelines and procedures applicable to the Corporation, and by establishing the process for identifying, recruiting,

appointing and/or providing ongoing development for directors and senior management of the Corporation. Responsibilities include reviewing the mandate of the Board and its committees; periodically reviewing and evaluating the performance of all directors, committees and the Board as a whole; recommending new candidates for Board memberships, making recommendations to the Board and ensuring that appropriate orientation and education programs are available for new Board members; and reviewing annually the membership and chairs of all committees of the Board. All members of the Corporate Governance and Nominating Committee meet the independence requirements of the applicable regulatory authorities.

### Compensation Committee

The Board has established a Compensation Committee comprised of Messrs. Lee (Chair) and Roddy, and until his resignation in February 2012, Mark McCain. The overall purpose of the Compensation Committee is to assist the Board in relation to compensation by developing, monitoring and assessing the Corporation's approach to the compensation of its directors, senior management and employees. This includes: the review and recommendation to the Board, for approval, of the remuneration of the CEO and the Corporation's senior executive officers, determination (or delegation of the authority to determine) and recommendation to the Board for approval of awards to Corporation employees of stock options under the Corporation's incentive stock option plan (the "**Option Plan**") as well as awards under the Corporation's 2011 Employee Profit Sharing Plan ("**EPSP**") and 2011 Equity Incentive Plan ("**EIP**"), respectively. All members of the Compensation Committee are independent within the meaning of Section 1.4 of NI 52-110. See also "Executive Compensation – Compensation Discussion and Analysis – Compensation Process".

### DIRECTOR ATTENDANCE AND COMPENSATION

Since January 1, 2012, the Board has held 10 Board meetings at which all directors were present in person or by telephone and, in accordance with the Board mandate, for a portion of each such meeting, non-independent directors and management were not in attendance.

Directors	Board Meetings (Attended/Held)	Audit Committee Meetings (Attended/Held)	Compensation Committee Meetings (Attended/Held)	Corporate Governance and Nominating Committee Meetings (Attended/Held)
Marc Faber	10/10	5/5	N/A	N/A
Peter Grosskopf	10/10	N/A	N/A	N/A
Jack C. Lee	10/10	5/5	7/7	3/3
James T. Roddy	10/10	5/5	7/7	3/3
Arthur Richards Rule IV	10/10	N/A	N/A	N/A
Eric S. Sprott	10/10	N/A	N/A	N/A
Paul H. Stephens <sup>(1)</sup>	6/7	N/A	N/A	N/A

Note:

(1) Mr. Stephens became a director of the Corporation on May 23, 2012.

### Director Compensation Table

The following table shows all compensation (before taxes and other statutory withholdings) provided to the non-executive directors for the year ended December 31, 2012.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Pension value (\$)	Total (\$)
Marc Faber	65,000	232,000	–	–	–	–	297,000
Jack C. Lee	110,500	232,000	–	–	–	–	342,500
James T. Roddy	100,500	232,000	–	–	–	–	332,500
Paul H. Stephens <sup>(1)</sup>	29,500	348,000	–	–	–	–	377,500

Note:

(1) Mr. Stephens became a director of the Corporation on May 23, 2012.

Each independent member of the Board is paid such remuneration for their services as the Board may, from time to time, determine. Until otherwise determined, such compensation is \$50,000 per year for each independent director plus \$1,500 per attended meeting of the Board and committees of the Board. The Corporation also reimburses all members of the Board for out-of-pocket expenses for attending such meetings. In addition, the Chair of the Audit Committee is entitled to an annual retainer fee of \$20,000 and the Chair of each of the Compensation Committee and the Corporate Governance and Nominating Committee is entitled to an annual retainer fee of \$5,000. The lead director of the Corporation is entitled to an annual retainer fee of \$30,000.

### Deferred Share Unit Plan

In May 2012, the Corporation established a Deferred Share Unit Plan (“**DSU Plan**”) for the independent directors of the Corporation. The purpose of the DSU Plan is to advance the interests of the Corporation by: (a) providing additional incentives to eligible directors, as determined by the Board, by aligning their interests with those of the Corporation’s shareholders; and (b) promoting the success of the Corporation’s business.

The Board designates the number of Deferred Share Units (“**DSUs**”) granted. The issue price for each DSU is the Market Price of the Common Shares calculated as of the date of the award. “**Market Price**” for the purpose of the DSU Plan means the volume-weighted average price of the Common Shares on the TSX for the five trading days immediately preceding the relevant date. In the event that the Common Shares are not then listed and posted for trading on any exchange, the Market Price in respect thereof is the fair market value of the Common Shares as determined by the reasonable application by the Board of a reasonable valuation method.

Each eligible director shall have the right, but not the obligation, to elect once each calendar year to receive all or 50% of such director’s annual retainer for the immediately succeeding year in the form of DSUs. If an eligible director does not make an election for all or part of a year, all of such director’s annual retainer for the year is paid in cash.

A participant’s account is credited with dividend equivalents in the form of additional DSUs on each dividend payment date in respect of which ordinary course cash dividends are paid on the Common Shares.

All DSUs awarded pursuant to the DSU Plan are settled in cash. Participants are entitled to payment when that eligible director ceases to be an eligible director of the Corporation.

## Outstanding option-based and share-based awards

The following table sets forth information concerning all option-based and share-based awards for each non-executive director outstanding at December 31, 2012, including awards granted before the financial year ended December 31, 2012. No option-based awards were granted to any of the directors during the financial year ended December 31, 2012. In 2012, each non-executive director was granted 50,000 DSUs, except for Mr. Stephens, who was granted 75,000 DSUs.

Name	Option-Based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#) <sup>(2)</sup>	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid or distributed (\$)
Marc Faber	50,000	4.85	January 15, 2020	–	50,000	198,000	–
Jack C. Lee	50,000 50,000	10.00 6.60	May 6, 2018 November 19, 2020	–	50,000	198,000	–
James T. Roddy	50,000 50,000	10.00 6.60	May 6, 2018 November 19, 2020	–	50,000	198,000	–
Paul H. Stephens <sup>(1)</sup>	–	–	–	–	75,000	297,000	–

Notes:

- (1) Mr. Stephens became a director of the Corporation on May 23, 2012.
- (2) Based on the December 31, 2012 TSX closing price of \$3.96 per Common Share.

## Incentive plan awards - value vested or earned during the year

Name	Option-based awards - Value vested during the year (\$) <sup>(2)</sup>	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Marc Faber	–	–	–
Jack C. Lee	–	–	–
James T. Roddy	–	–	–
Paul H. Stephens <sup>(1)</sup>	–	–	–

Notes:

- (1) Mr. Stephens became a director of the Corporation on May 23, 2012.
- (2) Based on the December 31, 2012 TSX closing price of \$3.96 per Common Share.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Objectives of the Corporation's Compensation Programs*

Our compensation programs are designed to attract, retain and motivate the best professionals in the marketplace. As the Corporation has grown, we have developed a core team of professionals who provide services to some or all of the operating entities within the Sprott group of companies. These “shared services” employees are rewarded by reference to the overall success of the Corporation, with a focus on their individual contributions and the external competitive environment.

SAM's strategy has been to selectively hire “best in class” portfolio managers and analysts supported by sales, trading, operations, finance and compliance personnel. We seek to align the interests of our key personnel with those of the investors in the investment funds and discretionary managed accounts that we manage and, in turn, shareholders of the Corporation.

We have experienced significant growth in Sprott Consulting as a result of both the growth of the number of companies that Sprott Consulting manages in terms of the relevant management services agreements and the growth of each of these managed companies. Sprott Consulting hires personnel responsive to its needs to effectively provide the required services to the various managed companies.

SPW's business continues to evolve and we continue to seek the right balance of skills and experience to service our private clients at the level that they expect of us.

At Global, an indirect wholly-owned subsidiary of the Corporation, brokers are compensated primarily via a percentage of the commissions generated from the sale and purchase of securities on behalf of their clients. They may earn additional variable compensation based on overall corporate results.

At SAM USA and RCIC, indirect wholly-owned subsidiaries of the Corporation, compensation for senior investment employees is largely related to the earnings generated by the funds that they manage, thereby closely aligning investment management's interests with those of their investors.

We aim to pay competitive salaries but emphasize variable compensation as a means to align executive compensation with the financial performance of the Corporation and its operating subsidiaries. In 2011, we also added a deferred compensation element through the introduction of the EPSP (currently, for Canadian employees other than Mr. Sprott) and the EIP (for U.S. employees) to further align the interests of our employees with those of our shareholders.

#### *Our Compensation Program*

The key elements of the compensation arrangements of our executive officers, investment professionals and other key employees are set out below.

#### Base Salary and Benefits

The Corporation's compensation structure has historically followed the tradition of a relatively modest base salary and greater participation in the profits of the Corporation as a whole through cash bonuses. There have been a few exceptions to that model for our executives and investment professionals, whereby for certain key hires, in order to attract them to the Corporation, compensation levels are guaranteed for a specified period (usually two years). Those compensation structures are reviewed at the end of the

specified periods. As we have matured as a diversified investment management organization, and as we have grown, we compete for a broader range of talent across the investment management industry. As a result, we have reviewed our approach to ensure that our compensation practices provide a competitive base salary for all employees, including Named Executive Officers (“NEOs”).

We also provide all employees with a benefits program that includes medical, dental, life insurance and other benefits. We believe that providing this type of program is a necessary part of our overall compensation structure to attract and retain employees in the competitive environment for professional talent. We do not provide any other perquisites to our NEOs, nor do we have any pension or other post-retirement plans.

#### Cash Bonus and Other Variable Compensation

In connection with our initial public offering (the “**IPO**”) in 2008, we implemented a bonus compensation program (the “**Employee Bonus Pool**”) providing that an aggregate amount equal to 25% of our Net Operating Income (as defined below) would be allocated to the Employee Bonus Pool, with a further amount of up to 25% of performance fees earned to be allocated to the Employee Bonus Pool.

Over the past five years, our organization has grown and evolved. We have added new revenue streams such as commission revenue in SPW and Global. In addition, the bonus compensation program that was, and continues to be largely appropriate for SAM’s investment management activities, is not as appropriate or responsive to the new activities of SPW nor is it appropriate or competitive for the rapidly expanding Sprott Consulting business. In order to remain competitive in attracting, retaining and motivating the professionals in these organizations, we need to structure our variable compensation payments differently. We have also determined, based on our knowledge of the financial services industry in Canada and the U.S., that in order to better motivate sales-focused employees, a larger proportion of their variable compensation should be directly tied to gross or net sales than has historically been the case. As a result, in 2012, we introduced new sales compensation programs at both SAM and SPW. While these programs may result in higher total compensation for sales employees, higher compensation would only be the result of significant additional sales of products managed by SAM or SPW, as appropriate.

“**Net Operating Income**” means all revenues excluding investment income (such as interest income and realized and unrealized gains and losses on corporate investments) less all expenses (including other variable compensation payments) excluding income taxes, non cash stock-based compensation, amortization of intangible assets, impairment charges against intangible assets and any extraordinary expenses. For accrual purposes during the year, 25% of Net Operating Income will continue to be allocated to the Employee Bonus Pool subject to an adjustment, if any, relating to the EPSP and EIP. For greater clarity, the value of EPSP and EIP grants in a year will form part of the Employee Bonus Pool. However, as described above, each business unit will need to determine the variable compensation approach that is most appropriate for that business. As a result, actual variable compensation for the year may be more or less than 25% of Net Operating Income and any required adjustments will be made when year-end bonuses are determined.

Senior management advises the Chair of the Compensation Committee of the aggregate amount of the accrued Employee Bonus Pool on a quarterly basis.

Individual bonus payments are paid at management’s discretion and are based on an overall assessment by senior management of the individual’s performance and absolute and/or relative contribution. While no specific criteria or metrics are set, with respect to portfolio managers, specific consideration is given to the performance fees generated by the fund or strategies with which the portfolio manager is involved. The 2012 aggregate bonus amount available to employees was less than the 2011 aggregate bonus amount

available as a result of lower net income, largely due to lower management fees earned for 2012. Therefore, most eligible employees, including some NEOs, received smaller bonuses for 2012 than for 2011. In all cases, each employee is considered separately, taking into account personal performance, relative ranking among peers (both internally and with reference to external information, where available and appropriate) and salary base. The CEO, in consultation with the Chairman of the Board, recommended the compensation levels for all senior management, including the NEOs, and these proposals were submitted for review by and discussion with the Compensation Committee and based on the Compensation Committee's recommendation, ultimately approved by the Board.

### Equity Incentives

From the inception of SAMI, we have always believed in a philosophy of employee participation and ownership. As part of the compensation program at SAMI, employees were entitled to participate in a share purchase program. The number of shares to which an employee was entitled to purchase from time to time was determined by Mr. Sprott. At the time of the IPO, virtually all SAMI employees owned SAMI shares which were converted into Common Shares on the IPO. After the IPO, a number of the senior executives and investment professionals, including Mr. Sprott, re-invested a portion of their after-tax proceeds from the IPO into various Sprott funds thus further aligning their interests with those of our fund investors. While we do not impose any mandatory levels of share ownership, the majority of our employees who received Common Shares in exchange for their SAMI shares have chosen to continue to be shareholders of the Corporation.

The Corporation has established the Option Plan, which is intended to aid in attracting, retaining and motivating our officers, employees and directors. Grants of options pursuant to the Option Plan are approved by the Board upon the recommendation of the Compensation Committee. See "Securities Authorized for Issuance under Equity Compensation Plans – Option Plan". The Corporation has also established the DSU Plan for the non-executive directors of the Corporation. See "Director Attendance and Compensation".

We intend to continue to structure our compensation programs to attract, retain and motivate executives and investment professionals of the highest level of quality and effectiveness. We are focused on rewarding the types of performance that increase long-term shareholder value, including growing our assets under management, retaining investors in the Sprott funds, developing new investor relationships, improving operational efficiency and managing risks. In order to improve our ability to retain talent and to further align the interest of employees and those of our shareholders, as noted above, in 2011, we introduced the EPSP and EIP whereby a portion of the bonus allocated to certain employees are paid by way of Common Shares. The Common Shares are either issued from treasury or purchased in the open market and are available to the relevant employees over a specified vesting period. The portion of any individual award that is delivered in Common Shares may increase the size of the award as compared with a cash only bonus award. However, the total cost of bonus awards whether in cash or in shares, in aggregate, generally does not exceed 30% of Net Operating Income plus performance fees for any given year. An exception is where SRC generated significant performance fees. The Compensation Committee approved a substantially higher share of performance fees for Sprott Consulting employees relating to the management of SRC for years commencing after 2012.

### *Comparator Group*

The competition to attract and retain high performing executives and professionals in the financial services industry is intense and, consequently, the amount of total compensation paid to our executives must be considered in light of competitive compensation levels. When hiring new employees, compensation packages are structured so as to attract and retain such personnel. Compensation is tailored

to the particular circumstances and is not referenced to any external or “benchmark” data. There are no directly comparable publicly listed companies in Canada. We do not place any particular emphasis on comparator group information. More importantly, a large part of our overall compensation program relates directly to the size of the Employee Bonus Pool discussed above. Thus, total compensation can vary significantly from year-to-year based on overall profitability and, for certain individuals the profitability of the business unit that they primarily support, rather than by any reference to comparator organizations.

### *Compensation Process*

Our Compensation Committee periodically reviews and approves our compensation policies and practices.

The Compensation Committee recognizes that certain elements of compensation could promote unintended inappropriate risk-taking behaviors, but the Corporation seeks to ensure that the Corporation’s executive compensation package is comprised of a mix of cash and equity compensation, balancing short-term incentives (e.g. cash bonuses) and long-term incentives (e.g. options and grants and awards under the EPSP and EIP with vesting periods typically over three years). Base salaries and personal benefits are sufficiently competitive and not subject to performance risk. As stated above, the total cost of bonus awards, whether in cash or shares, generally does not exceed 30% of Net Operating Income plus performance fees for any given year. Subject to limited exceptions, to receive short-term or long-term incentives, the executive officer must be employed by the Corporation at the time of payout. Therefore, through different time horizons and metrics reflected in the compensation elements, the Corporation attempts to better align executive performance with the interests of the Corporation and its shareholders.

The Compensation Committee believes that the executive compensation risk management is reinforced by ongoing Board oversight of, among other things, the Corporation’s financial results, regulatory disclosure, strategic plans, fraud and error reporting, the Audit Committee’s regular meetings with the external auditors (including without the presence of management), the Corporation’s internal control, management information systems and financial control systems. In addition, the Corporation reviews significant risks associated with its operations, the most significant of which are disclosed in the Corporation’s annual management’s discussion and analysis for each fiscal year. The Corporation does not believe that its compensation policies and practices are reasonably likely to have a material adverse effect on the Corporation.

In 2011, the Corporation engaged McLagan Partners, Inc. (“**McLagan**”), a U.S.-based pay consulting firm for the U.S. and Canadian financial services industry, to assist the Corporation in understanding competitive market pay practices for various functions (e.g. investment professionals, sales professionals, etc.) within the financial services industry (e.g. hedge funds, asset managers, private equity firms, etc.). McLagan was not retained to assist in determining compensation for any of the Corporation’s directors or executive officers. The results of that engagement provided support for certain pay practices that we have utilized beginning in 2012, such as more extensive use of “direct drive” compensation for sales professionals at SAM and SPW.

In 2012, McLagan was also consulted with respect to pay practices amongst private equity funds. Based on the information received as well as data gathered from other informed sources, we determined that the portion of performance fees received by Sprott Consulting from its management of SRC should be higher than the current 25% share. For years after 2012, Sprott Consulting employees may be allocated, in aggregate, between 50% and 65% of the performance fees received by Sprott Consulting from its management of SRC.

In making compensation recommendations for our other senior executive officers and investment professionals, in addition to the objective criteria referenced herein, the Compensation Committee relies on the CEO and the Executive Committee to make recommendations based on their judgment of the performance and contribution of the relevant individual. The Compensation Committee reviews and discusses such recommendations with the CEO and the Executive Committee and, if determined to be appropriate, recommends approval by the Board. The Compensation Committee performs an annual reassessment of the programs each year in connection with year-end compensation decisions. See “Corporate Governance – Compensation Committee”.

### **Options and Other Share-based Awards**

Options and other share-based awards are issued pursuant to the Option Plan, the EPSP and the EIP. The Option Plan is intended to aid in attracting, retaining and motivating our key officers, employees and directors. The Board, through the recommendation of the Compensation Committee, administers the Option Plan and determines, among other things, optionees, vesting periods, exercise price and other attributes of the options, in each case pursuant to the Option Plan, applicable securities legislation and the rules of the TSX. The Chair of the Compensation Committee also has the authority to award routine option grants in reasonable amounts to new employees, such grants not to exceed an aggregate of 2% of the number of options available under the Option Plan from time to time and subject to confirmation by the Board. Previous grants of options are not taken into account when considering new grants of options. See “Securities Authorized for Issuance under Equity Compensation Plans – Option Plan”.

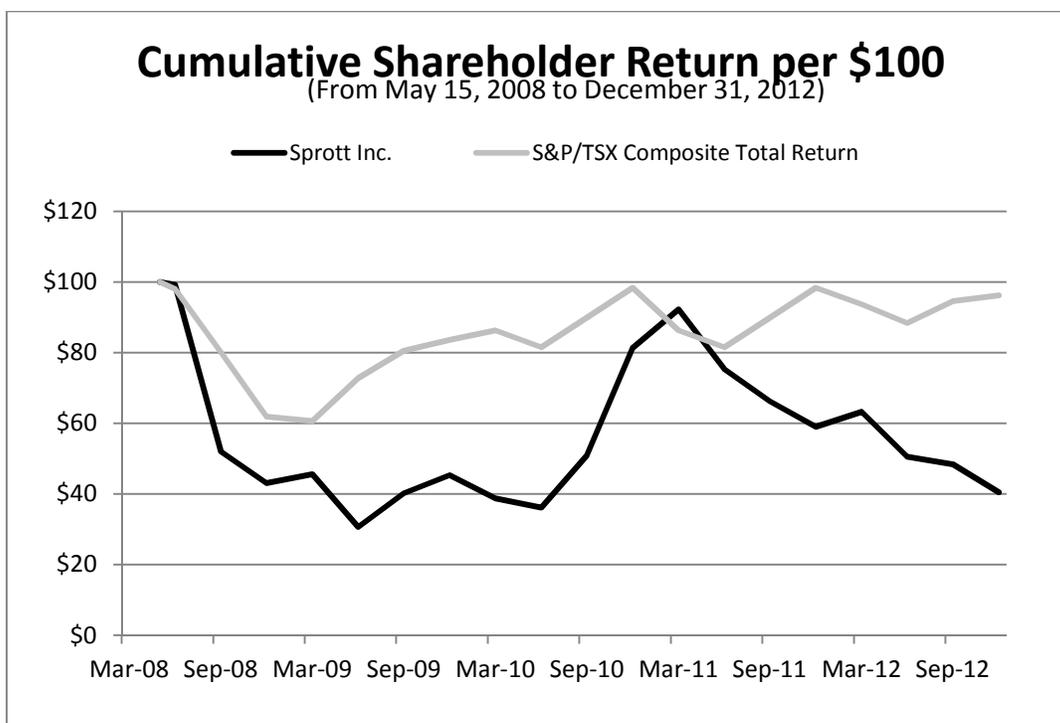
No option-based awards have been granted to any of the NEOs since the IPO in 2008.

### **Hedging**

The Corporation has not instituted any policies related to the purchase by directors or NEOs of financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by any director or NEO.

### **Performance Graph**

The following graph compares the cumulative shareholder return per \$100 invested in Common Shares to the cumulative total return of the S&P/ TSX Composite Index from the time of the IPO on May 15, 2008 to December 31, 2012. The calculations include reinvested dividends and exclude brokerage fees and taxes.



There are many factors that may influence the Corporation's stock price, such as future income expectations, views on specific sectors and personnel changes, all of which are not directly related to historical financial performance. Compensation for our NEOs is largely dictated by the size of the Employee Bonus Pool and the relative allocations therefrom. There will be some relationship between corporate performance and the size of the Employee Bonus Pool but not necessarily between compensation and shareholder returns over any given period of time.

#### Summary Compensation Table

The following table provides a summary of compensation information for the three most recent financial years for the CEO, Chief Financial Officer and the three other NEOs.

Name and principal position	Year (\$)	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long term incentive plans			
Eric S. Sprott – Chairman and Chief Investment Officer; Chief Executive Officer and Senior Portfolio Manager, SAM	2012	650,000	–	–	3,700,000	–	–	–	4,350,000
	2011	650,000	–	–	7,400,000	–	–	–	8,050,000
	2010	650,000	–	–	25,630,000	–	–	757,800 <sup>(4)</sup>	27,037,800
Peter Grosskopf <sup>(1)</sup> – CEO; Chief Executive Officer of Sprott Resource Lending Corp.	2012	1,000,000	–	–	1,500,000	–	–	–	2,500,000
	2011	1,000,000	–	–	1,500,000	–	–	–	2,500,000
	2010	318,182	16,066,655 <sup>(2)</sup>	–	1,500,000	–	–	–	17,884,837

Name and principal position	Year (\$)	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long term incentive plans			
Kevin Bamrough – President; President and Chief Executive Officer, Sprott Consulting	2012	550,000	–	–	2,450,000	–	–	–	3,000,000
	2011	550,000	–	–	2,310,000	–	–	–	2,860,000
	2010	495,833	9,639,993 <sup>(2)</sup>	–	1,950,000	–	–	–	12,085,826
Arthur Richards Rule IV <sup>(5)</sup> – President and Chief Executive Officer, Sprott US	2012	356,220	–	–	1,425,828	–	–	1,197,524 <sup>(4)</sup>	2,979,572
	2011	325,974	–	–	1,592,455	–	–	791,554 <sup>(4)</sup>	2,709,983
Steven Rostowsky – Chief Financial Officer; Chief Financial Officer, SAM	2012	350,000	50,000 <sup>(3)</sup>	–	280,000	–	–	–	680,000
	2011	350,000	150,000 <sup>(3)</sup>	–	235,000	–	–	–	735,000
	2010	412,500	–	–	650,000	–	–	–	1,062,500

Notes:

- (1) Mr. Grosskopf commenced employment with the Corporation on September 7, 2010. His annual salary is \$1,000,000 and he was guaranteed annual bonus payments of at least \$1,500,000 for each of the first two complete fiscal years during which he was employed by the Corporation.
- (2) Mr. Sprott funded a share incentive program from his personal holding company pursuant to which Mr. Grosskopf acquired 5,000,000 Common Shares and Mr. Bamrough acquired 3,000,000 Common Shares. These amounts reflect the maximum benefit conferred to Mr. Grosskopf and Mr. Bamrough as a result of this arrangement and were valued based on the market value of the Common Shares when the share incentive program was developed.
- (3) Mr. Rostowsky was granted \$50,000 and \$150,000 in value of Common Shares under the EPSP in 2012 and 2011, respectively. These Common Shares vest over three years commencing in 2013 and 2012, respectively.
- (4) These amounts are variable compensation payments that are directly related to certain revenues received by a subsidiary of the Corporation.
- (5) Mr. Rule commenced employment with the Corporation on February 4, 2011. Mr. Rule is paid in U.S. dollars. Values expressed above in Canadian dollars are converted from U.S. dollars at the Bank of Canada average exchange rate for the year ended December 31, 2012 of Cdn.\$0.9895 per U.S.\$1.00.

Mr. Sprott is the Chief Executive Officer and a Senior Portfolio Manager of SAM as well as a senior portfolio manager. The bonuses paid to Mr. Sprott are reflective of his contribution to the Corporation's overall success.

Bonus payments to Mr. Grosskopf were made pursuant to his employment agreement.

Mr. Bamrough provides leadership to the Corporation in his capacity as President and he also serves as the Chief Executive Officer of Sprott Consulting. The bonus allocations to Mr. Bamrough are reflective of his leadership and contribution to the Corporation as a whole and the contribution of Sprott Consulting to the profitability of the Corporation.

Mr. Rule is the principal advisor to the Exploration Limited Partnerships (managed by RCIC). He advises certain SAM USA managed accounts and he provided leadership to the entire Global organization, including Global. In addition, he earns commission income in his capacity as a broker at Global.

The bonus allocation to Mr. Rostowsky reflects his contribution to the overall profitability of the Corporation and the competitive environment within the financial services sector.

## Outstanding option-based and share-based awards

The following table sets forth information concerning all option-based and share-based awards for each NEO outstanding at December 31, 2012, including awards granted before the financial year ended December 31, 2012.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Eric S. Sprott	–	–	–	–	–	–	–
Peter Grosskopf	–	–	–	–	–	–	–
Kevin Bambrough	–	–	–	–	–	–	–
Arthur Richards Rule IV	–	–	–	–	–	–	–
Steven Rostowsky	–	–	–	–	–	150,000 <sup>(1)</sup>	50,000 <sup>(1)</sup>

Note:

- (1) Mr. Rostowsky was awarded \$50,000 and \$150,000 in value of Common Shares under the EPSP in 2012 and 2011, respectively, of which \$50,000 in value has vested.

## Incentive plan awards - value vested or earned during the year

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Eric S. Sprott	–	–	3,700,000
Peter Grosskopf	–	–	1,500,000
Kevin Bambrough	–	–	2,450,000
Arthur Richards Rule IV	–	–	1,425,828 <sup>(1)</sup>
Steven Rostowsky	–	50,000	280,000

Note:

- (1) Mr. Rule was paid in U.S. dollars. The values expressed above in Canadian dollars are converted from U.S. dollars at the Bank of Canada average exchange rate for 2012 of Cdn.\$0.9895 per U.S.\$1.00.

## Termination and Change of Control Benefits

### *Eric S. Sprott*

Mr. Sprott has a written employment agreement pursuant to which he is entitled to receive an annual salary as compensation for his services as Chief Executive Officer and Senior Portfolio Manager of SAM. Additionally he is entitled to participate in the Employee Bonus Pool. In the event that Mr. Sprott's

employment is terminated without cause, he would be entitled to receive two years' salary and compensation. Mr. Sprott's employment agreement also provides for, among other things, non-compete and non-solicit covenants in favour of the Corporation during the term of his employment and during the two-year period following the later of (i) the date he ceases to beneficially own, directly or indirectly, greater than 10% of the then outstanding Common Shares, and (ii) the date his employment is terminated. The Corporation is entitled, in addition to damages and any other remedies available under law, to an injunction or other equitable remedy for breach of the foregoing provisions. If Mr. Sprott's employment had been terminated without cause on December 31, 2012, the estimated termination payment would have been approximately \$12,400,000.

*Peter Grosskopf*

Mr. Grosskopf has a written employment agreement pursuant to which he is entitled to receive an annual salary as compensation for his services as CEO as well as Chief Executive Officer of Sprott Resource Lending Corp. Additionally he is entitled to participate in the Employee Bonus Pool. For the first two fiscal years of his employment, his bonus payments were no less than \$1,500,000 per year. He is currently entitled to twelve months of notice or pay in lieu. In the event of a change of control of the Corporation, Mr. Grosskopf may, within six months of such change of control, terminate his employment agreement. Provided that the requisite notice is given, he is entitled to receive an amount equal to twelve months' base salary. If Mr. Grosskopf's employment had been terminated without cause on December 31, 2012, the estimated termination payment would have been approximately \$1,000,000.

*Kevin Bambrough*

Mr. Bambrough has a written employment agreement pursuant to which he is entitled to receive an annual salary as compensation for his services as President of the Corporation and Chief Executive Officer of Sprott Consulting. Additionally he is entitled to participate in the Employee Bonus Pool. In the event that Mr. Bambrough's employment is terminated without cause he will be entitled to receive twelve months of notice or pay in lieu. In the event of a change of control of the Corporation, Mr. Bambrough may, within six months of such change of control, terminate his employment agreement. Provided that the requisite notice is given, he will be entitled to receive an amount equal to twelve months' base salary. If Mr. Bambrough's employment had been terminated without cause on December 31, 2012, the estimated termination payment would have been approximately \$550,000.

*Arthur Richards Rule IV*

Mr. Rule has entered into a written employment agreement with Sprott US, a wholly-owned subsidiary of the Corporation, for an initial term of three years (the "**Employment Term**") renewable automatically thereafter for additional one-year terms. Either party may terminate such agreement upon notice provided not more than 180 days nor less than 90 days before the last day of the Employment Term or any extension thereof. Pursuant to such employment agreement Mr. Rule is entitled to receive an annual salary of US\$360,000 as compensation for his services as Chief Executive Officer and President of Sprott US. Additionally, he is entitled to receive a discretionary cash bonus. Mr. Rule is also eligible to receive certain commission payments in accordance with the general practice with respect to commission payments of Global and SAM USA (formerly Terra Resource Investment Management Inc.), each an indirect wholly-owned subsidiary of the Corporation. In the event that Mr. Rule is terminated without cause or he resigns for good reason, he will be entitled to receive (i) salary until the end of the Employment Term, (ii) a bonus payable out of Global's and SAM USA's bonus plan in respect of the calendar year in which Mr. Rule is terminated, pro rated to the portion of such year that Mr. Rule was employed by Sprott US, and (iii) continued payment of his bonus payable under the bonus plan of RCIC, an indirect wholly-owned subsidiary of the Corporation. Subject to certain conditions, in the event of Mr.

Rule's termination without cause or he resigns for good reason, Sprott US will cause RCIC to enter into a contract with Mr. Rule pursuant to which Mr. Rule will continue to manage the then existing RCIC funds as an independent contractor through the end of the term for such RCIC Funds. Mr. Rule's employment agreement also provides for, among other things, non-compete and non-solicit covenants in favour of Sprott US. If Mr. Rules's employment had been terminated without cause on December 31, 2012, the estimated termination payment would have been approximately US\$390,000 with respect to the salary based component of such payment, and his bonus based component would have been determined and pro rated as set forth above.

*Steven Rostowsky*

Mr. Rostowsky has a written employment letter agreement pursuant to which he receives an annual salary and is entitled to participate in the Employee Bonus Pool. In the event Mr. Rostowsky is terminated by the Corporation without cause, he is entitled to receive six months written notice or base salary plus one month of written notice or base salary for each full year of employment with the Corporation, provided that the total notice period or base salary payable shall not exceed 12 months. If Mr. Rostowsky's employment had been terminated without cause on December 31, 2012, the estimated termination payment would have been approximately \$320,833.

#### **Directors' & Officers' Liability Insurance**

The Corporation has purchased directors' & officers' liability insurance coverage ("**D&O Insurance**") for directors and officers of the Corporation. No amount of the premium paid for D&O Insurance for the year ended December 31, 2012 was paid by the directors or officers of the Corporation. The D&O Insurance coverage has an annual aggregate limit of \$25,000,000. There is a \$250,000 deductible for any claim made, but no deductible is assessed against any director or officer. D&O Insurance is designed to protect Board members and officers for their legal liabilities including, but not limited to, securities claims, claims for statutory liabilities and employment claims.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

#### **Equity Compensation Plan Information as at December 31, 2012**

	<b>Number of Securities to be issued upon the exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Plan Category</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
<i>Equity compensation plans approved by security holders</i>	2,650,000	\$9.71	13,084,355 <sup>(1)</sup>
<i>Equity compensation plans not approved by security holders</i>	–	–	–
<b>Total</b>	<b>2,650,000</b>	<b>\$9.71</b>	13,084,355 <sup>(1)</sup>

Note:

- (1) This number excludes securities reflected in column (a) as well as 2,159,259 Common Shares outstanding under the EPSP and 2,801 awards issued under the EIP.

The Corporation has the following three equity based compensation plans: (a) the Option Plan; (b) the EPSP; and (c) the EIP. As of the date hereof, there are 2,650,000 options outstanding under the Option Plan, 2,159,259 Common Shares outstanding under the EPSP and 2,801 awards issued under the EIP, representing 1.5%, 1.2% and 0.0%, respectively, of the issued and outstanding Common Shares.

The aggregate number of Common Shares from treasury that may be granted under the Option Plan, the EPSP and the EIP and all other securities based compensation arrangements shall not exceed 10% of the issued and outstanding Common Shares as at the date of such grant. As a result, if the Corporation issues additional Common Shares in the future, the number of Common Shares issuable under such securities based compensation arrangements will increase accordingly. Furthermore, the number of Common Shares that are (i) issuable from treasury, at any time, and (ii) issued from treasury, within any one year period, to insiders (as defined in the applicable rules of the TSX) of the Corporation under the Option Plan, the EPSP and the EIP and all other security based compensation arrangements, may not exceed 10% of the Corporation's issued and outstanding Common Shares.

### *Option Plan*

The Option Plan is intended to aid in attracting, retaining and motivating our officers, employees, directors and consultants. See "Executive Compensation – Options and Other Share-based Awards".

The exercise price for any option issued under the Option Plan may not be less than the market price of the Common Shares at the time of issue. Options issued under the Option Plan may be exercised during a period determined under the Option Plan, which may not exceed ten years. Unless otherwise determined by the Board, options will vest at a rate of one-third per annum commencing 12 months after the date of grant.

In addition to the restrictions on maximum issuances set forth above for all security based compensation arrangements, the number of Common Shares which may be issued pursuant to options granted pursuant to the Option Plan to any one person may not exceed 5% of the then aggregate issued and outstanding Common Shares.

Options may be transferred to certain permitted assigns which include a spouse, a trustee acting on behalf of the optionholder or spouse, or a holding entity. If the optionholder resigns, is terminated for cause or fails to be re-elected as a director, the options terminate immediately. If the optionholder dies or ceases to be eligible under the Option Plan for any other reason, options that are entitled to be exercised may generally be exercised (subject to certain extensions at the discretion of the Board or a committee thereof) until the earlier of (i) one year or three months, respectively, of the applicable date, or (ii) the expiry date of the option. The Option Plan also provides for the cashless exercise of options which allows for the optionholder to receive, without cash payment (other than taxes), a number of Common Shares based on a specified formula tied to the market price of the Common Shares as at the last trading day immediately prior to the cashless exercise. In the event that the expiry of an option occurs during a blackout period imposed by management or the Board in accordance with the Corporation's insider trading policy, the expiry date of such option shall be deemed to be amended to that date which is ten business days following the end of such blackout period.

The Board may make the following amendments to the Option Plan, without obtaining shareholder approval: (i) amendments to the terms and conditions of the Option Plan necessary to ensure that the Option Plan complies with the applicable regulatory requirements, including the rules of the TSX, in place from time to time; (ii) amendments to the provisions of the Option Plan respecting administration of the Option Plan and eligibility for participation under the Option Plan; (iii) amendments to the provisions of the Option Plan respecting the terms and conditions on which options may be granted pursuant to the

Option Plan, including the provisions relating to the term of the option and the vesting schedule; and (iv) amendments to the Option Plan that are of a “housekeeping” nature.

However, the Board may not, without the approval of the Corporation’s shareholders, make amendments with respect to the following: (i) an increase to the Option Plan maximum or the number of securities issuable under the Option Plan; (ii) amendment provisions granting additional powers to the Board to amend the Option Plan or entitlements without shareholder approval; (iii) reduction in the exercise price of options or other entitlements held by insiders or, if shareholder approval is required by the stock exchange on which Common Shares are listed, any other amendment to the exercise price of options; (iv) extension to the term of options held by insiders; and (v) changes to the insider participation limits which result in shareholder approval to be required on a disinterested basis.

### *EPSP*

#### Membership and Administration

The EPSP was approved by the shareholders of the Corporation on June 2, 2011. Participation is limited to eligible full time non-U.S. resident employees of the Corporation and any affiliated entity which has adopted the EPSP, excluding Eric S. Sprott. The Corporation and such affiliated entities are collectively referred to as the “**Participating Entities**”.

The selection of EPSP members (the “**Members**”) and the specific terms of any benefits granted to a Member, including the number of Common Shares vesting schedule, and timing of distributions (after discharge of debt owing in respect of Common Shares) in cash or Common Shares will be determined by the Compensation Committee or the general partner or other controlling person of a Participating Entity, as applicable, and as set forth in the applicable employment or other contract entitling the Member to benefits under the EPSP (the “**Member’s Contract**”).

While Common Shares from treasury may be granted under the EPSP subject to the restrictions set forth above, Common Shares may also be purchased on the open market, at the discretion of the Corporation, by the trustee(s) under the EPSP (the “**Trustee**”) on behalf of the Members. Management of the Corporation is responsible for administering the EPSP. The Trustee may purchase Common Shares from Eric S. Sprott (who is not entitled to be a Member under the EPSP) at a price equal to the market price for such shares and in compliance with applicable securities laws and the rules of the TSX. The Trustee is an independent trustee appointed by the Board pursuant to a trust agreement entered into by the Corporation and the Trustee, which created the trust in respect of the EPSP (the “**Trust**”). The Trustee reports to the Compensation Committee.

In each fiscal year, or within 120 days thereafter, each Participating Entity realizing profits in such fiscal year shall pay to the Trustee (to be held in trust) for such fiscal year out of profits a contribution in an amount determined by the Board or general partner or other controlling person of the Participating Entity.

Subject to the terms of a Member’s Contract and the *Income Tax Act* (Canada), distributions of cash or in specie, may be made from a Member’s “allocated account” to such Member at any time upon the written direction of the Corporation provided that the Trustee shall distribute only the net amount available for distribution to the Member and only upon the discharge of any debt owing by the Trust in respect of the Common Shares at the time of distribution. Such debt may be discharged by a Participating Entity (including the Corporation) or the Member in accordance with the relevant provisions of the Member’s Contract. Any applicable taxes or interest shall be the sole responsibility of the Members.

### Termination of Employment

No later than three months of the earliest of the (i) termination of employment, including retirement, resignation or dismissal without cause; and (ii) termination of the EPSP, an amount equal to the net value of the assets (after applicable expenses and any unpaid debt owing on any Common Shares in the Member's vested account) that have been allocated to the Member's vested account shall be distributed by the Trustee to the Member, subject to any debt obligations assumed by the Member under the Member's Contract. Within three months of the death of a Member, subject to compliance with applicable laws, the Trustee shall distribute to such Member's beneficiary the net value (after applicable expenses) of the amount in the Member's vested account. Upon the occurrence of the foregoing events, the Board may, in its sole discretion, deem vested and designate to a Member's vested account, such number of Common Shares that would otherwise have vested up to a specified period had death or termination of employment of the Member not occurred.

In the event that a Member's employment with a Participating Entity is terminated for cause, all Common Shares and amounts contained in or allocated to such Member's vested account and such Member's allocated account shall be forfeited and the amounts thereof shall be reallocated to the other Members of the EPSP at the end of the taxation year of the Trust as the Corporation shall direct.

### Amendments or Termination

The Corporation currently intends to continue the EPSP in effect indefinitely but the Corporation reserves the right to amend, modify or discontinue the EPSP, in whole or in part, at any time, provided, however, that any such amendment or modification which may affect the rights, duties and responsibilities of the Trustee shall not become effective until the Corporation has received the written consent of the Trustee.

The Board may make the following amendments to the EPSP, without obtaining shareholder approval: (a) amendments to the terms and conditions of the EPSP necessary to ensure that the EPSP complies with the applicable regulatory requirements, including the rules of the TSX and Canada Revenue Agency, in place from time to time; (b) amendments to the provisions of the EPSP respecting administration of the EPSP and eligibility for participation under the EPSP; (c) amendments to the provisions of the EPSP respecting the terms and conditions on which allocations may be made to a Member's allocated account pursuant to the EPSP, including the provisions relating to the vesting schedule (subject to a minimum three-month vesting period for Common Shares issued from treasury); and (d) amendments to the EPSP that are of a "housekeeping" nature. The Board may not, without the approval of the Corporation's shareholders, make amendments with respect to the following: (a) an increase to the EPSP maximum or the number of securities issuable under the EPSP; (b) amendment provisions granting additional powers to the Corporation or the Board to amend the EPSP; and (c) an increase in entitlements held by insiders of the Corporation, including extension of the termination or expiry dates thereof or changes to insider participation limits.

If the EPSP is terminated, each Participating Entity shall not recover any amounts paid into the Trust fund up to the date of such termination and all of the Trust fund must and shall be used for the sole benefit of the Members and/or their beneficiaries, according to the balance in their Member's account as determined by a special valuation of the Trust fund as of the date of the termination of the EPSP.

## *EIP*

### Participants and Administration

The EIP was approved by the shareholders of the Corporation on June 2, 2011. Eligible participants in the EIP are those directors, officers, employees and consultants of the Corporation and its subsidiaries and affiliates residing in the United States or who are otherwise U.S. taxpayers who are selected for participation by the plan administrator. The EIP specifically excludes Eric S. Sprott as a participant thereunder.

The EIP provides for the award of restricted stock, restricted stock units, related dividend equivalents and unrestricted stock. Shares issued pursuant to the EIP may be authorized but unissued Common Shares or treasury shares or Common Shares obtained on the market by the Corporation.

The EIP is administered by the Compensation Committee. The specific terms of any award granted under the EIP is determined by the plan administrator, subject to the terms of the EIP, including the number of Common Shares, vesting conditions and schedule, timing of distributions, and such other terms and conditions as the administrator may determine, and as may be set forth in the applicable award agreement.

Restricted stock is subject to forfeiture prior to the vesting of the award. A restricted stock unit is notional stock that entitles the grantee to receive a Common Share following the vesting of the restricted stock unit. The Compensation Committee may determine to make grants under the EIP of restricted stock and restricted stock units containing such terms as the Compensation Committee may determine. The Compensation Committee will determine the period over which restricted stock and restricted stock units granted to EIP participants will vest, subject to a minimum vesting period of three months for Common Shares issued from treasury, and the timing of distributions. In connection with restricted stock units, the Compensation Committee, in its discretion, may grant dividend equivalent rights under the EIP, subject to such terms and conditions, including the timing of distribution, as determined by the Compensation Committee. The Compensation Committee may base its determination upon the achievement of specified performance goals. The Compensation Committee, in its discretion, may grant Common Shares free of restrictions under the EIP in respect of past services or other valid consideration. Such Common Shares shall be purchased on the market, and in no event shall treasury shares be issued to make such grants.

### Termination of Employment or Service

Unless otherwise provided in the applicable award agreement, upon a termination of employment or service other than for death or disability, unvested restricted stock and restricted stock units granted under the EIP will be forfeited, provided that the administrator may waive or modify such provisions. Unless otherwise provided in the applicable award agreement, upon a termination of employment or service due to death or disability, unvested restricted stock and restricted stock units granted under the EIP will vest.

### Adjustments; Termination and Amendment

Subject to any required approvals of the stock exchange(s) on which the Common Shares are listed, the plan administrator may, in its discretion, provide for adjustment of the terms and conditions of outstanding awards and awards issuable under the EIP, in recognition of unusual or nonrecurring events (including any stock split, reverse stock split, reorganization, merger, consolidation, split-up, combination, or other similar corporate transaction or event) affecting the Corporation or any of its affiliates. The Board, in its discretion, may terminate, suspend or discontinue the EIP at any time with respect to any award that has not yet been granted. Unless the EIP is terminated earlier, no award may be granted under the EIP following the tenth anniversary of the date of the EIP's adoption by the Board. The

Board also has the right to alter or amend the EIP or any part of the EIP, and the Compensation Committee may modify outstanding awards granted under the EIP, from time to time, in each case subject to shareholder approval in certain circumstances as provided in the EIP. However, other than adjustments to outstanding awards upon the occurrence of certain unusual or nonrecurring events, generally no change in any outstanding grant may be made that would materially impair the rights or materially increase the obligations of the participant without the consent of the participant.

The Board may make the following amendments to the EIP, without obtaining shareholder approval: (a) amendments to the terms and conditions of the EIP necessary to ensure that the EIP complies with the applicable regulatory requirements, including the rules of the TSX, U.S. federal and state securities laws, Canada Revenue Agency, and the Internal Revenue Code of 1986, as amended, in place from time to time; (b) amendments to the provisions of the EIP respecting administration of the EIP and eligibility for participation under the EIP; (c) amendments to the provisions of the EIP respecting the terms and conditions on which awards may be granted pursuant to the EIP, including the provisions relating to the vesting schedule (subject to a minimum three-month vesting period for Common Shares issued from treasury) and (d) amendments to the EIP that are of a “housekeeping” nature. The Board and the plan administrator may not, without the approval of the Corporation’s shareholders, make amendments with respect to the following: (a) an increase to the EIP maximum or the number of securities issuable under the EIP; (b) amendment provisions granting additional powers to the Board or plan administrator to amend the EIP or entitlements thereunder; and (c) an increase in entitlements held by insiders of the Corporation, including extension of the termination or expiry dates thereof or changes to insider participation limits.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Corporation, no proposed director, director, officer or insider of the Corporation, or any associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since January 1, 2012 or in any proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries.

#### **ADDITIONAL INFORMATION**

Financial information about the Corporation is provided in its financial statements for the 12-month period ended December 31, 2012 and related management’s discussion and analysis. You may also obtain a copy of the annual report for fiscal 2012, containing the Corporation’s financial statements and management’s discussion and analysis for fiscal 2012, as well as a copy of the Corporation’s most recent financial statements and the AIF, by contacting the Sprott Investor Relations at (416) 203-2310 or toll-free at 1 (877) 403-2310 or [ir@sprott.com](mailto:ir@sprott.com).

All of these above mentioned documents as well as additional information relating to the Corporation are available by visiting the Corporation’s website at [www.sprottinc.com](http://www.sprottinc.com) or on SEDAR’s website at [www.sedar.com](http://www.sedar.com).

**BOARD APPROVAL**

The contents and the distribution of this Circular have been approved by the Board.

Dated at Toronto, Ontario as of April 4, 2013.

**BY ORDER OF THE BOARD**

(signed) "*Eric S. Sprott*"

Eric S. Sprott  
Chairman of the Board

## SCHEDULE A

### MANDATE OF THE BOARD OF DIRECTORS OF SPROTT INC.

#### Introduction

The term “**Corporation**” herein shall refer to Sprott Inc. and the term “**Board**” shall refer to the board of directors of the Corporation. The Board is elected by the shareholders and is responsible for the stewardship of the business and affairs of the Corporation. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Corporation’s strategic planning and organizational structure and supervising management to ensure that the foregoing enhance and preserve the underlying value of the Corporation.

Although directors may be elected by the shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Corporation must be paramount at all times.

#### Chairman and Composition and Quorum

1. The Board will be comprised of a minimum of one member and a maximum of ten members, the majority of which shall be, in the determination of the Board, “independent” for the purposes of National Instrument 58-101 Disclosure of Corporate Governance Practices. Each Board member shall satisfy the independence and experience requirements, if any, imposed by applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.
2. The chairman of the Board will be elected by vote of a majority of the full Board membership, on the recommendation of the Corporate Governance and Nominating Committee. The chairman of the Board with the assistance of the lead director (who shall be an independent director), if any, will chair Board meetings and shall be responsible for overseeing the performance by the Board of its duties, for setting the agenda of each Board meeting (in consultation with the Chief Executive Officer (the “CEO”)), for communicating periodically with committee chairs regarding the activities of their respective committees, for assessing the effectiveness of the Board as a whole as well as individual Board members and for ensuring the Board works as a cohesive team and providing the leadership essential to achieve this.

#### Meetings

3. Meetings will be scheduled to facilitate the Board carrying out its responsibilities. Additional meetings will be held as deemed necessary by the Chairman of the Board. The time at which and place where the meetings of the Board shall be held and the calling of the meetings and procedure in all things at such meetings shall be determined by the Board in accordance with the Corporation’s articles, by-laws and applicable laws. The independent directors of the Board shall hold regularly scheduled meetings at which non-independent directors and management are not in attendance. Any director of the Corporation may request the Chairman of the Board to call a meeting of the Board.
4. Meetings of the Board shall be validly constituted if a majority of the members of the Board is present in person or by tele- or video- conference. A resolution in writing signed by all the

members of the Board entitled to vote on that resolution at a meeting of the Board is as valid as if it had been passed at a meeting of the Board duly called and held.

### **Board Charter and Performance**

5. The Board shall have a written charter that sets out its mandate and responsibilities and the Board shall review and assess the adequacy of such charter and the effectiveness of the Board at least annually or otherwise, as it deems appropriate, and make any necessary changes. Unless and until replaced or amended, this mandate constitutes that charter. The Board will ensure that this mandate or a summary that has been approved by the Board is disclosed in accordance with all applicable securities laws or regulatory requirements in the Corporation's annual management information circular or such other annual filing as may be permitted or required by applicable securities regulatory authorities.

### **Duties of Directors**

6. The Board discharges its responsibility for overseeing the management of the Corporation's business by delegating to the Corporation's senior officers the responsibility for day-to-day management of the Corporation. The Board discharges its responsibilities both directly and through its committees, the Audit Committee, the Corporate Governance and Nominating Committee and the Compensation Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. In addition to the Board's primary roles of overseeing corporate performance and providing quality, depth and continuity of management to meet the Corporation's strategic objectives, principal duties include the following:

#### *Appointment of Management*

- (i) The Board has the responsibility for approving the appointment of the CEO and all other senior management, monitoring their performance and approving their compensation, following a review of the recommendations of the Compensation Committee. To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation. The Board may provide advice and counsel in the execution of the CEO's duties as appropriate.
- (ii) The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits and material transactions outside the ordinary course of business are reviewed by and subject to the prior approval of the Board.
- (iii) The Board oversees that succession planning programs are in place, including programs to appoint, train, develop and monitor management.

#### *Board Organization*

- (iv) The Board will respond to recommendations received from the Corporate Governance and Nominating Committee and the Compensation Committee, but retains the responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the Chair of the Board, candidates nominated for election to the

Board, committee and committee chair appointments, committee charters and director compensation.

- (v) The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, the conduct of performance evaluations and oversight of internal controls systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

#### *Strategic Planning*

- (vi) The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the business and its objectives and goals and the strategy by which it proposes to reach those goals.
- (vii) The Board is responsible for adopting a strategic planning process and approving and reviewing, on at least an annual basis, the business, financial and strategic plans by which it is proposed that the Corporation may reach those goals, and such strategic plans will take into account, among other things, the opportunities and risks of the business.
- (viii) The Board has the responsibility to provide input to management on emerging trends and issues and on strategic plans, objectives and goals that management develops.

#### *Monitoring of Financial Performance and Other Financial Reporting Matters*

- (ix) The Board is responsible for:
  - a) adopting processes for monitoring the Corporation's progress toward its strategic and operational goals, and to revise and alter its direction to management in light of changing circumstances affecting the Corporation; and
  - b) taking action when the Corporation's performance falls short of its goals or when other special circumstances warrant.
- (x) The Board shall be responsible for approving the audited financial statements, interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements.
- (xi) The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Corporation's governing statute, including the payment of dividends, issuance, purchase and redemptions of securities, acquisitions and dispositions of material capital assets and material capital expenditures.

#### *Risk Management*

- (xii) The Board has responsibility for the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation's shareholders.

- (xiii) The Board is responsible for the Corporation's internal control and management information systems.

#### *Policies and Procedures*

- (xiv) The Board is responsible for:
  - a) developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines for the Corporation and approving and monitoring compliance with all significant policies and procedures related to corporate governance; and
  - b) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards and, in particular, adopting a written code of business conduct and ethics which is applicable to directors, officers and employees of the Corporation and which constitutes written standards that are reasonably designed to promote integrity and to deter wrongdoing.
- (xv) The Board enforces its policy respecting confidential treatment of the Corporation's proprietary information and Board deliberations.
- (xvi) The Board is responsible for adopting and monitoring compliance with the Corporation's Code of Business Conduct and Ethics.

#### *Communications and Reporting*

- (xvii) The Board is responsible for approving and revising from time to time as circumstances warrant a Disclosure Policy to address communications with shareholders, employees, financial analysts, the media and such other outside parties as may be appropriate.
- (xviii) The Board is responsible for:
  - a) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security holders and regulators on a timely, regular and non-selective basis;
  - b) overseeing that the financial results are reported fairly and in accordance with international financial reporting standards and related legal disclosure requirements;
  - c) taking steps to enhance the timely, non-selective disclosure of any other developments that have a significant and material impact on the Corporation;
  - d) reporting annually to shareholders on its stewardship for the preceding year; and
  - e) overseeing the Corporation's implementation of systems which accommodate feedback from stakeholders.

#### *Position Descriptions*

- (xix) The Board is responsible for:

- a) developing position descriptions for the Chair of the Board, the lead director, if applicable, the chair of each Board committee and, together with the CEO, the CEO (which will include delineating management's responsibilities). The CEO shall be expected to, among other things:
  - (i) foster a corporate culture that promotes ethical practices, encourages individual integrity and fulfills social responsibility;
  - (ii) develop and recommend to the Board a long-term strategy and vision for the Corporation that is intended to lead to creation of shareholder value;
  - (iii) develop and recommend to the Board annual plans and budgets that support the Corporation's long-term strategy; and
  - (iv) seek to consistently strive to achieve the Corporation's financial and operating goals and objectives;
- b) developing and approving the corporate goals and objectives that the CEO is responsible for meeting; and
- c) developing a description of the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.

*Orientation and Continuing Education*

- (xx) The Board is responsible for:
  - a) ensuring that all new directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Corporation expects from its directors) and that they understand the nature and operation of the Corporation's business; and
  - b) providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Corporation's business remains current.

*Nomination of Directors*

- (xxi) In connection with the nomination or appointment of individuals as directors, the Board is responsible for:
  - a) considering what competencies and skills the Board, as a whole, should possess;
  - b) assessing what competencies and skills each existing director possesses; and
  - c) considering the appropriate size of the Board, with a view to facilitating effective decision making.

In carrying out each of these responsibilities, the Board will consider the advice and input of the Corporate Governance and Nominating Committee.

- (xxii) Director nominees shall be selected by a majority of the independent directors.

*Board Evaluation*

- (xxiii) The Board is responsible for ensuring that the Board, its committees and each individual director are regularly assessed regarding his, her or its effectiveness and contribution. An assessment will consider, in the case of the Board or a Board committee, its mandate or charter and in the case of an individual director, any applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board.

**Authority to engage outside advisors**

- 7. The Board has the authority to engage outside advisors as it determines necessary to carry out its duties, including, but not limited to identifying and reviewing candidates to serve as directors or officers.
- 8. The Corporation shall provide appropriate funding, as determined by the Board, for payment (a) of compensation to any advisors engaged by the Board, and (b) of ordinary administrative expenses of the Board that are necessary or appropriate in carrying out its duties.