



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

April 16, 2012

**May 23, 2012 at 4:00 p.m.
Toronto Board of Trade
First Canadian Place, Suite 350
77 Adelaide Street West
Toronto, Ontario**

SPROTT INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of Sprott Inc. will be held at the Toronto Board of Trade, Room A/B, First Canadian Place, Suite 350, 77 Adelaide Street West, Toronto, Ontario, on May 23, 2012 at 4:00 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2011, and the auditor's report thereon;
2. to elect the directors for the ensuing year;
3. to reappoint the auditors and authorize the directors to fix their remuneration; and
4. to transact such other matters as may properly come before the meeting or any adjournments of that meeting.

The specific details of the matters proposed to be put before the meeting are set forth in the accompanying Management Information Circular. Holders of common shares of record at the close of business on April 5, 2012 will be entitled to vote at the meeting or any adjournments of that meeting.

Dated at Toronto, Ontario, April 16, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS
OF SPROTT INC.**

"Eric S. Sprott"

Eric S. Sprott
Chairman of the Board of Directors

Notes:

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

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**SPROTT INC.
MANAGEMENT INFORMATION CIRCULAR**

Unless otherwise stated, the information in this management information circular is as of April 16, 2012.

PROXY INSTRUCTIONS

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Sprott Inc. (the “Corporation”) for use at the annual meeting of shareholders of the Corporation (the “Meeting”) to be held at the Toronto Board of Trade, Room A/B, First Canadian Place, Suite 350, 77 Adelaide Street West, Toronto, Ontario, on May 23, 2012 at 4:00 p.m. (Toronto time) and at any adjournment or adjournments thereof, for the purposes set out in the foregoing Notice of Meeting (the “Notice”). It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by officers and directors of the Corporation (but not for additional compensation). The costs of solicitation will be borne by the Corporation. Except as otherwise stated, the information contained herein is given as of the date hereof.

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

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

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

A proxy given by a shareholder for use at the Meeting may be revoked at any time prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Meeting on the day of the

Meeting, or any adjournment thereof. The registered office of the Corporation is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, Canada, M5J 2J1.

MANNER IN WHICH PROXIES WILL BE VOTED

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

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

VOTING BY BENEFICIAL SHAREHOLDERS

The information in this section is of significant importance to shareholders who do not hold their shares in their own name. Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shareholders are “non-registered” shareholders if the voting shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the voting shares.

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

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

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

Distribution to NOBOs

These Meeting Materials are being sent to both registered and non-registered shareholders of the securities. If you are a non-registered shareholder, and the Corporation or its agent has sent these Meeting Materials directly to you, your name and address and information about your holdings of

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

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

Distribution to OBOs

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

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

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

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without nominal or par value, of which 169,645,000 Common Shares were issued and outstanding as at the close of business on April 5, 2012 (the “**Record Date**”).

Each Common Share carries one vote in respect of each matter to be voted upon at the Meeting. Only holders of Common Shares of record at the close of business on the Record Date are entitled to vote at the Meeting.

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

Name	Number of Common Shares Beneficially Owned or Controlled or Directed	Percentage of Outstanding Common Shares
2176423 Ontario Ltd. ⁽¹⁾	94,141,270	55.5%
The Rule Family Trust ⁽²⁾	19,267,500	11.4%

⁽¹⁾ 2176423 Ontario Ltd. is a holding company wholly-owned by Eric Sprott. Eric Sprott also holds 100 Common Shares directly.

⁽²⁾ Arthur Richards Rule IV, a director of the Corporation, is a co-trustee of The Rule Family Trust.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Election of Directors

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

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

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

Name and Municipality of Residence	Position with the Corporation	Principal Occupation	Service as Director	Common Shares beneficially owned, or controlled or directed, directly or indirectly
Eric S. Sprott Oakville, Ontario	Chairman	Chief Executive Officer and Chief Investment Officer of Sprott Asset Management LP	February 13, 2008 to present	94,141,370 ⁽⁴⁾
Jack C. Lee ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Lead Director	Private Investor; President of Facet Resources Ltd.	March 10, 2008 to present	160,504
Marc Faber ⁽¹⁾ Ampur Chaingmai, Thailand	Director	Managing Director, Marc Faber Ltd.	January 19, 2010 to present	--
Peter Grosskopf Toronto, Ontario	Chief Executive Officer	Chief Executive Officer of the Corporation (“CEO”) and Chief Executive Officer of Sprott Resource Lending Corp.	September 7, 2010 to present	4,800,000 ⁽⁵⁾
James T. Roddy ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Director	Corporate Director	March 10, 2008 to present	77,504
Arthur Richards Rule IV Carlsbad, California, USA	Director	President and Chief Executive Officer Sprott US Holdings, Inc.	June 2, 2011	19,267,500 ⁽⁶⁾
Paul H. Stephens, San Francisco, California, USA	Director	Chairman & Partner Stephens Investment Management LLC	--	--

- (1) Member of the Audit Committee.
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee.
(4) Held directly and through a wholly-owned holding company, 2176423 Ontario Ltd. See “Voting Securities and Principal Holders of Voting Securities”.
(5) Held through an indirect wholly-owned holding company, 1833764 Ontario Inc.
(6) Held by The Rule Family Trust for which Mr. Rule is a co-trustee.

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

Eric Sprott, FCA

Eric Sprott has over 40 years of experience in the investment industry and has managed client funds for most of that time. Mr. Sprott entered the investment industry as a research analyst at Merrill Lynch Canada, Inc. In 1981, he founded Sprott Securities Limited (a predecessor to Sprott Securities Inc., now Cormark Securities Inc. (“**Cormark**”)). After establishing Sprott Asset Management Inc. (“**SAMI**”) in December 2001 as a separate entity, Mr. Sprott divested his entire stake in Sprott Securities Inc. to its employees. Mr. Sprott’s investment abilities are demonstrated by the track records of various Sprott Hedge Funds (both domestic and offshore), Sprott Canadian Equity Fund, Sprott Energy Fund and certain managed accounts. In October 2006, Mr. Sprott was the recipient of the 2006 Ernst & Young Entrepreneur of the Year Award (Financial Services) and the 2006 Ernst & Young Entrepreneur of the Year for Ontario. Mr. Sprott was also honoured as Investment Executive’s “Fund Manager of the Year” for 2007. In March 2011, Mr. Sprott was

named “Top Financial Visionary in Canada” by Advisor.ca. Mr. Sprott graduated with a Bachelor of Commerce from Carleton University in 1965 and was awarded an Honorary Doctorate from Carleton University in 2003. He received his Chartered Accountant designation in 1968 and was awarded the FCA designation in 2011.

Jack C. Lee

Mr. Lee has over 39 years of experience in the oil and gas industry. He is currently Lead Director of the Corporation and serves as Chairman of Alaris Royalty Corp., Ithaca Energy Inc., CanEra Energy Corp. and Gryphon Petroleum Corp. He was previously Vice Chairman of Penn West Energy Trust, Chairman of Canetic Resources Trust (“**Canetic**”) and President and Chief Executive Officer of Acclaim Energy Inc. (“**Acclaim**”), a predecessor of Canetic. Prior thereto, Mr. Lee was President and Chief Executive Officer of Danoil Energy Ltd, a predecessor of Acclaim. Mr. Lee has a Bachelor of Arts and a Bachelor of Commerce and is a member of the Institute of Corporate Directors.

Marc Faber

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

Peter Grosskopf

Mr. Grosskopf assumed the role of Chief Executive Officer of the Corporation in September 2010. Mr. Grosskopf has over 23 years of experience in the Canadian financial services industry. In addition to his role as Chief Executive Officer of Sprott Inc., Mr. Grosskopf serves as President and Chief Executive Officer of Sprott Resource Lending Corp. Prior to joining Sprott, he was President of Cormark where he managed the firm’s investment banking business and served as an advisor and underwriter to companies in a wide range of sectors. Over the course of his career, Mr. Grosskopf has established a track record of successfully building and growing businesses. Prior to joining Cormark, Mr. Grosskopf was one of the co-founders of Newcrest Capital Inc., which was acquired by the TD Bank Financial Group in 2000. Mr. Grosskopf holds an Honors Business Administration degree and a Masters of Business Administration degree from the University of Western Ontario.

James T. Roddy

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

Arthur Richards Rule IV

Mr. Rule has over 35 years of experience in natural resource investing. He founded Global Resource Investments Ltd.) (“**Global**”), a full services U.S. brokerage firm that specializes in natural resources companies, in 1993, Resource Capital Investments Corp., the manager of pooled investment vehicles that invest in natural resource companies, in 1998, and Terra Resource Investment Management (now Sprott Asset Management USA Inc. (“**SAM USA**”)), a registered investment advisor that provides segregated managed accounts, in 2006. At Global Mr. Rule leads a team that features professionals trained in resource related disciplines, such as geology and engineering, who work together to evaluate investment opportunities. Mr. Rule is the lead portfolio manager for the RCIC limited partnerships and also advises some of the SAM USA investment platforms. He is a leading American retail broker specializing in mining, energy, water utilities, forest products and agriculture

Paul H. Stephens

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

Corporate Cease Trade Orders or Bankruptcies

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

been a director or executive officer of any company while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Jack C. Lee who 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

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

To the knowledge of the Corporation, no proposed director has, during the ten years prior to the date hereof, been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

2. Appointment and Remuneration of Auditors

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

CORPORATE GOVERNANCE

Board of Directors

The Board is currently comprised of six directors, half of whom are independent directors. Mr. McCain, formerly an independent director, resigned in February 2012. The following are our independent directors: Messrs. Lee, Roddy and Faber. The following were not independent: Mr. Sprott (who is Chief Executive Officer and Chief Investment Officer of Sprott Asset Management LP ("SAM")); Mr. Grosskopf (who is CEO); and Mr. Rule (who is President and Chief Executive Officer of Sprott US Holdings Inc., a wholly-owned subsidiary of the Corporation).

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

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

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

Name	Reporting Issuer
Eric S. Sprott	Sprott Resource Corp.
Jack C. Lee	Alaris Royalty Corp. Ithaca Energy Inc.
Marc Faber	Ivanhoe Mines Ltd.
Peter Grosskopf	Sprott Resource Lending Corp. Virginia Energy Resources Inc.

Board Mandate

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

Position Descriptions

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

Orientation and Continuing Education

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

Financial Officer or the Chief Compliance Officer of the Corporation should they have any specific questions or concerns.

Ethical Business Conduct

The Board has approved policies and procedures designed to ensure that the Corporation operates with the highest ethical and moral standards “best practices”. SAM and Sprott Private Wealth LP (“SPW”) have written policies and procedures that establish strict rules for professional conduct and management of conflicts of interest. The directors and officers of the Corporation are aware of their fiduciary obligation to act in the Corporation’s best interest, to avoid abusing their positions to gain personal benefit, and to disclose any potential conflicts of interest to the Corporation. The Board has also adopted a whistleblower policy to ensure that the Corporation, its subsidiaries, directors, officers and employees comply with all applicable legal and regulatory requirements relating to corporate reporting and disclosure, accounting and auditing controls and procedures, securities compliance and other matters pertaining to fraud against the Corporation and its shareholders. The Board has also adopted an insider trading policy to ensure that the Corporation, its subsidiaries, directors, officers and employees comply with, or do not violate, insider trading obligations or restrictions under applicable securities laws.

Nomination of Directors

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

Board Evaluation

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

Audit Committee

The Board has established an Audit Committee comprised of Messrs. Roddy (Chair), Lee and Faber. All members of the Audit Committee are independent and non-executive directors of the Corporation. All members of the Audit Committee meet the independence and financial literacy requirements of National Instrument 52-110 *Audit Committees*. See the biographical descriptions under “Election of Directors” for a biographical description of each member of the Audit Committee.

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 to the Corporation’s Annual Information Form as Appendix A.

Corporate Governance and Nominating Committee

The Board has established a Corporate Governance and Nominating Committee comprised of Messrs. Roddy (Chair) and Lee, and until his resignation in February 2012, Mr. McCain. The overall purpose of the Committee is to assist the Board in maintaining high standards of corporate governance by developing, recommending and monitoring effective guidelines and procedures applicable to the Corporation, and by establishing the process for identifying, recruiting, appointing and/or providing ongoing development for directors and senior management of the Corporation. Responsibilities include: reviewing the mandate of the Board and its committees; periodically reviewing and evaluating the performance of all directors, committees and the Board as a whole; recommending new candidates for Board memberships, making recommendations to the Board and ensuring that appropriate orientation and education programs are available for new Board members; and reviewing annually the membership and chairs of all committees of the Board. All members of the Corporate Governance and Nominating Committee meet the independence requirements of the Toronto Stock Exchange (the “TSX”) and applicable regulatory authorities.

Compensation Committee

The Board has established a Compensation Committee comprised of Messrs. Lee (Chair) and Roddy, and until his resignation in February 2012, McCain. The overall purpose of the Compensation Committee is to assist the Board in relation to compensation by developing, monitoring and assessing the Corporation’s approach to the compensation of its directors, senior management and employees. This includes: the review and recommendation to the Board, for approval, of the remuneration of the Corporation’s CEO and senior executive officers, determination (or delegation of the authority to determine) and recommendation to the Board for approval of awards to Corporation employees of stock options under the Corporation’s incentive stock option plan as well as awards under the EPSP and EIP (as such terms are hereinafter defined), respectively. All members of the Compensation Committee meet the independence requirements of the TSX and applicable regulatory authorities. See also “Executive Compensation – Compensation Discussion and Analysis”.

DIRECTOR ATTENDANCE AND COMPENSATION

During 2011, the Board held five Board meetings and, in accordance with the Board mandate, for a portion of each such meeting, non-independent directors and management were not in attendance.

Directors	Board of Directors Meetings (Attended/ Held)	Audit Committee Meetings (Attended/ Held)	Compensation, Corporate Governance & Nominating Committee Meetings (Attended/ Held)
Marc Faber	3/5	2/4	N/A
Peter Grosskopf	5/5	N/A	N/A
Allan Jacobs ⁽¹⁾	3/5	N/A	N/A
Jack C. Lee	5/5	4/4	9/9
Mark McCain ⁽²⁾	5/5	N/A	8/9
James T. Roddy	5/5	4/4	9/9

Directors	Board of Directors Meetings (Attended/ Held)	Audit Committee Meetings (Attended/ Held)	Compensation, Corporate Governance & Nominating Committee Meetings (Attended/ Held)
Arthur Richards Rule IV ⁽³⁾	2/5	N/A	N/A
Eric S. Sprott	4/5	N/A	N/A

- (1) Mr. Jacobs ceased to be a director in June 2011.
(2) Mr. McCain ceased to be a director in February 2012.
(3) Mr. Rule became a director in June 2011.

Director Compensation Table

The following table shows all compensation (before taxes and other statutory withholdings) provided to the non-executive directors for the year ended December 31, 2011.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Pension value (\$)	Total (\$)
Marc Faber	5,7500	--	--	--	--	--	57,500
Allan Jacobs ⁽¹⁾	--	--	--	--	1,380,000	--	1,380,000
Jack C. Lee	110,500	--	--	--	--	--	110,500
Mark McCain ⁽²⁾	69,500	--	--	--	--	--	69,500
James T. Roddy	100,500	--	--	--	--	--	100,500

- (1) Mr. Jacobs received \$1,380,000 in salary, bonus and an award under the EPSP in his capacity as a senior portfolio manager and Director of Small Cap Investments of SAM. Mr. Jacobs ceased to be a director in June 2011.
(2) Mr. McCain ceased to be a director in February 2012.

For 2011, each independent member of the Board is paid such remuneration for their services as the Board may, from time to time, determine. Until otherwise determined, such compensation will be \$50,000 per year for each independent director plus \$1,500 per attended meeting of the Board and committees of the Board. The Corporation will also reimburse all members of the Board for out-of-pocket expenses for attending such meetings. In addition, the Chair of the Audit Committee is entitled to an annual retainer fee of \$20,000 and the Chair of each of the Compensation Committee and the Corporate Governance and Nominating Committee are entitled to an annual retainer fee of \$5,000. The lead director of the Board is entitled to an annual retainer fee of \$30,000.

Outstanding share-based awards and option-based awards

The following table sets forth information concerning all option-based and share-based awards for each non-executive director outstanding at December 31, 2011, including awards granted before the financial year ended December 31, 2011. No option-based or share-based awards were granted to any of the directors during the financial year ended December 31, 2011.

Name	Option- Based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽³⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid or distributed (\$)
Marc Faber	50,000	4.85	January 15, 2020	47,000	--	--	--
Allan Jacobs ⁽¹⁾	1,500,000	10.00	May 6, 2018	--	--	200,000	--
Jack C. Lee	50,000	10.00	May 6, 2018	--	--	--	--
	50,000	6.60	November 19, 2020	--	--	--	--
Mark McCain ⁽²⁾	50,000	10.00	May 6, 2018	--	--	--	--
	50,000	6.60	November 19, 2020	--	--	--	--
James T. Roddy	50,000	10.00	May 6, 2018	--	--	--	--
	50,000	6.60	November 19, 2020	--	--	--	--

- (1) Mr. Jacobs ceased to be a director in June 2011. Mr. Jacobs was awarded \$200,000 of Sprott Inc. shares under the EPSP for 2011.
- (2) Mr. McCain ceased to be a director in February 2012, but the expiry dates of his unexercised options were retained.
- (3) Based on the December 30, 2011 TSX closing price of \$5.79.

Incentive plan awards - value vested or earned during the year

Name	Option-based awards - Value vested during the year (\$) ⁽³⁾	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Marc Faber	15,666.67	--	--
Allan Jacobs ⁽¹⁾	--	--	830,000
Jack C. Lee	--	--	--
Mark McCain ⁽²⁾	--	--	--
James T. Roddy	--	--	--

- (1) Mr. Jacobs ceased to be a director in June 2011.
- (2) Mr. McCain ceased to be a director in February 2012.
- (3) Based on the December 30, 2011 TSX closing price of \$5.79.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Objectives of the Corporation's Compensation Programs

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

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

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

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

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

At SAM USA and Resource Capital Investments Corp. (“**RCIC**”), indirect wholly-owned subsidiaries of the Corporation, compensation for senior investment employees is largely related to the earnings generated by the funds that they manage, thereby closely aligning investment management’s interests with those of their investors.

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

Our Compensation Program

The key elements of the compensation arrangements of our executive officers, investment professionals and other key employees are:

Base Salary and Benefits

The Corporation’s compensation structure has historically followed the tradition of a relatively modest base salary and greater participation in the profits of the Corporation as a whole through

cash bonuses. There have been a few exceptions to that model for our executives and investment professionals whereby for certain key hires, in order to attract them to the Corporation, compensation levels are guaranteed for a specified period (usually two years). Those compensation structures are reviewed at the end of the specified periods. As we have matured into a diversified investment management organization, and as we have grown, we compete for a broader range of talent across the investment management industry. As a result, we have reviewed our approach to ensure that our compensation practices provide a competitive base salary for all employees, including Named Executive Officers (“NEOs”).

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

Cash Bonus and Other Variable Compensation

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

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

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

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

Individual bonus payments are paid at management's discretion and are based on an overall assessment by senior management of the individual's performance and absolute and/or relative contribution. While no specific criteria or metrics are set, with respect to portfolio managers, specific consideration will be given to the performance fees generated by the fund or strategies with which the portfolio manager is involved. The 2011 aggregate bonus amount available to employees was substantially less than the 2010 aggregate bonus amount available as a result of significantly lower net income, mainly due to low performance fees earned for 2011. Therefore, most eligible employees, including some NEOs received smaller bonuses for 2011 than for 2010. In all cases, each employee is considered separately, taking into account personal performance, relative ranking among peers (both internally and with reference to external information, where available and appropriate) and salary base. The CEO, in consultation with the President and the Chairman of the Board, recommended the compensation levels for all senior management, including the NEOs, and these proposals were submitted for review by and discussion with the Compensation Committee and, based on the Compensation Committee's recommendation, ultimately approved by the Board.

Equity Incentives

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

The Corporation has established a stock option plan, which is intended to aid in attracting, retaining and motivating our officers, employees and directors. Grants of options pursuant to the stock option plan are approved by the Board upon the recommendation of the Compensation Committee. See "Option and Other Share-based Awards" and "Securities Authorized for Issuance under Equity Compensation Plans – Stock Option Plan".

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

Comparator Group

The competition to attract and retain high performing executives and professionals in the financial services industry is intense and, consequently, the amount of total compensation paid to our executives must be considered in light of competitive compensation levels. When hiring new employees compensation packages are structured so as to attract and retain such personnel. Compensation is tailored to the particular circumstances and is not referenced to any external or “benchmark” data. There are no directly comparable publicly listed companies in Canada. We do not place any particular emphasis on comparator group information. More importantly, a large part of our overall compensation program relates directly to the size of the Employee Bonus Pool discussed above. Thus, total compensation can vary significantly from year-to-year based on overall profitability rather than by any reference to comparator organizations.

Compensation Process

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

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

The Compensation Committee believes that the executive compensation risk management is reinforced by ongoing Board oversight of, among other things, the Corporation’s financial results, regulatory disclosure, strategic plans, fraud and error reporting, the Audit Committee’s regular meetings with the external auditors (including without the presence of management), the Corporation’s internal control, management information systems, and financial control systems. As a result, the Corporation does not believe that its practices and policies are reasonably likely to have a material adverse effect on the Corporation.

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

In making compensation recommendations for our other senior executive officers and investment professionals, in addition to the objective criteria referenced herein, the Compensation Committee relies on the CEO and the Executive Committee to make recommendations based on their judgment of the performance and contribution of the relevant individual. The Compensation Committee reviews and discusses such recommendations with the CEO and the Executive

Committee and, if determined to be appropriate, recommends approval by the Board. The Compensation Committee performs an annual reassessment of the programs each year in connection with year-end compensation decisions. See “Corporate Governance – Compensation Committee”.

Compensation Committee

The Compensation Committee currently consist of Messrs. Jack C. Lee and James T. Roddy, both of whom are independent directors and have direct and indirect expertise, experience and education relevant to their role as members of the Committee. (Mr. Mark McCain was a member of the Compensation Committee and independent director until his resignation in February 2012.) See “Particulars of Matters to be Acted Upon – 1. Election of Directors”, above, and “Corporate Governance – Compensation Committee” below.

Option and Other Share-based Awards

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

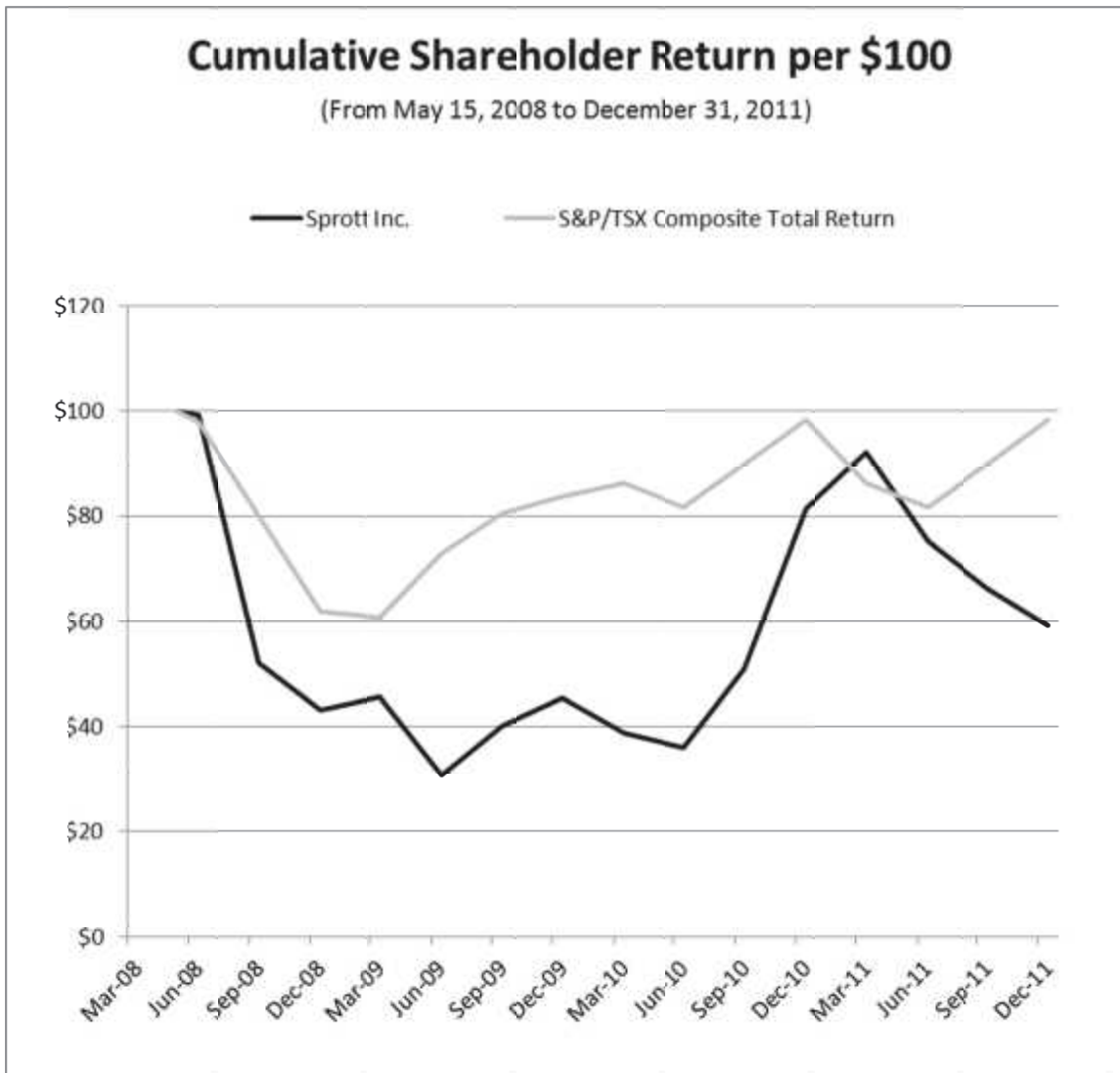
In connection with the IPO, most of our officers, portfolio managers and strategists converted their options or stock in SAMI into stock of the Corporation. As a result those officers, portfolio managers and strategists have, individually and collectively, a substantial holding of the Corporation’s stock and their interests are clearly aligned with those of other shareholders. Given the Corporation stock acquired in the IPO in 2008, no new option-based awards have been granted to any of the NEOs since that time.

Hedging

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

PERFORMANCE GRAPH

The following graph compares the cumulative shareholder return per \$100 invested in the Corporation’s Common Shares to the cumulative total return of the S&P/ TSX Composite Index from the time of the Corporation’s initial public offering on May 15, 2008 to December 31, 2011. The calculations include reinvested dividends and exclude brokerage fees and taxes.



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

SUMMARY COMPENSATION TABLE

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

Name and principal position	Year (\$)	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long term incentive plans			
Eric S. Sprott – Chairman; Chief Executive Officer and Chief Investment Officer, SAM	2011 2010 2009	650,000 650,000 200,000	-- -- --	-- -- --	7,400,000 25,630,000 5,355,000	-- -- --	-- -- --	-- 757,800 ⁽⁴⁾ --	8,050,000 27,037,800 5,555,000
Peter Grosskopf – CEO; and Chief Executive Officer of Sprott Resource Lending Corp. ⁽¹⁾	2011 2010	1,000,000 318,182	-- 16,066,655 ⁽²⁾	-- --	1,500,000 1,500,000	-- --	-- --	-- --	2,500,000 17,884,837
Kevin Bambrough – President; President and Chief Executive Officer, Sprott Consulting and Market Strategist, SAM	2011 2010 2009	550,000 495,833 250,000	-- 9,639,993 ⁽²⁾ --	-- -- --	2,310,000 1,950,000 2,120,000	-- -- --	-- -- --	-- -- --	2,860,000 12,085,826 2,370,000
Arthur Richards Rule IV ⁽⁵⁾ – President and Chief Executive Officer, Sprott US Holdings Inc.	2011	325,974	--	--	1,592,455	--	--	791,554 ⁽⁴⁾	2,709,982
Steven Rostowsky ⁽⁶⁾ – Chief Financial Officer; and Chief Financial Officer, SAM	2011 2010 2009	350,000 412,500 600,000	150,000 ⁽³⁾ -- --	-- -- --	235,000 650,000 --	-- -- --	-- -- --	-- -- --	735,000 1,062,500 600,000

- (1) Mr. Grosskopf commenced employment on September 7, 2010. His annual salary is \$1,000,000 and he is guaranteed annual bonus payments of at least \$1,500,000 for each of the first two fiscal years during which he is employed by the Corporation.
- (2) Mr. Sprott funded a share incentive program from his personal holding company pursuant to which Mr. Grosskopf acquired 5,000,000 Common Shares and Mr. Bambrough acquired 3,000,000 Common Shares. These amounts reflect the maximum benefit conferred to Mr. Grosskopf and Mr. Bambrough as a result of this arrangement and were valued based on the market value of the Sprott Inc. shares when the share incentive program was developed.
- (3) Mr. Rostowsky was granted \$150,000 of shares under the EPSP. These shares vest over three years commencing in 2013.
- (4) These amounts are variable compensation payments that are directly related to certain revenues received by a subsidiary of the Corporation.
- (5) Mr. Rule commence employment on February 4, 2011. Mr. Rule is paid in U.S. dollars. Values expressed above in Canadian dollars are converted from U.S. dollars at the Bank of Canada average exchange rate from February 2011 to December 31, 2011 of Cdn.\$0.9878 per U.S.\$1.00.
- (6) Mr. Rostowsky commenced employment on March 3, 2008. His annual salary was \$600,000 for the first two years of employment after which it reduced to \$350,000 consistent with certain other senior executives.

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

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

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

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

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

INCENTIVE PLAN AWARDS

Outstanding share-based awards and option-based awards

The following table sets forth information concerning all option-based and share-based awards for each NEO outstanding at December 31, 2011, including awards granted before the financial year ended December 31, 2011.

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

⁽¹⁾ Mr. Rostowsky was awarded \$150,000 under the EPSP, none of which has vested.

Incentive plan awards - value vested or earned during the year

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Eric Sprott	--	--	7,400,000
Peter Grosskopf	--	--	1,500,000
Kevin Bambrough	--	--	2,310,000
Arthur Richards Rule IV	--	--	1,592,455 ⁽¹⁾
Steven Rostowsky	--	--	235,000

- (1) Mr. Rule was paid in U.S. dollars. The values expressed above in Canadian dollars are converted from U.S. dollars at the Bank of Canada average exchange rate from February 2011 to December 31, 2011 of Cdn.\$0.9878 per U.S.\$1.00.

The Employee Bonus Pool is an important part of the Corporation's compensation philosophy as it aims to attract, retain and motivate the best professionals in the marketplace. See "Compensation Discussion and Analysis – Cash Bonus".

TERMINATION AND CHANGE OF CONTROL BENEFITS

Eric Sprott

Mr. Sprott has a written employment agreement pursuant to which he is entitled to receive an annual salary as compensation for his services as CEO and Senior Portfolio Manager of SAM. Additionally he is entitled to participate in the Employee Bonus Pool. In the event that Mr. Sprott's employment is terminated without cause, he will be entitled to receive two years' salary and compensation. Mr. Sprott's employment agreement also provides for, among other things, non-compete and non-solicit covenants in favour of the Corporation during the term of his employment and during the two-year period following the later of (i) the date he ceases to be a holder of greater than 10% of the then outstanding Common Shares, and (ii) the date his employment is terminated. If Mr. Sprott's employment had been terminated without cause on December 31, 2011, the estimated termination payment would be approximately \$34,330,000.

Peter Grosskopf

Mr. Grosskopf has a written employment agreement pursuant to which he is entitled to receive an annual salary as compensation for his services as CEO of the Corporation and CEO of Sprott Resource Lending Corp. Additionally he is entitled to participate in the Employee Bonus Pool. For the first two fiscal years of his employment his bonus payments will be no less than \$1,500,000 per year. After completion of the first year of service, he will be entitled to twelve months of notice or pay in lieu. In the event of a change of control of the Corporation, Mr. Grosskopf may within six months of such change of control, terminate his employment agreement. Provided that the requisite notice is given, he will be entitled to receive an amount equal to twelve months' base salary. If Mr. Grosskopf's employment had been terminated without cause on December 31, 2011, the estimated termination payment would be approximately \$1,000,000.

Kevin Bambrough

Mr. Bambrough has a written employment agreement pursuant to which he is entitled to receive an annual salary as compensation for his services as President of the Corporation and CEO of Sprott Consulting. Additionally he is entitled to participate in the Employee Bonus Pool. In the event that Mr. Bambrough's employment is terminated without cause he will be entitled to receive twelve months of notice or pay in lieu. In the event of a change of control of the Corporation, Mr. Bambrough may within six months of such change of control, terminate his employment agreement. Provided that the requisite notice is given, he will be entitled to receive an amount equal to twelve months' base salary. If Mr. Bambrough's employment had been terminated without cause on December 31, 2011, the estimated termination payment would be approximately \$550,000.

Arthur Richards Rule IV

Mr. Rule has entered into a written employment agreement with Sprott US Holdings, Inc. (“**Sprott US**”), a wholly-owned subsidiary of the Corporation for an initial term of three years (the “**Employment Term**”) renewable automatically thereafter for additional one-year terms. Either party may terminate such agreement upon notice provided not more than 180 days nor less than 90 days before the last day of the Employment Term or any extension thereof. Pursuant to such employment agreement Mr. Rule is entitled to receive an annual salary of US\$360,000 as compensation for his services as Chief Executive Officer and President of Sprott US. Additionally, he is entitled to receive a discretionary cash bonus. Mr. Rule shall also be eligible to receive certain commission payments in accordance with the general practice with respect to commission payments of Global and SAM, each an indirect wholly-owned subsidiary of the Corporation. In the event that Mr. Rule is terminated without cause or he resigns for good reason, he will be entitled to receive (i) salary until the end of the Employment Term, (ii) a bonus payable out of Global’s and SAM USA’s bonus plan in respect of the calendar year in which Mr. Rule is terminated, pro rated to the portion of such year that Mr. Rule was employed by Sprott US, and (iii) continued payment of his bonus payable under the bonus plan of RCIC, an indirect wholly-owned subsidiary of the Corporation. Subject to certain conditions, in the event of Mr. Rule’s termination without cause or he resigns for good reason, Sprott US will cause RCIC to enter into a contract with Mr. Rule pursuant to which Mr. Rule will continue to manage the then existing RCIC Funds as an independent contractor through the end of the term for such RCIC Funds. Mr. Rule’s employment agreement also provides for, among other things, non-compete and non-solicit covenants in favour of Sprott US. If Mr. Rule’s employment had been terminated without cause on December 31, 2011, the estimated termination payment would be approximately US\$750,000 with respect to the salary based component of such payment, and his bonus based component would be determined and pro rated as set forth above.

Steven Rostowsky

Mr. Rostowsky has a written employment letter agreement pursuant to which he receives an annual salary and is entitled to participate in the Employee Bonus Pool. In the event Mr. Rostowsky is terminated by the Corporation without cause, he is entitled to receive six-months written notice or base salary plus one month of written notice or base salary for each full year of employment with the Corporation, provided that the total notice period or base salary payable shall not exceed 12 months. If Mr. Rostowsky’s employment had been terminated without cause on December 31, 2011, the estimated termination payment would be approximately \$291,667.

Directors’ and Officers’ Liability Insurance

The Corporation has purchased directors’ and officers’ liability insurance coverage (“**D&O Insurance**”) for directors and officers of the Corporation. No amount of the premium paid for D&O Insurance for the year ended December 31, 2011 was paid by the directors or officers of the Corporation. The D&O Insurance coverage has an annual aggregate limit of \$25,000,000. There is a \$250,000 deductible for any claim made, but no deductible will be assessed against any director or officer. D&O Insurance is designed to protect Board members and officers from their legal liabilities including, but not limited to, securities claims, claims for statutory liabilities and employment claims.

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

Equity Compensation Plan Information as at December 31, 2011

	Number of Securities to be issued upon the exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
<i>Equity compensation plans approved by security holders</i>	2,650,000	\$9.71	14,296,750
<i>Equity compensation plans not approved by security holders</i>	--	--	--
Total	2,650,000	\$9.71	14,296,750

The Corporation has three equity based compensation plans: (a) the Stock Option Plan; (b) the EPSP; and (c) the EIP.

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

Stock Option Plan

The Option Plan is intended to aid in attracting, retaining and motivating our officers, employees, directors and consultants. Other than a share incentive plan funded by Mr. Sprott, there were no other equity compensation plans in 2011. See "Compensation Discussion and Analysis - Option Based Awards" and "Option and Other Share-based Awards".

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

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

Options may be transferred to certain permitted assigns which include a spouse, a trustee acting on behalf of the optionholder or spouse, or a holding entity. If the optionholder resigns, is

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

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

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

EPSP

Membership and Administration

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

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

While Common Shares from treasury may be granted under the EPSP subject to the restrictions set forth above, Common Shares may also be purchased on the open market, at the discretion of the Corporation, by the trustee(s) under the EPSP (the "**Trustee**") on behalf of the EPSP members (the "**Members**"). Management of the Corporation is responsible for administering the

EPSP. The Trustee may purchase Common Shares from Eric Sprott (who is not entitled to be a Member under the EPSP) at a price equal to the Market Price for such shares and in compliance with applicable securities laws and the rules of the TSX. The Trustee is an independent trustee appointed by the Board pursuant to a trust agreement entered into by the Corporation and the Trustee (the “**Trust Agreement**”), which created the trust in respect of the EPSP (the “**Trust**”). The Trustee reports to the Compensation Committee of the Board.

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

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

Termination of Employment

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

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

Amendments or Termination

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

The Board may make the following amendments to the EPSP without obtaining shareholder approval: (a) amendments to the terms and conditions of the EPSP necessary to ensure that the EPSP complies with the applicable regulatory requirements, including the rules of the TSX and

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

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

EIP

Participants and Administration

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

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

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

Restricted stock is subject to forfeiture prior to the vesting of the award. A restricted stock unit is notional stock that entitles the grantee to receive a share of common stock following the vesting of the restricted stock unit. The Compensation Committee may determine to make grants under the EIP of restricted stock and restricted stock units containing such terms as the Compensation Committee may determine. The Compensation Committee will determine the period over which restricted stock and restricted stock units granted to EIP participants will vest, subject to a minimum vesting period of three months for Common Shares issued from treasury, and the timing of distributions. In connection with restricted stock units, the Compensation Committee, in its discretion, may grant dividend equivalent rights under the EIP, subject to such terms and conditions, including the timing of distribution, as determined by the Compensation Committee. The Compensation Committee may base its determination upon the achievement of specified performance goals. The Compensation Committee, in its discretion, may grant Common Shares

free of restrictions under the EIP in respect of past services or other valid consideration. Such Common Shares shall be purchased on the market, and in no event shall treasury shares be issued to make such grants.

Termination of Employment or Service

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

Adjustments; Termination and Amendment

Subject to any required approvals of the stock exchange(s) on which the Common Shares are listed, the plan administrator may, in its discretion, provide for adjustment of the terms and conditions of outstanding awards and awards issuable under the EIP, in recognition of unusual or nonrecurring events (including any stock split, reverse stock split, reorganization, merger, consolidation, split-up, combination, or other similar corporate transaction or event) affecting the Corporation or any of its affiliates. The Board, in its discretion, may terminate, suspend or discontinue the EIP at any time with respect to any award that has not yet been granted. Unless the EIP is terminated earlier, no award may be granted under the EIP following the tenth anniversary of the date of the EIP's adoption by the Board. The Board also has the right to alter or amend the EIP or any part of the EIP, and the Compensation Committee may modify outstanding awards granted under the EIP, from time to time, in each case subject to shareholder approval in certain circumstances as provided in the EIP. However, other than adjustments to outstanding awards upon the occurrence of certain unusual or nonrecurring events, generally no change in any outstanding grant may be made that would materially impair the rights or materially increase the obligations of the participant without the consent of the participant.

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best knowledge of the directors, other than Arthur Richards Rule IV, no proposed director, director, officer or insider of the Corporation, or any associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since January 1, 2011 or in any

proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries. On February 4, 2011, the Corporation completed the acquisition the Global companies from Arthur Richards Rule IV and The Rule Family Trust for which the Corporation 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 “**Share Exchange Agreement**”) among the Corporation, Sprott US, The Rule Family Trust U/A/D 12/17/98, Arthur Richards Rule IV, and Bonnie Rule. Pursuant to the 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.

ADDITIONAL INFORMATION

Financial information about the Corporation is provided in its financial statements for the 12-month period ended December 31, 2011 and related management’s discussion and analysis. You may also obtain a copy of the annual report for fiscal 2011, containing the Corporation’s financial statements and management’s discussion and analysis for fiscal 2011, as well as a copy of the Corporation’s most recent financial statements and its annual information form, by contacting the Sprott Investor Relations at (416) 203-2310 or toll-free at 1 (877) 403-2310 or ir@sprott.com.

All of these above mentioned documents as well as additional information relating to the Corporation are all available by visiting the Corporation’s website at www.sprottinc.com or on SEDAR’s website at www.sedar.com.

DIRECTORS’ APPROVAL

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

Dated at Toronto, Ontario, April 16, 2012

**BY ORDER OF THE BOARD OF DIRECTORS
OF SPROTT INC.**

“Eric S. Sprott”

Eric S. Sprott
Chairman of the Board of Directors

SCHEDULE A

MANDATE OF THE BOARD OF DIRECTORS
OF
SPROTT INC.

Introduction

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

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

Chairman and Composition and Quorum

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

Meetings

3. Meetings will be scheduled to facilitate the Board carrying out its responsibilities. Additional meetings will be held as deemed necessary by the Chairman of the Board. The independent directors of the Board shall hold regularly scheduled meetings at which non-independent directors and management are not in attendance. Any director of the Corporation may request the Chairman of the Board to call a meeting of the Board.
4. Meetings of the Board shall be validly constituted if a majority of the members of the Board is present in person or by telephone conference. A resolution in writing signed by all

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

Board Charter and Performance

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

Duties of Directors

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

Appointment of Management

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

Board Organization

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

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

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

Strategic Planning

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

Monitoring of Financial Performance and Other Financial Reporting Matters

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

Risk Management

- (xii) The Board has responsibility for the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the

Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation's shareholders.

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

Policies and Procedures

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

Communications and Reporting

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

- e) overseeing the Corporation's implementation of systems which accommodate feedback from stakeholders.

Position Descriptions

- (xix) The Board is responsible for:
 - a) developing position descriptions for the Chair of the Board, the lead director, if applicable, the chair of each Board committee and, together with the CEO, the CEO (which will include delineating management's responsibilities);
 - b) developing and approving the corporate goals and objectives that the CEO is responsible for meeting; and
 - c) developing a description of the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.

Orientation and Continuing Education

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

Nomination of Directors

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

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

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

Board Evaluation

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

Authority to engage outside advisors

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

March 22, 2011