



ANNUAL INFORMATION FORM
For the fiscal year ended December 31, 2014

March 4, 2015

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As used in this annual information form (“**AIF**”), unless the context indicates or requires otherwise, the following terms have the following meanings:

- “**Corporation**” means Sprott Inc. and its subsidiaries.
- “**Investment Products**” means the Corporation’s investment funds (the “**Funds**”), discretionary managed accounts (the “**Managed Accounts**”), fixed term limited partnerships (the “**Limited Partnerships**”) and Managed Companies (as defined below).
- “**Management Companies**” means, collectively, Sprott Toscana (as defined below), Sprott Consulting LP and Sprott Korea (as defined below).
- “**Managed Companies**” means, collectively, Sprott Resource Corp. and Toscana Energy Income Corporation.
- “**SAM**” means Sprott Asset Management LP, a wholly owned subsidiary of the Corporation, registered as a portfolio manager, an investment fund manager and an exempt market dealer.
- “**SAMI**” means Sprott Asset Management Inc., the former principal operating subsidiary of the Corporation, which was reorganized into SAM, SPW and SCLP on June 1, 2009. See also “*General Development of the Business*”.
- “**SCLP**” or “**Sprott Consulting**” means Sprott Consulting LP (and its subsidiaries), a wholly owned subsidiary of the Corporation which provides active management, consulting and administrative services to other companies.
- “**SPW**” or “**Sprott Private Wealth**” means Sprott Private Wealth LP, a wholly owned subsidiary of the Corporation, registered as an investment dealer and a member of the Investment Industry Regulatory Organization of Canada (“**IIROC**”).
- “**SRL**” or “**Sprott Resource Lending**” means Sprott Resource Lending Corp. (and its subsidiaries), a wholly owned subsidiary of the Corporation which provides bridge and mezzanine financing to companies in the resource sector.
- “**Sprott Korea**” means Sprott Korea Corporation (and its subsidiary), a wholly owned subsidiary of the Corporation, which co-manages a 10-year private equity fund for South Korea’s National Pension Service.
- “**Sprott Toscana**” means, collectively, Toscana Capital Corporation (“**TCC**”) and Toscana Energy Corporation (“**TEC**”), both wholly-owned subsidiaries of the Corporation which provide active management, consulting, administrative services and technical advisor services to other companies.
- “**Sprott U.S.**” means Sprott U.S. Holdings Inc. (and its subsidiaries), a wholly-owned subsidiary of the Corporation through which the Corporation holds Rule Investment, Inc., Resource Capital Investment Corp. (“**RCIC**”), Sprott Global Resource Investments, Ltd. (“**GRIL**”) and Sprott Asset Management USA Inc. (formerly, Terra Resource Investment Management) (“**SAM USA**” and together with RCIC and GRIL, the “**Global Companies**”).

In this AIF, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars. References to “\$” are to Canadian dollars and references to “U.S.\$” are to United States dollars. All United States

dollar amounts that are expressed in Canadian dollars in this AIF have been converted from U.S. dollars at the Bank of Canada average exchange rate for the year ended December 31, 2014 of \$1.1617 per U.S.\$1.00. The information in this AIF is presented as at December 31, 2014 unless otherwise indicated.

FORWARD LOOKING STATEMENTS

This AIF contains certain forward-looking information and statements (collectively referred to herein as, “**Forward-Looking Statements**”) within the meaning of applicable securities laws. Wherever possible, words such as “may”, “would”, “could”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “aim”, “endeavour” and similar expressions have been used to identify these Forward-Looking Statements. The Forward-Looking Statements herein are based upon the current internal expectations, estimates, projections, assumptions and beliefs of the Corporation as of the date of such information or statements, including, among other things, assumptions with respect to future growth, results of operations, performance and business prospects and opportunities. The reader is cautioned that the expectations, estimates, projections, assumptions and/or beliefs used in the preparation of such information may prove to be incorrect. The Forward-Looking Statements included in this AIF are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors, which may cause actual results or events to differ materially from those anticipated in the Forward-Looking Statements. In addition, this AIF may contain Forward-Looking Statements attributed to third-party industry sources. The Forward-Looking Statements contained in this AIF speak only as of the date of this AIF unless an alternative date is otherwise expressly identified herein.

The Forward-Looking Statements contained in this AIF are expressly qualified by the cautionary statements provided for herein. The Corporation does not assume any obligation to publically update or revise any of the included Forward-Looking Statements after the date of this AIF, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

Forward-Looking Statements contained in this AIF include, but are not limited to, statements with respect to:

- The continued importance of the Corporation’s investment track record to its success.
- SAM’s intention to continue to increase its Investment Products (as defined below) offerings.
- Management’s intention to grow the Corporation’s business by increasing AUM (as defined below) and creating new investment products and businesses.
- Management’s intention to continue providing lending services as a part of the Corporation’s invested capital and/or as professional services to new AUM expected to be raised in future lending vehicles to be managed by the Corporation.
- The Corporation’s expectation that it will redeploy capital from maturing loans into other ventures of the Corporation, either for acquisitions, seeding of new products or organic expansion.
- Continuation of the financing activities previously provided by TFIT (as defined below) via Sprout Resource Lending Corp.
- The Corporation’s ongoing strategy of repositioning its Canadian diversified business for long-term growth.

- The positioning of the Corporation to sell more of SAM's funds globally.
- Expectations regarding Mr. George's contributions to the Corporation's business in the United States and the transfer of the management contracts for two funds from Royce (as defined below).
- The Corporation's belief that excessive levels of debt and the unprecedented actions of central bankers will eventually have unintended consequences and the related belief that, when this happens, precious metals will rise by serving as a hedge against weak currencies and economic stagnation or stagflation.
- The positioning of SAM's business to benefit through multiple strategies and distribution channels when the precious metals and resource sectors return to favour.
- The Corporation's belief that, as a result of the implementation of CRM2 (as defined below) rules regarding advisory compensation transparency, the asset management industry will increasingly move towards fee based products and the Corporation's expectations regarding SAM's ability to take advantage of these new rules.
- Expansion of SAM's product line and institutional sales capability to increase its offshore assets.
- The intended increase of client bases for SAM USA and GRIL through expanded marketing and sales efforts across selected geographic markets in the United States.
- SPW's strategy of continued revenue diversification.
- SPW's goal to grow its fee-based account offerings.
- Expected benefits from economic and demographic trends over the next decade.
- Expectations regarding recovery of legal costs.
- Potential acquisitions and the addition of new investment products.

Although the Corporation believes the expectations, estimates, projections, assumptions and beliefs reflected in the Forward-Looking Statements are reasonable, undue reliance should not be placed on Forward-Looking Statements because the Corporation can give no assurance that such expectations, estimates, projections, assumptions and beliefs will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the Forward-Looking Statements. Some of the risks and other factors, some of which are beyond the control of the Corporation, that could cause results to differ materially from those expressed in the Forward-Looking Statements contained in this AIF, include, but are not limited to:

- Difficult market conditions.
- Changes in the investment management industry.
- Risks relating to regulatory compliance.
- Failure to deal appropriately with conflicts of interest.
- Failure to continue to retain and attract qualified staff.
- Competitive pressures.

- Corporate growth may be difficult to sustain and may place significant demands on existing administrative, operational and financial resources.
- Failure to execute the Corporation's succession plan.
- Foreign exchange risk relating to the relative value of the U.S. dollar.
- Litigation risk.
- Employee errors or misconduct could result in regulatory sanctions or reputational harm.
- Failure to implement effective information security policies, procedures and capabilities.
- Failure to develop effective business resiliency plans.
- Failure to obtain or maintain sufficient insurance coverage on favourable economic terms.
- Historical financial information is not necessarily indicative of future performance.
- The market price of common shares of the Corporation may fluctuate widely and rapidly.
- The payment of dividends is not guaranteed.
- The other "risk factors" disclosed in this AIF.

The foregoing list of factors should not be considered exhaustive. See also "*Risk Factors*". Should one or more of the risks or uncertainties listed above or in "*Risk Factors*" in this AIF materialize, or should the expectations, estimates, projections, assumptions and/or beliefs underlying the Forward-Looking Statements prove incorrect, future results, levels of activity, performance or achievements could vary materially from those expressed or implied by Forward-Looking Statements contained in this AIF. With respect to Forward-Looking Statements contained in this AIF, the Corporation has made the following assumptions, amongst others: (i) the price of precious metals will increase; (ii) the resource sector will recover; (iii) the impact of increasing competition in each business in which the Corporation operates will not be material; (iv) quality management will be available; and (v) the effects of regulation and tax laws of governmental agencies will be consistent with the current environment.

The above summary of assumptions and risks related to Forward-Looking Statements has been provided in this AIF in order to provide readers with a more complete perspective on the future operations of the Corporation. Readers are cautioned that such Forward-Looking Statements may not be appropriate for other purposes.

KEY PERFORMANCE INDICATORS (NON-IFRS FINANCIAL MEASURES)

The Corporation measures the success of its business using a number of key performance indicators that are not measurements in accordance with International Financial Reporting Standards ("**IFRS**") and should not be considered as an alternative to net income or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore likely to be different from similar measures presented by other issuers.

The Corporation believes that its key performance indicators are important for a more meaningful presentation of its results of operations. The Corporation's key performance indicators include:

Assets Under Management

Assets Under Management (“**AUM**”) refers to the total net assets of the Corporation’s Investment Products. The Corporation believes that AUM is an important measure as it earns management fees, calculated as a percentage of AUM (“**Management Fees**”), and may earn performance fees or carried interests, calculated as a percentage of: (i) its Investment Products’ excess performance over the relevant benchmark; (ii) the increase in net asset values of its Investment Products over a predetermined hurdle, if any; or (iii) the net profit in its Investment Products over the performance period (“**Performance Fees**” or “**Carried Interests**”). The Corporation monitors the level of its AUM because they drive the Corporation’s level of Management Fees. The amount of Performance Fees the Corporation earns is related to both its investment performance and its AUM.

Assets Under Administration

Assets Under Administration (“**AUA**”) refers to client assets held in accounts at SPW or GRIL. AUA is a measure used by management to assess the performance of the broker-dealer companies within the group.

Investment Performance (Market Value Appreciation (Depreciation) of Investment Portfolios)

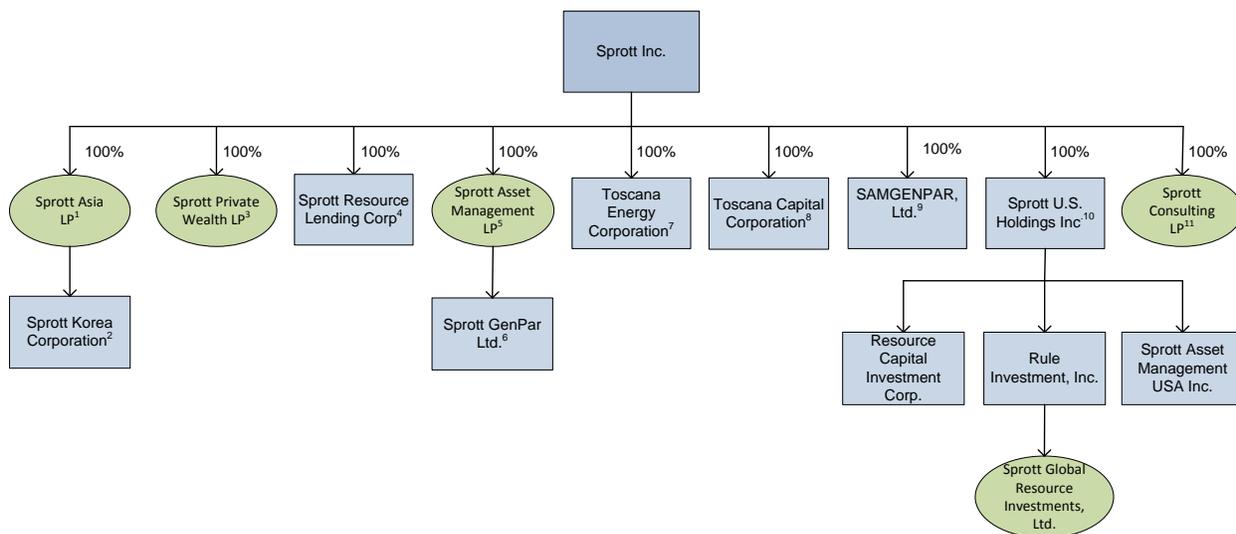
Investment performance is a key driver of AUM. The Corporation’s investment track record through varying economic conditions and market cycles has been and will continue to be an important factor in its success. Growth in AUM resulting from positive investment performance increases the value of the assets that the Corporation manages for its clients and the Corporation, in turn, benefits from higher fees. Alternatively, poor absolute and/or relative investment performance will likely lead to a reduction in the Corporation’s AUM and, hence, its fee revenue.

Net Sales

AUM fluctuates due to a combination of investment performance and net sales (gross sales net of redemptions). Net sales, together with investment performance, determine the level of AUM which, as discussed above, is the basis on which Management Fees are charged and to which Performance Fees may be applied.

CORPORATE STRUCTURE

The Corporation was incorporated under the *Business Corporations Act* (Ontario) by Articles of Incorporation dated February 13, 2008. The Corporation’s registered and head office is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, M5J 2J1. The corporate structure of the Corporation is as indicated in the following chart:



Notes:

- (1) Sprott Asia GP Inc. is the general partner of Sprott Asia LP, which exists under the laws of the Province of Ontario.
- (2) Sprott Korea exists under the laws of South Korea.
- (3) Sprott Private Wealth GP Inc. is the general partner of SPW, which exists under the laws of the Province of Ontario.
- (4) Sprott Resource Lending exists under the federal laws of Canada.
- (5) Sprott Asset Management GP Inc. is the general partner of SAM, which exists under the laws of the Province of Ontario.
- (6) Sprott GenPar Ltd. is the general partner of Sprott Hedge Fund L.P., Sprott Hedge Fund L.P. II, Sprott Opportunities Hedge Fund L.P., Sprott Enhanced Long Short Equity Fund L.P., Sprott Resource Credit Strategies Fund and Sprott Private Resource Lending L.P. Sprott GenPar Ltd. exists under the laws of the Province of Ontario.
- (7) TEC exists under the laws of Alberta.
- (8) TCC exists under the laws of Alberta.
- (9) SAMGENPAR, Ltd. is the general partner of Sprott Capital L.P., Sprott Capital L.P. II and Sprott Global Resources L.P. SAMGENPAR, Ltd. exists under the laws of Ontario.
- (10) Sprott U.S. was formed to acquire Rule Investment, Inc. (which in turn owns GRIL), SAM USA and RCIC. Sprott U.S. exists under the laws of the State of Delaware. Rule Investment, Inc., GRIL and SAM USA exist under the laws of the State of California. RCIC exists under the laws of the State of Nevada.
- (11) Sprott Consulting GP Inc. is the general partner of SCLP, which exists under the laws of the Province of Ontario.

GENERAL DEVELOPMENT OF THE BUSINESS

On February 4, 2011, the Corporation completed the acquisition of the Global Companies from Arthur Richards “Rick” Rule IV, Bonnie Rule and the Rule Family Trust (as defined below).

On July 3, 2012, the Corporation completed the acquisition of Sprott Toscana, an asset manager focused on investing in and providing debt financing in the oil and gas sector.

On August 2, 2012, the Corporation completed the acquisition of Flatiron Capital Management Partners (“**Flatiron**”), an alternative investment manager. Flatiron became inactive in 2013.

On July 23, 2013, the Corporation completed the acquisition of all of the outstanding common shares of Sprott Resource Lending by way of a plan of arrangement.

On March 5, 2014, as part of its transition and succession strategy, the Corporation announced the appointment of John Wilson as Chief Executive Officer of SAM, replacing Eric Sprott in that role. On January 20, 2015 Mr. Sprott stepped down as senior portfolio manager at SAM and Chief Investment Officer of the Corporation. Mr. Sprott remains Chairman of the Corporation.

On November 10, 2014, the Corporation announced that Whitney George, a veteran portfolio manager who spent the last 23 years in senior roles at Royce & Associates LLC ("**Royce**") in New York, has agreed to join SAM USA as a Senior Portfolio Manager. Mr. George will be based in New York and will be a key contributor to the expansion of the Corporation's business in the United States. The Corporation has also executed a letter of intent with Royce to support the transfer of the management contracts of two U.S. funds to SAM.

DESCRIPTION OF THE BUSINESS

General

With a history dating back to 1981, the Corporation is a leading alternative investment manager with a history of delivering long-term performance to its clients through a diverse range of innovative products and investment strategies.

The Corporation's team of investment professionals is united by one common goal: delivering outstanding long-term returns to its clients and investors. The Corporation has assembled a group of portfolio managers, market strategists, technical experts and analysts that is widely-recognized for its investment expertise and unique investment approach. The Corporation is committed to conducting deep fundamental research to develop unique macroeconomic insights. When an emerging investment opportunity is identified, the Corporation invests decisively and with conviction. It also co-invests its own capital to align its interests with its investors.

The Corporation is engaged in the management and allocation of capital, whereby it seeks to seed investment products and fund strategic and accretive acquisitions. In addition, through SAM, SPW, Sprott U.S., SRL, and its Management Companies, the Corporation is dedicated to achieving superior returns for its investors over the long term. The Corporation distributes its Investment Products through multiple channels, including SPW, GRIL and third-party advisors.

As at December 31, 2014, the Corporation had 190 employees (including employees of SAM, SPW, Sprott U.S., Sprott Resource Lending and the Management Companies). As the Corporation has grown, it has 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" include accounting, marketing and administrative services and are reimbursed on an "as used" basis.

Summary of AUM/AUA

Summary of AUM/AUA by business line (in \$ millions as at December 31, 2014):

AUM	\$MM
Bullion funds	3,185
Public mutual funds	1,838
Alternative investment strategies	606

AUM	\$MM
Managed Companies	770
Limited Partnerships	340
Offshore funds	177
Managed Accounts	111
Total	7,027

AUA	\$MM
SPW	967
GRIL	978
Total	1,945

The Corporation's Revenues

The Corporation derives its revenues principally from Management Fees earned from the management of its Investment Products and from Performance Fees earned from the investment of the AUM of its Investment Products. Accordingly, growth in the Corporation's Management Fees is based on growth in AUM while growth in its Performance Fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by its Investment Products.

Sprott Asset Management LP

SAM is registered as a portfolio manager and an exempt market dealer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland and Labrador and as an investment fund manager in Ontario, Quebec, and Newfoundland and Labrador. SAM is also registered as a Commodity Trading Manager in Ontario. The majority of the Corporation's revenues are generated through SAM in the form of Management Fees and Performance Fees earned through the management of SAM's Funds and Managed Accounts.

As at December 31, 2014, SAM managed Funds consisting of Canadian public mutual funds, Canadian alternative investment funds, offshore funds within master-feeder fund structures, exchange-traded trusts that hold physical bullion, and flow-through limited partnerships. SAM also managed a number of Managed Accounts, primarily for institutional clients. In 2014, SAM launched the Sprott 2014 Flow-Through Limited Partnership, the Sprott 2014-II Flow-Through Limited Partnership, the Sprott Gold Miners Exchange Traded Fund and the Sprott Bridging Income Fund LP. In March 2014, SAM acquired the Exemplar Global Infrastructure Fund, the Exemplar Timber Fund and the Exemplar Global Agriculture Fund (collectively, the "**Exemplar Funds**"). SAM subsequently launched the Sprott Real Assets Class, a new Fund that provides investors with access to all three of the Exemplar Funds through a single investment solution. Sprott Real Assets Class, which is sub-advised by Capital Innovations Inc., is SAM's forth sub-advised strategy. SAM's other three sub-advised strategies are: (i) Sprott Private Credit Trust, which is sub-advised by Third Eye Capital Management Inc.; (ii) Sprott Convertible Strategies Trust, which is sub-advised by Periscope Capital Inc.; and (iii) Sprott Bridging Income Fund LP, which is sub-advised by Bridging Finance Inc.

As at December 31, 2014, SAM managed approximately \$6 billion in AUM. SAM intends to continue to increase its Investment Product offerings to better serve its clients in a continuously evolving financial landscape in Canada, the U.S. and globally.

SAM's team of portfolio managers, investment strategists and market strategists, together with the support of its research team, consider themselves "investment opportunists" who are committed to

seeking out optimal investments for its clients. By taking a consistent, disciplined approach to investing, based on sound fundamental analysis and independent research, SAM's investment management team carefully explores, analyzes and selects what they consider to be a portfolio of the best ideas that markets have to offer in the current and forecasted economic environment.

SAM takes a team-based approach to its investment decision-making process. Themes and opportunities are discussed daily among its investment team. SAM identifies North American and international investment themes and then conducts research in order to focus on specific ideas which it feels represent opportunities for investment. SAM carefully explores, analyzes and selects what it considers to be an investment portfolio of the "best ideas" that markets have to offer in the current economic environment. SAM's macroeconomic research and outlook combined with detailed analysis is the foundation for its determination of sector weightings and subsequent stock or bond selections within the Corporation's investment portfolios.

While SAM's investment professionals are guided by the same fundamental investment discipline, its Funds reflect the individual investment styles and philosophies of the portfolio managers and investment strategists who are involved in their management.

As of December 31, 2014, SAM had 80 employees.

SAM's Revenues

Except as detailed below, all of SAM's products have a fee structure that consists of both a Management Fee component and a Performance Fee component. SAM collects Management Fees calculated as a percentage of AUM, and may earn Performance Fees calculated, depending on the Fund or Managed Account, as a percentage of: (i) excess performance over the relevant benchmark; (ii) the increase in net asset value over a predetermined hurdle, if any; or (iii) the net profit over the performance period.

The Sprott Gold Bullion Fund, Sprott Silver Bullion Fund, Sprott Physical Gold Trust, Sprott Physical Silver Trust, Sprott Physical Platinum & Palladium Trust, Sprott Short-Term Bond Fund, Sprott Global Infrastructure Fund, Sprott Gold Bullion Class, Sprott Silver Bullion Class, Sprott Short-Term Bond Class and Sprott Gold Miners Exchange Traded Fund only charge a Management Fee. There are no Performance Fees associated with the foregoing Funds.

Selling and Distribution

SAM has a multichannel approach to Fund sales and marketing; concentrating on building the Sprott brand through SAM and SPW, as well as through third-party sales channels.

The Corporation's sales force at both SAM (through its wholesaler network) and SPW (through its private client representatives) has enabled the Corporation to directly distribute its Funds to clients and to establish a platform for the sale of its mutual funds and hedge funds through the Canadian financial advisor and dealer channels. Subject to applicable securities legislation, SAM's Canadian investment products are directly sold to, or distributed through: (i) Canadian high net worth investors; (ii) Canadian institutional investors (e.g. pension plans, fund of funds, etc.); (iii) registered investment dealers, retail financial advisors and financial planners; and (iv) electronic platforms.

SAM's distribution platform is based on its wholesale sales force, distribution of its offshore products as well as a presence in the media.

SAM's national wholesale force, established in May 2007, now consists of twelve regional sales managers with six supporting inside sales representatives. SAM believes that having dedicated sales representatives to market and distribute its investment products to retail financial advisors, registered dealers and financial planners across Canada will help increase its brand awareness, aid with ongoing client maintenance, increase sales of its Funds and other investment products, and provide a platform for launching additional investment products. To support third-party sales of SAM's Fund products, SAM introduced a purchase option for the majority of its domestic mutual funds in 2009 – a Low Load Option. Under the Low Load Option, SAM will pay a commission to the investor's dealer when the investor subscribes for Series A units in a Fund.

Another key aspect of SAM's sales and marketing strategy is the distribution of its offshore products. Unlike many traditional Canadian fund companies, SAM also offers four feeder hedge Funds (through two master-feeder fund structures), a global resource hedge fund and a global mining fund that are tailored to U.S. and foreign investors. SAM believes its investment philosophies in the absolute return strategies that it follows have particular appeal to a global clientele. Subject to applicable securities legislation, SAM's U.S. and offshore investment products are directly sold to U.S. and foreign high net worth investors as well as U.S. and foreign institutional investors.

Finally, to ensure continuous development and recognition of SAM's brand, members of SAM's investment management team often conduct interviews for publications, appear on business news programs and participate in selected investment industry conferences.

Sprott Private Wealth LP

Through SPW, the Corporation provides investment management and administrative services to high net worth individuals and institutions. SPW strives to be a leading investment advisor to high net worth clients by offering a premier client experience, leading to increased sales. SPW provides the Corporation with a competitive advantage by offering a unique distribution channel for the Corporation's Fund products. SPW constructs diversified portfolios tailored to the individual needs of each client. SPW also serves as a platform to brand and grow the Corporation's wealth management business.

SPW focuses on providing a high level of service to its direct private clients. Whether dealing with high net worth individuals or institutional investors, SPW attempts to inform its clients of the Corporation's market outlook as well as each investment professional's approach to allocating capital within their respective Fund strategies. SPW provides investors with monthly reports, email updates and web postings. Clients also have the ability to contact an informed customer service representative. SPW's private client base, representing approximately \$1 billion of client assets, has been developed primarily through direct relationships.

SPW is a member of IIROC and the Canadian Investor Protection Fund. SPW is registered as an investment dealer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland and Labrador.

As of December 31, 2014, SPW had 20 employees.

SPW's Revenues

SPW has several revenue streams, including: trailer fees from SAM and third party managed funds; commissions from trading, private placements and underwriting; and interest income and fees from Managed Accounts. SPW continues to be an important distribution channel for SAM, with the majority

of its trailer fee income earned from Funds. The rates paid to SPW are consistent with those paid to external brokers who sell the same Funds.

Sprott U.S. Holdings Inc.

The Global Companies that comprise Sprott U.S. are leading experts in the natural resource investing sector providing both investment management and specialized broker services. The Global Companies are led by Arthur Richards “Rick” Rule IV, a natural resources investor with over 35 years of experience in the investment industry. The Global Companies have a team of resource investing experts, including geologists and mining engineers, who offer their expertise through pooled investment vehicles, Managed Accounts and brokerage accounts. The Global Companies are based in Carlsbad, California but invest globally. Together, the Global Companies administer approximately \$1 billion and manage over \$420 million in client assets across three business lines:

- RCIC manages assets for pooled investment vehicles that invest in natural resource companies. The pooled investment vehicles managed by RCIC generate Management Fees and Carried Interests and have a remaining duration of between three to ten years. At December 31, 2014, the limited partnerships had a total AUM of approximately \$340 million.
- SAM USA (formerly Terra Resource Investment Management) is a registered investment advisor that provides segregated Managed Accounts for institutions and high-net worth individuals looking for distinctive and personalized wealth management. SAM USA offers clients the option of investing in four different managed account programs: (i) Sprott Global Diversified Resource; (ii) Sprott Global Precious Metals; (iii) Sprott Global Energy; and (iv) Sprott Global Resource Income. At December 31, 2014, the AUM managed by SAM USA was approximately \$80 million.
- GRIL is a full service U.S. brokerage firm providing personalized brokerage services to investors in the natural resource sector. GRIL is a broker-dealer regulated by the Financial Industry National Regulatory Authority (“FINRA”). Many of GRIL’s financial advisors worked in various natural resource industries before they began their financial services career, enabling them to provide specialized advice. GRIL has approximately 3,773 client accounts. At December 31, 2014, GRIL had approximately \$1 billion of AUA.

As of December 31, 2014, the Global Companies had 34 employees.

Sprott U.S. Revenues

RCIC earns revenue in the form of Management Fees and Carried Interests through the management of the Limited Partnerships. SAM USA earns revenue in the form of Management Fees from the management of Managed Accounts. GRIL earns commissions and other fees from the sale and purchase of stocks by its clients, new and follow-on offerings of Limited Partnerships managed by RCIC and from the sale of private placements to its clients.

Sprott Resource Lending

Sprott Resource Lending is a lender focused on providing bridge and mezzanine financing to mining and oil and gas companies. Through this business, the Corporation provides lending services in addition to its core business of asset management. It is management’s intention to continue providing these services either as a part of the Corporation’s invested capital and/or as professional services to new AUM expected to be raised in future lending vehicles to be managed by the Corporation. Management may also redeploy

capital from maturing loans into other ventures of the Corporation, either for acquisitions, seeding of new products or organic expansion.

As a lender to natural resource companies, SRL will finance precious and base metal mining, exploration and development companies, as well as oil and gas companies and related businesses. Financing is primarily extended to companies that are involved in late stage exploration and development, or early stage commodity or power production. In providing this type of financing, SRL will finance generally on a first priority basis, will earn interest on its loans, and may also receive fees, stock and/or warrants from borrowers. SRL will also consider other financing arrangements. Where Sprott Resource Lending has excess funds not deployed in financing arrangements, it may deploy such excess funds in various short term or liquid securities, deposits with financial institutions, and longer term bonds or debentures.

As at December 31, 2014, SRL had approximately \$120 million in resource loans and had six employees.

SRL's Revenues

Sprott Resource Lending earns revenue in the form of interest income and other fees on its lending activities as well as realizing on the upside potential of bonus arrangements with resource borrowers which are generally tied to the revenue or the value of the common shares of the borrower. SRL's revenues are subject to the return it is able to generate on its capital, its ability to reinvest funds as financings mature and are repaid, the nature and credit quality of its loan portfolio, including the quality of the collateral security and the overall resource and commodity markets.

Management Companies

Sprott Consulting LP

SCLP provides active management, consulting and administrative services to its managed companies, which currently consists of Sprott Resource Corp. ("**SRC**") (TSX:SCP). SCLP also provides the Corporation's Funds, Limited Partnerships and wealth management business access to merchant banking and private equity style investments. SCLP's team of professionals is dedicated to generating consistently superior returns on capital for the shareholders of the companies and partnerships it manages. It seeks to accomplish these objectives by acquiring or starting attractive businesses at the right time, growing their value organically or through accretive acquisitions and by maintaining financial flexibility to be responsive to the needs of the companies' businesses and to capitalize on new opportunities.

SCLP provides management services to SRC pursuant to an amended and restated management services agreement. SRC invests and operates through its subsidiaries in the natural resource sector. SRC is committed to building world class resource companies by working with experienced management teams whose goals are aligned with those of its shareholders. Upon acquiring a business or making an investment, it becomes actively involved in the enterprise by providing strategic advice and direction. SRC provides input on management and business practices, and ensures that the necessary decisions are made to maximize the value of the particular business or investment for its shareholders.

As of December 31, 2014, SCLP had seven employees.

Sprott Toscana

Sprott Toscana (formerly Toscana Merchant Group) is a team of Calgary-based energy specialists that, through TEC, manages Toscana Energy Income Corp. ("**TEIC**") (TSX-V:TEI) (previously, Toscana Resource Corporation). TEIC is a publicly-listed company with a mandate to invest in medium- to long-

life oil and gas assets, unitized production interests and royalties for yield and capital appreciation. TEIC targets non-operating working interest investments in the oil and natural gas sector with reserve life indexes of more than eight years with the goal of generating dividends in the range of 8% to 9% per annum. TEIC is run by a proven management team with strong relationships and access to deal flow that allow the team to select only investments that meet its strict criteria.

Sprott Toscana, through TCC, previously managed the Toscana Financial Income Trust (“**TFIT**”) until the wind-up of TFIT on June 26, 2014. TFIT was a private mutual fund trust that provided mezzanine debt financing to mid-sized private and public oil and gas companies. These financing activities will continue via Sprott Resource Lending going forward.

As of December 31, 2014, Sprott Toscana had 10 employees.

Sprott Korea

Sprott Korea, through a wholly owned subsidiary, co-manages a 10 year private equity fund (the “**Korea Fund**”) for South Korea’s National Pension Service alongside Woori Asset Management, the asset manager of Korea’s largest bank, Woori Financial Group. SCLP provides core personnel in connection with the management of the Korea Fund. The Korea Fund launched on February 10, 2014 following registration with the Korean Financial Supervisory Service, with a mandate to make private equity investments in the global natural resource and power sectors.

As of December 31, 2014, Sprott Korea had three employees.

The Management Companies Revenues

SCLP has entered into an amended and restated management services agreement with SRC. In addition, Sprott Resource Consulting LP, a subsidiary of SCLP, is the managing partner of Sprott Resource Partnership, through which it receives distributions as outlined below.

SCLP receives an annual management fee of 2% (less compensation paid to certain employees of SCLP and SRC) of the net asset value of SRC calculated on the average quarter-end net asset value of SRC during each calendar quarter. Sprott Resource Partnership also pays Sprott Resource Consulting LP a management profit distribution (the “**Management Profit Distribution**”) equal to 20% of the difference (if positive) between: (i) the sum of the net profits of Sprott Resource Partnership and net losses of Sprott Resource Partnership since the fiscal year in respect of which the last Management Profit Distribution was made; and (ii) the sum of the specified hurdle rate for each fiscal year since the fiscal year in respect of which the last Management Profit Distribution was made.

Pursuant to its management agreement with TEIC, TEC earns Management Fees and Performance Fees. The Management Fee is designed to fully reimburse TEC for all general and administrative costs incurred, including executive compensation, and is fixed at \$2.25 per barrel of oil produced by TEIC per day. Performance Fees are designed to reward TEC for increasing revenues and is calculated as 2% of total revenue derived from the assets owned or controlled by TEIC.

Sprott Korea earns Management Fees and Performance Fees as co-Manager of the Korea Fund.

COMPETITION AND INDUSTRY OUTLOOK

The Corporation is fairly unique as an alternative asset management organization in terms of the breadth of its various investing platforms. However, each business line operates in a very competitive environment where there is much competition for investors' assets.

Sprott Asset Management LP

Canada's asset management industry is highly competitive and is dominated by a small number of larger players. As at December 31, 2014, SAM managed approximately \$6 billion of AUM. SAM has historically been a manager of specialized, focused funds where the Corporation believes that (i) it has a competitive advantage due to its investment management expertise; and (ii) it is able to add value as compared to a benchmark or index.

Most of the Funds experienced a setback that began in September 2014, as precious metals prices and energy prices declined sharply amid a broad sell-off in equities. The Corporation continues to take steps to reposition its Canadian diversified business for long-term growth. As part of this on-going strategy, SAM has moved towards a team-based investment approach with a focus on idea sharing and better risk management. SAM has also broadened its product lines to offer clients a wider range of investment options including a new specialty income fund. Despite the poor performance of precious metals and resource equities over the past two years, the Corporation continues to be of the view that excessive levels of debt and the unprecedented actions of central bankers will eventually have unintended consequences. When this happens, the Corporation believes that precious metals will rise by serving as a hedge against weak currencies and economic stagnation or stagflation. As such, SAM has positioned the business to benefit through multiple strategies and distribution channels when the sector does return to favour.

In Canada, the majority of mutual funds are distributed through various financial advisor/dealer channels. Most of the funds sold by such advisors to investors include a trailer fee which is an embedded cost for ongoing services provided by the financial advisor to the investor and is paid by the fund company (manufacturer) to the financial advisor/dealer (distributor). All of the SAM-managed mutual funds have a trailer fee-paying class for retail distribution through the financial advisor/dealer channel.

SAM's hedge funds compete with other alternative investment products both in Canada and globally. Hedge funds are offered on a private placement basis by offering memorandum and are available to qualified/accredited investors in Canada, the U.S. and globally, as applicable.

On July 15, 2013, the Client Relationship Model – Phase 2 (“**CRM2**”) amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* came into effect. CRM2 is being phased in over a three-year period and introduces new requirements for reporting to clients about the fees paid to advisors and the performance of their investments. As a result of the implementation of CRM2 rules regarding advisory compensation transparency, SAM believes that the asset management industry will increasingly move towards fee based products. SAM is well positioned to take advantage of the new transparency rules because of its alternative investment product line and ETFs.

SAM is one of the largest alternative investment fund managers in Canada. In Canada, SAM's Funds have been sold largely to accredited investors and other qualified investors through SPW or by other dealers. Offshore, SAM's Funds are sold largely through institutional channels such as fund-of-fund and similar platforms. The Corporation believes that SAM's Funds' macro-economic positioning and longer term investment track record has positioned the Corporation well to sell more of SAM's Funds globally. SAM is looking to expand its product line and its institutional sales capability to increase its offshore

assets. Toward that end, on March 29, 2013, SAM entered into a joint venture agreement with Zijin Mining Group Co., Ltd., one of the largest gold and copper producers in China, to set up an offshore global mining fund. The Fund launched on September 27, 2013 and focuses primarily on investment opportunities in equities and debt instruments of precious metal producers. SAM has also taken steps to broaden its presence in the U.S. with the hiring of Whitney George as a senior portfolio manager to be based in the New York, and with the execution of a letter of intent with Royce to support the transfer of the management contracts of two U.S. funds currently being managed by Mr. George.

SAM launched the Sprott Physical Gold Trust (the “**Gold Trust**”) and the Sprott Physical Silver Trust (the “**Silver Trust**”) in 2010, and the Sprott Physical Platinum and Palladium Trust (the “**P&P Trust**”) in 2012. The Gold Trust is a closed-end trust that invests in unencumbered and fully-allocated London Good Delivery gold bars and is listed on the New York Stock Exchange (“**NYSE**”) Arca under the symbol “**PHYS**” and the Toronto Stock Exchange (the “**TSX**”) under the symbol “**PHY.U**”. The Silver Trust is a closed-end trust that invests in unencumbered and fully-allocated London Good Delivery silver bars and is listed on the NYSE Arca under the symbol “**PSLV**” and the TSX under the symbol “**PHS.U**”. The P&P Trust is a closed end trust that invests in unencumbered and fully-allocated Good Delivery physical platinum and palladium bullion and is listed on the NYSE Arca under the symbol “**SPPP**” and the TSX under the symbol “**PPT.U**”. These three trusts accounted for \$2.9 billion of SAM’s AUM as at December 31, 2014 and have helped establish the Sprott brand in the U.S., particularly amongst precious metal investors.

In July 2014, SAM launched the Sprott Gold Miners Exchange Traded Fund, in partnership with ALPS Advisors Inc. and Zacks Index Services, on the NYSE under the symbol “**SGDM**”. The goal of SGDM is to provide exposure to the Sprott Zacks Gold Miners Index (NYSE:ZAXSGDM), which seeks to outperform a purely passive, market-capitalization representation of gold stocks. The index methodology is factor-based and was developed by leveraging SAM’s long-term experience as a gold investor and Zacks’ research capabilities. To the Company’s knowledge, SGDM is the first gold equities ETF to be based on a proprietary, factors-based index strategy. As at December 31, 2014, SGDM has raised more than \$130 million in AUM.

Sprott Private Wealth LP

SPW is expected to benefit from economic and demographic trends over the next decade. While SPW will continue to be a distribution channel for SAM-managed products, its strategy is to continue the trend of revenue diversification. Commission income earned through trading, private placement and underwriting activities continues to contribute to this diversification strategy. Furthermore, SPW’s goal is to grow its fee based account offerings.

Sprott U.S. Holdings Inc.

The U.S. asset management industry – both broker-dealers and asset managers – is highly competitive but fragmented. Both GRIL and SAM USA operate specialized “niche” businesses. GRIL provides brokerage services to clients focused on small capitalization stocks in the natural resource sector. SAM USA offers a managed account program for investors seeking a personalized wealth management program focused on investments in natural resources.

The Corporation believes that the specialized focus that both GRIL and SAM USA offer to clients is a distinct competitive advantage for both GRIL and SAM USA. Both of these companies look to increase their client bases through expanded marketing and sales efforts across selected geographic markets in the U.S.

Sprott Resource Lending Corp.

Sprott Resource Lending operates in the specialized lending industry, carrying out lending activities on a global basis. SRL's competition includes conventional bank loans, high yield note offerings, investment funds and money managers, and equity financings carried out by those institutions. As equity markets in the resource sector improve, potential borrowers may opt for equity for their financing needs rather than SRL's product offering.

Management Companies

The Management Companies provide management and consulting services to companies in the natural resource sector. Competitors to the Management Companies include very large providers of similar services. These competitors may provide such services on more attractive terms than the Management Companies, although the Corporation believes that the Management Companies' expertise in the natural resource sector offer its managed companies and investors an advantage in this sector.

RISK MANAGEMENT

The Corporation monitors, evaluates and manages the principal risks associated with the conduct of its business. These risks include external market risks to which all investors are subject and internal risks resulting from the nature of the Corporation's business.

The Corporation conducts an enterprise risk assessment on all of its major operating business units at least annually. Through the risk assessment process, the Corporation identifies the significant risk factors present in each business unit, and subjectively determines the likelihood of the risk occurring and the financial and/or non-financial impact to such business if the risk occurs. The board of directors (the "**Board**") of the Corporation and/or the management of each business unit monitors the significant risk factors identified by the Corporation and, where deemed necessary, adopts an appropriate risk optimization strategy.

The Corporation has internal control policies related to its business conduct. Such policies are intended to ensure conformity with the rules and regulations of the Canadian Securities Administrators, IIROC, the U.S. Securities and Exchange Commission ("**SEC**") and FINRA, as applicable. The policies focus on multiple areas, including employee code of ethics, conflict of interest management as well as compliance and risk monitoring of all business processes. Each policy has a defined control objective and applicable procedures to ensure adherence to sound business practices, regulatory requirements and high ethical standards, including capital adequacy, insurance, segregation of clients' securities, safeguarding of securities and cash, and pricing of securities.

The Corporation has also established a number of policies with respect to its employees' personal trading. Employees may not trade any of the securities held or being considered for investment by any of the Funds without prior approval. In addition, employees must receive prior approval of SAM's Chief Compliance Officer before they are permitted to buy or sell securities. Speculative trading is strongly discouraged. While employees are permitted to have investments managed by third parties on a discretionary basis, they generally choose to invest in the Funds. All of the Corporation's employees must comply with the Corporation's written policies and procedures, including the Corporation's Code of Business Conduct and Ethics, which establish strict rules for professional conduct and management of conflicts of interest.

The Corporation believes that confidentiality is essential to the success of its business and, as such, strives to consistently maintain the highest standards of trust, integrity and professionalism. Account information

is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties. The Corporation keeps the affairs of its investors/clients confidential and does not disclose the identities of its investors/clients (absent express investor/client consent to do so). If a prospective client or investor requests a reference, the Corporation will not furnish the name of an existing client or investor before receiving permission from such client or investor to reveal their business relationship with the Corporation. See “*Risk Management – Privacy Policy*”.

Regulatory Matters

SPW is registered as an investment dealer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland and Labrador. SPW is also a member of IIROC. SAM is registered as a portfolio manager and an exempt market dealer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland and Labrador and as an investment fund manager in Ontario, Quebec and Newfoundland and Labrador. SAM is also registered as a Commodity Trading Manager in Ontario.

The Corporation is subject to extensive regulation in Canada. As a matter of public policy, regulatory bodies in Canada are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of investors participating in those markets. The Corporation’s operations are subject to the securities legislation of eight Canadian provinces, the Universal Market Integrity Rules, and the rules, regulations and by-laws of IIROC. The distribution of the Corporation’s Funds is also subject to regulations under the securities legislation of those jurisdictions where its Funds are sold.

Securities brokerage, trading, advisory and investment banking activities are conducted in GRIL, a U.S.-registered broker-dealer affiliate. The SEC, state securities regulators and FINRA regulate this broker-dealer affiliate.

SAM and SAM USA are involved in the business of investment management in the U.S. or to U.S. persons. These activities require that SAM and SAM USA be registered with the SEC as investment advisers under the *U.S. Investment Advisers Act of 1940* (the “**Advisers Act**”). The Advisers Act and related rules regulate the registration and activities of investment advisers. Certain activities of SAM are also subject to regulation by the U.S. Commodity Futures Trading Commission and the National Futures Association.

The Corporation is subject to regulations that cover all aspects of the securities business, including sales methods, trading practices among investment dealers, use and safekeeping of funds and securities, capital structure, record-keeping, conflicts of interest and the conduct of directors, officers and employees. The various government agencies and self-regulatory organizations having jurisdiction over registrants are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a registrant or its directors, officers or employees. A registrant is subject to rules respecting the maintenance of minimum regulatory capital. Compliance with regulatory capital requirements can limit a registrant’s operations and also restrict its ability to withdraw capital from its regulated affiliates, which in turn can limit its ability to repay debt or pay dividends on its shares.

Since the Corporation’s ability to carry on its business is dependent upon its continued registration under applicable laws, the Corporation regularly reviews its policies, practices and procedures to ensure that they comply with current regulatory requirements and employees are routinely updated on relevant legal requirements. In addition, external legal advice is obtained, as required, to ensure that the Corporation is informed of new regulatory requirements that may be applicable. All of the Corporation’s registrations

are in good standing. The Corporation has retained National Bank Correspondent Network (“NBCN”) under a written introducing/carrying broker agreement to provide certain record-keeping and operational services in respect of its client accounts which may include execution and settlement of securities transactions, custody of securities and cash balances, and extension of credit on margin transactions. The fees payable to NBCN as carrying broker are not considered material to the Corporation or NBCN.

There are certain regulatory restrictions on the ownership and holding of shares of investment dealers and their parent companies. Notably, the direct or indirect ownership or holding of an interest in an investment dealer by the public is subject to approval by IIROC, other self-regulatory organizations, stock exchanges and certain securities commissions. See “*Risk Factors*” and “*Capital Structure*”.

Privacy Policy

The Corporation is also subject to Canadian federal and provincial privacy laws regarding the collection, use, disclosure and protection of client information. The *Personal Information Protection and Electronic Documents Act* (“PIPEDA”), the federal privacy legislation governing the private sector, requires that organizations only use personal information for purposes that a reasonable person would consider appropriate in the circumstances and for the purposes for which it is collected. Each of the Corporation’s Funds comply with the applicable requirements of PIPEDA and all applicable provincial personal information laws. The Corporation collects personal information directly from the Fund investors or through their financial advisor and/or dealer in order to provide such investor with services in connection with his or her investment, to meet legal and regulatory requirements and for any other purposes to which such investor may consent.

The Corporation does not sell, lease, barter or otherwise deal with personal information collected by the Corporation with third parties. The Corporation carefully safeguards all personal information collected and retained by it and, to that end, restricts access to personal information to those employees and other persons who need to know the information to enable the Corporation to provide its services. The Corporation’s employees are responsible for ensuring the confidentiality of all personal information they may access. Annually, each of the Corporation’s employees is required to sign a code of conduct, which contains policies on the protection of personal information.

The Corporation’s Privacy Policy is provided to every prospective purchaser of a Fund’s securities and sets out the Corporation’s commitment to the protection of the privacy of its clients.

Anti-Money Laundering Laws

In order to comply with federal legislation aimed at the prevention of money laundering, the Corporation sometimes requires additional information concerning a purchaser of securities of any of its Investment Products. If, as a result of any information or other matter which comes to the attention of any of its directors, officers or employees, or its professional advisors, the Corporation knows or suspects that an investor is engaged in money laundering, it is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

RISK FACTORS

An investment in the securities of the Corporation involves a number of risks. In addition to the other information contained in this AIF, investors should carefully consider the risks described below before making an investment decision. The Corporation’s business, financial condition, revenues and profitability could be materially adversely affected by any of these risks. The trading price of the common

shares of the Corporation (“**Common Shares**”) could decline due to any of these risks, and investors may lose all or part of their investment. The risks described below are not the only ones facing the Corporation and holders of Common Shares. Additional risks not currently known to the Corporation or that management currently considers immaterial may also impair the Corporation’s business operations should such risks arise or become material to the Corporation.

This AIF contains Forward-Looking Statements that involve significant known and unknown risks, uncertainties and assumptions. The Corporation’s actual results could differ materially from those expressed, anticipated or implied in these Forward-Looking Statements as a result of certain factors, including the risks faced by the Corporation described below and elsewhere in this AIF. See “*Forward-Looking Statements*”.

Risks Related to the Business

Difficult Market Conditions

Difficult market conditions can materially adversely affect the Corporation’s business in many ways, including by reducing the value and performance of the investments made by the Investment Products, which could materially reduce the Corporation’s revenue and cash flow and materially adversely affect its financial condition.

The success of the Corporation’s business lines is highly dependent upon conditions in the Canadian and global equity and financial markets and economic conditions throughout the world that are outside the Corporation’s control and difficult to predict. Factors such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts, security operations, demonstrations or protests), government policies, and performance of businesses and industry sectors can have a material negative impact on the value of the Investment Products’ portfolio investments, which in turn would reduce revenues and profitability. See also “*Risk Factors - Risks Related to the Corporation’s Investment Products and Lending Business*”.

Unpredictable or unstable market conditions and adverse economic conditions may result in reduced opportunities to find suitable risk-adjusted investments to deploy capital and make it more difficult to exit and realize value from existing investments, which could materially adversely affect the Corporation’s ability to raise new funds and sustain profitability and growth.

Poor Investment Performance

Poor investment performance could lead to a loss of clients, lower AUM and a decline in revenues. The Corporation’s revenues are dependent upon Management Fees, which are based on the market value of its AUM, and upon Performance Fees, which are based on a combination of the market value of AUM and the increase in value of the Investment Products above pre-specified performance benchmarks or hurdles. See “*Description of the Business*”.

Management believes that investment performance is one of the most important factors explaining the historical growth of the Corporation’s AUM. Poor investment performance (relative to its competitors or otherwise) could impair revenues and growth as existing clients might withdraw funds in favour of better performing products and the ability of the Corporation to attract funds from existing and new clients would be reduced. All of the foregoing could result in lower AUM and could impact the Corporation’s ability to earn Management Fees. In addition, the ability to earn Performance Fees is directly related to

investment performance and therefore poor investment performance may cause the Corporation to earn lower Performance Fees.

There is no assurance that the Corporation will be able to achieve or maintain any particular level of AUM, which may have a material negative impact on its ability to attract and retain clients, Management Fees and potential Performance Fees, and overall profitability. The Corporation's Investment Products tend to be more volatile than general market indices as the Spratt investment team strives for exceptional performance and returns rather than attempting to mirror or follow the market indices. This volatility combined with negative or poor performance could combine to lead to a reduction in AUM and lower Management Fees and Performance Fees as a result.

Performance Fees Fluctuations

Fluctuations in Performance Fees will increase earnings volatility, which could decrease the price of the Common Shares.

The Corporation is entitled to Performance Fees only if performance exceeds pre-specified performance hurdles. If these hurdles are not exceeded, Performance Fees will not be payable for the relevant period. Moreover, any failure to meet or exceed a performance hurdle is carried forward indefinitely until such time as such deficit is made up. Performance Fees will vary from period to period in relation to, among other things, volatility in investment returns, causing revenues to be more volatile. The volatility in revenues may decrease the Common Share price. In addition, all but one of the Investment Products have a December 31 performance year end, at which time Performance Fees (other than crystallized Performance Fees) for that 12-month period are determined. The Limited Partnerships have a Carried Interest generally received upon certain monetizing events in the Limited Partnership. Performance Fees are generally received only once per portfolio performance year and determined based on the difference between the net asset value of the particular Investment Product on the first day of its performance year and on the last day of its performance year. The Performance Fees could be significantly impacted by events or factors beyond the Corporation's control that affect the net asset value on one of those days. For example, the markets generally could suffer a significant decline in value on or near the last day of a performance year as a result of a market or world event that could cause the Corporation to earn lower or no Performance Fees for that performance year despite a prior overall increase in the net asset value of those Investment Products over the course of the year.

Moreover, there may be increased volatility in the price of Common Shares during the period leading up to the announcement of Performance Fees and/or the declaration by the Board of special dividends, if any.

Change(s) in the Investment Management Industry

Change(s) in the investment management industry could result in a decline in the Corporation's revenues.

The Corporation's ability to generate revenues has been significantly influenced by the growth of assets under management experienced by the investment management industry and by its relative performance within the investment management industry. The historical growth of the investment management industry may not continue and adverse economic conditions and other factors, including a protracted or precipitous decline in the Canadian, international or global financial markets or a change in the acceptance of fees typically charged by industry participants, could affect the popularity of the Corporation's services or result in clients withdrawing from the markets or decreasing their level and/or rate of investment. A decline in the growth of the investment management industry or other changes to the industry that discourage investors could affect the Corporation's ability to attract clients or could lead

to redemptions of the Investment Products, as applicable, for reasons that may be unrelated to their performance but would nonetheless result in a lower AUM and a corresponding decline in revenues.

Lack of Investment Opportunities

A lack of appropriate investment opportunities could adversely affect the performance of the Investment Products.

An important component of investment performance is the availability of appropriate investment opportunities for new client assets. If the Corporation is not able to find sufficient investments for new client assets in a timely manner, investment performance could be materially adversely affected. Alternatively, if there are insufficient investment opportunities for new client assets, management may elect to limit the Corporation's growth and reduce the rate of intake of new client assets. Historically, depending on, among other factors, prevailing market conditions, the Corporation has taken opportunities to invest in smaller market capitalization companies and other more thinly traded securities in which relatively smaller investments are typically made. As the Corporation's AUM increases, the Corporation may not be able to exploit the investment opportunities that have historically been available to the Corporation or find sufficient investment opportunities for producing the absolute returns targeted. If the Corporation's portfolio managers are not able to identify sufficient appropriate investment opportunities for new client assets, the Corporation's investment performance and management's decision to continue to grow may be materially adversely affected.

Regulatory Compliance

The Corporation's business is subject to risks relating to regulatory compliance relating to investment advisors, investment dealers and the securities business generally.

The Corporation's ability to carry on its business is dependent upon its compliance with and continued registration under securities legislation in the jurisdictions in which it carries on business. See "*Risk Management - Regulatory Matters*". The securities business is subject to extensive regulation under securities laws in Canada, the U.S. and elsewhere. Compliance with many of the regulations applicable to the Corporation involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators, IIROC and FINRA may institute administrative or judicial proceedings that may result in censure, fine, civil penalties, issuance of cease-and-desist orders, deregistration or suspension of the non-compliant investment dealer or investment adviser, suspension or disqualification of the investment dealer's officers or employees, or other adverse consequences. The imposition of any such penalties or orders on the Corporation regardless of duration or any subsequent appellate results could have a material adverse effect on the Corporation's operating results and financial condition.

Additional regulation, changes in existing laws and rules, or changes in interpretations or enforcement of existing laws and rules often affect directly the method of operation and profitability of securities firms. It is not possible to predict with any certainty as to what effect any such changes might have on the Corporation's business. Furthermore, its business may be materially affected not only by regulations applicable to the Corporation as a financial market intermediary, but also by regulations of general application. For example, returns on investments in a given time period could be affected by, among other things, existing and proposed tax legislation, competition policy and other governmental regulations and policies, including the interest rate policies of the Bank of Canada, the Federal Reserve or other global central banks and changes in interpretation or enforcement of existing laws and rules that affect the business and financial communities or industry-specific legislation or regulations.

Risk Management

A failure in management's ability to manage risks in the Investment Products could materially adversely affect the business, financial condition or profitability of the Corporation.

Management uses its best efforts to monitor, evaluate and manage the principal risks associated with the conduct of the Corporation's business. These risks include external market risks to which all investors are subject and internal risks resulting from the nature of the business. See "*Risk Management*". Some of the methods of managing risk used are based upon the use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which may be significantly greater than the historical measures indicated. Other risk management methods depend upon evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. A failure in management's ability to manage risks in the Investment Products could materially adversely affect the business, financial condition or profitability of the Corporation.

Conflicts of Interest

Failure to deal appropriately with conflicts of interest could damage the Corporation's reputation and materially adversely affect its business.

As the scope of the Corporation's business has expanded, potential conflicts of interest relating to the investment activities of the Investment Products has increased. Certain of the Corporation's Investment Products have overlapping investment objectives and potential conflicts may arise with respect to decisions regarding how to allocate investment opportunities among them. Pursuant to the Corporation's fair allocation policy, if an investment opportunity is suitable for more than one Investment Product, such investment opportunity is equitably allocated in order to ensure that the Investment Products have equal access to the same quality and quantity of investment opportunities. Management consistently seeks to negotiate the best possible price through a broker, and when allocating block trades, allocations are made on a pro rata basis, with consideration given to the objective, strategy, restriction, portfolio composition and cash availability of each Investment Product. Therefore an Investment Product may not be able to participate fully in an investment opportunity, which may have a negative impact on its investment strategy and accordingly may affect its performance.

It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and the Corporation's reputation could be damaged if there is a failure to deal appropriately with one or more potential or actual conflict of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on the Corporation's business in a number of ways, including as a result of redemptions by investors, an inability to raise additional funds and a reluctance of counterparties to do business with the Corporation.

Key Management and Staff

Failure to continue to retain and attract qualified staff could lead to a loss of key employees and clients and could lead to a decline in the Corporation's revenues.

The Corporation's business is dependent on the highly skilled and often highly specialized individuals employed by the Corporation. The contribution of these individuals to the investment management, client

service, sales, marketing and operational teams is important to attracting and retaining clients. Management devotes considerable resources to recruiting, training and compensating these individuals. However, the growth in total AUM in the investment management industry, the number of new firms entering the industry and the reliance on performance results to sell financial products have increased the demand for high quality professionals in all aspects of asset management.

Management has taken, and will continue to take, steps to retain key employees, including incentive programs such as the Corporation's employee bonus pool, the Corporation's stock option plan, employee profit sharing plan ("EPSP") and equity incentive plan (the "Plans"). The Corporation has also entered into employment agreements with certain key employees. However, not all of the investment professionals have employment agreements or are subject to non-competition or non-solicitation restrictions. There can be no assurance that the steps taken to retain key individuals will be sufficient in light of the increasing competition for experienced professionals in the industry or that management will be able to recruit a sufficient number of new employees with the desired qualifications in a timely manner, if required. The failure to retain key employees and to recruit new employees could lead to a loss of clients, lower AUM and accordingly, a decline in revenues.

Competitive Pressures

Competitive pressures could reduce revenues.

The investment management industry is highly competitive. Some of the Corporation's competitors have, and potential future competitors could have, substantially greater technical, financial, marketing, distribution and other resources. There can be no assurance that the Corporation will be able to achieve or maintain any particular level of AUM, AUA or revenues in this competitive environment. Competition could have a material adverse effect on profitability and there can be no assurance that the Corporation will be able to compete effectively. In addition, the ability to maintain the Management Fee and Performance Fee structure is dependent on the ability to provide clients with products and services that are competitive. Investors have become more price and value conscious for a variety of reasons, including the current state of the capital markets, low interest rates and reduced investment return expectations, increased regulatory and media focus on fees (particularly for mutual funds), inconsistent investment performance and the availability of lower cost investment products. There can be no assurance that the Corporation will be able to retain the current fee structure or, with such fee structure, retain clients in the future. A significant reduction in Management Fees or Performance Fees would have a material adverse effect on revenues.

Sustaining and Managing Growth

Corporate growth may also be difficult to sustain and may place significant demands on existing administrative, operational and financial resources.

The Corporation's growth to date has caused, and if it continues will continue to cause, significant demands on the legal, accounting and operational infrastructure, and increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which AUM grows, but of significant differences in the investing strategies of the different Investment Products. In addition, management is required to continuously develop the Corporation's systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting and regulatory developments.

Future growth will depend on, among other things, the ability to maintain an operating platform and management systems sufficient to address growth and will require the Corporation to incur additional

expenses and to commit additional senior management and operational resources. As a result, management faces challenges in: (i) maintaining adequate financial and business controls; (ii) implementing new or updated information and financial systems and procedures; and (iii) training, managing and appropriately sizing the work force and other components of the business on a timely and cost-effective basis. There can be no assurance that the Corporation will be able to manage expanding operations effectively or that it will be able to continue to grow, and any failure to do so could adversely affect the ability to generate revenue and control expenses.

The Corporation may enter into new businesses, make future strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties in its business.

Management intends, to the extent that market conditions warrant and regulatory conditions permit, to grow the Corporation's business by increasing AUM and creating new investment products and businesses. Accordingly, management may pursue growth through strategic investments, acquisitions or joint ventures, including co-management relationships with other investment managers and entering into new lines of business. Risks associated with such activities include: (i) exposure to unknown or unforeseen liabilities of co-managers or acquired companies; (ii) higher than anticipated acquisition or start-up costs and expenses; (iii) increased investments in management and operational personnel, financial management systems and facilities; (iv) difficulty with efficiently co-managing with others or integrating operations and personnel of acquired companies; (v) disruption of ongoing business; (vi) diversion of management's time and attention; (vii) possible dilution to shareholders; and (viii) loss of investors in existing Investment Products or other direct clients due to the perception that management is no longer focusing on the Corporation's core business lines. Entry into certain lines of business may also subject the Corporation to new laws and regulations and may lead to increased litigation and regulatory risk. There can be no assurance that the creation of new investment products or new lines of business or any strategic investments, acquisitions or joint ventures will prove to be successful. If a new business, strategic investment, acquisition or joint venture generates insufficient returns or if management is unable to efficiently manage expanded operations, the Corporation's results of operations will be materially adversely affected.

Succession Planning

Failure to execute the Corporation's succession plan could lead to a loss of clients and employees and a decline in revenues.

Eric S. Sprott is the founder and Chairman of the Corporation. Arthur Richards "Rick" Rule IV is the founder of GRIL, SAM USA and RCIC and the Chief Executive Officer of Sprott U.S. Some of the Corporation's clients have invested in the Investment Products because of the personal reputations of Mr. Sprott and/or Mr. Rule. While management believes both Mr. Sprott and Mr. Rule have created strong teams at SAM and Sprott U.S., respectively, if either is unable or unwilling in the future to continue to have an active role, retires, becomes incapacitated or suffers from a long-term disability or dies before the Corporation's succession plan is fully executed, the Corporation may not be able to retain some of its existing clients or employees, which could lead to a decline in revenues.

Foreign Exchange Risk

The Corporation is subject to foreign exchange risk relating to the relative value of the U.S. dollar.

Some of the expenses and revenues of various subsidiaries of the Corporation are denominated in U.S. dollars. As a result, the Corporation is subject to foreign exchange risks relating to the relative value of

the U.S. dollar as compared to the Canadian dollar. A decline in the U.S. dollar would result in a decrease in the real value of the Corporation's revenues and adversely impact financial performance.

Litigation Risk

The Corporation is subject to litigation risk which could result in significant liabilities and reputational harm that could materially adversely affect results of operations, financial condition and liquidity.

In general, the Corporation will be exposed to risk of litigation by its clients if the management of any Investment Product is alleged to constitute gross negligence or wilful misconduct. The Corporation may also be subject to litigation arising from client dissatisfaction with the performance of an Investment Product or from allegations that management improperly exercised control or influence over companies in which the Investment Products have large investments. The Corporation is exposed to the risk of litigation if an Investment Product suffers catastrophic losses due to the failure of a particular investment strategy or due to the trading activity of an employee who has violated market rules and regulations. The Corporation may also be exposed to risks of litigation or investigation relating to transactions which presented conflicts of interest that were not properly addressed.

In such actions the Corporation would be obligated to bear legal, settlement and other costs (which may be in excess of available insurance coverage). In addition, although the Corporation may be indemnified by the Investment Products, its rights to indemnification may be challenged. If the Corporation is required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or a failure to obtain or defend a challenge to its indemnification entitlement, the Corporation's results of operations, financial condition and liquidity would be materially adversely affected.

Employee Error or Misconduct

Employee errors or misconduct could result in regulatory sanctions or reputational harm, which could materially adversely affect the business, financial condition or profitability of the Corporation.

Misconduct by employees could include binding the Corporation to transactions that exceed authorized limits or present unacceptable risks, or concealing from the Corporation unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory enforcement proceedings, sanctions and serious reputational harm. The Corporation is also susceptible to loss as a result of employee error. While management proactively takes extensive measures to deter employee misconduct or prevent employee error, the precautions management takes to prevent and detect this activity may not be effective in all cases, which could materially adversely affect the business, financial condition or profitability of the Corporation.

Information Security Policies

Failure to implement effective information security policies, procedures and capabilities could disrupt operations and cause financial losses that could materially adversely affect the business, financial condition or profitability of the Corporation.

The Corporation is dependent on the effectiveness of its information security policies, procedures and capabilities to protect its computer and telecommunications systems, and the data that resides on or is transmitted through them. An externally caused information security incident, such as a hacker attack or a virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could

materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, regulatory action and sanctions, breach of client contracts, reputational harm and/or legal liability, which, in turn, could materially adversely affect the Corporation's business, financial condition or profitability.

Use of Technology

The Corporation is dependent on the efficiency and effectiveness of the technologies it uses. Improper functioning of any of the technologies could materially interrupt the Corporation's business operations and cause material financial loss, regulatory actions, breach of client contracts, reputational harm or legal liability, which in turn, could materially adversely affect the business, financial condition or profitability of the Corporation.

Business Resiliency Plans

Failure to develop effective business resiliency plans could disrupt operations and cause financial losses, which could materially adversely affect the business, financial condition or profitability of the Corporation.

The Corporation is dependent on the availability of its personnel, its office facilities and the proper functioning of its computer and telecommunications systems. While management has implemented a business continuity program, which is reviewed and updated annually, there can be no assurance that the Corporation's business will not be interrupted and materially adversely affected during a disaster such as a severe weather event, fire, significant water damage, a prolonged loss of electricity or explosion or being collaterally damaged by any of the foregoing occurring to neighbouring businesses. The Corporation's policy is to ensure the continued ability to serve clients and protect their assets and account information, in addition to the people and assets of the Corporation. While management believes the business continuity program has been developed to minimize any disruption, there can be no assurance of business continuity in the event that there are disruptions of normal operations. A disaster could materially interrupt business operations and if the disaster recovery plans prove to be ineffective, it could cause material financial loss, loss of human capital, reputational harm or legal liability, which, in turn, could materially adversely affect the business, financial condition or profitability of the Corporation.

Insurance Coverage

The Corporation may not be able to obtain or maintain sufficient insurance coverage on favourable economic terms.

The Corporation has various types of insurance, including general commercial liability insurance and financial institution bonds. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that claims will not exceed the limits of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A judgment against the Corporation in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on the Corporation's business, financial condition or profitability. There can be no assurance that the Corporation will be able to obtain or maintain its current insurance coverage on favourable economic terms in the future.

Historical Financial Information

The historical financial information included in the Corporation's financial statements is not necessarily indicative of future performance.

The historical growth rates in the Corporation's revenue, net income and AUM are not necessarily indicative of future growth rates. The historical returns of the Investment Products should not be considered indicative of the future results that should be expected from such Investment Products or from any future Investment Products. Returns to date have been as a result of investment opportunities and general market conditions that may not repeat themselves, and there can be no assurance that current or future Investment Products will be able to avail themselves of favourable market conditions and/or profitable investment opportunities. The historical rates of return reflect the Corporation's historical cost structure, which may vary in the future due to factors beyond management's control, including changes in securities, tax and other laws. In addition, future returns will be affected by the applicable risks described elsewhere in this AIF, including risks of the industries and businesses in which a particular Investment Product invests.

Risks Related to the Corporation's Investment Products and Lending Business

The Corporation's results of operations are dependent on the performance of its Investment Products and lending business. Poor performance of any of the Investment Products will result in reduced Management Fee and Performance Fee revenues and reduced returns on the Corporation's proprietary investments therein. In addition, poor performance of the Investment Products will make it difficult for the Corporation to retain or attract investors and grow its business. Each Investment Product, along with the Corporation's lending business, is subject to some or all of the following risks:

- (a) external market and economic conditions beyond the Corporation's control such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances, have an effect on their respective performance and net asset value;
- (b) fluctuation in the frequency and size of redemptions could have a negative impact on their respective value, including substantial redemptions of units, which could require the liquidation of positions more rapidly than otherwise desirable in order to raise the necessary cash to fund such redemptions and achieve a market position appropriately reflecting a smaller asset base. A significant amount of redemptions can have a materially adverse affect, which in turn will affect the Management Fee and Performance Fee revenue payable to the Corporation;
- (c) certain of them have a limited operating history, and historical performance of any of them individually or collectively is not intended to be, nor should it be construed as an indication or forecast of future performance or an indication as to the future value or return on investment in respect of the Common Shares;
- (d) the competitive environment for investments means there can be uncertainty in identifying and completing investment transactions which can result in less favourable investment terms than would otherwise be the case;
- (e) investment objectives, strategies, restrictions and/or portfolios are subject to changes over time;
- (f) investments made in commodities will have prices which are subject to large fluctuations and potential declines in value;
- (g) investments significantly concentrated in precious metals and the resource sector will be subject to larger fluctuations than the fluctuations that occur in the general market;

- (h) investments which are focused primarily or exclusively on small capitalization companies tend to be less stable and potentially less able to withstand market fluctuations;
- (i) some of the special investment techniques employed include short selling, leveraging, hedging, using derivatives or options, and concentration of investment holdings, all of which are subject to their own inherent risks;
- (j) assets may be exposed to currency risk and foreign investment risk when invested in securities that are denominated in foreign currencies and/or in securities of foreign issuers;
- (k) investments in bonds, preferred shares and/or money market securities will be affected by changes in the general level of interest rates;
- (l) the risk of default in repayment obligations by borrowers may result in not being able to receive repayment of the principal amount or interest owing in connection with an investment which could materially adversely affect the Corporation's business and operating results;
- (m) the nature and credit quality of a loan portfolio, including the quality of the collateral security and/or general economic or industry conditions will have an impact on the value of the assets and generation of returns;
- (n) success of investments depends on, among other things, the Corporation's ability to manage its respective investments and assets. There is no guarantee that particular strategies employed will be successful, or that the Corporation will continue to be able to rely on the key personnel it depends on in this role;
- (o) the inability to pay the expenses of one class or series of units may result in an increase in the expenses of the other classes or series of such Fund, Managed Account or Limited Partnership, the effect of which could be to lower the investment returns of the other class(es) or series that have been affected, even though the value of the investments of the Fund, Managed Account or Limited Partnership may have increased;
- (p) some investment strategies use securities lending, which involves risk of potential loss if the other party to such lending transactions is unable to fulfill its obligations;
- (q) there may be difficulty in selling due to illiquidity of some of the securities they have invested in;
- (r) securities exchanges typically have the right to suspend or limit trading, which could render it impossible to liquidate positions and lead to significant unanticipated losses;
- (s) there may be uncertainty as to whether certain Funds will qualify as "mutual fund trusts" under the *Income Tax Act* (Canada) and this may result in certain adverse tax consequences to the Fund if certain investment strategies are employed;
- (t) the positions taken by the Corporation on the tax treatment related to certain Funds and Limited Partnerships are subject to potential challenge and may not be upheld;

- (u) there are various expenses incurred from time to time regardless of whether any profits are realized and such expenses or costs may negatively impact the net asset value of a Fund, which in turn will affect the Management Fee and Performance Fee revenue payable to the Corporation;
- (v) they may be subject to losses due to indemnification obligations for which they are not insured;
- (w) there is no guarantee that foreign jurisdictions will recognize the limited liability of limited partners or unitholders;
- (x) the valuation of investments is subject to uncertainty as certain investments, such as investments in private companies, may be difficult to value accurately. Independent pricing information may not always be available in relation to such securities and other investments. While audits are conducted by independent auditors in order to assess whether the financial statements are fairly stated in accordance with Canadian generally accepted accounting principles or IFRS, as applicable, the valuations may involve judgment determinations and, if such valuations should prove to be incorrect, their net asset value could be misstated. Accordingly, the Corporation may incur substantial costs in rectifying pricing errors caused by the misstatement of such valuations;
- (y) the numerous legal and regulatory regimes to which they are subject present a risk of lawsuits and/or regulatory proceedings and changes in laws and regulations governing their affairs may have an impact on the Corporation's business;
- (z) the due diligence process undertaken in connection with a particular investment may not reveal all the facts that may be relevant to whether such investment will be successful and there can be no assurance that management will correctly evaluate the risks of making certain investments;
- (aa) investments are made in issuers that the Corporation does not control and accordingly such investments will be subject to the risk that the issuer of the securities may make business, financial or management decisions with which the Corporation does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Corporation's interests;
- (bb) if the risk management systems employed are ineffective, the Corporation's business may be affected which could result in material unanticipated losses; and
- (cc) administrative services provided by the Corporation depend in some cases on software and services provided by third parties. The loss of these suppliers' products or services, or problems or errors related to such products could have an adverse effect on the ability of the Corporation to effectively provide these administrative services. Significant changes to the pricing arrangements with such third parties could materially adversely affect operating results. There can be no assurance that the systems of key third party service providers will operate without interruption or that the providers will be able to prevent extended service interruptions in the event of a systems failure, natural disaster or outage, any of which could materially adversely affect the Corporation's business, operations and profitability.

Risks Related to the Management Companies

Performance of the Managed Companies

The Corporation's results of operations are dependent in part on the performance of the Managed Companies. Poor performance will result in reduced Management Fee and Performance Fee revenues and reduced returns on the Corporation's proprietary investments in the Managed Companies. Poor performance of the Managed Companies will make it difficult for the Corporation to retain or attract investors to the Managed Companies and grow its business. The performance of each Managed Company is subject to some or all of the following risks:

- (a) external market and economic conditions beyond management's control such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances;
- (b) certain of the Managed Companies have a limited operating history, and historical performance of the Managed Companies is not intended to be, nor should it be construed as an indication or forecast of future performance of the Managed Companies, their share prices, or an indication as to the future value or return on investment in respect of the Common Shares;
- (c) the success of the Managed Companies depends on management's ability to manage their operations, investments and assets. There is no guarantee that the strategies will be successful;
- (d) some of the Managed Companies invest in commodities, the prices of which are subject to fluctuation and potential declines in value; and
- (e) some of the Managed Companies are exposed to currency risk and foreign investment risk when they invest in securities that are denominated in foreign currencies and/or in securities of foreign issuers.

Management Services Agreements

A Managed Company may terminate its management services agreement with its Management Company. The termination may occur with prior written notice and in certain cases would include a termination fee. A termination by any of the Managed Companies would result in decreased Management Fees and Performance Fees and therefore could have a material adverse effect on the business, financial condition or profitability of the Corporation.

Lack of Diversification

SCLP currently manages one company and Sprott Toscana manages one company and a small number of investments. As such, the performance of the Corporation would be adversely affected by the unfavourable performance of one Managed Company. As well, the Managed Companies' investments and projects are concentrated in the natural resource sector. As a result, the Managed Companies' performance will be disproportionately subject to adverse developments in this particular sector.

Risks Related to Organization, Structure and Common Shares

Share Price Fluctuation

The market price of the Common Shares may fluctuate widely and rapidly.

The market price of the Common Shares could fluctuate significantly as a result of many factors, including the following: (i) economic and stock market conditions generally and specifically as they may impact participants in the investment management industry; (ii) the Corporation's earnings and results of operations and other developments affecting the Corporation's business; (iii) sales of additional Common Shares into the market by the shareholders who are a part of management of the Corporation ("**Management Shareholders**") and/or other employees of the Corporation; (iv) changes in financial estimates and recommendations by securities analysts following the Corporation's Common Shares; (v) earnings and other announcements by, and changes in market evaluations of, participants in the investment management industry; (vi) changes in business or regulatory conditions affecting participants in the investment management industry; and (vii) trading volume of the Common Shares.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Shares may decline even if the Corporation's operating results or prospects have improved or not changed.

Dilution

The Corporation may sell or issue additional Common Shares or other securities in the future, including upon exercise of stock options, to finance future activities. The Corporation cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Issuances of substantial numbers of Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its earnings per share.

Management Shareholders

Potential future sales of Common Shares by Management Shareholders could adversely affect prevailing market prices for the Common Shares.

Subject to compliance with applicable securities laws, Management Shareholders may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares by Management Shareholders will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by Management Shareholders, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares.

Restrictions on Share Ownership and Transfer

The ownership of the Common Shares is subject to certain restrictions under legislation applicable to certain of the Corporation's subsidiaries and rules and regulations established by securities regulatory authorities and certain self-regulatory organizations. If any person (together with its associates and affiliates and any person acting jointly or in concert with it) controls or acquires control of, 10% or more

of the issued and outstanding Common Shares (after giving effect to the conversion or exchange of any securities convertible or exchangeable into Common Shares that are controlled by such person, its associates and affiliates and any person acting jointly or in concert with it), the Corporation and/or its subsidiaries may be required to provide notice to, or require approval from, such securities regulatory authorities and self-regulatory organizations. The failure of the Corporation and/or its subsidiaries to so notify, or receive approval from, such entities may result in sanctions or the termination of memberships and/or registrations necessary for the operation of their business. The imposition of such sanctions or the termination of such memberships and/or registrations could have a material adverse effect on the business, financial results, financial condition and general business prospects of the Corporation and/or its subsidiaries. As a result of these restrictions, the market for significant blocks of Common Shares may be limited.

Dividends

The payment of dividends is not guaranteed and the amount and timing of any dividends payable by the Corporation will be at the discretion of the Board and will be established on the basis of the Corporation's earnings, the satisfaction of solvency tests imposed by applicable corporate law for the declaration and payment of dividends, and other relevant factors.

DIVIDENDS

All dividends are subject to declaration by the Corporation's Board. Whether to declare any dividends and the amount of any such dividends are determined by the Board, in its sole discretion, after considering general business conditions, the Corporation's financial results, including the level of Performance Fees paid to the Corporation, the Corporation's solvency position and working capital requirements, and other factors it determines to be relevant at the time. The Corporation's dividend policy currently provides that the Board will declare, and the Corporation will pay, quarterly dividends on its Common Shares in the amount of \$0.03 per Common Share. In addition, the Board may annually declare a special dividend on each of its Common Shares following receipt of Performance Fees, if any. The amount and timing of such special dividend, if any, will be determined by the Board in its sole discretion. There is no certainty that any dividends will be declared or paid. Any dividend policy established by the Board can be changed at any time and such policy is not binding on the Corporation.

Total dividends paid during the year ended December 31, 2014 were \$29.8 million. During the last three financial years, the Corporation has declared and paid cash dividends per Common Share as noted below:

Dividend per Common Share	Record Date	Payment Date
\$0.03	April 5, 2012	April 20, 2012
\$0.03	May 18, 2012	June 1, 2012
\$0.03	August 17, 2012	September 4, 2012
\$0.03	November 22, 2012	December 4, 2012
\$0.03	April 8, 2013	April 23, 2013
\$0.03	May 16, 2013	May 31, 2013
\$0.03	August 16, 2013	August 30, 2013
\$0.03	November 21, 2013	December 5, 2013

Dividend per Common Share	Record Date	Payment Date
\$0.03	March 25, 2014	April 23, 2014
\$0.03	May 13, 2014	June 6, 2014
\$0.03	August 6, 2014	September 3, 2014
\$0.03	November 11, 2014	December 8, 2014

No special dividend was declared in relation to Performance Fees earned in 2012, 2013 or 2014.

Unless indicated otherwise, all dividends on Common Shares will be designated as “eligible dividends” under the *Income Tax Act* (Canada).

CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of common shares, issuable in series, of which 248,331,719 Common Shares are issued and outstanding as of the date hereof.

Common Shares

Each Common Share entitles the holder thereof to receive notice of any meetings of shareholders of the Corporation, and to attend and cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares of the Corporation entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro-rata basis (i) such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore; and (ii) upon the liquidation, dissolution or winding up of the Corporation, the net assets of the Corporation after payment of debts and other liabilities (in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to, or on a pro rata basis with, the holders of Common Shares with respect to dividends or liquidation). The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. See also “*Dividends*”.

Restriction on Share Ownership

The Corporation may not, without regulatory approval, permit an investor, alone or together with its associates and affiliates, to own voting securities carrying 10% or more of the votes carried by all voting securities in SAM, SPW or the Corporation, 10% or more of the outstanding participating securities of SAM, SPW or the Corporation, or an interest of 10% or more in the total equity of the Corporation.

MARKET FOR SECURITIES

On May 15, 2008, the Common Shares were listed and posted for trading on the TSX under the stock symbol “SII”. Information concerning the trading prices and volumes of the Corporation’s common shares on the TSX during fiscal 2014 is set out below:

Month	High	Low	Share Volume
January	\$3.25	\$2.54	5,266,965
February	\$3.62	\$2.88	3,347,397
March	\$3.85	\$3.40	3,245,164
April	\$3.60	\$3.10	2,393,995
May	\$3.39	\$3.06	2,199,913
June	\$3.38	\$2.95	6,864,706
July	\$3.05	\$2.83	6,101,478
August	\$3.00	\$2.80	2,284,066
September	\$2.94	\$2.61	3,229,805
October	\$2.86	\$2.31	4,059,329
November	\$2.63	\$2.22	4,589,980
December	\$2.50	\$2.25	16,111,392

On February 4, 2011, the Corporation completed the acquisition of the Global Companies for which it issued 19,467,500 Common Shares to the Rule Family Trust at a deemed price of \$8.67 per share pursuant to a share exchange agreement dated as of January 24, 2011 (the “**Global Share Exchange Agreement**”) among the Corporation, Sprott U.S., Rule Family Trust U/A/D 12/17/98 (the “**Rule Family Trust**”), Rick Rule and Bonnie Rule. Pursuant to the Global Share Exchange Agreement, the Rule Family Trust is also entitled to receive up to 8 million additional Common Shares upon the attainment of certain financial performance hurdles on February 4, 2016.

Effective July 3, 2012, the Corporation acquired all of the outstanding common shares of TCC and TEC. As consideration, the Corporation paid \$5.2 million cash and issued 1,564,500 Common Shares from treasury valued at \$7.7 million, excluding costs, for total consideration of \$12.9 million paid to the Vendors (as defined in the Toscana Purchase and Sale Agreement). The Common Shares issued as consideration were valued at \$4.92 per share using the closing price of the Common Shares on the TSX on July 3, 2012. In addition, the Vendors will be eligible to earn up to an additional \$5.3 million in cash and Common Shares with the achievement of certain financial targets by Sprott Toscana over a period of up to three years.

On March 13, 2013, the Corporation issued and sold to an institutional investor, on a private placement basis, 7,575,758 Common Shares at a price of \$3.30 per share for total gross proceeds of \$25,000,001.40.

On July 23, 2013, the Corporation completed the acquisition of all of the outstanding common shares of Sprott Resource Lending pursuant to the terms of a plan of arrangement. As consideration, the Corporation paid \$20.8 million cash and issued 69 million Common Shares from treasury valued at \$166.2 million, excluding costs for total consideration of \$187 million. For accounting purposes and as a result of the Corporation’s prior equity ownership in Sprott Resource Lending, the total purchase price was approximately \$198.9 million. The Common Shares issued as consideration were valued at \$2.41 per share using the closing price of the Common Shares on July 23, 2013.

On March 31, 2014, SAM acquired the rights to manage the Exemplar Funds. Capital Innovations, LLC of Pewaukee, Wisconsin acts as sub-advisor for the Exemplar Funds. The consideration for the

acquisition of the right to manage the Exemplar Funds included 224,363 Common Shares. The Common Shares issued as consideration were valued at \$3.53 per share for an aggregate value of \$792,000 using the volume weighted average price of the Common Shares on the TSX for the thirty days ended March 27, 2014.

ESCROWED SECURITIES

On July 3, 2012, the Corporation completed the acquisition of TCC and TEC for which it issued 1,564,500 Common Shares (the “**Sale Shares**”) to the Vendors (as defined in the Toscana Purchase and Sale Agreement) at a deemed price of \$4.92 per share on July 3, 2012. Pursuant to the Toscana Purchase and Sale Agreement, certain of the Vendors are also entitled to receive up to 935,829 additional Common Shares (the “**Contingent Payment Shares**”) upon the attainment of certain financial performance hurdles on July 3, 2015. The Sale Shares are escrowed and released one-third on each anniversary following closing.

Designation of Class	Number of Securities Held in Escrow or that are Subject to Contractual Restriction on Transfer as at December 31, 2014⁽¹⁾	Percentage of Class as of December 31 2014
Common Shares	1,043,000	0.42%

Notes:

(1) The escrow agent is Equity Trust Financial.

DIRECTORS AND OFFICERS

The Board consists of nine directors. All directors were elected to serve until the next annual meeting of shareholders of the Corporation, subject to earlier resignation or removal. The following table sets forth the name; province or state and country of residence; position held with the Corporation; principal occupation; period of directorship with the Corporation; and shareholdings of each of the directors and executive officers of the Corporation.

Name, Province/State and Country of Residence	Position held with the Corporation	Principal Occupation	Director Since	Number of Voting Securities Owned⁽⁵⁾	Percentage of Issued and Outstanding Voting Securities
Eric S. Sprott ⁽¹⁾ Ontario, Canada	Chairman, Chief Investment Officer and Director	Chairman and Chief Investment Officer of the Corporation and Senior Portfolio Manager of SAM	2008	60,241,270	24.26%
Jack C. Lee ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Lead Independent Director	Private Investor and President of Facet Resources Ltd. (private investment firm)	2008	260,504	0.10%

Name, Province/State and Country of Residence	Position held with the Corporation	Principal Occupation	Director Since	Number of Voting Securities Owned ⁽⁵⁾	Percentage of Issued and Outstanding Voting Securities
Peter Grosskopf Ontario, Canada	Chief Executive Officer and Director	Chief Executive Officer of the Corporation and Chief Executive Officer of Sprott Resource Lending	2010	5,814,499	2.34%
Marc Faber ⁽⁴⁾ Ampur Chaing Mai, Thailand	Director	Managing Director ⁽⁴⁾ of Marc Faber Ltd. (investment advisory and fund management firm)	2010	20,000	0.01%
Sharon Ranson ⁽²⁾⁽³⁾ Ontario, Canada	Director	President of The Ranson Group Inc. (executive coaching and consulting services firm)	2014	35,000	0.01%
James T. Roddy ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director	Corporate Director	2008	77,504	0.03%
Arthur Richards Rule IV California, United States	Director	President and CEO of Sprott USA	2011	25,678,222 ⁽⁶⁾	10.34%
Paul H. Stephens California, United States	Director	Chairman and Partner of Stephens Investment Management LLC (hedge fund and venture capital firm)	2012	2,194,400	0.88%
Rosemary Zigrossi ⁽²⁾⁽³⁾ Ontario, Canada	Director	President, Odaamis Inc. (consulting services firm)	2014	Nil.	Nil.
Steven Rostowsky Ontario, Canada	Chief Financial Officer and Corporate Secretary	Chief Financial Officer and Corporate Secretary of the Corporation and Chief Financial Officer of SAM	N/A	175,129 ⁽⁷⁾	0.07%

Notes

(1) On January 20, 2015, Eric Sprott stepped down as Chief Investment Officer of the Company and Senior Portfolio Manager of SAM.

(2) Member of the Audit Committee.

(3) Member of the Human Resources and Compensation Committee.

(4) Member of the Corporate Governance and Nominating Committee.

(5) The information as to the number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of the Corporation, has been furnished by such directors and officers.

(6) Arthur Richards Rule IV, a director of the Corporation, owns 25,204 Common Shares directly, owns or holds 23,974,413 Common Shares indirectly and exercises direction or control over 1,602,160 Common Shares on behalf of Exploration Capital Partners 1998-B L.P, 500 Common Shares on behalf of Ethan Lewis, 500 Common Shares on behalf of Nicholas Lewis, 15,000 Common Shares on behalf of the Lewis Family Trust, 60,000 Common Shares on behalf of the Young Marital Trust and 445 Common Shares on behalf of Corinne Coury.

(7) 57,023 of the 175,129 Common Shares were granted under the EPSP. As at December 31, 2014, 36,944 of the EPSP shares were not yet vested.

Each of the foregoing individuals have been engaged in the principal occupation set forth opposite his or her name during the past five years or in a similar capacity with a predecessor organization except for: (i) Eric S. Sprott who, prior to 2010, was the Chief Executive Officer of the Corporation; (ii) Peter Grosskopf who was the President of Cormark Securites Inc. (a brokerage firm) from 2004 to 2010; (iii) Arthur Richards Rule IV, who founded GRIL, RCIC and Terra Resource Investment Management (now SAM USA); and (iv) Rosemary Zigrossi who, prior to establishing Odaamis Inc., was a Director at Promontory Financial Group (a financial services consulting firm), and prior to that held various positions at the Ontario Teachers' Pension Plan including Vice President, Asset Mix and Risk; Vice President, Venture Capital and Controller.

The directors and executive officers of the Corporation, as a group directly or indirectly, beneficially own, or control or direct 94,496,528 Common Shares, being 38.05% of the total issued and outstanding Common Shares.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or other member of management of the Corporation 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 statutory exemptions 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. No director, officer or other member of management of the Corporation 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 is a director of an Alberta-based private company that has sought protection under the Companies' Creditors Arrangement Act.

Penalties or Sanctions and Personal Bankruptcies

No director, officer, or other member of management of the Corporation has, during the ten years prior to the date hereof, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

No director, officer or other member of management of the Corporation 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 or her assets.

LEGAL MATTERS

In June 2013, the Corporation and certain subsidiaries were named as defendants in a legal proceeding filed with the Ontario Superior Court of Justice relating to the Flatiron Market Neutral Limited

Partnership ("**Flatiron Fund**") by Performance Diversified Fund, as plaintiff. The proceeding is in respect of a claim relating to an investment by the plaintiff in the Flatiron Fund. The plaintiff was a limited partner in the Flatiron Fund from 2006 until February 2013. The Corporation indirectly acquired the shares of the manager of the Flatiron Fund in August 2012. The orderly liquidation of the Flatiron Fund was announced in November 2012 and completed in February 2013.

Performance Diversified Fund claims damages in the amount of \$60 million from the Corporation and certain subsidiaries and \$5 million in other damages from the Corporation, certain subsidiaries and other defendants not related to the Corporation.

The Corporation denies any liability in connection with the claim and will vigorously defend the claim.

The Corporation has incurred nominal expenses in relation to this claim as at December 31, 2014 and expects most legal costs will be recoverable under its insurance policies and other contractual arrangements.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that the Corporation will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of breaches of duty by any of its directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with the *Business Corporations Act (Ontario)*, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is TMX Equity Transfer Services at its principal office located at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1.

MATERIAL CONTRACTS

The only material contract entered into by the Corporation within the year ended December 31, 2014, or before such time which are still in effect, other than in the ordinary course of business is the Global Share Exchange Agreement. A copy of the Global Share Exchange Agreement is available at www.sedar.com.

AUDIT COMMITTEE INFORMATION

The Board has established an audit committee (the "**Audit Committee**") comprised of James T. Roddy (Chair), Jack C. Lee, Sharon Ranson and Rosemary Zigrossi. 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. Mr. Roddy has held a number of senior executive positions including serving as President and Chief Executive Officer of Ontario Bus Industries and President and Chief Operating Officer of Slater Industries Inc. Mr. Roddy holds a Chartered Accountant designation. Mr. Lee was President and Chief Executive Officer of Acclaim Energy Trust and prior thereto, President and Chief Executive Officer of Danoil Energy Ltd., a predecessor of Acclaim Energy Trust. Mr. Lee has a Bachelor of Arts and a Bachelor of Commerce. Ms Ranson was an Adjunct Professor for the Master of Finance program at Queen's University. Prior to founding her current business in 2002, Ms Ranson spent over 20 years in the Financial Services industry in various executive positions. Ms Ranson is a Chartered Accountant and has

a Bachelor of Commerce and a Masters of Business Administration. In addition to being a former Director of Promontory Financial Group and holding various executive positions at Ontario Teachers' Pension Plan (See "*Directors and Officers*"), Ms Zigrossi was an Assistant Vice President at J.P. Morgan (Canada). Ms Zigrossi has a Bachelor of Commerce and is a Chartered Accountant and CFA charter holder.

The Board has adopted a written mandate for the Audit Committee, which sets out the Audit Committee's responsibility in overseeing the accounting and financial reporting processes of the Corporation, audits of the financial statements of the Corporation, and the appointment, compensation, and oversight of the work of any registered external auditor employed by the Corporation for the purpose of preparing or issuing an audit report or related work. This mandate is reviewed and assessed at least annually or otherwise, as deemed appropriate, by the Board with the assistance of the Corporate Governance and Nominating Committee and the Audit Committee. A copy of this mandate is attached hereto as Appendix "A".

External Auditor Fees

Ernst & Young LLP were appointed as Auditors of the Corporation on February 13, 2008. For the fiscal years ended December 31, 2014 and December 31, 2013, the fees received and accrued by Ernst & Young LLP are summarized below for each category:

Service ⁽¹⁾	Fees Incurred 2014	Fees Incurred 2013
Audit and Audit-Related Fees ⁽²⁾	\$410,000	\$388,000
Tax Fees ⁽³⁾	\$292,541	\$180,065
All Other Fees ⁽⁴⁾	\$230,701	\$148,651
Total Fees Paid	\$933,242	\$716,716

Notes:

- (1) Fees do not include any fees related to services provided with respect to the Funds managed by SAM.
- (2) Audit-related services include quarterly reviews and year end audit fees.
- (3) Tax services include tax return review, tax planning, GST work, tax research and other tax services.
- (4) All other fees relate to consultation work, due diligence relating to the acquisition of Sprott Toscana and Sprott Resource Lending, transfer pricing, goodwill and intangibles valuations and related economic analyses.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular for its most recent annual meeting of security holders involving the election of directors.

Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year.

APPENDIX A

SPROTT INC. AUDIT COMMITTEE MANDATE

General

The Board of directors (the “Board”) of Sprott Inc. (the “Corporation”) has delegated the responsibilities, authorities and duties described below to the audit committee (the “Committee”). For the purpose of these terms of reference, the term “Corporation” shall include the Corporation and its subsidiaries.

The Committee shall be directly responsible for overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation, and the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any registered external auditor employed by the Corporation (including resolution of disagreements between management of the Corporation and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. In so doing, the Committee will comply with all applicable Canadian securities laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.

Members

1. The Committee will be comprised of a minimum of three directors. Each Committee member shall satisfy the independence, financial literacy and experience requirements of applicable Canadian securities laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. In particular, each member shall be “independent” and “financially literate” within the meaning of Multilateral Instrument 52-110 Audit Committees (except as otherwise set forth in the limited exemptions contained therein). Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board. Members of the Committee shall be appointed annually by the Board at the first meeting of the Board after the annual general meeting of shareholders. Each member shall serve until such member’s successor is appointed, unless that member resigns or is removed by the Board or otherwise ceases to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than three directors.
2. The Chair of the Committee will be designated by the Board, on the recommendation of the Corporate Governance and Nominating Committee, or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership. The Chair of the Committee shall be responsible for overseeing the performance by the Committee of its duties, for assessing the effectiveness of the Committee and individual Committee members and for reporting periodically to the Board.

Meetings

3. The Committee will meet at least quarterly and at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit the timely review of the Corporation’s quarterly and annual financial statements and related management discussion and analysis, if applicable. Notice of every meeting shall be given to the external auditor, who shall, at the expense of the Corporation, be entitled to attend and to be heard

thereat. The external auditor or any member of the Committee may also request a meeting of the Committee. The Committee shall have an in-camera session without non-independent directors and management as a regular feature of each regularly scheduled meeting. The external auditor and management employees of the Corporation shall, when required by the Committee, attend any meeting of the Committee. Any director of the Corporation may request the Chair of the Committee to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chair of the Committee.

4. Meetings of the Committee shall be validly constituted if a majority of the members of the Committee is present in person or by telephone conference. A resolution in writing signed by all the members of the Committee entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.
5. The Committee shall submit the minutes of all meetings to the Board, and when requested to, shall discuss the matters discussed at each Committee meeting with the Board.

Committee Charter and Performance

6. The Committee shall have a written charter that sets out its mandate and responsibilities and the Committee shall review and assess the adequacy of such charter and the effectiveness of the Committee at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Corporate Governance and Nominating Committee who will do same and recommend changes to the Board for its approval. Unless and until replaced or amended, this mandate constitutes that charter.

Committee Authority and Responsibilities

7. *General*

The overall duties of the Committee shall be to:

- (i) assist the Board in the discharge of its duties relating to the Corporation's accounting policies and practices, reporting practices and internal controls;
- (ii) establish and maintain a direct line of communication with the Corporation's external auditor and assess their performance;
- (iii) oversee the work of the external auditor engaged to prepare or issue an auditor's report or to prepare other audit, review or attest services for the Corporation, including resolution of disagreements between management and the external auditor regarding financial reporting;
- (iv) ensure that management has designed, implemented and is maintaining an effective system of internal controls and disclosure controls and procedures;
- (v) monitor the credibility and objectivity of the Corporation's financial reports;
- (vi) report regularly to the Board on the fulfillment of the Committee's duties, including any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the

performance and independence of the external auditor or the internal audit function; assist, with the assistance of the Corporation's legal counsel, the Board in the discharge of its duties relating to the Corporation's compliance with legal and regulatory requirements; and

- (vii) assist the Board in the discharge of its duties relating to risk assessment and risk management.

8. *External Auditor*

The external auditor will report directly to the Committee and the Committee should have a clear understanding with the external auditor that such auditor must maintain an open and transparent relationship with the Committee and that ultimate accountability of the auditor is to the shareholders of the Corporation. The duties of the Committee as they relate to the external auditor shall be to:

- (i) review management's recommendations for the appointment of the external auditor, and in particular their qualifications and independence, and recommend to the Board a firm of external auditors to be engaged and the compensation of such external auditor;
- (ii) review the performance of the external auditor, including the fee, scope and timing of the audit, and make recommendations to the Board regarding the appointment or termination of the external auditor;
- (iii) review, where there is to be a change of external auditor, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 Continuous Disclosure Obligations or any successor legislation ("NI 51-102"), and the planned steps for an orderly transition;
- (iv) review all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102, on a routine basis, whether or not there is to be a change of external auditor;
- (v) ensure the rotation of partners on the audit engagement team of the external auditor in accordance with applicable law, standards or rules;
- (vi) review and pre-approve non-audit services to be provided to the Corporation by the external auditor;
- (vii) review and approve the engagement letters of the external auditor, both for audit and permissible non-audit services, including the fees to be paid for such services;
- (viii) review the nature of and fees for any non-audit services performed for the Corporation by the external auditor and consider whether the nature and extent of such services could detract from the external auditor's independence in carrying out the audit function; and
- (ix) meet with the external auditor, as the Committee may deem appropriate, to consider any matter which the Committee or external auditor believes should be brought to the attention of the Board or shareholders of the Corporation.

9. *Audits and Financial Reporting*

The duties of the Committee as they relate to audits and financial reporting shall be to:

- (i) review the audit plan with the external auditor and management;
- (ii) review with the external auditor and management all critical accounting policies and practices of the Corporation (including any proposed changes in accounting policies), the presentation of the impact of significant risks and uncertainties, all material alternative accounting treatments that the external auditor has discussed with management, other material written communications between the external auditor and management (such as any management letter or schedule of unadjusted differences), and key estimates and judgments of management that may in any such case be material to financial reporting;
- (iii) review the contents of the audit report;
- (iv) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (v) review the scope and quality of the audit work performed;
- (vi) review the adequacy of the Corporation's financial and auditing personnel;
- (vii) review the co-operation received by the external auditor from the Corporation's personnel during the audit, any problems encountered by the external auditor and any restrictions on the external auditor's work;
- (viii) review the evaluation of internal controls by the persons performing the internal audit function and the external auditor, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses. Particular emphasis will be given to the adequacy of internal controls to prevent or detect any payments, transactions or procedures that might be deemed illegal or otherwise improper;
- (ix) review the appointments of the Chief Financial Officer, persons performing the internal audit function and any key financial executives involved in the financial reporting process;
- (x) review with management and the external auditor the Corporation's interim unaudited financial statements and the annual audited financial statements in conjunction with the report of the external auditor thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before recommending approval by the Board and the release thereof to the public; and
- (xi) review the terms of reference for an internal auditor or internal audit function.

10. *Accounting and Disclosure Policies*

The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- (i) review the effect of regulatory and accounting initiatives and changes to accounting principles of the Canadian Institute of Chartered Accountants or any successor thereto, which would have a significant impact on the Corporation's financial reporting as reported to the Committee by management and the external auditor;
- (ii) review the appropriateness of the accounting policies used in the preparation of the Corporation's financial statements and consider recommendations for any material change to such policies;
- (iii) review the status of material contingent liabilities as reported to the Committee by management;
- (iv) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
- (v) review any errors or omissions in the current or prior years' financial statements;
- (vi) review and recommend approval by the Board before their release all public disclosure documents containing audited or unaudited financial results, including all press releases containing financial results, offering documents, annual reports, annual information forms and management's discussion and analysis containing such results; and
- (vii) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements other than the public disclosure referred to in clause (vi), above, and periodically assess the adequacy of these procedures.

11. *Other*

The other duties of the Committee shall include:

- (i) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
- (ii) reviewing annual operating and capital budgets;
- (iii) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
- (iv) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (v) reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation;
- (vi) inquiring of management and the external auditor as to any activities that may be or may appear to be illegal or unethical; and

- (vii) at the request of the Board, investigating and reporting on such other matters as it considers necessary or appropriate in the circumstances.

Authority to engage independent counsel and outside advisors

- 12. The Committee has the authority to engage independent counsel and other advisors it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee and to communicate directly with the internal and external auditors.
- 13. The Corporation shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment (a) of compensation to the external auditors employed by the issuer for the purposes of rendering or issuing an audit report and to any advisors engaged by the committee, and (b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.