



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

**June 2, 2011 at 4:00 p.m.  
Design Exchange  
234 Bay Street  
Toronto, Ontario**

## SPROTT INC.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The annual and special meeting of shareholders of Sprott Inc. will be held at the Design Exchange, 234 Bay Street, Toronto, Ontario, on June 2, 2011 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, 2010, 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;
4. to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution authorizing the adoption of an employee profit sharing plan for non-U.S. employees of the Corporation and its affiliated entities and to approve the proposed maximum number of common shares of 10% of the outstanding common shares issuable from treasury thereunder and under all other security based compensation arrangements (the "**Compensation Maximum**");
5. to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution authorizing the adoption of an equity incentive plan for U.S. service providers of the Corporation and its affiliated entities, to approve the Compensation Maximum and to ratify certain grants of awards thereunder;
6. to consider and if thought advisable, to pass, with or without amendment, an ordinary resolution to approve the Corporation's amended and restated stock option plan and to approve the Compensation Maximum as well as all unallocated options, rights and entitlements thereunder; and
7. 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 11, 2011 will be entitled to vote at the meeting or any adjournments of that meeting.

Dated at Toronto, Ontario, April 29, 2011.

BY ORDER OF THE BOARD

Eric S. Sprott  
Chairman of the Board of Directors  
Sprott Inc.

Notes:

1. A Management Information Circular, form of proxy and, if requested, the financial statements for the year ended December 31, 2010 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 29, 2011.*

**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 and special meeting of shareholders of the Corporation (the “Meeting”) to be held at the Design Exchange, 234 Bay Street, Toronto, Ontario, on June 2, 2011 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 (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; (ii) voted for or withheld from voting for the appointment of auditors and authorizing the directors to fix their remuneration; (iii) voted for or against the adoption of an employee profit sharing plan for non-U.S. employees of the Corporation and affiliated entities; (iv) voted for or against the adoption of an equity incentive plan for U.S. service-providers of the Corporation and affiliated entities; and (v) voted for or against the Corporation’s amended and restated stock option plan and all unallocated options, rights and entitlements thereunder.

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 head 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 forms 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 (“**Common Shares**”) without nominal or par value, of which 169,467,500 Common Shares were issued and outstanding as at the close of business on April 11, 2011 (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:

<b>Name</b>	<b>Number of Common Shares Beneficially Owned or Controlled or Directed</b>	<b>Percentage of Outstanding Common Shares</b>
2176423 Ontario Ltd. <sup>(1)</sup>	94,241,270	55.61%
The Rule Family Trust <sup>(2)</sup>	19,467,500	11.49%

<sup>(1)</sup> 2176423 Ontario Ltd. is a holding company wholly-owned by Eric Sprott.

<sup>(2)</sup> Arthur Richards Rule IV, a nominee for election as 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 Board of Directors of the Corporation (the “**Board**”) has fixed the number of directors at seven. Of the Corporation’s current seven directors, six 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 of the Corporation 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.

<b>Name and Municipality of Residence</b>	<b>Position with the Corporation</b>	<b>Principal Occupation</b>	<b>Service as Director</b>	<b>Common Shares beneficially owned, or controlled or directed, directly or indirectly,</b>
Eric S. Sprott Oakville, Ontario	Chairman	Chief Executive Officer and Chief Investment Officer of Sprott Asset Management LP	February 13, 2008 to present	94,241,270 <sup>(4)</sup>
Jack C. Lee <sup>(1)(2)(3)</sup> Calgary, Alberta	Lead Director	Corporate Director	March 10, 2008 to present	140,504
Marc Faber <sup>(1)</sup> 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 and Chief Executive Officer of Sprott Resource Lending Corp.	September 7, 2010 to present	5,000,000 <sup>(5)</sup>
Mark McCain, <sup>(2)(3)</sup> Toronto, Ontario	Director	Private Investor, Principal of Bulawayo Holdings Inc.	March 10, 2008 to present	77,504
James T. Roddy, <sup>(1)(2)(3)</sup> Toronto, Ontario	Director	Corporate Director	March 10, 2008 to present	77,504
Arthur Richards Rule IV	Director	President and Chief Executive Officer Sprott US Holdings, Inc.	Proposed	19,467,500 <sup>(6)</sup>

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Corporate Governance and Nominating Committee
- (4) Held through a wholly-owned holding company, 2176423 Ontario Ltd.
- (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, CA*

Eric Sprott has over 40 years of experience in the investment industry and has managed client funds for 37 years. 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 the Sprott Hedge Fund L.P., Sprott Hedge Fund L.P. II, Sprott Offshore Fund, Sprott Canadian Equity Fund, Sprott Energy Fund and certain managed accounts. In October 2006, Eric 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. Eric was also honoured as Investment Executive’s “Fund Manager of the Year” for 2007. In March 2011, Eric Sprott was named “Top Financial Visionary in Canada” by Advisor.ca. Eric 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.

*Jack C. Lee*

Mr. Lee has over 38 years 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 Inc. and Gryphon Petroleum Corp. He was previously Vice Chairman of Penn West Energy Trust, Chairman of Canetic Resources Trust and President and Chief Executive Officer of Acclaim Energy Inc., 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 over 36 years 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 Sprott in September 2010. Mr. Grosskopf has over 23 years of experience in the financial services industry and an extensive background as an advisor and underwriter to companies in a wide variety of sectors. In addition to his role at Sprott, he also serves as Chief Executive Officer of Sprott Resource Lending Corp. and President of Sprott Consulting. Prior to joining Sprott, he was President of Cormark since 2004. Prior to joining Cormark, Mr. Grosskopf was one of the co-founders of Newcrest Capital Inc., which was acquired by the TD Bank Financial Group in 2000. Mr. Grosskopf holds a Bachelor of Arts degree and a Masters of Business Administration from the University of Western Ontario.

*Mark McCain*

Mr. McCain has been a private investor through Bulawayo Holdings Inc. since September 2006. Prior to that Mr. McCain was a Business Analyst with McCain Foods Ltd. since March 1998. Mr.

McCain has been a director of McCain Foods Ltd. for the past eight years and a director of the McCain Foods Group Inc. for over ten years.

*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 experience in natural resource investing. He founded Global Resources Investments Ltd., 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, a registered investment advisor that provides segregated managed accounts, in 2006.

**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 statutory exemptions for a period of more than thirty consecutive days issued while that person was acting in such capacity or issued thereafter but resulted from an event that occurred while that person was acting in such capacity. 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 or her 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.

## 3. Approval of the 2011 Employee Profit Sharing Plan

At the Meeting, shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a resolution (the "**EPSP Resolution**") authorizing the adoption of the 2011 Employee Profit Sharing Plan of the Corporation (the "**EPSP**"). The aggregate number of Common Shares from treasury that may be granted under the EPSP and under all other securities based compensation arrangements (including the Revised Plan (as defined below) and the EIP (as defined below) 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 the Corporation's securities based compensation arrangements will increase accordingly. In addition, at the discretion of the Corporation, Common Shares may be purchased on the open market by the trustee(s) under the EPSP (the "**Trustee**") on behalf of the EPSP members (the "**Members**"). If Common Shares have been distributed under the EPSP or the Member's entitlement to benefits shall expire, terminate or be cancelled for any reason in accordance with the terms of the EPSP, the Common Shares subject thereto shall again be available for the purpose of the EPSP. The text of the EPSP Resolution is attached as Schedule A hereto. A complete copy of the EPSP is attached as Exhibit 1 to Schedule A hereto.

### *Purpose*

The purpose of the EPSP is to enable the Corporation to attract and retain high calibre employees of the Corporation and its participating affiliated entities and to encourage their share ownership of the Corporation so that they may share in the growth of the Corporation and act in the long-term best interests of the Corporation.

### *Administration*

Management of the Corporation is responsible for administering the EPSP. The Trustee shall be an independent trustee appointed by the Board pursuant to a trust agreement to be entered into by the Corporation and the Trustee (the "**Trust Agreement**"), which Trust Agreement creates the trust in respect of the EPSP (the "**Trust**"). The Trustee shall report to the Compensation Committee of the Board.

### *Participation*

Participation is limited to eligible full time 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**". It is currently anticipated that all Members will be resident Canadians but this may change to include other non-U.S. residents as the need arises.

The Members shall be designated by the Compensation Committee of the Board or the general partner or other controlling person of a Participating Entity, as applicable, on the recommendation of the President of the Corporation or of a Participating Entity in accordance with the terms of Employee's employment or other contract entitling the Member to benefits under the EPSP (the "**Member's Contract**").

#### *Terms*

The specific terms of any benefits granted to a Member under the EPSP, 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 Member's Contract.

#### *Contributions by Participating Entities*

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, to be not less than \$100.00 per Member who is an employee of such Participating Entity. The Contributions to the EPSP will be made "out of profits" pursuant to subsection 144(10) of the *Income Tax Act* (Canada) (the "**Tax Act**") and each Participating Entity shall elect in a prescribed manner to have the EPSP treated as an employee sharing plan in accordance with subsection 144(10) of the Tax Act.

#### *Purchase of Common Shares and Restrictions on Treasury Issuances*

The Trustee, in the name of the Trust, shall purchase Common Shares in such amounts, at such times and pursuant to the written direction of the Corporation in accordance with the Member's Contract with the Participating Entity. Such Common Shares may be purchased in the open market, from a third party or from the treasury of the Corporation. The price at which such Common Shares may be issued from treasury shall equal the closing sale price of such shares on the Toronto Stock Exchange on the trading day immediately preceding such date ("**Market Price**"). In the event that such Common Shares did not trade on such trading day, the "Market Place" shall be the average of the bid and ask prices in respect of such Common Shares at the close of trading on such trading day. If no quotation is made for the applicable day, the Market Price on such day shall be determined in the manner set forth in the preceding sentence for the next preceding trading day. Notwithstanding the foregoing, if there is no reported closing price or high bid/low asked price that satisfies the preceding sentences, the Market Price on any day shall be determined by such methods and procedures as shall be established from time to time by the Compensation Committee of the Board. The Trustee (who is independent) 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 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 EPSP and when combined with all of the Corporations other security based compensation arrangements, may not exceed 10% of the Corporation's total issued and outstanding Common Shares.

From time to time, the EPSP may borrow monies from a third party or a Participating Entity (including the Corporation) and use such borrowed funds to acquire shares of the Corporation or

other property. For greater certainty, any funds borrowed by the EPSP or other indebtedness incurred by the EPSP shall not be considered to be Contributions by a Participating Entity (including the Corporation).

Any taxes or interest that are assessed against Members and that relate in any way to their participation in the EPSP shall be the sole responsibility of the Members, including any amounts that arise as a direct or indirect result of the EPSP failing at any time to qualify as an "Employee Profit Sharing Plan" as defined in subsection 144(1) of the Tax Act.

#### *Members Accounts, Vesting and Distribution*

Common Shares purchased by the Trustee shall be designated for the account of a particular Member (the "**Member's Account**"). All or a part of the Common Shares in a Member's Account shall vest in the Member from time to time in accordance with the Member's Contract (subject to a minimum vesting period of three months for Common Shares issued from treasury), and shall be designated as such in a sub-account referred to as a "**Member's Vested Account**". The entitlement of a Member to the vested Common Shares may be subject always to any debt incurred and owing by the Trust in connection with the purchase of the Common Shares.

From time to time the Trustees shall, upon written direction from the Corporation, allocate the Contributions, profits, capital gains and capital losses incurred, realized, received or accrued by the Common Shares in a Member's Vested Account to an account to be known as the "**Member's Allocated Account**" in accordance with the Member's Contract and the EPSP. Each Member's Allocated Account will be valued as of the last business day of each fiscal year and as of any such other date as may be required by the EPSP.

Subject to the terms of a Member's Contract and 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.

#### *Termination of Employment*

No later than three months days 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 of the 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.

#### *Transferability*

The Member may not assign, convert, charge, surrender or alienate the rights or benefits granted under the EPSP. Amounts vested in a Member under the EPSP shall not be available for the claims of his or her creditors.

#### *Amendments or Termination of the EPSP*

The Corporation currently intends to continue the EPSP in effect 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 Toronto Stock Exchange (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.

**Unless otherwise specified, the persons named in the accompanying form of proxy intend to vote in favour of the EPSP Resolution.** Approval of the foregoing resolution will require the affirmative vote of a majority of the votes cast thereon at the Meeting.

#### **4. Approval of the 2011 Equity Incentive Plan for U.S. Service Providers**

At the Meeting, shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a resolution (the “**EIP Resolution**”) authorizing the adoption of the 2011 Equity Incentive Plan for U.S. Service Providers (the “**EIP**”) and ratifying the grant of awards thereunder to certain employees and a consultant of the Global Companies (as defined below). Under the EIP, the aggregate number of Common Shares from treasury that may be granted under the EIP and under all other securities based compensation arrangements (including the Revised Plan and the EPSP) 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 the Corporation's securities based compensation arrangements will increase accordingly.

The number of Common Shares that are (i) issuable from treasury, at any time, and (ii) issued from treasury within any one-year period, pursuant to the terms of the EIP, an award granted under the EIP and under any other security based compensation arrangement to insiders of the Corporation, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares. 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. An independent trustee, appointed by the Corporation for non-treasury purchases, may purchase Common Shares from Eric Sprott (who is not entitled to be a Member under the EIP) at a price equal to the Market Price for such shares and in compliance with applicable securities laws and the rules of the TSX. If Common Shares have been distributed under the EIP or the grantee's entitlement to benefits shall expire, terminate or be cancelled for any reason in accordance with the terms of the EIP, the Common Shares subject thereto shall again be available for the purpose of the EIP. The text of the EIP Resolution is attached as Schedule B hereto. A complete copy of the EIP is attached as Exhibit 1 to Schedule B hereto.

#### *Purpose*

The purpose of the EIP is to provide certain key persons residing in the United States or who are otherwise U.S. taxpayers, whose initiative and efforts are deemed to be important to the successful conduct of the business of the Corporation, with incentives to enter into and remain in the service of the Corporation or its affiliates, acquire a proprietary interest in the success of the Corporation, maximize their performance and enhance the long-term performance of the Corporation.

#### *Administration*

The EIP will be administered by the Compensation Committee of the Board. Subject to the applicable rules and regulations of any stock exchange on which the Common Shares are listed, the Compensation Committee will have the authority to, among other things, designate participants under the EIP, determine the type or types of awards to be granted to a participant, determine the number of Common Shares to be covered by awards, determine the terms and conditions applicable to awards and interpret and administer the EIP.

#### *Participation*

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 Sprott as a participant under the EIP.

#### *Awards*

The EIP provides for the award of restricted stock, restricted stock units, related dividend equivalents and unrestricted stock.

#### *Terms*

The specific terms of any award granted under the EIP will be 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 and Restricted Stock Units*

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.

#### *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.

#### *Unrestricted Stock*

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.

#### *Transferability*

Except as otherwise specifically provided in the applicable award agreement evidencing a restricted stock or restricted stock unit award, no award granted under the EIP may be sold, assigned, transferred, pledged or otherwise encumbered or disposed of other than by will or by the laws of descent and distribution. The administrator may, in the applicable award agreement, permit a grantee to transfer all or some of a restricted stock or restricted stock unit award to (1) the grantee's spouse, children or grandchildren, (2) a trust or trusts for the exclusive benefit of such family members or (3) other parties approved by the administrator. Following any such transfer, any transferred restricted stock or restricted stock units will continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

#### *Adjustments; Termination and Amendment of EIP and Awards*

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 and Canada Revenue Agency, and the Internal Revenue Code of 1986, as amended, in place from time to time; 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.

*Grant of Awards to Certain Employees of the "Global Companies"*

In connection with the Corporation's February 2011 acquisition of Global Resource Investments, Ltd., Terra Resource Investment Management Inc. and Resource Capital Investments Corporation (collectively, the "**Global Companies**"), the Corporation agreed to issue an additional 532,500, Common Shares, representing approximately 0.3% of the 169,467,500 currently issued and outstanding Common Shares, to certain employees and a consultant of the Global Companies (the "**Global Employees**") through a U.S. equity incentive plan. Together with the 2,650,000 Common Shares issuable upon the exercise of options granted under the Option Plan (as herein defined), approximately 1.9% of the currently issued and outstanding Common Shares are issuable upon the exercise of options or awards granted under all of the Corporation's securities based compensation arrangements.

Subject to the approval of the EIP by the shareholders, the Board has confirmed the approval of the grant under the EIP to provide for the issuance of such Common Shares to the Global Employees through the EIP. Such Global Employees will enter into lock-up agreements with the Corporation whereby they will agree not to directly or indirectly sell their shares without the Corporation's consent, subject to certain conditions, with one-third of such shares being released from lock up every year for three years from the date of issuance. These awards cannot be exercised until such time that shareholders have approved the EIP and ratified the grants. If Shareholders do not approve the EIP and such grants they will be cancelled forthwith.

**Unless otherwise specified, the persons named in the accompanying form of proxy intend to vote in favour of the EIP Resolution.** Approval of the foregoing resolution will require the affirmative vote of a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

## 5. Approval of the 2011 Amended and Restated Stock Option Plan

At the time of the initial public offering of the Corporation in 2008, the Corporation adopted a “rolling” stock option plan” (the “**Option Plan**”). For further details regarding the Option Plan see “Securities Authorized for Issuance under Equity Compensation Plans” below. As the third anniversary since the approval of the “rolling” provisions of the Option Plan will occur in 2011, the rules of the TSX require that all unallocated options, rights or other entitlements under the Option Plan be approved by a majority of the Corporation’s shareholders.

As described under “Securities Authorized for Issuance under Equity Compensation Plans” below, the Board has approved certain amendments to reflect the new tax withholding requirements under the Tax Act. The Board has also determined that it is in the best interests of the Corporation to amend and restate the Option Plan (the “**Revised Plan**”) to ensure that the new securities based compensation arrangements (the EPSP and the EIP) proposed to be adopted by the Corporation, as previously described, are subject to the existing “rolling” Common Share issuance maximum under the Option Plan. Under the Revised Plan, the aggregate number of Common Shares from treasury that may be granted under the Revised Plan AND under all other securities based compensation arrangements (including the EPSP and the EIP) 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 the Corporation’s securities based compensation arrangements will increase accordingly. If any Option granted thereunder shall expire, terminate for any reason in accordance with the terms of the Revised Plan or be exercised, Common Shares subject thereto shall again be available for the purpose of the Revised Plan. The Revised Plan specifically excludes Eric Sprott as an optionee under the Revised Plan. The Revised Plan also includes a provision of a technical nature to ensure compliance with U.S. laws for the issuance of options to “permitted assignees” of U.S. optionees.

In accordance with the Option Plan, the foregoing proposed amendments do not require shareholder approval as they are required to ensure that the Option Plan complies with applicable regulatory requirements or are amendments respecting administration of the Option Plan or eligibility for participation under the Option Plan, and management believes that they are amendments that are not adverse in interest (or are more favourable) to the shareholders. However, consistent with good corporate governance practices, the Board has determined that it will seek approval of the shareholders for the Revised Plan.

On April 29, 2011, the Board approved the Revised Plan, subject to shareholder and regulatory approval. At the Meeting, shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a resolution (the “**Revised Plan Resolution**”) authorizing the approval of the Revised Plan (including all unallocated options, rights or other entitlements thereunder) and the grant of options until June 2, 2014, which is the date that is three years from the date of the Meeting at which shareholder approval is being sought. The text of the Revised Plan Resolution is attached as Schedule C hereto. A complete copy of the Revised Plan is attached as Exhibit 1 to Schedule C hereto.

As of the date hereof, options to acquire 2,650,000 Common Shares, representing approximately 1.6% of the 169,467,500 currently issued and outstanding Common Shares, have been granted under the Stock Option Plan, and no options have been exercised. Together with the 532,500 Common Shares issuable upon the exercise of awards under the EIP, approximately 1.9% of the currently issued and outstanding Common Shares are issuable upon the exercise of awards or options granted under all of the Corporation’s securities based compensation arrangements.

**Unless otherwise specified, the persons named in the accompanying form of proxy intend to vote in favour of the resolution to reconfirm and approve the Corporation’s Option Plan.** Approval of the foregoing resolution will require the affirmative vote of a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting. Whether or not the resolution is approved, all options and other entitlements currently outstanding under the Option Plan will remain in effect in accordance with their terms. If the resolution is not approved, any currently unallocated options, rights or other entitlements under the Option Plan will no longer be available for grant.

## **CORPORATE GOVERNANCE**

### **Board of Directors**

The Board is comprised of seven directors, a majority of whom are independent directors. The following are our independent directors: Messrs. Lee, McCain, 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 LP”)); Mr. Grosskopf (who is Chief Executive Officer of the Corporation (“CEO”)); and Mr. Jacobs (who is Senior Portfolio Manager and Director of Small Cap Investments of SAM LP).

The Chairman, of the Board is Eric Sprott, who also serves as Chief Executive Officer and Chief Investment Officer of SAM LP, 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 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:

<b>Name</b>	<b>Reporting Issuer</b>
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.

### *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 D.

### *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 LP and Sprott Private Wealth LP ("SPW LP") 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 the Corporation to act in its 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, her or its effectiveness and contribution. These assessments consider, in the case of the Board or a committee thereof, its mandate or charter and in the case of an individual director, any applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board.

### **Audit Committee**

The Board has established an Audit Committee comprised of Messrs. Roddy (Chair), Lee and Faber. All members of the Audit Committee are independent and non-executive directors of the Corporation. All members of the Audit Committee meet the independence and financial literacy requirements of National Instrument 52-110 *Audit Committees*. 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 (as hereinafter defined) 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), Lee and 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 TSX and applicable regulatory authorities.

### **Compensation Committee**

The Board has established a Compensation Committee comprised of Messrs. Lee (Chair), McCain and Roddy. 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 ESIP,

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 2010, the Board held six Board meetings at which all directors were present in person or by telephone and, in accordance with the Board mandate, for a portion of each such meeting, non-independent directors and management were not in attendance.

Directors	Board of Directors Meetings (Attended/ Held)	Audit Committee Meetings (Attended/ Held)	Compensation, Corporate Governance & Nominating Committee Meetings (Attended/ Held)
Marc Faber	6/6	4/4	N/A
Peter Grosskopf	3/3	N/A	N/A
Peter Hodson	3/3	N/A	N/A
Allan Jacobs	6/6	N/A	N/A
Jack C. Lee	6/6	4/4	5/5
Mark McCain	6/6	N/A	5/5
James T. Roddy	6/6	4/4	5/5
Eric S. Sprott	6/6	N/A	N/A

### Director Compensation Table

The following table shows all compensation (before taxes and other statutory withholdings) provided to the directors for the year ended December 31, 2010.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Marc Faber	65,000	--	163,500 <sup>(3)</sup>	--	--	228,500
Peter Hodson <sup>(1)</sup>	--	--	--	--	1,000,000	1,000,000
Allan Jacobs <sup>(2)</sup>	--	--	--	--	2,650,000	2,650,000
Jack C. Lee	107,500	--	103,000 <sup>(4)</sup>	--	--	210,500
Mark McCain	66,500	--	103,000 <sup>(4)</sup>	--	--	169,500
James T. Roddy	97,500	--	103,000 <sup>(4)</sup>	--	--	200,500
Peter Grosskopf	--	16,066,655	--	--	1,818,182	17,884,837

- (1) Mr. Hodson received \$1,000,000 in salary and bonus in his capacity as a senior portfolio manager of SAM LP. Mr. Hodson resigned as a director on September 7, 2010.
- (2) Mr. Jacobs received \$2,650,000 in salary and bonus in his capacity as a senior portfolio manager and Director of Small Cap Investments of SAM LP.
- (3) 50,000 options granted with a fair market value of \$3.27/ option
- (4) 50,000 options granted with a fair market value of \$2.06/ option
- (5) Mr. Grosskopf was appointed as a director on September 7, 2010. Mr. Grosskopf received \$1,818,182 in salary and bonus in his capacity as Chief Executive Officer of the Corporation. Mr. Grosskopf also received 5,000,000 Common Shares through a share incentive plan funded by Eric Sprott. See “Option and Other Share-based Awards”.

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.

During 2010, Mr. Faber received 50,000 options upon his appointment as a director in January 2010. The options are exercisable for a term of 10 years from the date of issuance for an exercise price of \$4.85 per share. One-third of the options vested upon grant with one-third vesting on each of the following two anniversaries of the grant.

In November 2010, each of Messrs. Lee, McCain and Roddy received 50,000 options in respect of their services as directors of the Corporation. The options are exercisable for a term of 10 years from the date of issuance for an exercise price of \$6.60 per share. One-third of the options vested upon grant with one-third vesting on each of the following two anniversaries of the grant.

## **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 Spratt 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.

In SAM LP 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 Spratt Consulting LP ("SCLP") as a result of both the growth of the number of companies that SCLP is managing in terms of the relevant management services agreements and the growth of each of these managed companies. SCLP hires personnel responsive to its needs to effectively provide the required services to the various managed companies.

SPW LP'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.

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. We are also proposing to add a deferred compensation element through the introduction of an employee profit-sharing plan and equity incentive plan that we will develop pending shareholder approval thereof.

### *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 (and its predecessor companies) compensation structure has historically followed the tradition of a 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 relatively recent hires, in order to attract them to the Corporation, compensation levels were guaranteed for a specified period (usually two years). Those compensation structures are reviewed at the end of the specified periods. However, this approach has created a divergence in compensation practices between newer hires and existing employees. We have matured as a diversified investment management organization, and as we have grown, we have reviewed our approach to ensure that our compensation practices provide a competitive base salary for all employees, including Named Executive Officers ("NEOs"). This review has resulted in certain adjustments to base salaries for most NEO's to more reasonable and competitive levels.

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 three years, our organization has grown and evolved. We have added new revenue streams such as commission revenue in SPW LP. In addition, the bonus compensation program that was, and continues to be largely appropriate, for SAM LP's investment management activities, is not as appropriate or responsive to the new activities in SPW LP nor is it appropriate or competitive for the rapidly expanding SCLP business. In order to remain competitive in attracting, retaining and motivating the professionals in these organizations we need to make additional variable compensation payments from time to time. Such variable compensation payments are directly related to additional revenues generated by the relevant companies and attributed to individual employees based on their specific and identifiable contribution to the generation of such incremental revenue.

Given the additional revenue sources referred to above, it was necessary to revisit the definition of Net Operating Income. "**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. 25% of Net Operating Income will continue to be allocated to the Employee Bonus Pool subject to an adjustment, if any, relating to



the proposed EPSP and EIP. For greater clarity, the value of non-cash stock-based compensation granted in a year will form part of the Employee Bonus Pool.

Based on the above, senior management advises the Chair of the Compensation Committee of the aggregate amount of the 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 2010 aggregate bonus amount available to employees was significantly larger than the 2009 aggregate bonus amount available as a result of substantially higher net income, mainly from performance fees earned. Therefore, most eligible employees, including NEOs received bigger bonuses for 2010 than for 2009. 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 Corporation's President, in consultation with the CEO 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 of Sprott Inc. in exchange for their SAMI shares have chosen to continue to be shareholders of Sprott Inc.

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 AUM, 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, we are introducing an EPSP and EIP whereby a portion of the bonus allocated to certain employees will be paid by way of Sprott Inc. 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 will 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. In developing our overall compensation strategy, we consider compensation methodologies employed by other public companies that operate in similar areas to our operating companies such as Gluskin Sheff & Associates (private wealth), Man Group Plc (hedge fund management) and Onex Corp (private equity). However, none of these companies manages a mix of hedge funds, mutual funds and other assets similar to SAM LP and SCLP and, as such, we do not place any particular emphasis on the 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. 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 Business Management Group 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 Business Management Group 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”.

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

Option-based awards are issued pursuant to our stock option plan (the “**Option Plan**”). 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

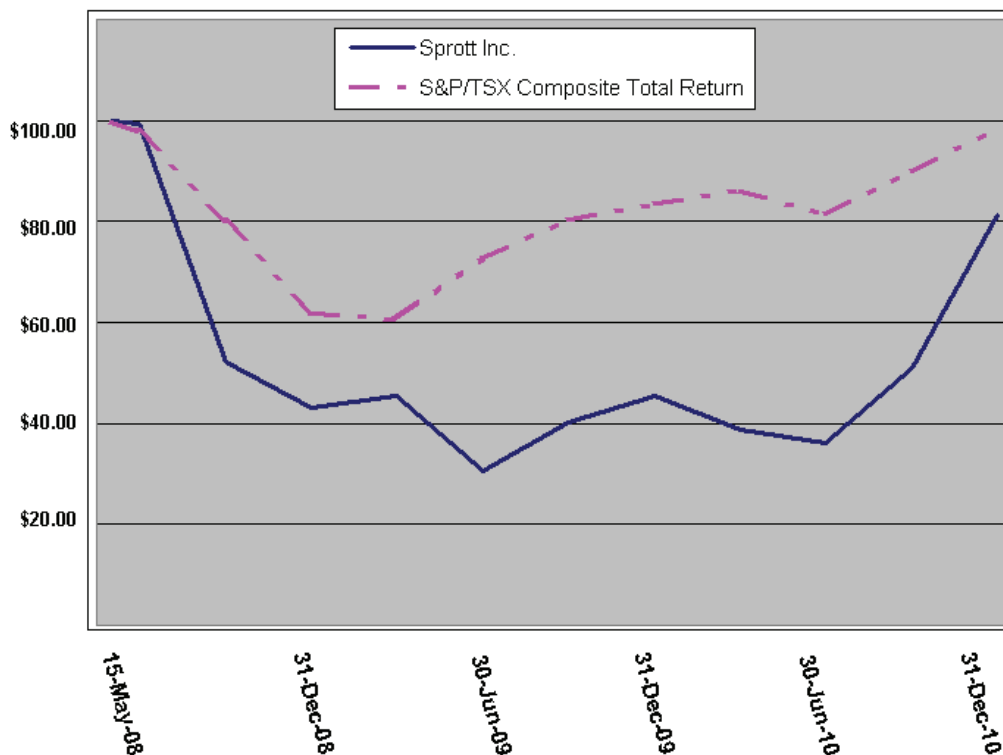
the Corporation stock acquired in the IPO in 2008, no new option-based awards have been granted to any of the NEOs since that time.

Effective September 7, 2010, the Corporation hired Peter Grosskopf as its CEO, succeeding Eric Sprott who became the Corporation's Chairman. In recognition of Mr. Grosskopf's past accomplishments in the financial services industry and to acknowledge the future contributions of Mr. Grosskopf and Mr. Bambrough, the Corporation's President, Eric Sprott personally funded a share incentive program through his personal holding company ("Holdco"). The program provides Mr. Grosskopf with five million common shares of the Corporation held by Holdco and Mr. Bambrough with three million common shares of the Corporation. In accordance with CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, this transaction is considered stock-based compensation of the Corporation and as a capital contribution by Holdco to the contributed surplus of the Corporation. Total shareholders' equity of the Corporation was unaffected as there is no cash expense to the Corporation. The transaction was valued at \$25.7 million reflecting the maximum benefit conferred to Mr. Grosskopf and Mr. Bambrough. The arrangement and has been fully expensed in the Corporation's consolidated financial statements for the year ended December 31, 2010. The common shares are freely tradable and carry no restrictions.

### 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, 2010. The calculations include reinvested dividends and exclude brokerage fees and taxes.

**Cumulative Shareholder Return per \$100**  
(From May 15, 2008 to December 31, 2010)



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 (\$)		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long term incentive plans		
Eric S. Sprott, CEO and CIO SAM LP	2010	650,000	--	--	25,630,000	--	757,800 <sup>(3)</sup>	27,037,800
	2009	200,000	--	--	5,355,000	--	--	5,555,000
	2008	200,000	--	--	6,160,000	--	--	6,360,000
Peter Grosskopf, CEO <sup>(1)</sup>	2010	318,182	16,066,655 <sup>(2)</sup>	--	1,500,000	--	--	17,884,837
	2009	--	--	--	--	--	--	--
	2008	--	--	--	--	--	--	--
Kevin Bambrough, President, CEO SCLP	2010	495,833	9,639,993 <sup>(2)</sup>	--	1,950,000	--	--	12,085,826
	2009	231,250	--	--	2,270,000	--	--	2,501,250
	2008	200,000	--	--	7,215,373	--	--	7,415,373
James Fox, President, SAM LP	2010	350,000	--	--	2,150,000	--	21,942 <sup>(3)</sup>	2,521,942
	2009	200,000	--	--	649,000	--	--	849,000
	2008	200,000	--	--	759,000	--	--	959,000
Steven Rostowsky <sup>(4)</sup> CFO	2010	412,500	--	--	650,000	--	--	1,062,500
	2009	600,000	--	--	--	--	--	600,000
	2008	500,000	--	Nil <sup>(5)</sup>	--	--	100,000	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. Eric Sprott funded a share incentive program from his personal holding company pursuant to which Mr. Grosskopf acquired 5,000,000 Common Shares of the Corporation and Mr. Bambrough acquired 3,000,000 Common Shares of the Corporation. These amounts reflect the maximum benefit conferred to Mr. Grosskopf and Mr. Bambrough as a result of this arrangement.
- (3) These amounts are variable compensation payments that are directly related to certain revenues received by a subsidiary of the Corporation.
- (4) 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. Pursuant to the terms of his employment agreement, Mr. Rostowsky received a one-time transition payment of \$100,000.
- (5) Mr. Rostowsky was granted 5,004 options exercisable for common shares of SAMI on March 17, 2008. All such options vested automatically upon the completion of the IPO of the Corporation. Fair value of the SAMI options at the time of grant was determined to be nil.

Mr. Sprott is the CEO and Chief Investment Officer (“CIO”) for SAM LP as well as a senior portfolio manager. For 2010, SAM LP earned \$200 million in performance fees. The vast majority of those fees were generated by funds for which Mr. Sprott is the lead portfolio manager. 25% of performance fees are allocated to the employee bonus pool. 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 CEO of SCLP. The bonus allocations to Mr, Bambrough are reflective of his leadership and contribution to the Corporation as a whole and the contribution of SCLP to the profitability of the Corporation.

SAM LP contributed significantly to the profitability of the Corporation and bonus allocations to Mr. Fox are reflective of his contribution towards that profitability, particularly with respect to new business and product development for SAM LP.

This was the first year for which Mr. Rostowsky participated in the employee bonus pool. 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

Other than Mr. Grosskopf and Mr. Bambrough, none of the NEOs have any outstanding share-based awards or option-based awards. See “Option and Other Share-based Awards”.

### 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	--	--	25,630,000
Peter Grosskopf	--	16,066,655	1,500,000
Kevin Bambrough	--	9,639,993	1,950,000
James Fox	--	--	2,150,000
Steven Rostowsky	--	--	650,000

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”.

The share-based awards for Mr. Grosskopf and Mr. Bambrough relate to the share incentive program provided by Mr. Sprott. See “Option and Other Share-based Awards”.

## 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 LP. 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, 2010, the estimated termination payment would be approximately \$32,500,000.

### **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. In the event that Mr. Grosskopf's employment is terminated without cause, on or before the completion of his first year of service, he will be entitled to receive the remainder of the first year of service plus an additional twelve months of notice. 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, 2010, the estimated termination payment would be approximately \$1,666,667.

### **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 LP. 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, 2010, the estimated termination payment would be approximately \$600,000.

### **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 \$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 Resource Investments Ltd. ("Global") and Terra Resource Investment Management Inc. ("Terra"), 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 Terra'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 Resource Capital Investments Corp. ("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.

### 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, 2010, the estimated termination payment would be approximately \$262,500.

### *Directors’ & Officers’ Liability Insurance*

The Corporation has purchased directors’ & officers’ liability insurance coverage (“**D&O Insurance**”) for directors and officers of the Corporation. No amount of the premium paid for D&O Insurance for the year ended December 31, 2009 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 for their legal liabilities including, but not limited to, securities claims, claims for statutory liabilities and employment claims.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

### Equity Compensation Plan Information as at December 31, 2010

	Number of Securities to be issued upon the exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<b>Plan Category</b>			
<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>	--	--	--
<b>Total</b>	<b>2,650,000</b>	<b>\$9.71</b>	<b>14,296,750</b>

### 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 2010. 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 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.

The maximum number of Common Shares issuable upon the exercise of options under the Option Plan is a rolling number equal to 10% of the issued and outstanding Common Shares as at the date of grant. 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. The aggregate number of Common Shares (i) issuable to insiders of the Corporation, at any time, and (ii) issued to insiders of the Corporation, within any one year period, under the Option Plan and when combined with all of the Corporation's other security-based compensation plans, may not exceed 10% of the Corporation's total 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 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.

If, before the expiry of an option in accordance with the terms thereof, an Optionee ceases to be an eligible person under the Option Plan for any reason other than his or her resignation or the termination for "cause" of his or her employment with the Corporation or any related entity, or his or her resignation or failure to be re-elected as a director of the Corporation or any related entity, then the Optionee may (i) exercise such option to the extent that he or she was entitled to do so at the time of such termination, at any time up to and including, but not after, a date that is three months (or such other longer period as may be determined by the Board in its sole discretion) following the date of such termination, or (ii) with the prior written consent of the Board or committee, exercise a further option at any time up to and including, but not after, a date that is three months (or such other longer period as may be determined by the Board in its sole discretion) following the date of such termination to purchase all or any of the Common Shares as may be designate but not exceeding the number of Shares the Optionee would have otherwise been entitled to purchase had the Optionee's status as an eligible person been maintained.

On the death of an Optionee, the Optionee's legal representative(s) may (i) exercise the option to the extent that the Optionee was entitled to do so at the date of death at any time up to and including, but not after, a date one year from the date of death of the Optionee or the expiration date of the Option, whichever is earlier, or (ii) with the prior written consent of the Board or its committee, exercise a further option at any time up to and including, but not after, a date one year following the date of death of the Optionee, or prior to expiration date of the Option, whichever is earlier, to purchase all or any of the Common Shares as may be designated but not exceeding the number of Shares the Optionee would have otherwise been entitled to purchase had the Optionee survived.



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.

On March 22, 2011, the Board approved certain amendments to the Option Plan to reflect the new tax withholding requirements under the Tax Act. Pursuant to the amendments, if the Corporation is required under the Tax Act or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the exercise or disposition of options by an optionee, then the optionee must, concurrently with the exercise or disposition (i) pay the Corporation an amount equal to the required tax remittance, (ii) authorize the Corporation to sell in the market a portion of the Common Shares being issued upon exercise of the options as is required to realize cash proceeds to fund the required tax remittance, or (iii) make other acceptable arrangements to fund the required tax remittance. Such amendments are of a “housekeeping” nature and therefore shareholder approval is not required.

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

To the best knowledge of the directors, no 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 or in any proposed transaction since January 1, 2010 that has affected or would materially affect the Corporation.

#### **ADDITIONAL INFORMATION**

Financial information about the Corporation is provided in its financial statements for the 12-month period ended December 31, 2010 and related management’s discussion and analysis. You may also obtain a copy of the annual report for fiscal 2010, containing the Corporation’s financial statements and management’s discussion and analysis for fiscal 2010, 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](mailto: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](http://www.sprottinc.com) or on SEDAR’s website at [www.sedar.com](http://www.sedar.com).

## **DIRECTORS' APPROVAL**

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

Dated at Toronto, Ontario, April 29, 2011

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

*"Eric S. Sprott"*

Eric S. Sprott  
Chairman of the Board of Directors

**SCHEDULE A**

**RESOLUTION OF THE SHAREHOLDERS OF  
SPROTT INC.**

**2011 Employee Profit Sharing Plan**

**RESOLVED:**

1. The Corporation's 2011 Employee Profit Sharing Plan, as substantially set forth in the Management Information Circular for the Meeting of the Corporation to be held on June 2, 2011, and the issuance thereunder and under all other securities based compensation arrangements of the Corporation of up to 10% of the issued and outstanding Common Shares, as at the applicable date of grant thereunder, is hereby approved.
2. The Corporation shall have the ability to continue granting benefits under the Employee Profit Sharing Plan until June 2, 2014, which is three years from the date of the Meeting at which shareholder approval is being sought.
3. Notwithstanding that this resolution has been passed by the shareholders of the Corporation, the Board may revoke such resolution at any time before it has been effected without further action by the shareholders.
4. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.

**Exhibit 1 to Schedule A**

**SPROTT INC.  
2011 EMPLOYEE PROFIT SHARING PLAN**

**ARTICLE 1**

**ESTABLISHMENT OF PLAN**

There is hereby established a 2011 Employee Profit Sharing Plan for the purpose of creating a Trust Fund to be held by the Trustee in trust for the benefit of the Members and to be administered, managed, operated, invested, dealt with and disposed of pursuant to and in accordance with the provisions of the Plan and the Trust Agreement.

It is intended that the Plan shall qualify as a "Employee Profit Sharing Plan" as defined in subsection 144(1) of the *Income Tax Act* (Canada) (the "ITA") and the Plan shall be governed by section 144(1) of the ITA.

The said Trust Fund shall consist in the aggregate of:

- (i) all Contributions;
- (ii) all Trust Property;
- (iii) all proceeds of the sale or other disposal of any Trust Property; and
- (iv) all income and gains derived from the Trust Property and moneys forming part of the Trust Fund;

less the aggregate of:

- (v) all amounts which may from time to time be paid to, or with respect to, Members or Beneficiaries;
- (vi) all losses sustained by the Trustee with respect to the Trust Fund; and
- (vii) all Expenses incurred by the Trustee and the Plan.

**ARTICLE 2**

**DEFINITIONS**

The following terms, wherever used in this document or in the Trust Agreement shall, for the purposes thereof, unless the context otherwise requires, have the meaning set forth below:

- (a) "Affiliated Entity" means: (i) any corporation which is a direct or indirect subsidiary of the Corporation or any corporation designated by the Corporation to be an Affiliated Entity; (ii) any limited partnership if more than 50% of the voting shares of the General Partner of such limited partnership are directly or

indirectly held or controlled by the Corporation or any other limited partnership that is designated by the Corporation to be an Affiliated Entity; and (iii) any trust or other entity that is directly or indirectly controlled by the Corporation and that is designated by the Corporation to be an Affiliated Entity.

- (b) "Beneficiary" means the beneficiary referred to in Paragraph (b) of Article 12.
- (c) "Contract" means the written employment or other contract entitling the Member to benefits under the Plan and entered into between the Member and the Participating Entity (including the Corporation), as amended from time to time. Each Member shall have his or her own Contract which, *inter alia*, specify the terms and conditions, if any, upon which a Member is entitled to any benefits under the Plan.
- (d) "Contribution" means an amount, whether money or rights or things expressed in terms of the amount of money or the value in terms of money of the right or thing, contributed to the Trust Fund and calculated in accordance with the provisions of Article 4.
- (e) "Corporation" means Sprott Inc. and/or its successors.
- (f) "Employee" means a permanent full time employee of a Participating Entity.
- (g) "Expenses" means all costs of every nature and kind associated with the creation, maintenance, administration, operation and termination of the Plan and the Trust, including carrying costs and expenses, Trustee fees and disbursements, administration fees, outlays, commissions, salaries, payments on account of interest and principal on borrowed funds.
- (h) "Fiscal Year" means the financial year of the Participating Entity as determined by its Board of Directors, General Partner or other person having authority from time to time.
- (i) "General Partner" with respect to a limited partnership means the general partner thereof;
- (j) "Member" means any Employee who meets the criteria for membership in the Plan as set out in Article 3, but excluding Eric S. Sprott.
- (k) "Member's Account" means the account established for a Member pursuant to the provisions of the Plan as set out in Article 5.
- (l) "Participating Entity" means the Corporation and any Affiliated Entity which has adopted the Plan. In relation to a Member, "Participating Entity" means that Participating Entity by which the Member is employed.
- (m) "Plan" means the 2011 Employee Profit Sharing Plan set forth in this document and includes any amendments which are from time to time made hereto and the Trust Agreement therefor as amended from time to time.

- (n) "Profits" means the net income after taxes of the Corporation and of an Affiliated Entity, as determined by the Corporation's and Affiliated Entity's auditors, respectively, according to generally accepted accounting practices.
- (o) "Shares" means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 8 hereof, such other shares or securities to which a Member may be entitled upon the distribution out of the Member's Allocated Account as a result of such adjustment.
- (p) "Taxation Year" means the taxation year of the Trust being the calendar year or such part of it that the Trust was in existence.
- (q) "Trust" means the trust created pursuant to the Trust Agreement.
- (r) "Trust Agreement" means the trust agreement entered into by the Corporation and the Trustee as the same may be amended or replaced from time to time.
- (s) "Trust Fund" means the trust fund established pursuant to the Plan and the Trust Agreement as more particularly described in Article 1, including the balance of all Member's Accounts.
- (t) "Trust Property" means all property in which the Trust Fund may from time to time be invested.
- (u) "Trustee" means the person or persons appointed by the Corporation from time to time to act as trustee or trustees under the Plan.

The masculine pronoun wherever used herein shall include the feminine pronoun where applicable, and the singular shall include the plural and vice versa, as the context shall require.

All monetary reference in the Plan are to be construed as being expressed in terms of the lawful currency of Canada.

### **ARTICLE 3**

#### **MEMBERSHIP**

The Members shall be those of the full time Employees of one or more Participating Entities who have been designated as Members by the compensation committee of the Board of Directors of the Corporation or the General Partner or other controlling person of a Participating Entity on the recommendation of the president of the Corporation or of another Participating Entity in accordance with the terms of Employee's written employment contract. The Corporation shall from time to time provide the Trustee with written notice of:

- (a) the identity of a Member immediately after an Employee of one or more Participating Entities has been designated as a Member; and
- (b) notification of a Member ceasing to be a Member, immediately upon the happening thereof.

## **ARTICLE 4**

### **CONTRIBUTIONS**

In each Fiscal Year, or within one hundred and twenty (120) days thereafter, each Participating Entity realizing Profits in such Fiscal Year shall pay to the Trustee for such Fiscal Year out of Profits a Contribution in an amount determined by the Board of Directors, General Partner or other controlling person of the Participating Entity, to be not less than \$100.00 per Member who is an Employee of such Participating Entity.

The Contributions to the Plan will be made "out of profits" pursuant to subsection 144(10) of the ITA and the Corporation and each Participating Entity shall elect in prescribed manner to have the Plan treated as an employee sharing plan in accordance with subsection 144(10) of the ITA. For greater certainty, any loans advanced by the Corporation or any Participating Entity to the Trust shall not be considered to be Contributions so long as such loans are outstanding.

## **ARTICLE 5**

### **MEMBERS' ACCOUNTS**

Member's Account:

- (a) The Trustee, in the name of the Trust, shall from time to time purchase Shares in the capital stock of the Corporation in such amounts, at such times and in accordance with the written directions of the Corporation. Such Shares may be purchased in the open market, from a third party or from the treasury of the Corporation. The price at which such Shares may be issued from treasury shall equal the closing sale price of such Shares on the Toronto Stock Exchange on the trading day immediately preceding such date. In the event that such Shares did not trade on such trading day, the price shall be the average of the bid and ask prices in respect of such Shares at the close of trading on such trading day. If no quotation is made for the applicable day, the price on such day shall be determined in the manner set forth in the preceding sentence for the next preceding trading day. Notwithstanding the foregoing, if there is no reported closing price or high bid/low asked price that satisfies the preceding sentences, the price on any day shall be determined by such methods and procedures as shall be established from time to time by the compensation committee of the Board of Directors of the Corporation. The Corporation shall provide such direction in accordance with the requirements of the Member's Contract. At the time of purchase the Shares so purchased shall be designated for the account of the particular Member (the "Member's Account") in accordance with the Corporation's written direction. The Member's Account shall also record the amount of any debt incurred by the Trust in connection with the purchase of such Shares. The Member shall have no interest in nor entitlement to the Shares in the Member's Account until such time as the Shares have been distributed to him or disposed of by the Plan in accordance with the terms of the Member's Contract and the Plan. For the purpose of the ITA, no amount shall be allocated to a Member under the Plan in respect of any vested Shares, except as set out in the relevant Member's Contract and the terms of the Plan that govern each Member's Allocated Account (as set out below).

Member's Vested Account:

- (b) All or a part of the Shares in a Member's Account shall vest in the Member from time to time in accordance with the Member's Contract, subject to a minimum vesting period of three months for Shares issued from treasury in accordance with paragraph (a) of Article 5. For greater certainty, in accordance with the Member's Contract, as the preconditions specified in the Member's Contract are satisfied a specified number of Shares shall vest in the Member for the purposes of the Plan. The entitlement of a Member to the vested Shares may be subject to any debt incurred and owing by the Trust in connection with the purchase of the Shares. At such time as Shares vest in the Member, the Trustee shall, upon written direction from the Corporation, designate the Shares which have so vested to a sub-account for the Member created for such purpose. The sub-account so created shall be referred to as the "Member's Vested Account". At such time as all of the preconditions specified in the Member's Contract are satisfied, all of the Shares in the Member's Account shall have been designated to the Member's Vested Account. The Member's Vested Account shall also record the amount of any debt incurred by the Trust in connection with the purchase of such Shares. The terms and conditions governing a Member's ability to acquire Shares in his or her Vested Account shall be governed by the relevant Member's Contract and the terms of the Plan.

Member's Allocated Account:

- (c) From time to time the Trustee shall, upon written direction from the Corporation, allocate the Contributions, profits, capital gains and capital losses incurred, realized, received or accrued by the Shares in a Member's Vested Account to an account to be known as the "Member's Allocated Account". The Corporation shall make such determination in accordance with the Member's Contract and the Plan which in conjunction shall specify at what time and upon the happening of what contingency the profits, capital gains and capital losses incurred, realized, received or accrued by the Shares in a Member's Vested Account shall be allocated to the Member's Allocated Account. Such allocation shall be as further described in paragraph (d) of Article 5.
- (d) The Member's Allocated Account shall be a complete record of:
  - (i) all Contributions allocated to the Member in accordance with paragraph (c);
  - (ii) any dividends or other profits from the Shares in the Member's Vested Account (computed without reference to capital gains and losses) and any capital gains and capital losses derived from the Shares in the Member's Vested Account to the extent that such profits, net value, capital gains or capital losses have been allocated to the Member in accordance with the preceding paragraphs.
  - (iii) all amounts or property distributed to the Member or to his or her Beneficiary;



- (iv) all Expenses of the Trust Fund allocated to the Member at the direction of the Corporation which have not been deducted for the purpose of determining the profits from the Shares in the Member's Vested Account allocated pursuant to subparagraph (ii) above; and
- (v) any amount allocated to the Member of the total amount another Employee is entitled to deduct under subsection 144(9) of the ITA.

Such Member's Allocated Account shall be maintained for the Member until full distribution is made to the Member or Beneficiary in accordance with the provisions of the Plan.

- (e) Allocation of Contributions: Immediately upon receipt thereof, and in no case later than the end of the Taxation Year, the Trustee, acting upon the written direction of the Corporation (such direction to specify the amount to be so allocated to each Member's Allocated Account), shall allocate the Contributions (net of Expenses incurred during the year) received during the Taxation Year to a Member's Allocated Account or Members' Allocated Accounts.
- (f) Allocation of Profits from the Trust Property, Capital Gains and Capital Losses: Subject to the provisions of Article 7 and the provisions of a Member's Contract, upon written direction of the Corporation, the following items shall be allocated to a Member's Allocated Account:
  - (i) all net profits (after Expenses of the Trust and not including capital gains) from the Shares in the Member's Vested Account on a yearly basis;
  - (ii) capital gains net of any capital losses derived from dispositions of Shares in the Member's Vested Account; and
  - (iii) such other property or amounts out of the Trust Fund as the Trustee shall determine are payable to the Member in accordance with the Member's Contract and the Plan shall be allocated to the Member during the Taxation Year in which a distribution is to be made to a Member in accordance with Article 7 and with paragraphs (b) and (c) of Article 6 of the Plan, to the extent that they have not been allocated in Taxation Years preceding that Taxation Year.

In the event that a Member's employment with the Participating Entity is terminated for cause, the Corporation shall advise the Trustee in writing and thereupon all 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 Members of the Plan at the end of the Taxation Year in accordance with the Corporation's written direction. Such reallocated amounts shall be divided in such Shares and proportions between the participating Members of the Plan as the Corporation shall direct.

- (g) Valuation of Members' Accounts: Each Member's Allocated Account shall be valued as of the last business day of each fiscal year, and as of any other date on which such Member's Allocated Account or any portion thereof must be valued

for the purpose of the Plan, to reflect the Member's allocated share of earnings (consisting of all profits, capital gains and capital losses from the Shares in the Member's Vested Account), Contributions, distributions and Expenses of the Trust Fund not deducted in determining the profits from the Trust Property.

- (h) Payment of Income Tax: The Corporation shall provide the Trustee with an estimate of the amount of income tax which will be payable by each Member with respect to the allocations made in favour of each Member and the Trustee shall remit the amount of income tax so estimated to Canada Revenue Agency on behalf of each such Member. The Trustee shall provide the Corporation with a report with respect to amounts remitted by it to Canada Revenue Agency pursuant to this section.

## **ARTICLE 6**

### **VESTING AND DISTRIBUTION**

- (a) Vesting: All amounts designated by the Trustee to a Member's Vested Account in a particular Taxation Year shall vest in such Member in the manner provided for in such Member's Contract. As set out in Article 5 above, vesting in and of itself does not constitute an allocation to a Member in respect of the relevant Shares.

In the event of death or termination of employment, other than resignation or termination for cause, the Board of Directors of the Corporation in its sole discretion, may deem vested and designate to a Member's Vested Account, as soon as practicable and in any event prior to the distribution as set forth in paragraphs (b) and (c) of this Article 6, such number of Shares as would otherwise have been vested up to:

- (i) one year thereafter, in the event of death, and
- (ii) three months thereafter, in the event of termination of employment, other than resignation or termination for cause,

(or such longer period as determined by the Board of Directors of the Corporation) had death or termination of employment not occurred.

- (b) Distribution: An amount equal to the net value (after Expenses of the Trust and any unpaid debt owing by the Trust on any Shares in the Member's Vested Account) of the assets which have been allocated to the Member's Vested Account shall be transferred by the Trustee to the Member's Allocated Account and distributed by the Trustee to a Member no later than three months after the earliest of the date of the happening of the following events:
  - (iii) the termination of employment, including retirement, resignation, and dismissal without cause of the Member; and
  - (iv) the termination of the Plan.

The Trustee shall be entitled to rely on the Corporation's determination of the net value of the assets to be transferred to the Member in accordance with this Article 6. In the event that the Member's Contract provides that any unpaid debt owing by the Trust is to be

assumed by the Member or paid by the Member, then the amount of any such debt may be reflected in the calculation of the relevant Member's Allocated Account.

- (c) Distribution upon death: Subject to compliance with applicable laws and regulations, when a Member dies there shall be allocated to his or her Member's Allocated Account and distributed to his or her Beneficiary within three months after the date of death the net value (after Expenses of the Trust) of the amount in the Member's Vested Account.

## **ARTICLE 7**

### **DISTRIBUTIONS AND WITHDRAWALS**

Subject to the terms of a Member's Contract, distributions of cash or in specie, as provided below, may be made from a Member's Allocated Account to such Member at any time upon the written direction of the Corporation.

Any distribution to a Member from a Member's Allocated Account shall be in cash or in specie, provided that the Trustee shall distribute to a Member out of the Member's Allocated Account only the net amount available for distribution to the Member. For greater certainty, any Shares which have been allocated to a Member's Allocated Account in accordance with the Member's Contract may be distributed to the Member in specie only upon the discharge of any debt owing by the Trust in respect of the Shares at the time of distribution. Such debt may be discharged by a Participating Entity or the Member in accordance with the relevant provisions of the Member's Contract.

In the event that property other than the money is received by a Member from the Plan, then the income tax consequences to the Plan and the Member shall be governed by subsection 144(7.1) of the ITA.

## **ARTICLE 8**

### **CERTAIN ADJUSTMENTS**

- (a) Subject to the provisions of Article 10, if at any time after the grant of any benefits under the Plan to any Member and prior to the termination of such Member's entitlement thereto, there occurs any subdivision or redivision of the Shares into a greater number of Shares or any consolidation of Shares into a lesser number of Shares, the Corporation shall deliver to such Member at the time of any subsequent distribution out of the Member's Allocated Account in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such distribution, such number of Shares as such Member would have held as a result of such subdivision, redivision or consolidation, as the case may be, if, on the record date thereof, the Member had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such distribution.
- (b) Subject to the provisions of Article 10, if at any time after the grant of any benefits under the Plan to any Member and prior to the termination of such Member's entitlement thereto, (i) the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Sections 8(a), (ii) the Corporation shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the "Successor

Corporation”) or (iii) the Corporation shall pay a stock dividend (other than any dividends in the ordinary course), the Member shall be entitled to receive upon the subsequent distribution out of the Member’s Allocated Account in accordance with the terms hereof and shall accept in lieu of the number of Shares to which he or she was theretofore entitled upon such distribution, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor Corporation (as the case may be) that the Member would have been entitled to receive as a result of such reclassification, reorganization or other change or as a result of such consolidation, merger, amalgamation or stock dividend, if on the record date of such reclassification, reorganization, other change, consolidation, merger, amalgamation or dividend payment, as the case may be, he or she had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such distribution.

## **ARTICLE 9**

### **ADMINISTRATION OF THE PLAN**

The management of the Corporation is responsible for the administration of the Plan; it will administer the Plan in all its details which, without being limited thereto, include:

- (a) the establishment and application of rules and regulations necessary and proper for an efficient administration of the Plan;
- (b) the interpretation of the Plan;
- (c) the determination by the Corporation of the Contributions or amounts on which Contributions are based; and
- (d) furnishing information in writing to the Members regarding their rights under the Plan. all of which shall be final and binding on the Trustee, the Members and shall not be subject to review in any manner by any of them or any other person claiming under the Plan.

The Corporation shall only be accountable for reasonable diligence in the exercise of their powers and the performance of their duties and shall only be liable for their own fraud, willful misconduct or negligence.

The aggregate number of Shares from treasury that may be granted (whether vested or unvested) under the Plan and under all other securities based compensation arrangements (including employee stock purchase plans, stock option plans or other Share compensation arrangements of the Corporation) shall not exceed 10% of the issued and outstanding Shares as at the date of such grant. If Shares have been distributed under the Plan or the Member’s entitlement to benefits shall expire, terminate or be cancelled for any reason in accordance with the terms of the Plan, the Shares subject thereto shall again be available for the purpose of the Plan.

Notwithstanding anything else contained herein, the number of Shares of the Corporation which are (i) issuable from treasury, at any time, and (ii) issued from treasury within any one-year period, pursuant to the terms of the Plan, a Member’s Contract and under any other security based compensation arrangement to insiders (as defined in the applicable rules of the Toronto Stock Exchange) of the Corporation, shall not exceed 10% of the Corporation’s total issued and outstanding Shares.

From time to time, the Plan may borrow monies from a third party or a Participating Employer (including the Corporation) and use such borrowed funds to acquire Shares of the Corporation or other property. For greater certainty, any funds borrowed by the Plan or other indebtedness incurred by the Plan shall not be considered to be amounts contributed to the Plan by a Participating Employer (including the Corporation) and any Shares or other property acquired with any such borrowed funds or indebtedness shall not be required to be designated or allocated to any particular Member's Account, although such a designation or allocation may be made at a subsequent time pursuant to the terms of a particular Member's Contract.

Notwithstanding anything to the contrary herein any taxes or interest that are assessed against Members and that relate in any way to their participation in the Plan shall be the sole responsibility of the Members, including any amounts that arise as a direct or indirect result of the Plan failing at any time to qualify as an "Employee Profit Sharing Plan" as defined in subsection 144(1) of the ITA.

The Corporation and the Trustee shall be entitled to rely upon tables, valuations, certificates, reports and opinions made or given by an actuary or by any accountant or legal counsel being in the Corporation's employ or under contract for such purpose with the Corporation.

The Trustee shall be entitled and required to rely upon the written directions and determinations provided or made by the Corporation in respect of the terms of a Member's Contract or the entitlement of a Member to any Shares or other assets of the Trust Fund. The Trustee is fully protected in such reliance.

## **ARTICLE 10**

### **AMENDMENT OR TERMINATION OF THE PLAN**

It is the intention of the Corporation to continue the Plan in effect indefinitely but the Corporation necessarily reserves the right to amend, modify or discontinue the Plan, 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.

No amendment or modification to the Plan shall adversely affect the rights of the Members up to the date of such amendment or modification.

Without limiting the generality of the foregoing, the Board of Directors of the Corporation may make the following amendments to the Plan, without obtaining shareholder approval:

- (a) amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including the rules of the Toronto Stock Exchange and Canada Revenue Agency, in place from time to time;
- (b) amendments to the provisions of the Plan respecting administration of the Plan and eligibility for participation under the Plan;
- (c) amendments to the provisions of the Plan respecting the terms and conditions on which allocations may be made to a Member's Allocated Account pursuant to the Plan, including the provisions relating to the vesting schedule (subject to the minimum vesting period set out in paragraph (b) of Article 5); and

(d) amendments to the Plan that are of a “housekeeping” nature.

Without limiting the generality of the foregoing, the Board of Directors may not, without the approval of the Corporation’s shareholders, make amendments with respect to the following:

- (a) an increase to the Plan maximum or the number of securities issuable under the Plan;
- (b) amendment provisions granting additional powers to the Corporation or the Board of Directors to amend the Plan; 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 Plan 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 Plan. Notwithstanding the foregoing, if on a termination of the Plan there exist Plan assets that have not vested in any Member’s Vested Account on or before the Plan termination date, then the Trustee, on the direction of the Corporation, shall distribute such assets to a successor “Employee Profit Sharing Plan” as defined in subsection 144(1) of the ITA (a “Successor EPSP”) provided that all of the individuals who participate in the Successor EPSP shall be permanent full time employees of the Corporation or an Affiliated Entity of the Corporation (other than Eric S. Sprott). For greater certainty, the permanent full time employees who participate in the Successor EPSP may include individuals who are not Members of the Plan immediately before it terminates. The Corporation shall provide the Trustee with the information and direction the Trustee requires in the distribution of Plan assets among the Members or Beneficiaries or to a Successor EPSP at the time of termination of the Plan.

## **ARTICLE 11**

### **ALIENATION**

All benefits payable under the Plan shall be personal and the Member cannot anticipate, assign, convert, charge, surrender or alienate them in any way. No part of the Trust Fund shall be transferred to a Member by way of loan or advance. Amounts vested in a Member under the Plan shall not be available for the claims of his or her creditors.

## ARTICLE 12

### MISCELLANEOUS

- (a) No Deemed Employment Contract: The adoption and maintenance of the Plan shall not be deemed to constitute a contract of employment or partnership between a Participating Entity and any of its Employees or to be a consideration for or condition of employment of any person. No provision of the Plan shall be deemed to give any person the right to continue in the employ of a Participating Entity or to interfere with the right of a Participating Entity to discharge, discipline or layoff any of its Employees at any time without regard to the effect which such action might have upon such Employee's participation in the Plan or upon the benefits of such Employees or any Beneficiary.
  
- (b) Beneficiary: Provided there are no legal restrictions preventing it, a Member may in writing name a beneficiary or beneficiaries to receive any amount payable under the Plan in the event of his or her death and, where legally permissible, he may change such beneficiary or beneficiaries. Unless a Member advises the Participating Entity otherwise in writing, such Member's beneficiary shall be the Member's estate.

## **SCHEDULE B**

### **RESOLUTION OF THE SHAREHOLDERS OF SPROTT INC.**

#### **2011 Equity Incentive Plan for U.S. Service Providers**

#### **RESOLVED:**

1. The Corporation's 2011 Equity Incentive Plan for U.S. Service Providers (the "**EIP**"), as substantially set forth in the Management Information Circular for the Meeting of the Corporation to be held on June 2, 2011, and the issuance thereunder and under all other securities based compensation arrangements of the Corporation of up to 10% of the issued and outstanding Common Shares, as at the applicable date of grant thereunder, is hereby approved.
2. The previous grant of awards with respect to 532,500 Common Shares issuable under the EIP to certain employees and a consultant of the Global Companies (as such term is defined in the Management Information Circular), as more particularly described in the Management Information Circular, is hereby ratified and approved.
3. The Corporation shall have the ability to continue granting awards under the Equity Incentive Plan until June 2, 2014, which is three years from the date of the Meeting at which shareholder approval is being sought.
4. Notwithstanding that this resolution has been passed by the shareholders of the Corporation, the Board may revoke such resolution at any time before it has been effected without further action by the shareholders.
5. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.



## Exhibit 1 to Schedule B

### SPROTT INC. 2011 EQUITY INCENTIVE PLAN FOR U.S. SERVICE PROVIDERS

#### ARTICLE I. General

##### 1.1. Purpose

The Sprott Inc. 2011 Equity Incentive Plan for U.S. Service Providers (the “Plan”) is designed to provide certain Key Persons (as defined below) residing in the United States or who are otherwise U.S. taxpayers, whose initiative and efforts are deemed to be important to the successful conduct of the business of Sprott Inc. (the “Company”), with incentives to (a) enter into and remain in the service of the Company or its Affiliates (as defined below), (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance and (d) enhance the long-term performance of the Company.

##### 1.2. Administration

(a) Administration. The Plan shall be administered by the Compensation Committee of the Company’s Board of Directors (the “Board”) or such other committee of the Board as may be designated by the Board to administer the Plan (the “Administrator”); provided that (i) in the event the Company is subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “1934 Act”), the Administrator shall be composed of two or more directors, each of whom is a “Non-Employee Director” (a “Non-Employee Director”) under Rule 16b-3 (as promulgated and interpreted by the Securities and Exchange Commission (the “SEC”) under the 1934 Act, or any successor rule or regulation thereto as in effect from time to time (“Rule 16b-3”)), and (ii) the Administrator shall be composed solely of two or more directors who are “independent directors” under the rules of any stock exchange on which the Company’s Common Stock (as defined below) is traded; provided further, however, that, (A) the requirement in the preceding clause (i) shall apply only when required to exempt an Award intended to qualify for an exemption under the applicable provisions referenced therein, (B) the requirement in the preceding clause (ii) shall apply only when required pursuant to the applicable rules of the applicable stock exchange and (C) if at any time the Administrator is not so composed as required by the preceding provisions of this sentence, that fact will not invalidate any grant made, or action taken, by the Administrator hereunder that otherwise satisfies the terms of the Plan. Subject to the terms of the Plan, applicable law and the applicable rules and regulations of any stock exchange on which the Common Stock is listed for trading, and in addition to other express powers and authorizations conferred on the Administrator by the Plan, the Administrator shall have the full power and authority to: (1) designate the Persons (as defined below) to receive Awards (as defined below) under the Plan; (2) determine the types of Awards granted to a participant under the Plan; (3) determine the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards; (4) determine the terms and conditions of any Awards; (5) determine whether, and to what extent, and under what circumstances, Awards may be settled in cash, shares, other securities, other Awards or other property, or cancelled, forfeited or suspended, and the methods by which Awards may be settled, cancelled, forfeited or suspended; (6) determine whether, to what extent, and under what circumstances cash, shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred, either automatically or at the election of the holder thereof or the Administrator; (7) construe, interpret and implement the Plan and

any Award Agreement (as defined below); (8) prescribe, amend, rescind or waive rules and regulations relating to the Plan, including rules governing its operation, and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (9) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award Agreement; and (10) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Administrator, may be made at any time and shall be final, conclusive and binding upon all Persons.

(b) General Right of Delegation. Except to the extent prohibited by applicable law, the applicable rules of a stock exchange or any charter, by-laws or other agreement governing the Administrator, the Administrator may delegate all or any part of its responsibilities to any Person or Persons selected by it; provided, however, that in no event shall an officer of the Company be delegated the authority to grant Awards to, or amend Awards held by, the following individuals: (i) individuals who are subject to Section 16 of the 1934 Act, or (ii) officers of the Company (or directors of the Company) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under applicable securities laws (including, without limitation, Rule 16b-3, to the extent applicable) and the rules of any applicable stock exchange. Any delegation hereunder shall be subject to the restrictions and limits that the Administrator specifies at the time of such delegation, and the Administrator may at any time rescind the authority so delegated or appoint a new delegate. At all times, the delegatee appointed under this Section 1.2(b) shall serve in such capacity at the pleasure of the Administrator.

(c) Indemnification. No member of the Board, the Administrator or any employee of the Company or an Affiliate (each such Person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's articles of incorporation or bylaws (in each case, as amended and/or restated). The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's articles of incorporation or bylaws (in each case, as amended and/or restated), as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Persons or hold them harmless.

(d) Delegation of Authority to Senior Officers. The Administrator may, in accordance with and subject to the terms of Section 1.2(b), delegate, on such terms and conditions

as it determines, to one or more senior officers of the Company the authority to make grants of Awards to Key Persons who are employees of the Company and its Subsidiaries (as defined below) or consultants of the Company and its Subsidiaries.

(e) Awards to Non-Employee Directors. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards to Key Persons who are Non-Employee Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Administrator herein with respect to such Awards.

### **1.3. Persons Eligible for Awards**

The Persons eligible to receive Awards under the Plan are those directors, officers, employees and consultants of the Company and its Subsidiaries and Affiliates residing in the United States or who are otherwise U.S. taxpayers (collectively, “Key Persons”) as the Administrator shall select; provided that in no event shall Eric Sprott be deemed to be a Key Person eligible to receive Awards under the Plan.

### **1.4. Types of Awards**

Awards may be made under the Plan in the form of (a) restricted stock, (b) restricted stock units and (c) unrestricted stock, all as more fully set forth in the Plan. The term “Award” means any of the foregoing that are granted under the Plan.

### **1.5. Shares Available for Awards; Adjustments for Changes in Capitalization**

(a) Maximum Number. The aggregate number of common shares of the Company (“Common Stock”) from treasury that may be granted (whether vested or unvested) under the Plan and under all other securities based compensation arrangements (including employee stock purchase plans, stock option plans or other share compensation arrangements of the Company) shall not exceed 10% of the issued and outstanding shares of Common Stock as at the date of such grant. If shares have been distributed under the Plan or the grantee’s entitlement to benefits shall expire, terminate or be cancelled for any reason in accordance with the terms of the Plan, the shares subject thereto shall again be available for the purpose of the Plan. Notwithstanding anything else contained herein, the number of shares of Common Stock which are (i) issuable from treasury, at any time, and (ii) issued from treasury within any one-year period, pursuant to the terms of the Plan, an Award Agreement and under any other security based compensation arrangement to insiders (as defined in the applicable rules of the Toronto Stock Exchange (“TSX”)) of the Company, shall not exceed 10% of the Company’s total issued and outstanding shares of Common Stock.

(b) Sources of Shares; Certain Requirements/Limitations for Share Issuances. Except to the extent otherwise provided in Section 2.4 of the Plan, shares issued pursuant to the Plan may be authorized but unissued Common Stock or treasury shares or shares of Common Stock obtained on the market by the Company. Any shares of Common Stock issued under the Plan from treasury shall provide for a minimum vesting period of three months. The Administrator may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares.

(c) Adjustments. (i) Subject to any required approvals of the stock exchange(s) on which the Common Stock is listed, the Administrator is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including any stock split, reverse stock split, reorganization, merger,

consolidation, split-up, combination, repurchase or exchange of Company shares or other securities of the Company, issuance of warrants or other rights to purchase Company shares or other securities of the Company, or other similar corporate transaction or event) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, including providing for (A) adjustment to the number of shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (B) a substitution or assumption of Awards, accelerating the vesting of, or lapse of restrictions on, Awards, or, if deemed appropriate or desirable, providing for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award.

(ii) In the event of (A) a dissolution or liquidation of the Company, (B) a sale of all or substantially all the Company's assets or (C) a merger, reorganization or consolidation involving the Company or one of its Subsidiaries (as defined below), the Administrator shall have the power to:

(1) provide that outstanding restricted stock units (including any related dividend equivalent right) shall either continue in effect, be assumed or an equivalent award shall be substituted therefor by the successor corporation or a parent corporation or subsidiary corporation; or

(2) cancel, effective immediately prior to the occurrence of such event, restricted stock units (including each dividend equivalent right related thereto) outstanding immediately prior to such event and, in full consideration of such cancellation, pay to the holder of such Award a cash payment in an amount equal to the Fair Market Value (as of a date specified by the Administrator) of the shares subject to such Award.

## **1.6. Definitions of Certain Terms**

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Administrator.

(b) Unless otherwise set forth in the applicable Award Agreement, in connection with a termination of employment or consultancy/service relationship or a dismissal from Board membership, for purposes of the Plan, the term "for Cause" shall be defined as follows:

(i) if there is an employment, severance, consulting, service, change in control or other agreement governing the relationship between the grantee, on the one hand, and the Company or an Affiliate, on the other hand, that contains a definition of "cause" (or similar phrase), for purposes of the Plan, the term "for Cause" shall mean those acts or omissions that would constitute "cause" under such agreement; or

(ii) if the preceding clause (i) is not applicable to the grantee, for purposes of the Plan, the term "for Cause" shall mean any of the following:

(A) any failure by the grantee substantially to perform the grantee's employment or consulting/service or Board membership duties;

- (B) any excessive unauthorized absenteeism by the grantee;
- (C) any refusal by the grantee to obey the lawful orders of the Board or any other Person to whom the grantee reports;
- (D) any act or omission by the grantee that is or may be injurious to the Company or any Affiliate, whether monetarily, reputationally or otherwise;
- (E) any act by the grantee that is inconsistent with the best interests of the Company or any Affiliate;
- (F) the grantee's gross negligence that is injurious to the Company or any Affiliate, whether monetarily, reputationally or otherwise;
- (G) the grantee's material violation of any of the policies of the Company or an Affiliate, as applicable, including, without limitation, those policies relating to discrimination or sexual harassment;
- (H) the grantee's material breach of his or her employment or service contract with the Company or any Affiliate;
- (I) the grantee's unauthorized (1) removal from the premises of the Company or an Affiliate of any document (in any medium or form) relating to the Company or an Affiliate or the customers or clients of the Company or an Affiliate or (2) disclosure to any Person of any of the Company's, or any Affiliate's, confidential or proprietary information;
- (J) the grantee's being convicted of, or entering a plea of guilty or nolo contendere to, any crime that constitutes a felony or involves moral turpitude;
- (K) the grantee's engaging in a reportable violation of banking or securities industry laws, rules or regulations that constitutes a serious offense or that could or does result in a significant fine;
- (L) the grantee's engaging in any act or omission resulting in a statutory disqualification, bar or suspension of the grantee, the Company or any of its Affiliates; and
- (M) the grantee's commission of any act involving dishonesty or fraud.

Any rights the Company or its Affiliates may have under the Plan in respect of the events giving rise to a termination or dismissal "for Cause" shall be in addition to any other rights the Company or its Affiliates may have under any other agreement with a grantee or at law or in equity. Any determination of whether a grantee's employment, consultancy/service relationship or Board membership is (or is deemed to have been) terminated "for Cause" shall be made by the Administrator. If, subsequent to a grantee's voluntary termination of employment or consultancy/service relationship or voluntarily resignation from the Board or involuntary termination of employment or consultancy/service relationship without Cause or removal from the Board other than "for Cause", it is discovered that the grantee's employment or consultancy/service relationship or Board membership could have been terminated "for Cause", the Administrator may deem such grantee's employment or consultancy/service relationship or Board membership to have been terminated "for Cause" upon such discovery and determination by the Administrator.

- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) Unless otherwise set forth in the applicable Award Agreement, “Disability” shall mean the grantee’s being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or the grantee’s, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the grantee’s employer. The existence of a Disability shall be determined by the Administrator.

(e) The “Fair Market Value” of a share of Common Stock on any day shall be the closing price on the TSX, or such other primary stock exchange upon which such shares are then listed, or, if no such price is reported for such day, the average of the high bid and low asked price of Common Stock as reported for such day. If no quotation is made for the applicable day, the Fair Market Value of a share of Common Stock on such day shall be determined in the manner set forth in the preceding sentence for the next preceding trading day. Notwithstanding the foregoing, if there is no reported closing price or high bid/low asked price that satisfies the preceding sentences, the Fair Market Value of a share of Common Stock on any day shall be determined by such methods and procedures as shall be established from time to time by the Administrator. The “Fair Market Value” of any property other than Common Stock shall be the fair market value of such property determined by such methods and procedures as shall be established from time to time by the Administrator.

(f) "Person" shall mean any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental body or other entity of any kind.

(g) “Subsidiary” shall mean any entity in which the Company, directly or indirectly, has a 50% or more equity interest.

## **ARTICLE II. Awards Under The Plan**

### **2.1. Agreements Evidencing Awards**

Each Award granted under the Plan shall be evidenced by a written certificate (“Award Agreement”), which shall contain such provisions as the Administrator may deem necessary or desirable and which may, but need not, require execution or acknowledgment by a grantee. The Award shall be subject to all of the terms and provisions of the Plan and the applicable Award Agreement.

### **2.2. Grant of Restricted Stock**

(a) Restricted Stock Grants. The Administrator may grant restricted shares of Common Stock to such Key Persons, in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions as the Administrator shall determine, subject to the provisions of the Plan. A grantee of a restricted stock Award shall have no rights with respect to such Award unless such grantee accepts the Award within such period as the Administrator shall specify by accepting delivery of a restricted stock Award Agreement in such form as the Administrator shall determine.

(b) Issuance of Stock Certificate. Promptly after a grantee accepts a restricted stock Award in accordance with Section 2.2(a), subject to Sections 3.2, 3.4 and 3.13, the Company or its designated exchange agent (the “Exchange Agent”) shall issue to the grantee a stock certificate or stock certificates for the shares of Common Stock covered by the Award or shall establish an account evidencing ownership of the stock in uncertificated form. Upon the issuance of such stock certificates, or establishment of such account, the grantee shall have the rights of a stockholder with respect to the restricted stock, subject to: (i) the nontransferability restrictions and forfeiture provisions described in the Plan (including paragraphs (d) and (e) of this Section 2.2); (ii) in the Administrator’s sole discretion, a requirement, as set forth in the Award Agreement, that any dividends paid on such shares shall be held in escrow and, unless otherwise determined by the Administrator, shall remain forfeitable until all restrictions on such shares have lapsed; and (iii) any other restrictions and conditions contained in the applicable Award Agreement.

(c) Custody of Stock Certificate. Unless the Administrator shall otherwise determine, any stock certificates issued evidencing shares of restricted stock shall remain in the possession of the Company until such shares are free of any restrictions specified in the applicable Award Agreement. The Administrator may direct that such stock certificates bear a legend setting forth the applicable restrictions on transferability.

(d) Nontransferability. Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to the lapsing of all restrictions thereon, except as otherwise specifically provided in this Plan or the applicable Award Agreement. The Administrator at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the restricted stock shall lapse.

(e) Consequence of Termination of Employment/Service. Unless otherwise set forth in the applicable Award Agreement, (i) a grantee’s termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates for any reason other than death or Disability shall cause the immediate forfeiture of all shares of restricted stock that have not yet vested as of the date of such termination of employment or consultancy/service relationship and (ii) if a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates as the result of his or her death or Disability, all shares of restricted stock that have not yet vested as of the date of such termination shall immediately vest as of such date. Unless otherwise determined by the Administrator, all dividends paid on shares forfeited under this Section 2.2(e) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. For greater certainty, shares of restricted stock shall not be affected by any change of employment of the grantee or by the grantee ceasing to be an officer, director or consultant of the Company or any of its Subsidiaries or Affiliates so long as the grantee continues to be a director, officer, employee or consultant of the Company or any of its Subsidiaries or Affiliates. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.2(e).

### **2.3. Grant of Restricted Stock Units**

(a) Restricted Stock Unit Grants. The Administrator may grant restricted stock units to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. A restricted stock unit granted under the Plan shall confer upon the grantee a right to receive from the Company, conditioned upon the occurrence of such vesting event as shall be determined by the Administrator and specified in the Award Agreement, a

number of shares of Common Stock equal to the number of such grantee's restricted stock units that vest upon the occurrence of such vesting event. Payment upon vesting of a restricted stock unit shall be in shares of Common Stock, and such payments shall be made to the grantee at such time as provided in the Award Agreement, which the Administrator shall intend to be within the period required by Section 409A such that it qualifies as a "short-term deferral" pursuant to Section 409A and the Treasury Regulations issued thereunder, unless the Administrator shall otherwise provide for deferral of the Award intended to comply with Section 409A.

(b) Dividend Equivalents. The Administrator may include in any Award Agreement with respect to a restricted stock unit a dividend equivalent right entitling the grantee to receive amounts equal to the ordinary dividends that would be paid, during the time such Award is outstanding and unvested, and/or, if payment of the vested Award is deferred, during the time of such deferral following such vesting event, on the shares of Common Stock underlying such Award if such shares were then outstanding. In the event such a provision is included in a Award Agreement, the Administrator shall determine whether such payments shall be (i) paid to the holder of the Award, as specified in the Award Agreement, either (A) at the same time as the underlying dividends are paid, regardless of the fact that the restricted stock unit has not theretofore vested, (B) at the time at which the Award's vesting event occurs, conditioned upon the occurrence of the vesting event, (C) once the Award has vested, at the same time as the underlying dividends are paid, regardless of the fact that payment of the vested restricted stock unit has been deferred, and/or (D) at the time at which the corresponding vested restricted stock units are paid, (ii) made in cash, shares of Common Stock or other property and (iii) subject to such other vesting and forfeiture provisions and other terms and conditions as the Administrator shall deem appropriate and as shall be set forth in the Award Agreement.

(c) Consequence of Termination of Employment/Service. Unless otherwise set forth in the applicable Award Agreement, (i) a grantee's termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates for any reason other than death or Disability shall cause the immediate forfeiture of all restricted stock units that have not yet vested as of the date of such termination of employment or consultancy/service relationship and (ii) if a grantee incurs a termination of employment or consultancy/service relationship with the Company and its Subsidiaries and Affiliates as the result of his or her death or Disability, all restricted stock units that have not yet vested as of the date of such termination shall immediately vest as of such date. Unless otherwise determined by the Administrator, any dividend equivalent rights on any restricted stock units forfeited under this Section 2.3(c) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. For greater certainty, restricted stock units shall not be affected by any change of employment of the grantee or by the grantee ceasing to be an officer, director or consultant of the Company or any of its Subsidiaries or Affiliates so long as the grantee continues to be a director, officer, employee or consultant of the Company or any of its Subsidiaries or Affiliates. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.3(c).

(d) No Stockholder Rights. No grantee of a restricted stock unit shall have any of the rights of a stockholder of the Company with respect to such Award unless and until a stock certificate is issued with respect to such vested Award, which issuance shall be subject to Sections 3.2, 3.4 and 3.13. Except as otherwise provided in Section 1.5(c), no adjustment to any restricted stock unit shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate, if any, is issued.



(e) Transferability of Restricted Stock Units. Except as otherwise specifically provided in this Plan or the applicable Award Agreement evidencing a restricted stock unit, no restricted stock unit granted under the Plan may be sold, assigned, transferred, pledged or otherwise encumbered or disposed of other than by will or by the laws of descent and distribution. The Administrator may, in any applicable Award Agreement evidencing a restricted stock unit, permit a grantee to transfer all or some of the restricted stock units to (i) the grantee's spouse, children or grandchildren ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members or (iii) other parties approved by the Administrator. Following any such transfer, any transferred restricted stock units shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

#### **2.4. Grant of Unrestricted Stock**

The Administrator may grant (or sell at a purchase price at least equal to any par value) shares of Common Stock free of restrictions under the Plan to such Key Persons and in such amounts and subject to such forfeiture provisions as the Administrator shall determine. Shares may be thus granted or sold in respect of past services or other valid consideration. Grants of Common Stock under this Section 2.4 shall be made using shares of Common Stock obtained on the market by the Company, and in no event shall treasury shares be used to make grants under this Section 2.4.

### **ARTICLE III. Miscellaneous**

#### **3.1. Amendment of the Plan; Modification of Awards**

(a) Subject to applicable regulatory requirements and except as provided herein, the Board may, in its sole and absolute discretion and without shareholder approval, amend, suspend, terminate or discontinue the Plan and the Board and/or the Administrator may amend the terms and conditions of Awards granted pursuant to the Plan; provided, however, that if the Board wishes to increase the maximum percentage in Section 1.5(a) hereof, shareholder approval will be required; provided further, however, that no such action shall materially impair any rights or materially increase any obligations under any Award theretofore made under the Plan without the consent of the grantee (or, upon the grantee's death, the Person having the rights to the Award). For purposes of this Section 3.1, any action of the Board or the Administrator that in any way alters or affects the tax treatment of any Award shall not be considered to materially impair any rights of any grantee.

(b) Without limiting the generality of the foregoing, the Board may make the following amendments to the Plan, without obtaining shareholder approval:

(i) amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including the rules of the TSX, the Canada Revenue Agency and the Code, in place from time to time;

(ii) amendments to the provisions of the Plan respecting administration of the Plan and eligibility for participation under the Plan;

(iii) amendments to the provisions of the Plan respecting the terms and conditions on which Awards may be granted pursuant to the Plan, including the provisions relating to any vesting schedule (subject to the minimum vesting period set out in Section 1.5(b)); and

(iv) amendments to the Plan that are of a “housekeeping” nature.

(c) Without limiting the generality of the foregoing, the Board and the Administrator may not, without the approval of the Company’s shareholders, make amendments with respect to the following:

(i) an increase to the Plan maximum or the number of securities issuable under the Plan;

(ii) amendment provisions granting additional powers to the Board and/or the Administrator to amend the Plan or entitlements thereunder; and

(iii) an increase in entitlements held by insiders of the Company, including extension of the termination or expiry dates thereof or changes to insider participation limits.

### **3.2. Consent Requirement**

(a) No Plan Action Without Required Consent. If the Administrator shall at any time determine that any Consent (as defined below) is necessary or desirable as a condition of, or in connection with, the granting of any Award under the Plan, the issuance or purchase of shares or other rights thereunder, or the taking of any other action thereunder (each such action being hereinafter referred to as a “Plan Action”), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Administrator.

(b) Consent Defined. The term “Consent” as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state or local law, rule or regulation, (ii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Administrator shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made and (iii) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any other Person.

### **3.3. Nonassignability**

Except as provided in Sections 2.2(d) or 2.3(e), (a) no Award or right granted to any Person under the Plan or under any Award Agreement shall be assignable or transferable other than by will or by the laws of descent and distribution and (b) all rights granted under the Plan or any Award Agreement shall be exercisable during the life of the grantee only by the grantee or the grantee’s legal representative or the grantee’s permissible successors or assigns (as authorized and determined by the Administrator). All terms and conditions of the Plan and the applicable Award Agreements will be binding upon any permitted successors or assigns.

### **3.4. Taxes**

(a) Withholding. A grantee or other Award holder under the Plan shall be required to pay, in cash, to the Company, and the Company and its Affiliates shall have the right and are hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to such grantee or other Award holder, the amount of any applicable withholding taxes in respect of an Award, its grant, its vesting, or any payment or transfer under an Award or under the Plan, and to take such

other action as may be necessary in the opinion of the Company to satisfy all obligations for payment of such taxes. Whenever shares of Common Stock are to be delivered pursuant to an Award under the Plan, with the approval of the Administrator, which the Administrator shall have sole discretion whether or not to give, the grantee may satisfy the foregoing condition by electing to have the Company withhold from delivery shares having a value equal to the amount of minimum tax required to be withheld. Such shares shall be valued at their Fair Market Value as of the date on which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such a withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an Award as may be approved by the Administrator in its sole discretion.

(b) Liability for Taxes. Grantees and holders of Awards are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including, without limitation, any taxes arising under Sections 409A and 457A of the Code) and the Company shall not have any obligation to indemnify or otherwise hold any such Person harmless from any or all of such taxes. The Administrator shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or, notwithstanding anything to the contrary in the Plan or any Award Agreement, to unilaterally modify any Award in a manner that (i) conforms with the requirements of Sections 409A and 457A of the Code (to the extent applicable), (ii) voids any participant election to the extent it would violate Sections 409A or 457A of the Code (to the extent applicable) and (iii) for any distribution event or election that could be expected to violate Section 409A of the Code, make the distribution only upon the earliest of the first to occur of a "permissible distribution event" within the meaning of Section 409A of the Code or a distribution event that the participant elects in accordance with Section 409A of the Code. The Administrator shall have the sole discretion to interpret the requirements of the Code, including, without limitation, Sections 409A and 457A, for purposes of the Plan and all Awards.

### **3.5. Reserved**

### **3.6. Operation and Conduct of Business**

Nothing in the Plan or any Award Agreement shall be construed as limiting or preventing the Company or any Affiliate from taking any action with respect to the operation and conduct of their business that they deem appropriate or in their best interests, including any or all adjustments, recapitalizations, reorganizations, exchanges or other changes in the capital structure of the Company or any Affiliate, any merger or consolidation of the Company or any Affiliate, any issuance of Company shares or other securities or subscription rights, any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or other securities or rights thereof, any dissolution or liquidation of the Company or any Affiliate, any sale or transfer of all or any part of the assets or business of the Company or any Affiliate, or any other corporate act or proceeding, whether of a similar character or otherwise.

### **3.7. No Rights to Awards**

No Key Person or other Person shall have any claim to be granted any Award under the Plan.

### **3.8. Right of Discharge Reserved**

Nothing in the Plan or in any Award Agreement shall confer upon any grantee the right to continue his or her employment with the Company or any Affiliate, his or her consultancy/service relationship with the Company or any Affiliate, or his or her position as a director of the Company or any Affiliate, or affect any right that the Company or any Affiliate

may have to terminate such employment or consultancy/service relationship or service as a director.

### **3.9. Non-Uniform Determinations**

The Administrator's determinations and the treatment of Key Persons and grantees and their beneficiaries under the Plan need not be uniform and may be made and determined by the Administrator selectively among Persons who receive, or who are eligible to receive, Awards under the Plan (whether or not such Persons are similarly situated). Without limiting the generality of the foregoing, the Administrator shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to (a) the Persons to receive Awards under the Plan, (b) the types of Awards granted under the Plan, (c) the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards and (d) the terms and conditions of Awards.

### **3.10. Other Payments or Awards**

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any award or payment to any Person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

### **3.11. Headings**

Any section, subsection, paragraph or other subdivision headings contained herein are for the purpose of convenience only and are not intended to expand, limit or otherwise define the contents of such subdivisions.

### **3.12. Effective Date and Term of Plan**

(a) Adoption; Stockholder Approval. The Plan was adopted by the Board on March 22, 2011. The Board may, but need not, make the granting of any Awards under the Plan subject to the approval of the Company's stockholders.

(b) Termination of Plan. The Board may terminate the Plan at any time. All Awards made under the Plan prior to its termination shall remain in effect until such Awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements. No Awards may be granted under the Plan following the tenth anniversary of the date on which the Plan was adopted by the Board.

### **3.13. Restriction on Issuance of Stock Pursuant to Awards**

The Company shall not permit any shares of Common Stock to be issued pursuant to Awards granted under the Plan unless such shares of Common Stock are fully paid and non-assessable under applicable law. Notwithstanding anything to the contrary in the Plan or any Award Agreement, at the time of vesting of any Award, at the time of payment of shares of Common Stock in exchange for, or in cancellation of, any Award, or at the time of grant of any unrestricted shares under the Plan, the Company and the Administrator may, if either shall deem it necessary or advisable for any reason, require the holder of an Award to represent in writing to the Company that it is the Award holder's then-intention to acquire the shares with respect to which the Award is granted for investment and not with a view to the distribution thereof; and no shares shall be issued or transferred in connection with any Award unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Company and the Administrator. The Company and the Administrator shall

have the right to condition any issuance of shares to any Award holder hereunder on such Person's undertaking in writing to comply with such restrictions on the subsequent transfer of such shares as the Company or the Administrator shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and all share certificates delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Company or the Administrator may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, any stock exchange upon which such shares are listed, and any applicable securities or other laws, and certificates representing such shares may contain a legend to reflect any such restrictions. The Administrator may refuse to issue or transfer any shares or other consideration under an Award if it determines that the issuance or transfer of such shares or other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the 1934 Act. Without limiting the generality of the foregoing, no Award granted under the Plan shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Administrator has determined that any such offer, if made, would be in compliance with all applicable requirements of any applicable securities laws.

### **3.14. Requirement of Notification of Election Under Section 83(b) of the Code**

If an Award recipient, in connection with the acquisition of Company shares under the Plan, makes an election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code), the grantee shall notify the Administrator of such election within ten days of filing notice of the election with the U.S. Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code. No Award recipient may make an election under Section 83(b) of the Code without first seeking and obtaining the written permission of the Administrator, which the Administrator may provide in its discretion.

### **3.15. Severability**

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to the applicable laws or, if it cannot be construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

### **3.16. Sections 409A and 457A**

To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Sections 409A and 457A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, in the event that the Administrator determines that any Award may be subject to Section 409A or 457A of the Code, the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Plan and Award from Sections 409A and 457A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Sections 409A and 457A of the Code and related Department of Treasury guidance and thereby avoid the application of penalty taxes under Sections 409A and 457A of the Code.

### **3.17. Forfeiture; Clawback**

The Administrator may, in its sole discretion, specify in the applicable Award Agreement that any realized value with respect to any Award shall be subject to forfeiture or clawback, in the event of (a) a grantee's breach of any non-competition, non-solicitation, confidentiality or other restrictive covenants with respect to the Company or any Affiliate, (b) a grantee's breach of any employment or consulting agreement with the Company or any Affiliate, (c) a grantee's termination for Cause or (d) a financial restatement that reduces the amount of compensation under the Plan previously awarded to a grantee that would have been earned had results been properly reported.

### **3.18. No Trust or Fund Created**

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and an Award recipient or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or its Affiliate.

### **3.19. No Fractional Shares**

No fractional shares shall be issued or delivered pursuant to the Plan or any Award, and the Administrator shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

### **3.20. Governing Law**

The Plan will be construed and administered in accordance with the laws of the State of New York, without giving effect to principles of conflict of laws.

## SCHEDULE C

### RESOLUTION OF THE SHAREHOLDERS OF SPROTT INC.

#### Stock Option Plan

#### RESOLVED:

1. The Corporation's 2011 Amended and Restated Employee Stock Option Plan (the "**Stock Option Plan**"), as substantially set forth in the Management Information Circular for the Meeting of the Corporation to be held on June 2, 2011, and the issuance thereunder and under all other securities based compensation arrangements of the Corporation of up to 10% of the issued and outstanding Common Shares, as at the applicable date of grant thereunder (including all unallocated options, rights or other entitlements under the Stock Option Plan), is hereby approved .
2. The Corporation shall have the ability to continue granting options under the Stock Option Plan until June 2, 2014, which is three years from the date of the Meeting at which shareholder approval is being sought.
3. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.

## Exhibit 1 to Schedule C

### SPROTT INC. 2011 AMENDED AND RESTATED STOCK OPTION PLAN

#### 1. PURPOSE OF THE PLAN

1.1 The purpose of the Plan is to attract, retain and motivate persons of training, experience and leadership as key service providers to the Corporation and its Subsidiaries, including their directors, officers and employees, and to advance the interests of the Corporation by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation.

#### 2. DEFINED TERMS

Where used herein, the following terms shall have the following meanings, respectively:

- 2.1 **“Board”** means the Board of Directors of the Corporation;
- 2.2 **“Committee”** means the compensation committee of the Board;
- 2.3 **“Corporation”** means Sprott Inc. and includes any successor corporation thereto;
- 2.4 **“Eligible Person”** means:
- (i) a director, officer, employee or Service Provider of the Corporation or any Related Entity, but excluding Eric Sprott (an **“Eligible Individual”**); or
  - (ii) a permitted assign (a **“Permitted Assign”**) as such term is defined in NI 45-106 in respect of the Eligible Individual, and includes (a) spouse of the Eligible Individual, (a) a trustee, custodian or administrator acting on behalf of, or for the benefit of, the Eligible Individual or his or her spouse, (b) a holding entity (as such term is defined in NI 45-106) of the Eligible Individual or his or her spouse, or (c) an RRSP or RRIF of the Eligible Individual or his or her spouse, and , in the case of Eligible Individuals who are resident outside of Canada or are otherwise subject to the applicable laws outside of Canada, those persons who are permitted assigns pursuant to such laws;
- 2.5 **“Insider”** has the meaning set forth in the applicable rules of the TSX;
- 2.6 **“Market Price”** at any date in respect of the Shares means the closing sale price of such Shares on the TSX on the trading day immediately preceding such date. In the event that such Shares did not trade on such trading day, the Market Place shall be the average of the bid and ask prices in respect of such Shares at the close of trading on such trading day. If no quotation is made for the applicable day, the Market Price on such day shall be determined in the manner set forth in the preceding sentence for the next preceding trading day. Notwithstanding the foregoing, if there is no reported closing price or high bid/low asked price that satisfies the preceding sentences, the Market Price on any day shall be determined by such methods and procedures as shall be established from time to time by the Committee;



2.7 “**NI 45-106**” means National Instrument 45-106: *Prospectus and Registration Exemptions*;

2.8 “**Option**” means an option to purchase Shares granted to an Eligible Person under the Plan;

2.9 “**Option Price**” means the price per Share at which Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Article 8 hereof;

2.10 “**Optionee**” means an Eligible Person to whom an Option has been granted and who continues to hold such Option;

2.11 “**Plan**” means this Stock Option Plan, as the same may be further amended or varied from time to time;

2.12 “**Related Entity**” means the Corporation, a person that controls or is controlled by the Corporation or that is controlled by the same person that controls the Corporation;

2.13 “**Service Provider**” means a consultant as such term is defined in NI 45-106 and includes a service provider as such term is defined in clause 613(b) of the TSX Company Manual;

2.14 “**Shares**” means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 8 hereof, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;

2.15 “**TSX**” means the Toronto Stock Exchange.

3. **ADMINISTRATION OF THE PLAN**

3.1 The Plan shall be administered by the Committee under the supervision of the Board.

3.2 The Committee shall recommend to the Board, and the Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan or any Option, and any such interpretation, construction or determination made by the Committee shall be final, binding and conclusive for all purposes;
- (c) to determine the number of Shares covered by each Option;
- (d) to determine the Option Price of each Option;
- (e) to determine the time or times when Options will be granted and exercisable;
- (f) to determine if the Shares which are issuable on the exercise of an Option will be subject to any restrictions upon the exercise of such Option; and

- (g) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.

3.3 Except as provided in this Section 3.3, no member of the Committee shall, during the currency of his or her membership on the Committee, be entitled to participate in the Plan. A member of the Committee may be entitled to participate in the Plan only if an Option is granted, and the terms and provisions thereof determined, by the Board without such member of the Committee participating in any way whatsoever in the granting of an Option to, or the determinations made with respect to, such member of the Committee or to such Option; and the Board shall, with respect to such member of the Committee, be vested with all power and authority otherwise granted to the Committee pursuant to the Plan and the term "Committee" as used herein shall mean the Board for such purposes.

The Committee may, in its discretion, require as conditions to the grant or exercise of any Option that the Optionee shall have:

- (a) represented, warranted and agreed in form and substance satisfactory to the Corporation that he or she is acquiring and will acquire such Option and the Shares to be issued upon the exercise thereof or, as the case may be, is acquiring such Shares, for his or her own account, for investment and not with a view to or in connection with any distribution, that he or she has had access to such information as is necessary to enable him or her to evaluate the merits and risks of such investment and that he or she is able to bear the economic risk of holding such Shares for an indefinite period;
- (b) agreed to restrictions on transfer in form and substance satisfactory to the Corporation and to an endorsement on any option agreement on certificate representing the Shares making appropriate reference to such restrictions; and
- (c) agreed to indemnify the Corporation in connection with the foregoing.

3.4 Any Option granted under the Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the Shares subject to such Option upon any securities exchange or under any law or regulation of any jurisdiction, or the consent or approval of any securities exchange or any governmental or regulatory body, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval.

#### 4. **SHARES SUBJECT TO THE PLAN**

4.1 Subject to adjustment as provided in Article 8 hereof, the Shares to be offered under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan and under all other share compensation arrangements shall not exceed 10% of the issued and outstanding Shares as at the date of grant of each Option under the Plan. If any Option granted hereunder shall expire, terminate for any reason in accordance with the terms of the Plan or be exercised, Shares subject thereto shall again be available for the purpose of this Plan.

5.

**ELIGIBILITY; GRANT; and TERMS OF OPTIONS**

5.1 Options may be granted to any Eligible Person in accordance with Section 5.2 hereof.

5.2 Options may be granted by the Corporation pursuant to the recommendations of the Committee from time to time provided and to the extent that such decisions are approved by the Board.

5.3 Subject as herein and otherwise specifically provided in this Article 5, the number of Shares subject to each Option, the Option Price of each Option, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Committee and recommended to the Board.

5.4 In the event that no specific determination is made by the Committee with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

- (a) the term during which an Option shall be exercisable shall be 10 years from the date the Option is granted to the Optionee; and
- (b) the Optionee may exercise the Option for not more than one-third of the Shares covered by the Option during each 12 month period following the first anniversary of the date of the grant of the Option; provided, however, that if the number of Shares purchased pursuant to exercises of the Option during any such 12 month period is less than one-third of the Shares covered by the Option, the Optionee shall have the right, at any time or from time to time during the remainder of the term of the Option, to purchase such number of Shares subject to the Option which were purchasable, but not purchased by him or her, during such 12 month period.

5.5 Subject to any adjustments pursuant to the provisions of Article 8 hereof, the Option Price of any Option shall be in no circumstances lower than the Market Price on the date of which the grant of the Option is approved by the Board. Notwithstanding the foregoing, in the event that the Shares are not listed on any stock exchange on the date on which the grant of an Option is approved by the Board, the Option Price for such Option shall be determined by the Board. If, as and when any Shares have been duly purchased and paid for under the terms of an Option, such Shares shall be conclusively deemed allotted and issued as fully paid non-assessable Shares at the price paid therefor.

5.6 No Options shall be granted to any Optionee if the total number of Shares issuable to such Optionee under this Plan, together with any Shares issuable to such Optionee under options for services or any other share compensation arrangement, would exceed 5% of the issued and outstanding Shares at the date of grant.

5.7 An Option is personal to the Optionee and non-assignable (whether by operation of law or otherwise), except as provided for herein. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an Option contrary to the provisions of the Plan, or upon the levy of any attachment or similar process upon an Option, the Option shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.

5.8 The following Insider participation limits shall apply:

- (a) The number of Shares issuable to Insiders, at any time, pursuant to the Plan and other share compensation arrangements shall not exceed 10% of the issued and outstanding Shares; and
- (b) The number of Shares issued to Insiders, within a one-year period, pursuant to the Plan and other share compensation arrangements shall not exceed 10% of the issued and outstanding Shares.

For the purposes of this Section 5.8, the phrase “issued and outstanding Shares” excludes any Shares issued pursuant to the Plan or other stock options, stock option plans, employee stock purchase plans or other compensation or incentive mechanisms, over a preceding one-year period and “associate” means any person associated with such Insider.

6. **TERMINATION OF EMPLOYMENT AND DEATH**

6.1 Subject to Sections 6.2 and 6.3 hereof and to any express resolution passed by the Board with respect to an Option, an Option and all rights to purchase Shares pursuant thereto shall expire and terminate immediately upon the Optionee who holds such Option ceasing to be an Eligible Person.

6.2 If, before the expiry of an Option in accordance with the terms thereof, an Optionee shall cease to be an Eligible Person (an “**Event of Termination**”) for any reason other than his or her resignation or the termination for “cause” of his or her employment with the Corporation or any Related Entity, or his or her resignation or failure to be re-elected as a director of the Corporation or any Related Entity, then the Optionee may:

- (a) exercise the Option to the extent that he or she was entitled to do so at the time of such Event of Termination, at any time up to and including, but not after, a date that is three (3) months (or such other longer period as may be determined by the Board in its sole discretion) following the date of such Event of Termination, or prior to the close of business on the expiration date of the Option, whichever is earlier; and
- (b) with the prior written consent of the Board or the Committee, which consent may be withheld in the Board’s sole discretion, exercise a further Option at any time up to and including, but not after, a date that is three (3) months (or such other longer period as may be determined by the Board in its sole discretion) following the date of such Event of Termination, or prior to the close of business on the expiration date of the Option, whichever is earlier, to purchase all or any of the Shares as the Board or the Committee may designate but not exceeding the number of Shares the Optionee would have otherwise been entitled to purchase pursuant to the Option had the Optionee’s status as an Eligible Person been maintained for the term of the Option.

6.3 Subject to Section 6.2, if an Optionee dies before the expiry of an Option in accordance with the terms thereof, the Optionee’s legal representative(s) may, subject to the terms of the Option and the Plan:

- (a) exercise the Option to the extent that the Optionee was entitled to do so at the date of his or her death at any time up to and including, but not after, a date one year following the date of death of the Optionee, or prior to the close of business on the expiration date of the Option, whichever is earlier; and
- (b) with the prior written consent of the Board or the Committee, which consent may be withheld in the Board's sole discretion, exercise a further Option at any time up to and including, but not after, a date one year following the date of death of the Optionee, or prior to the close of business on the expiration date of the Option, whichever is earlier, to purchase all or any of the Shares as the Board or the Committee may designate but not exceeding the number of Shares the Optionee would have otherwise been entitled to purchase had the Optionee survived.

6.4 For greater certainty, Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director of the Corporation provided that the Optionee continues to be an Eligible Person.

6.5 For the purposes of this Article 6, a determination by the Corporation that an Optionee was discharged for "cause" shall be binding on the Optionee; provided, however, that such determination shall not be conclusive of the Optionee's potential entitlement to damages for the loss of the right to exercise an Option in the event that a court of competent jurisdiction ultimately determines that the discharge was without "cause".

6.6 For the purposes of this Article 6, the date of Event of Termination in the case of termination of employment with the Corporation or any Related Entity shall be the last day upon which the employee provide services to the Corporation or Related Entity, as the case may be, at its premises and not the last day upon which the Corporation or Related Entity pays wages or salaries in lieu of notice of termination, statutory, contractual or otherwise.

6.7 If the Optionee is a Permitted Assign, the references to the Optionee in this Article 6 shall be deemed to refer to the Eligible Individual associated with the Permitted Assign.

## 7. **EXERCISE OF OPTIONS**

7.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and, subject to Section 7.4 hereof, accompanied by payment in full, by cash or cheque, of the aggregate Option Price of the Shares then being purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

7.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of any Option shall be subject to:

- (a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

- (b) the administration of such Shares to listing on any stock exchange on which the Shares may then be listed;
- (c) the receipt from the Optionee of such representations, warranties, agreements and undertakings, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction; and
- (d) the satisfaction of any conditions on exercise prescribed pursuant to Section 3.4 hereof.

In this connection the Corporation shall, to the extent necessary, take all commercially reasonable steps to obtain such approvals, registrations, and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any stock exchange on which the Shares are then listed.

7.3 Options shall be evidenced by a share option agreement, instrument or certificate in such form not inconsistent with this Plan as the Committee may from time to time determine as provided for under Subsection 3.2(g), provided that the substance of Article 5 be included therein.

7.4 Any Optionee may elect to effect a cashless exercise of any or all of such Optionee's right under an Option. In connection with any such cashless exercise, the Optionee shall be entitled to receive, without any cash payment (other than the taxes required to be paid in connection with the exercise which must be paid by the Optionee to the Corporation in cash at the time of exercise), such number of whole Shares (rounded down to the nearest whole number) obtained pursuant to the following formula:

$$x = \frac{[a(b-c)]}{b}$$

where

- x = the number of whole Shares to be issued
- a = the number of Shares under Option
- b = the Market Price of the Shares on the date of the cashless exercise
- c = the Option Price of the Option

In connection with any such cashless exercise, the full number of Shares issuable (item (a) in the formula) shall be considered to have been issued for the purposes of the reduction in the number of Shares which may be issued under the Plan.

7.5 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.

7.6 If the Corporation is required under the *Income Tax Act* (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any

taxable benefit associated with the exercise or disposition of Options by an Optionee, then the Optionee shall, concurrently with the exercise or disposition:

- (a) pay to the Corporation, in addition to the exercise price for the Options, if applicable, sufficient cash as is determined by the Corporation to be the amount necessary to fund the required tax remittance;
- (b) authorize the Corporation, on behalf of the Optionee, to sell in the market on such terms and at such time or times as the Corporation determines such portion of the Common Shares being issued upon exercise of the Options as is required to realize cash proceeds in the amount necessary to fund the required tax remittance; or
- (c) make other arrangements acceptable to the Corporation to fund the required tax remittance.

## 8. CERTAIN ADJUSTMENTS

8.1 Subject to the provisions of Article 9, in the event of any subdivision or redivision of the Shares into a greater number of Shares at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Corporation shall deliver to such Optionee at the time of any subsequent exercise of his or her Option in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefor, such number of Shares as such Optionee would have held as a result of such subdivision or redivision if, on the record date thereof, the Optionee had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

8.2 Subject to the provisions of Article 9, in the event of any consolidation of the Shares into a lesser number of Shares at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Corporation shall deliver to such Optionee at the time of any subsequent exercise of his or her Option in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefor, such number of Shares as such Optionee would have held as a result of such consolidation if, on the record date thereof, the Optionee had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

8.3 Subject to the provisions of Article 9, if at any time after the grant of any Option to an Optionee and prior to the expiration of the term of such Option, (i) the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Sections 8.1 and 8.2, (ii) the Corporation shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the “**Successor Corporation**”) or (iii) the Corporation shall pay a stock dividend (other than any dividends in the ordinary course), the Optionee shall be entitled to receive upon the subsequent exercise of his or her Option in accordance with the terms hereof and shall accept in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor Corporation (as the case may be) that the Optionee would have been entitled to receive as a result of such reclassification, reorganization or other change or as a result of such consolidation, merger,

amalgamation or stock dividend, if on the record date of such reclassification, reorganization, other change, consolidation, merger, amalgamation or dividend payment, as the case may be, he or she had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

9. **AMENDMENT OR DISCONTINUANCE OF THE PLAN**

9.1 Subject to applicable regulatory requirements and except as provided herein, the Board may, in its sole and absolute discretion and without shareholder approval, amend, suspend, terminate or discontinue the Plan and may amend the terms and conditions of Options granted pursuant to the Plan. Provided, however, that if the Board wishes to increase the maximum percentage in Section 4.1 hereof or extend the term of the Option or reduce the Option Price of Options granted to Insiders of the Corporation pursuant to the Plan, shareholder approval will be required.

9.2 Without limiting the generality of the foregoing, the Board may make the following amendments to the Plan, without obtaining shareholder approval:

- (a) amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including the rules of the TSX, in place from time to time;
- (b) amendments to the provisions of the Plan respecting administration of the Plan and eligibility for participation under the Plan;
- (c) amendments to the provisions of the Plan respecting the terms and conditions on which Options may be granted pursuant to the Plan, including the provisions relating to the term of the Option and the vesting schedule; and
- (d) amendments to the Plan that are of a “housekeeping” nature.

9.3 Without limiting the generality of the foregoing, the Board may not, without the approval of the Corporation’s shareholders, make amendments with respect to the following:

- (a) an increase to the Plan maximum or the number of securities issuable under the Plan;
- (b) amendment provisions granted additional powers to the Board to amend the Plan or entitlements thereunder;
- (c) an amendment to the Option Price of an Option (if such shareholder approval is required by the stock exchange on which the Shares are listed);
- (d) reduction in the Option Price or other entitlements held by Insiders;
- (e) extension to the term of Options held by Insiders; and
- (f) changes to Insider participation limits.



10.

**MISCELLANEOUS PROVISIONS**

10.1 An Optionee shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until the date of issuance of a certificate for Shares upon the exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date the Options are exercised.

10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue or be re-elected as a director of the Corporation or any right to continue in the employ of the Corporation or any Related Entity, or affect in any way the right of the Corporation or any Related Entity to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Related Entity to extend the employment of any Optionee beyond the time which he or she would be normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Related Entity or any present or future retirement policy of the Corporation or any Related Entity, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Related Entity.

10.3 Notwithstanding Section 5.8 hereof, Options may be transferred or assigned between an Eligible Individual and the related Permitted Assign provided the assignor delivers notice to the Corporation prior to the assignment substantially in the form of Schedule B attached hereto.

10.4 The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11.

**SHAREHOLDER AND REGULATORY APPROVAL**

11.1 If applicable, the Plan shall be subject to ratification by the shareholders of the Corporation to be effected by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the TSX and any other relevant regulatory authority. Any Options granted prior to such ratification and acceptance shall be conditional upon such ratification and acceptance being given and no such Options may be exercised unless and until such ratification and acceptance are given.

**Schedule A**

**FORM OF OPTION AGREEMENT**

**Optionee:** \_\_\_\_\_  
Name

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Address

**Grant:** \_\_\_\_\_  
Maximum Number of Shares issuable upon exercise  
of the Option

**Option Price:** \$ \_\_\_\_\_ per Share

**Date of Grant:** \_\_\_\_\_, 20\_\_

**Expiry Date:** \_\_\_\_\_, 20\_\_

**Vesting Schedule:**

<b>Instalment</b>	<b>Date of Vesting (Milestone)</b>	<b>Number of Shares Vested</b>	<b>Cumulative Number of Shares Vested</b>
<i>1</i>			
<i>2</i>			
<i>3</i>			

This Option Agreement is made under and is subject in all respects to the Spratt Inc. Stock Option Plan effective as of \_\_\_\_\_, 2008 (as the same may be supplemented and amended from time to time) (the “**Plan**”), and the Plan is deemed to be incorporated in and to be part of this Option Agreement. The Optionee is deemed to have notice of and to be bound by all of the terms and provisions of the Plan (as supplemented and amended), as if the Plan were set forth in full herein (including the restrictions on transfer of the Options and Shares issuable upon exercise thereof). In the event of any inconsistency between the terms of this Option Agreement and the Plan, the terms of this Option Agreement shall

prevail to the extent that it is not inconsistent with the requirements of the TSX. The Plan contains certain provisions relating to termination and transfer. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Plan.

This Option Agreement evidences that the Optionee named above is entitled, subject to and in accordance with the Plan, to purchase up to but not more than the maximum number of Shares set out above at the Option Price set out above upon delivery of an exercise form as annexed hereto as Exhibit 1 duly completed and accompanied by certified cheque or bank draft for the aggregate Option Price.

This Option Agreement is not effective until countersigned on behalf of Sprott Inc. and accepted by the Optionee.

**Dated:** \_\_\_\_\_, 20\_\_

**SPROTT INC.**

By: \_\_\_\_\_

Name:  
Title:  
(Authorized Signing Officer)

**Accepted:** \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature of Optionee

**Exhibit 1**  
**NOTICE OF EXERCISE**

**To exercise the Option, complete and return this form:**

The undersigned Optionee or his or her legal representative(s) permitted under the Sprott Inc. Stock Option Plan (as the same may be supplemented and amended from time to time) (the “**Plan**”) hereby irrevocably elects to exercise the Option for the number of Shares as set forth below:

- (a) Number of Options to be Exercised: \_\_\_\_\_
- (b) Option Price per Share: \_\_\_\_\_
- (c) Aggregate Purchase Price \_\_\_\_\_

[ (a) multiplied by (b) ]:

and hereby tenders a certified cheque or bank draft for such aggregate Option Price, and directs such Shares to be issued and registered as directed below, all subject to and in accordance with the Plan. Unless they are otherwise defined herein, any defined terms used herein shall have the meaning ascribed to such terms in the Plan.

Dated: \_\_\_\_\_, 20 \_\_\_\_

\_\_\_\_\_ )  
\_\_\_\_\_ )  
\_\_\_\_\_ ) \_\_\_\_\_  
\_\_\_\_\_ ) Name of Optionee  
\_\_\_\_\_ )  
\_\_\_\_\_ )  
\_\_\_\_\_ )  
\_\_\_\_\_ ) \_\_\_\_\_  
\_\_\_\_\_ ) Signature of Optionee  
\_\_\_\_\_ )

Direction as to Registration:

\_\_\_\_\_  
Name of Registered Holder  
\_\_\_\_\_

\_\_\_\_\_  
Address of Registered Holder



**SCHEDULE D**  
**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