# Sprott Inc.

*Report to Shareholders*

September 30,

2013

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**November 12, 2013**

Dear Shareholders,

During the quarter, our Assets Under Management increased from $7.1 billion as of June 30, 2013 to $7.3 billion as of September 30, 2013. The increase was largely due to market value appreciation in our portfolios, as precious metals investments rallied in July and August before giving back some of those gains in September.

We are not satisfied with the recent performance of our portfolios relative to the broader markets and we are committed to improving all facets of our investment management to deliver better returns to our clients and shareholders. Under the direction of our co-Chief Investment Officers, John Wilson and Scott Colbourne, our portfolios will be managed using a team-based approach and will feature enhanced risk management while maintaining strong upside potential.

Despite the challenges we have faced this year, we have also had our share of successes. During the third quarter, we generated positive net sales, driven mostly by the growth of John Wilson's Enhanced Funds. Since launching in 2012, these funds have raised more than $350 million while delivering strong performance and providing investors with valuable downside protection.

In July, we completed the acquisition of Sprott Resource Lending Corp. in a transaction that further strengthens our balance sheet and gives us the ability to re-launch our resource lending strategy in a structure that will be more attractive to institutional investors. We currently have close to $350 million in available capital that we will use to seed and launch innovative new funds such as the Sprott Macro Managers Fund; the Sprott Zijin International Fund; and the pending Sprott Resource Lending LP. All new products will be structured to raise significant assets with the potential to earn meaningful performance fees.

We continue to believe in the long-term fundamentals for precious metals and we are seeing signs that a bottom is beginning to form in the sector. Our investment team has taken the necessary steps to position our resource-focused funds for an eventual recovery, however, we will not passively wait for that recovery to come. With our product lineup evolving, we will continue to add new investment capabilities, while looking for opportunities to consolidate or eliminate uneconomic funds. We will prudently manage discretionary expenses and focus on controlling costs.

We will also continue to build Sprott's business through a two-pronged growth plan. In Canada, we will further diversify our offerings to provide our clients with a broader range of investment solutions and leverage our platform more efficiently. The success of our Enhanced Funds demonstrates the strength of our distribution capabilities and we will look to replicate this approach with other products. At the same time, we will take advantage of the current downturn in precious metals by pursuing international opportunities to consolidate asset managers focused on the sector.

In closing, on behalf of our employees and the Board of Directors, I would like to thank you for your continued support. We look forward to reporting to you on our progress at the end of the year.

Sincerely,

Peter Grosskopf
Chief Executive Officer

*Management's Discussion and Analysis*

Three and nine months ended September 30, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated November 12, 2013, presents an analysis of the financial condition of Sprott Inc. (the "Company") and its subsidiaries as of September 30, 2013 compared with December 31, 2012, and results of operations for the three and nine months ended September 30, 2013, compared with the three and nine months ended September 30, 2012. The Board of Directors approved this MD&A on November 12, 2013. All note references in this MD&A are to the notes to the Company's 2013 unaudited interim condensed consolidated financial statements, unless otherwise noted.

The Company was incorporated under the Business Corporations Act (*Ontario*) on February 13, 2008.

This MD&A and unaudited interim condensed consolidated financial statements should be read in conjunction with the MD&A and annual financial statements for the year ended December 31, 2012.

# FORWARD LOOKING STATEMENTS

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those listed in the "Risk Factors" section of the Company's annual information form dated March 26, 2013 (the "AIF"). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of November 12, 2013 and will not be updated or revised except as required by applicable securities law. For a more complete discussion of the risk factors that impact actual results, please refer to the "Risk Factors" section of the Company's most recent Annual Information Form which is available at www.sedar.com.

# PRESENTATION OF FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2013, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Financial results, including related historical comparatives, contained in this MD&A, unless otherwise specified herein, are based on these unaudited interim condensed consolidated financial statements. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's unaudited interim condensed consolidated financial statements, given that we conduct most of our operations in that currency. Accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified herein.

Certain prior year comparatives have been reclassified to conform to the current period's method of presentation.

## KEY PERFORMANCE INDICATORS (NON-IFRS FINANCIAL MEASURES)

We measure the success of our business using a number of key performance indicators that are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Our key performance indicators include:

*Assets Under Management*

Assets Under Management or AUM refers to the total net assets of our public mutual funds, alternative investment strategies, offshore funds and bullion funds (the “Funds”), managed accounts (“Managed Accounts”), which include the accounts managed by Sprott Asset Management LP (“SAM”), Resource Capital Investment Corporation ("RCIC") and Sprott Asset Management USA Inc. ("SAM US") and managed companies (“Managed Companies”) managed by Sprott Consulting LP (“SC”) on which management fees (“Management Fees”), performance fees (“Performance Fees”) and/or carried interests (“Carried Interests”) are calculated. We believe that AUM is an important measure as we earn Management Fees, calculated as a percentage of AUM, and may earn Performance Fees or Carried Interests, calculated as a percentage of: (i) our Funds', Managed Accounts' and Managed Companies' excess performance over the relevant benchmark; (ii) the increase in net asset values of our Funds over a predetermined hurdle, if any; or (iii) the net profit in our Funds over the performance period. We monitor the level of our AUM because they drive our level of Management Fees. The amount of Performance Fees and Carried Interests we earn is related to both our investment performance and our AUM.

*Assets Under Administration*

Assets Under Administration or AUA refers to client assets held in accounts at Sprott Private Wealth LP ("SPW") or Sprott Global Resource Investments, Ltd. ("SGRIL"). AUA is a measure used by management to assess the performance of the broker-dealer companies within the group.

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

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

*Net Sales*

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

*EBITDA*

Our method of calculating EBITDA is defined as earnings before interest expense, income taxes, amortization of property and equipment, amortization and impairment of intangible assets, gains and losses on our proprietary investments (as if such gains and losses had not been incurred) and non-cash stock-based compensation. Stock-based compensation relating to the Company's Employee Profit Sharing Plan ("EPSP") is treated as a cash expense for the purposes of calculating EBITDA. EBITDA includes Performance Fees, Performance Fee related compensation and other Performance Fee related expenses. We believe that EBITDA is an important measure as it allows us to assess our ongoing business without the impact of interest expense, income taxes, amortization, gains and losses on proprietary investments and non-cash compensation, and is an indicator of our ability to pay dividends, invest in our business and continue operations. EBITDA is a measure commonly used in the industry by management, investors and investment analysts in understanding and comparing results by factoring out the impact of different financing methods, capital structures, the amortization of deferred sales charges and income tax rates between companies in the same industry. While other companies may not utilize the same method of calculating EBITDA as we do, we believe it enables a better comparison of the underlying operations of comparable companies and we believe that it is an important measure in assessing our ongoing business operations. With the exception of Performance Fees attributable to redeemed units (termed as “Crystallized Performance Fees”), Performance Fees are earned on the last day of the fiscal year other than for the Funds that are managed by RCIC and certain accounts managed by SAM.

RCIC manages a family of Funds whereby performance fees are earned by way of Carried Interests. Carried Interests are often realized towards the end of the life of these fixed term Funds which, as at September 30, 2013 have an average remaining life of approximately 5 years. The Carried Interests relating to these Funds will be earned once management is assured of their realization.

EBITDA also allows us to assess our ongoing business operations, with adjustments for non-recurring items as well as items that are not related to our core investment management operations, such as income or losses relating to our proprietary investments.

We believe that these Key Performance Indicators are important for a more meaningful presentation of our results of operations.

With the acquisition of Sprott Resource Lending Corp. ("SRLC") in the quarter ended September 30, 2013, management will be introducing another Key Performance Indicator to measure the success of our business. Beginning in fiscal 2014, management will begin measuring the return on invested capital, which is predominantly made up of our cash and cash equivalents, proprietary investments and loans receivable.

## OVERVIEW

The Company operates through five operating businesses, SAM, SPW, SC, SRLC and Sprott U.S. Holdings Inc., the parent of the Global Companies which comprises of SGRIL, RCIC and SAM US. Through these five subsidiaries, the Company is primarily an independent asset management company dedicated to achieving superior returns for our clients over the long term. Our business model is based foremost on delivering excellence in investment management services to our clients.

In July 2013, the Company purchased SRLC which is a lender to companies in the mining and energy sectors with a concentration on later-stage resource property developers or early stage commodity or power producers. As a result, the Company now provides lending services in addition to its core business of asset management. It is management's intention to continue providing these services either as a part of the Company's invested capital and/or as professional services to new AUM expected to be raised in future lending vehicles to be managed by the Company. Management also expects to redeploy capital from maturing loans into other ventures of the Company, either for acquisitions, seeding of new products or organic expansion.

SAM offers discretionary portfolio management, SPW provides broker-dealer services and SC offers consulting services. SAM is registered with the Ontario Securities Commission ("OSC") as an investment fund manager ("IFM"), portfolio manager ("PM") and exempt market dealer ("EMD"). SPW is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada ("IIROC"). SC provides active management, consulting and administrative services to other companies. Currently, SC provides these services to Sprott Resource Corp. ("SRC") and through Toscana Energy Corporation ("TEC"), Toscana Energy Income Corporation ("TEIC").

On February 4, 2011 we completed the acquisition of the Global Companies, based in Carlsbad, California, through Sprott U.S. Holdings Inc. SGRIL is a California limited partnership that operates as a securities broker-dealer and is registered with the Financial Industry Regulatory Authority ("FINRA") and SAM US, registered with the U.S. Securities and Exchange Commission, provides discretionary investment management services. RCIC is the general partner and discretionary asset manager to the Exploration Capital Partners and Resource Income Partners families of limited partnerships.

Effective February 4, 2011, the accounts of the Global Companies have been consolidated with those of the Company.

On July 3, 2012, the Company completed its acquisition of Toscana Capital Corporation ("TCC") and TEC (collectively, the "Toscana Companies"). The Toscana Companies are based in Calgary. TCC manages the Toscana Financial Income Trust ("TFIT"), a private mutual fund trust, which provides mezzanine debt financing to mid-sized private and public oil and gas companies. TEC manages Toscana Energy Income Corporation ("TEIC") (formerly Toscana Resource Corporation), a public company, which is focused on investing in medium and long-term oil and gas assets, unitized production interests and royalties along with acting as a technical advisor to and co-manager of the Energy Income Fund limited partnerships.

Effective July 3, 2012, the accounts of the Toscana Companies have been consolidated with those of the Company.

As previously mentioned, effective July 23, 2013, the Company completed its acquisition of SRLC, the accounts of which have been consolidated with those of the Company.

The majority of the Company's revenues are earned through SAM in the form of Management Fees and Performance Fees earned from the management of the Funds and Managed Accounts; SPW earns most of its revenues via intercompany trailer fee payments from SAM (these intercompany fees are eliminated on consolidation) and from commissions earned on new and follow-on offerings of Funds managed by SAM and through various private placements. SC earns the majority of its revenues through the management of its Managed Companies in the form of Management Fees and Performance Fees. RCIC earns revenue in the form of Management Fees and Carried Interests through the management of the Funds; SGRIL earns commissions and other fees from the sale and purchase of stocks by its clients, new and follow-on offerings of Funds managed by SAM and from the sale of private placements to its clients. SAM US earns revenue in the form of Management Fees from the management of Managed Accounts. SRLC earns revenue in the form of interest income and other fees on its lending activities ("Interest Income") as well as realizing on the upside potential of bonus arrangements with resource borrowers which are generally tied to the revenue or the value of the common shares of the borrower.

SPW provides us with a competitive advantage by providing a unique distribution channel for our Fund products and other investment opportunities that we are able to make available to our private clients; as well, it serves as a platform to brand and grow our wealth management business. SC enables us to benefit from our expertise in managing other companies, both public and private. SC also provides us with a competitive advantage by providing SPW and SGRIL clients access to merchant banking and private equity-style investments.

While we operate through several operating companies, all are focused on prudent investing and growing the AUM or AUA of the Funds, Managed Accounts and Managed Companies that we manage for the benefit of the unitholders, shareholders and partners of those entities and the AUA of our clients, ultimately for the benefit of our shareholders.

The most significant factor that drives our business results continues to be the performance of the assets that we manage. Absolute returns generate growth in AUM, and hence Management Fees while absolute and/or relative returns may result in the receipt of Performance Fees and/or Carried Interests. While there are many factors that influence sales and redemptions of our Funds and Managed Accounts such as general investor sentiment towards certain asset classes and the global economic environment, past investment returns play an important part in an investment decision to buy, hold or sell a particular investment product.

The Company derives revenue primarily from Management Fees earned from the management of our Funds, Managed Accounts and Managed Companies and from Performance Fees earned from the investment of the AUM of our Funds, Managed Accounts and Managed Companies. Our Management Fees are calculated as a percentage of AUM. Our Performance Fees are calculated as a percentage of the return earned by our Funds, Managed Accounts and Managed Companies. Our Carried Interests are calculated as a percentage of profits earned by monetizing events at our Funds managed by RCIC. Accordingly, the growth in our fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by our Funds, Managed Accounts and Managed Companies. Commission and other income is generated from the sale and purchase of stocks by SGRIL's clients, and to a lesser extent SPW, and from the sale of private placements to their clients. As at September 30, 2013, we managed approximately $7.3 billion in assets among our various Funds, Managed Accounts and Managed Companies. AUA in client assets totaled to approximately $2.6 billion. Beginning in the third quarter of 2013, the Company's lending business acquired through its acquisition of SRLC generates Interest Income from its loan portfolio. Although expected to continue for the foreseeable future, it is anticipated that as the loan portfolio monetizes that this capital will be redeployed into other ventures of the Company, either for acquisitions, seeding of new products or organic expansion.

Management Fees are less variable and more predictable than Performance Fees and Carried Interests. Management Fees are generally closely correlated with changes in AUM. However, the rate of change in our Management Fees may not mirror the rate of change in our AUM, primarily a result of two factors. First, multi‑series or multi‑class structures are offered in some of our Funds whereby the Management Fee differs among the applicable series or classes. Second, equity mutual Funds have the highest rate of Management Fees, followed by Alternative Investment Strategies and Offshore Funds. We have introduced a suite of income Funds that have lower Management Fees than equity mutual Funds, Alternative Strategies and Offshore Funds. In addition, we have a substantial amount of our total AUM in bullion Funds that have the lowest rate of Management Fees. Fees for managing the various Managed Accounts and Managed Companies are negotiated on a case by case basis. Therefore, the weighting of AUM among our various Funds, Managed Accounts and Managed Companies impacts Management Fees as a percentage of AUM.

Commission income is specific to SPW and SGRIL and is generated from the trading of securities by clients and from the sale of new and follow-on offerings of products or companies managed by SAM, RCIC or SC, and through private placements of unrelated companies to clients of SPW and SGRIL. Commission income is recorded in the financial statements in the month in which the service is rendered.

The majority of Performance Fees are determined as of December 31 each year. However, Performance Fees are accrued in the relevant Funds, Managed Accounts and Managed Companies, as applicable, to properly reflect the Performance Fee that would be payable, if any, based on the Net Asset Value of that Fund, Managed Account or Managed Company. Where an investor redeems an Alternative Investment Strategy or an offshore Fund, any Performance Fee attributable to those units redeemed is paid to SAM as manager of the Funds. These Crystallized Performance Fees, as well as the related allocation to the employee bonus pool, are accrued for in the financial statements of SAM for the appropriate month. At SC, Performance Fees are generated from time-to-time and are usually based on monetizing events at the Managed Companies. These Performance Fees can be significant when realized. At RCIC, Carried Interests are accrued in the Funds, as applicable, to properly reflect the Carried Interest that would be payable, if any, based on the Net Asset Value of that Fund. The Carried Interests are usually realized towards the end of the term of the Fund and can be significant when realized. Carried Interests are only recorded in the financial statements of RCIC when realized.

Interest Income is most applicable to SRLC and is generated from its lending activities represented by its loan portfolio. SRLC provides financing in various forms such as (i) term and bridge loans whereby interest payments are determined through a prescribed interest rate. These loans may also be subject to additional fees in the form of cash and/or securities of the borrower. Terms generally range from 12 to 36 months and the loans are typically used for production expansion, working capital, construction, acquisitions and general corporate purposes, (ii) precious metals loans, generally follow the same terms, structure and purposes as term and bridge loans, however loan interest and/or principal payments are based on predetermined units of measurement of a stated precious metal, and (iii) other credit facilities, including convertible debt and standby lines of credit. In most cases, loans are secured by first or second priority charges against the underlying mineral rights and related assets of the borrower. For certain qualified borrowers, SRLC may provide a credit facility without having direct charges on collateral. SRLC generally aims to provide loans where the loan does not exceed 50% of the security value. Additional security such as guarantees, general security agreements and assignments of contracts or sale agreements may also be taken. The specific nature of the security granted by each borrower is largely dependent on the value of the resource pledged as security, its value in relation to the loan and the nature of the resource or business, the income generated by the security and the financial strength of the borrower.

Our most significant expenses include compensation and benefits and trailer fees. With respect to compensation and benefits, employees are paid either a base salary and/or commissions which are based on sales, trading revenues or other measurable activities. In addition, employees may be eligible to share in a bonus pool, with the size of such discretionary bonuses being tied to both individual performance and the overall financial performance of the Company. Beginning in 2012, a portion of the bonus pool may be paid in equity of the Company through the Company's EPSP and Equity Incentive Plan ("EIP") (see note 9). Trailer fees are paid to dealers that distribute units of a Fund. Such dealers may receive a trailer fee (annualized but paid monthly or quarterly) of up to 1% of the value of the assets held in the respective Fund by the dealer's clients. Both the employee bonus pool component of compensation and trailer fees are correlated with Management Fees whereas only the employee bonus pool component of compensation is correlated with Interest Income, realized Performance Fees and Carried Interests. Changes in levels of trailer fees are generally a reflection of changes in domestic Fund sales through the advisor and dealer channel as well as changes in Management Fees.

Other expenses incurred by our business are general and administration costs, including sales and marketing costs, occupancy, regulatory and professional fees, expenses absorbed by SAM on behalf of certain Funds that it manages, as well as amortization.

## BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

*Investment Performance*

Our AUM increased slightly during the quarter with the majority of our Funds, Managed Accounts and Managed Companies experiencing modestly positive investment performance. Net market appreciation of all our AUM totaled to approximately $0.4 billion in the quarter. In addition, we experienced positive net sales of $24.5 million and removed approximately $0.2 billion of AUM relating to assets that were previously managed under a management services agreement with SRLC and instead are now included as net assets of the Company effective July 23, 2013.

Overall, AUM increased by approximately $0.2 billion (2.6%) to $7.3 billion at September 30, 2013 from $7.1 billion at June 30, 2013. AUM at December 31, 2012 were $9.9 billion and at September 30, 2012 were $10.3 billion.

The decrease in AUM from September 30, 2012 translated into weak quarterly results with EBITDA falling by $4.6 million (44.0%) to $5.9 million ($0.03 per share) from $10.5 million ($0.06 per share) in 2012.

The third quarter of 2013 continued to be active as we executed on various growth and development initiatives across the organization:

*Acquisition of Sprott Resource Lending Corp.*

Effective July 23, 2013, the Company acquired all of the outstanding common shares of SRLC that it did not already own. The Company acquired SRLC because it is expected that the capital acquired will be used to seed and launch new initiatives, while enabling us to continue to grow our private lending business through one or more new lending partnerships expected to launch later this year.

As consideration, the Company paid $20.8 million cash and issued 69.0 million common shares from treasury valued at $166.2 million, excluding costs for total consideration of $187.0 million. For accounting purposes and as a result of the Company's prior equity ownership in SRLC, the total purchase price is approximately $198.9 million. The common shares of the Company issued as consideration were valued at $2.41 per share using the closing price of the Company's common shares on July 23, 2013.

*Product and Business Line Expansion*

In September 2013, the Company announced the newest addition to its Enhanced Funds product line with the launch of the Sprott Enhanced Balanced Class (the "Fund"). SAM Senior Portfolio Manager and Co-Chief Investment Officer, John Wilson is the lead manager on the Fund. The Fund's fixed-income allocation is managed by Senior Portfolio Manager and Co-Chief Investment Officer, Scott Colbourne and Portfolio Manager, Michael Craig.

In September 2013, the Company invested $10 million in a new institutional based Offshore Fund in connection with its previously announced joint venture with Zijin Mining Group of China.

We continue to develop new products and investment vehicles. The addition of these products may require us to make investments in technology, infrastructure and resources in order to continue to be able to provide effective and efficient service to our clients and to the Funds, Managed Accounts and Managed Companies that we manage.

## OUTLOOK

In July, we completed the acquisition of Sprott Resource Lending Corp. in a transaction that further strengthens our balance sheet and gives us the ability to re-launch our resource lending strategy in a structure that will be more attractive to institutional investors. We currently have close to $350 million in available capital that we will use to seed and launch innovative new funds or for acquisitions.

Despite the challenges that many of our funds have faced this year, we have also had our share of successes. During the third quarter, we generated positive net sales and we expect this trend to continue.

We continue to believe in the long-term fundamentals for precious metals. Our investment team has taken the necessary steps to position our resource-focused funds for an eventual recovery. We will continue to add new investment capabilities, while looking for opportunities to consolidate or eliminate uneconomic funds. We will prudently manage discretionary expenses and focus on controlling costs.

We will also continue to build Sprott's business through two pronged growth plan. In Canada, we will further diversify our offerings to provide our clients with a broader range of investment solutions and leverage our platform more efficiently. At the same time, we will take advantage of the current downturn in precious metals by pursuing international opportunities to consolidate asset managers focused on the sector.

## FINANCIAL HIGHLIGHTS

Financial highlights for the three and nine months ended September 30, 2013 are:

- AUM at September 30, 2013 were $7.3 billion. This reflects a decrease of approximately $3.0 billion (28.8%) from $10.3 billion of AUM at September 30, 2012 and an increase of approximately $0.2 billion (2.6%) from $7.1 billion of AUM at June 30, 2013. Average AUM for the third quarter of 2013 were $7.4 billion compared to $9.3 billion in the third quarter of 2012, a decrease of 20.6%. AUM for the quarter increased by $0.2 billion as a result of net sales of $24 million, an increase in market values of $353 million and the removal of approximately $0.2 billion of AUM relating to assets that were previously managed under a management services agreement with SRLC and instead are now included as net assets of the Company effective July 23, 2013.
- Management Fees as a percentage of average AUM for the three and nine months ended September 30, 2013 were 1.1% and 1.1% respectively, a decrease from 1.2% and 1.3% respectively, for the three and nine months ended September 30, 2012. The decreases are due to the change in composition of the Company's AUM with lower fee products comprising a greater percentage of AUM for the periods ended September 30, 2013.
- AUA at September 30, 2013 were $2.6 billion. This reflects a decrease of $1.4 billion from $4.0 billion of AUA at September 30, 2012 and remained unchanged from $2.6 billion of AUA at June 30, 2013.
- Management Fees for the three and nine months ended September 30, 2013 were $19.5 million and $66.9 million, respectively, representing a decrease of $8.7 million (30.9%) and $22.4 million (25.1%) over the three and nine months ended September 30, 2012.
- Gross Performance Fees for the three and nine months ended September 30, 2013 were $0.9 million and $2.4 million, respectively, representing an increase of $0.8 million and $2.2 million over the corresponding periods in 2012. The majority of the 2013 fees represents a greater than expected amount received from a Managed Company that relates to the year ended December 31, 2012, crystallized Performance Fees earned from Managed Companies and Carried Interests (presented as performance fees) realized from a Fixed Term Limited Partnership managed by RCIC.
- Commissions for the three and nine months ended September 30, 2013 were $1.5 million and $5.0 million, respectively. This reflects a decrease of $0.9 million (39.1%) and $5.2 million (50.7%) compared with the three and nine months ended September 30, 2012.
- Interest income increased substantially for the three and nine months ended September 30, 2013 to $3.3 million and $5.0 million from $0.7 million and $2.0 million for the three and nine months ended September 30, 2012, respectively. This is a result of the acquisition of SRLC whose business is lending to companies in the mining and energy sectors that generates monthly interest income to the Company.
- Unrealized and realized gains on proprietary investments for the three months ended September 30, 2013 were $1.3 million representing a decrease of $2.5 million from the unrealized and realized gains on proprietary investments of $3.8 million for the three months ended September 30, 2012. Unrealized and realized losses on proprietary investments for the nine months ended September 30, 2013 were $11.2 million representing a decrease of $15.2 million from unrealized and realized gains of $4.1 million for the nine months ended September 30, 2012.
- EBITDA for the three and nine months ended September 30, 2013 were $5.9 million and $24.4 million, respectively, representing a decrease of $4.6 million (44.0%) and $12.7 million (34.2%) compared with the three and nine months ended September 30, 2012. Excluding certain one-time items recorded in this quarter (discussed in detail in the *Results of Operations* section under *EBITDA and Net Income*), EBTIDA for the three and nine months ended September 30, 2013 were $6.8 million and $25.4 million, respectively.
- Excluding the impacts of Performance Fees and performance fee related expenses, EBITDA was $5.3 million and $22.6 million for the three and nine months ended September 30, 2013, respectively, compared to $10.4 million and $36.9 million for the three and nine months ended September 30, 2012.
- Net income for the three and nine months ended September 30, 2013 was $13.5 million ($0.06 per share) and $8.9 million ( $0.05 per share) compared to net income of $11.0 million ($0.07 per share) and $28.7 million ($0.17 per share) for the three and nine months ended September 30, 2012.

## SUMMARY FINANCIAL INFORMATION

*Key Performance Indicators*

| ($ in thousands, except per share amounts) | As at and for the three months ended September 30, **2013** | 2012 | As at and for the nine months ended September 30, **2013** | 2012 |
|---|---|---|---|---|
| Assets Under Management | **7,335,625** | 10,302,652 | **7,335,625** | 10,302,652 |
| Assets Under Administration | **2,615,204** | 4,027,598 | **2,615,204** | 4,027,598 |
| Net Sales (Redemptions) | **24,496** | 449,207 | **(393,128)** | 836,499 |
| EBITDA | **5,881** | 10,504 | **24,398** | 37,071 |
| EBITDA Per Share - basic and fully diluted | **0.03** | 0.06 | **0.13** | 0.22 |

*Summary Balance Sheet*

| ($ in thousands) | As at **September 30, 2013** | December 31, 2012 |
|---|---|---|
| Total Assets | **556,383** | 375,250 |
| Total Liabilities | **45,463** | 57,541 |
| Shareholders' Equity | **510,920** | 317,709 |

*Summary Income Statement and Reconciliation to EBITDA*

| ($ in thousands, except per share amounts) | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| **Total revenue** | **40,192** | 35,774 | **84,324** | 107,605 |
| **Total expenses** | **30,439** | 20,919 | **80,849** | 70,344 |
| Income before income taxes | **9,753** | 14,855 | **3,475** | 37,261 |
| Provision for income taxes | **(3,717)** | 3,847 | **(5,375)** | 8,574 |
| **Net income** | **13,470** | 11,008 | **8,850** | 28,687 |
| Other expenses [(1)] | **(2,461)** | (553) | **9,819** | 3,865 |
| Unrealized and realized (gains) losses on proprietary investments and loans [(2)] | **(1,412)** | (3,798) | **11,103** | (4,055) |
| Provision for income taxes | **(3,717)** | 3,847 | **(5,375)** | 8,574 |
| **EBITDA** | **5,880** | 10,504 | **24,397** | 37,071 |
| **Earnings Per Share - basic** | **0.06** | 0.07 | **0.05** | 0.17 |
| **Earnings Per Share - fully diluted** | **0.06** | 0.06 | **0.05** | 0.17 |
| **EBITDA Per Share - basic and fully diluted** | **0.03** | 0.06 | **0.13** | 0.22 |

(1) Includes amortization of property and equipment, amortization and impairment of intangibles and non-cash stock-based compensation expense other than stock-based compensation expense related to the EPSP.

(2) Amount differs from the financial statements line item as it excludes any loan loss provision associated with the Company's lending activities.

## RESULTS OF OPERATIONS

*Three and nine months ended September 30, 2013 compared to three and nine months ended September 30, 2012*

### Overall Performance

AUM at September 30, 2013 of $7.3 billion represents a decrease of 28.8% when compared with $10.3 billion at September 30, 2012. When compared to the AUM of $7.1 billion at June 30, 2013, AUM at September 30, 2013 increased by 2.6%. Net sales for the quarter ended September 30, 2013 were nominal and together with net market value appreciation of $0.4 billion and the removal of approximately $0.2 billion of AUM relating to the SRLC acquisition resulted in increased AUM of approximately $0.2 billion for the quarter. The Company previously managed SRLC under a management services agreement and upon the acquisition of SRLC by the Company on July 23, 2013, the management services agreement was canceled and those managed assets that were previously counted as AUM are instead now included as net assets of the Company. Average AUM for the three and nine months ended September 30, 2013 were $7.4 billion and $8.3 billion, respectively, compared with $9.3 billion and $9.5 billion in the corresponding periods of 2012.

Total revenues for the three months ended September 30, 2013 increased by $4.4 million (12.3%) to $40.2 million when compared with the three months ended September 30, 2012 and decreased by $23.3 million (21.6%) to $84.3 million when compared with the nine months ended September 30, 2012. Management Fees for the three and nine months ended September 30, 2013 were $19.5 million and $66.9 million, respectively, representing a decrease of $8.7 million (30.9%) and $22.4 million (25.1%) from the corresponding three and nine months ended September 30, 2012. Gross Performance Fees for the three and nine months ended September 30, 2013 were $0.9 million and $2.4 million, respectively, compared to $0.1 million and $0.2 million, respectively, in the three and nine months ended September 30, 2012. Commissions decreased by $0.9 million and $5.2 million for the three and nine months ended September 30, 2013, respectively, when compared with the three and nine months ended September 30, 2012. Interest income increased by $2.7 million and $3.0 million for the three and nine months ended September 30, 2013, respectively, over the corresponding periods of the prior year. Unrealized and realized gains on proprietary investments totaled $1.3 million and losses totaled $11.2 million for the three and nine months ended September 30, 2013, respectively, compared to unrealized and realized gains of $3.8 million and $4.1 million for the three and nine months ended September 30, 2012, respectively. Other income increased by $13.1 million and $14.3 million for the three and nine months ended September 30, 2013, when compared with the three and nine months ended September 30, 2012.

Expenses totaled $30.4 million and $80.8 million for the three and nine months ended September 30, 2013, which is an increase of $9.5 million (45.5%) and $10.5 million (14.9%), respectively, when compared with the three and nine months ended September 30, 2012.

Net income of $13.5 million for the three months ended September 30, 2013 increased by $2.5 million (22.4%) from $11.0 million for the three months ended September 30, 2012. Net income of $8.9 million for the nine months ended September 30, 2013, decreased by 19.8 million (69.1)%, from $28.7 million for the nine months ended September 30, 2012.

### Assets Under Management, Investment Performance and Net Sales

The breakdown of AUM by investment product type as at September 30, 2013 and September 30, 2012 was as follows:

| | **September 30, 2013** | | September 30, 2012 | |
|---|---|---|---|---|
| **Product Type** | **$ (in millions)** | **% of AUM** | $ (in millions) | % of AUM |
| Bullion Funds | **3,855** | **52.5%** | 4,706 | 45.7% |
| Mutual Funds | **1,453** | **19.8%** | 2,251 | 21.9% |
| Alternative Investment Strategies | **794** | **10.8%** | 1,732 | 16.8% |
| Offshore Funds | **184** | **2.5%** | 263 | 2.5% |
| Direct Management (Managed Companies) | **556** | **7.6%** | 742 | 7.2% |
| Managed Accounts | **130** | **1.8%** | 208 | 2.0% |
| Fixed Term Limited Partnerships | **364** | **5.0%** | 401 | 3.9% |
| **Total** | **7,336** | **100%** | 10,303 | 100% |

The table below summarizes the changes in AUM for the relevant periods.

| ($ in millions) | For the three months ended September 30, 2013 | 2012 | For the nine months ended September 30, 2013 | 2012 |
|---|---|---|---|---|
| AUM, beginning of period | **7,147** | 8,485 | **9,931** | 9,137 |
| Net sales (redemptions) | **24** | 449 | **(393)** | 836 |
| Business acquisition | **(188)** | 429 | **(188)** | 429 |
| Market value appreciation (depreciation) of portfolios | **353** | 940 | **(2,014)** | (99) |
| **AUM, end of period** | **7,336** | 10,303 | **7,336** | 10,303 |

For the three months ended ended September 30, 2013, the majority of our Mutual Funds, Alternative Investment Strategies, Bullion Funds, Managed Companies and Managed Accounts experienced modest positive performance resulting in an overall market value appreciation of our AUM, partially offset by slightly negative performance from a few Mutual Funds, Offshore Funds and Fixed Term Limited Partnerships.

Net sales for the three months ended ended September 30, 2013 were nominal and net redemptions for the nine months ended September 30, 2013 were $0.4 billion. Collectively, our Mutual Funds, Bullion Funds, Managed Accounts and Alternative Investment Strategies experienced net redemptions of approximately $0.1 billion and $0.5 billion, respectively, for the three and nine months ended September 30, 2013. This includes approximately $0.1 billion of Funds previously managed by Flatiron Capital Management Partners ("Flatiron"), a former subsidiary of the Company. Flatiron was terminated in January 2013. In April and September of 2013, the Company launched two new Offshore Funds by seeding them with a total of $35 million and raising $100 million alongside the Offshore Fund launched in September 2013. Excluding the new seeded Offshore Funds, our Offshore Funds collectively, had redemptions for the three and nine months ended September 30, 2013 of approximately $9.8 million or 12.0% and $83.0 million or 43.8% of offshore AUM at the beginning of the quarter and year, respectively.

Effective July 23, 2013 the Company acquired SRLC. Prior to this acquisition, the net assets of SRLC were categorized as AUM by the Company as it was under an existing management services agreement with SRLC. Upon acquisition, the management services agreement was canceled and those managed assets that were previously counted as AUM ($0.2 billion) are instead now included as net assets of the Company.

**Revenues**

Total revenue increased by $4.4 million or 12.3% from $35.8 million in the three months ended September 30, 2012 to $40.2 million in the three months ended September 30, 2013 and decreased by $23.3 million or 21.6% from $107.6 million in the nine months ended September 30, 2012 to $84.3 million in the nine months ended September 30, 2013.

Management Fees decreased by $8.7 million or 30.9% from $28.2 million in the three months ended September 30, 2012 to $19.5 million in the three months ended September 30, 2013, and average AUM decreased by approximately 20.6% over the same period. Management Fees as a percentage of average AUM decreased to 1.1% in the three months ended September 30, 2013 from 1.2% in the three months ended September 30, 2012. Management Fees decreased by $22.4 million or 25.1% from $89.3 million in the nine months ended September 30, 2012 to $66.9 million in the nine months ended September 30, 2013, and average AUM decreased by approximately 12.3% over the same period. Management Fees as a percentage of average AUM fell to 1.1% in the nine months ended September 30, 2013 from 1.3% in the nine months ended September 30, 2012. These decreases are mainly due to an increase in the proportion of AUM of our fixed income Funds and bullion Funds that have lower average Management Fees than most of our other Funds.

Gross Performance Fees were $0.9 million and $2.4 million for the three and nine months ended September 30, 2013 versus $0.1 million and $0.2 million for the three and nine months ended September 30, 2012. The majority of the gross Performance Fees were a result of greater than expected Performance Fees for the year ended December 31, 2012 received in the first quarter of 2013 from a Managed Company and the inclusion of crystallized Performance Fees from the Toscana Companies and SRLC and Carried Interests from RCIC (presented as Performance Fees) for the three and nine months ended September 30, 2013.

Commission revenue for the three and nine months ended September 30, 2013, was $1.5 million and $5.0 million, respectively, compared to $2.4 million and $10.2 million for the three and nine months ended September 30, 2012. During the three and nine months ended September 30, 2013, SGRIL and SPW earned fewer commissions from the sale and purchase of stocks by its clients, particularly private placements and from sales of Sprott sponsored Funds to SGRIL and SPW clients as weak equity markets contributed to difficulties for junior resource companies to raise capital.

Interest income for the three and nine months ended September 30, 2013, was $3.3 million and $5.0 million, respectively, compared to $0.7 million and $2.0 million, for the three and nine months ended September 30, 2012. The three and nine months ended September 30, 2013, include interest income from SRLC since its acquisition on July 23, 2013. The majority of interest income is earned by SRLC from resource-based loans.

Gains from our capital that is invested in our proprietary investments (realized and unrealized) for the three months ended September 30, 2013 totaled $1.3 million, compared with $3.8 million for the three months ended September 30, 2012. The gains in the three months ended September 30, 2013 were driven mostly by a rise in the market values of most of our proprietary investments during the quarter resulting in unrealized gains of $1.2 million and realized gains of $0.1 million. Losses for the nine months ended September 30, 2013 totaled $11.2 million compared with gains of $4.1 million for the nine months ended September 30, 2012. During the nine months ended September 30, 2013, sales of proprietary investments resulted in net realized losses of $0.9 million and the market value of most of our remaining proprietary investments depreciated resulting in net unrealized losses of $10.3 million. During the nine months ended September 30, 2012, sales of proprietary investments resulted in net realized gains of $7.6 million and depreciation in the value of most of our remaining proprietary investments resulted in net unrealized losses of $3.5 million.

Other income increased by $13.1 million from $0.6 million in the three months ended September 30, 2012 to $13.7 million in the three months ended September 30, 2013 and increased by $14.3 million from $1.9 million in the nine months ended September 30, 2012 to $16.2 million in the nine months ended September 30, 2013. The main components of other income generally include revenue from the early redemption of a loan receivable, redemption fee revenue, expense recoveries from Managed Companies and Managed Accounts, dividend income and foreign exchange gains and losses. For the three and nine months ended September 30, 2013, the most significant contributors to other income were the one-time inclusions of (i) the gain on bargain purchase recorded on the acquisition of SRLC; the acquisition of SRLC resulted in a $5.5 million gain on bargain purchase, which is a non-taxable item, as the purchase price was less than the fair values of the net identifiable assets acquired, and (ii) the break-fee of $7.5 million for the termination of the management services agreement with a Managed Company.

## Expenses

Total expenses for the three and nine months ended September 30, 2013 were $30.4 million and $80.8 million, respectively, an increase of $9.5 million or 45.5% and $10.5 million or 14.9% compared with $20.9 million and $70.3 million for the three and nine months ended September 30, 2012.

Changes in specific categories are described in the following discussion:

*Compensation and Benefits*

For the three months ended September 30, 2013, the Company incurred one-time compensation expenses (the "One-Time Expenses") totaling $7.2 million comprising (i) $4.5 million of base compensation and termination benefits associated with the one-time break-fee of $7.5 million received (discussed in detail in the *Results of Operations* section under *Revenues*) and (ii) $2.7 million of termination benefits. The following discussion excludes the impact of the One-Time Expenses.

Compensation and benefits expense for the three and nine months ended September 30, 2013 amounted to $10.1 million and $28.2 million, respectively, including contributions to the discretionary employee bonus pool of $2.8 million and $6.3 million respectively. In addition, for the three and nine months ended September 30, 2013, $0.7 million and $2.1 million, respectively, relating to the equity component of the discretionary employee bonus pool is included in stock-based compensation. For the three and nine months ended September 30, 2012, compensation and benefits expense was $9.6 million and $29.2 million, respectively, including contributions to the discretionary employee bonus pool amounting to $2.1 million and $8.2 million respectively. For the three and nine months ended September 30, 2012, $0.9 million and $2.6 million, respectively, relating to the equity component of the discretionary employee bonus pool is included in stock-based compensation.

Excluding the discretionary employee bonus pool, compensation and benefits decreased by $0.2 million from $7.5 million during the third quarter of 2012 to $7.3 million during the third quarter of 2013 and increased by $0.8 million from $21.1 million during the nine months ended September 30, 2012 to $21.9 million during the nine months ended September 30, 2013. The decrease in compensation and benefits (excluding the discretionary employee bonus pool) for the three months ended September 30, 2013 is primarily due to a reduction in the average headcount of the Company for the quarter from 200 to 183. For the nine months ended September 30, 2013, the average headcount of the Company increased from 181 to 188 resulting in the increase in compensation and benefits (excluding the discretionary employee bonus pool) that was experienced in the period. The discretionary employee bonus pool (including the equity portion) increased for the quarter by $0.5 million compared to the prior year's comparable quarter mainly due to the bonus accrued as a result of the EBITDA generated by SRLC since its acquisition, and to a lesser extent, additional bonus compensation accrued for employee retention purposes.The discretionary employee bonus pool decreased during the nine months ended September 30, 2013 when compared to the nine months ended September 30, 2012 primarily as a result of lower EBITDA for the nine months ended September 30, 2013 somewhat offset by the increases cited in the previous sentence.

Beginning in 2012, a portion of the discretionary employee bonus pool was paid in equity of the Company through the Company's EPSP and EIP (see note 9). The shares are either issued from treasury or purchased in the open market and are available to the relevant employees over a specified vesting period. The three and nine months ended September 30, 2013 includes compensation and benefits for SRLC since its acquisition on July 23, 2013. The Toscana Companies were acquired in the third quarter of 2012 and accordingly, the nine months ended September 30, 2012 include approximately three months of compensation and benefits expense.

*Stock-based compensation*

Stock-based compensation for the three and nine months ended September 30, 2013 was $2.3 million and $7.4 million, respectively, a decrease of $0.5 million and $0.9 million, respectively, compared to $2.8 million and $8.3 million in the comparative periods of 2012. The decline is mainly due to lower equity-based compensation accrued for employees in 2013 as compared to 2012 which is partially offset by the expensing of earn-out shares for the Toscana Companies. Stock-based compensation is composed of i) a portion of the discretionary employee bonus pool that is equity-based, ii) the expensing of earn-out shares for the Global Companies and the Toscana Companies, and iii) other stock-based compensation relating to new hires.

*Trailer Fees*

Trailer fees are somewhat correlated with AUM and with Management Fees. For the three and nine months ended September 30, 2013 trailer fees were $2.8 million and $9.1 million, respectively, versus $4.3 million and $14.4 million for the three and nine months ended September 30, 2012, a decrease of 34.3% and 36.7%, respectively. This decrease is a result of the reduction in trailer fee paying AUM during 2013. Trailer fees as a percentage of Management Fees for the three and nine months ended September 30, 2013 have decreased to 14.4% and 13.6% from 15.1% and 16.1%, respectively, for the three and nine months ended September 30, 2012. This decline is a result of the reduction in trailer fee paying AUM relative to total AUM which comprises a higher proportion of AUM on which no or lower trailer fees are payable.

*General and Administrative*

General and administrative expenses increased by $0.4 million (6.6%) to $6.1 million for the three months ended September 30, 2013 and decreased by $0.1 million (0.3%) to $17.6 million for the nine months ended September 30, 2013 when compared to the comparable periods of the prior year. General and administrative expenses consist primarily of rent, marketing, regulatory fees, sub-advisory fees, fund expenses absorbed by SAM on behalf of certain Funds that it manages, legal, insurance, trading costs, donations, directors fees and professional fees as well as miscellaneous costs such as quote and news services, printing and systems maintenance. This increase in general and administrative expenses for the three months ended September 30, 2013 is primarily due to increases in professional fees as a result of the SRLC acquisition, higher regulatory fees, increases in quote and news services costs partially offset by decreases in transaction charges resulting from the reduction in trading activities by SGRIL and SPW, decreases in Fund subsidies and the reduction of several general and administrative expenses, particularly marketing and general office expenses reflecting our efforts to reduce discretionary spending. Slight decreases in general and administrative expenses for the nine months ended September 30, 2013 was primarily due to decreases in marketing, lower fund subsidies, lower trading costs along with decreases in various general office expenses. Offsetting these decreases was an increase in professional fees pertaining to the SRLC acquisition, higher quote and news services costs, increases in rent as we took on additional leased space during the third quarter of 2012 and an increase in sub-advisory expenses.

*Amortization of Intangibles*

Amortization of intangibles is composed of (i) the amortization of deferred sales commissions and (ii) the amortization of fund management contracts and carried interests. Amortization expense decreased by $0.6 million from $2.2 million for the three months ended September 30, 2012 to $1.6 million for the three months ended September 30, 2013 and decreased by $0.6 million from $5.8 million for the nine months ended September 30, 2012 to $5.2 million for the nine months ended September 30, 2013, mainly due to lower amortization of carried interests in 2013 as compared to 2012.

*Impairment of Goodwill and Intangibles*

Impairment of goodwill and intangibles is composed of (i) those amounts in excess of the recoverable amount when compared to the carrying value of fund management contracts and carried interests, net of any reversals and (ii) those amounts in excess of the recoverable amount when compared to the carrying value of goodwill.

As at September 30, 2013, the recoverable amount of fund management contracts approximated its carrying value, therefore no impairment charge or impairment charge reversal relating to fund management contracts was recognized for the three months ended September 30, 2013. Similarly, there was no impairment charge or impairment charge reversal relating to fund management contracts for the nine months ended September 30, 2013. At September 30, 2012, the recoverable amount of fund management contracts approximated its carrying value, therefore no impairment charge or impairment charge reversal was recognized for the three months ended September 30, 2012. As a result of an impairment charge reversal of fund management contracts in the second quarter, the total impairment charge reversal for fund management contracts for the nine months ended September 30, 2012 was $1.8 million.

As at September 30, 2013, the carrying value of carried interests approximated its recoverable amount, therefore no impairment charge or impairment charge reversal relating to the carried interests was recognized for the three months ended September 30, 2013. As a result of an impairment charge of carried interests in the second quarter, the total impairment charge for carried interests for the nine months ended September 30, 2013 was $5.4 million. As at September 30, 2012, the recoverable amount of carried interests was in excess of its carrying value, therefore an impairment charge reversal of $3.8 million was recognized. Together with a previous net impairment charge reversal of carried interests of $0.3 million, the total net impairment charge reversal for carried interests for the nine months ended September 30, 2012 was $4.1 million.

As a result of the acquisition of the Toscana Companies, indefinite life fund management contracts totaling $12.8 million were identified. These fund management contracts are not amortized, but instead are reviewed for indicators of impairment. In the event that these fund management contracts are impaired, an impairment loss will be charged against earnings in the period in which the impairment occurs. As at September 30, 2013, management determined that there were no indicators of impairment that required management to reassess the recoverable amount of the indefinite life fund management contracts.

The underlying inputs and assumptions that determine the recoverable amounts of fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of any previously recorded impairment losses in future periods.

*Amortization of Property and Equipment*

Amortization expense of $0.2 million and $0.7 million for the three and nine months ended September 30, 2013 was slightly lower than the $0.3 million and $0.8 million for the three and nine months ended September 30, 2012.

## EBITDA and Net Income

As discussed earlier, there are a number of non-IFRS measures we use to evaluate the success of our business.

EBITDA allows us to assess our ongoing business without the impact of interest expense, gains and losses on proprietary investments and loans, income taxes and certain non-cash expenses, such as amortization and stock-based compensation. EBITDA is an indicator of our ability to pay dividends, invest in our business and continue operations.

For clarity and as a result of the acquisition of SRLC, loan loss provisions that are included in gains and losses on proprietary investments on the interim consolidated statements of income, are not excluded from earnings when calculating EBITDA. Although these provisions are non-cash, management believes that excluding them from the calculation of EBITDA would distort the results of the Company once the loans are repaid.

For the three and nine months ended September 30, 2013, EBITDA was $5.9 million and $24.4 million, respectively, compared with $10.5 million and $37.1 million, respectively, for the three and nine months ended September 30, 2012. EBITDA decreased for the three and nine months ended September 30, 2013 when compared to the three and nine months ended September 30, 2012 mainly as a result of lower Management Fees and higher compensation and benefits. Basic and diluted EBITDA per share for the three and nine months ended September 30, 2013 was $0.03 and $0.13, respectively, compared to $0.06 and $0.22 for the three and nine months ended September 30, 2012. For further clarity, EBITDA is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

During the three months ended September 30, 2013, there were several one-time transactions that impacted EBITDA for both the three and nine months ended September 30, 2013. They are as follows:

- The break-fee of $7.5 million received for the termination of the management services agreement with a Managed Company offset by the associated compensation and termination benefits of $4.5 million;
- Other termination benefits of $2.7 million; and,
- Approximately $1.2 million of expenses relating to the acquisition of SRLC.

Excluding the above amounts, EBITDA for three and nine months ended September 30, 2013 would be $6.8 million and $25.4 million.

Excluding the impacts of Performance Fees and performance fee related expenses and after adjusting for the aforementioned one-time transactions, EBITDA was $6.3 million ($0.03) and $23.6 million ($0.12) for the three and nine months ended September 30, 2013, respectively, compared to $10.4 million ($0.06) and $36.9 million ($0.22) for the three and nine months ended September 30, 2012.

Income before taxes for the three and nine months ended September 30, 2013 was $9.8 million and $3.5 million compared with pre-tax income of $14.9 million and $37.3 million for the three and nine months ended September 30, 2012. The effective tax rate for the three months ended September 30, 2013 was lower compared to the three months ended September 30, 2012 primarily as a result of the implementation of certain tax planning initiatives that resulted in the recognition of a deferred tax asset valued at $5.8 million as well as favorable differences arising on the filing of the Company's 2012 corporate taxes compared to the estimates calculated at December 31, 2012 and to the negative earnings of the US operations that carry a higher corporate tax rate than the Canadian operations. For similar reasons, the effective tax rate for the nine months ended September 30, 2013 was lower compared to the nine months ended September 30, 2012. Unrealized and realized losses result in the Company's effective tax rate increasing when compared to results in the absence of unrealized and realized losses. Similarly, unrealized and realized gains result in the Company's effective tax rate decreasing when compared to results in the absence of unrealized and realized gains. The accounting for acquisitions has resulted in significant deferred income tax liabilities relating to the identified intangible assets which are being drawn down over the same period in which the associated intangible assets are being amortized. These deferred tax liabilities are not cash liabilities of the Company but are accounting items resulting from the accounting for the acquisitions.

Net income for the three and nine months ended September 30, 2013 was $13.5 million and $8.9 million compared to $11.0 million and $28.7 million for the three and nine months ended September 30, 2012. The increase in the three months ended September 30, 2013 and the decrease in the nine months ended September 30, 2013 as compared with the three and nine months ended September 30, 2012 reflects the net effect of the changes previously discussed in this MD&A. Basic earnings per share, which include the additional shares issued from treasury on the acquisition of SRLC (see note 3), for the three and nine months ended September 30, 2013 was $0.06 and $0.05, versus $0.07 and $0.17 for the three and nine months ended September 30, 2012. Diluted earnings per share for the three and nine months ended September 30, 2013 was $0.06 and $0.05, versus $0.06 and $0.17 for the three and nine months ended September 30, 2012.

**Balance Sheet**

Total assets at September 30, 2013 increased by $181.1 million to $556.4 million from $375.3 million at December 31, 2012 primarily as a result of the assets acquired of SRLC valued at $227.5 million on July 23, 2013.

Cash and cash equivalents were $116.7 million, an increase of $39.3 million from December 31, 2012 primarily due to net cash acquired on the acquisition of SRLC together with the share issuance from treasury for $24.5 million and offset partially by cash outflows relating to income tax payments, dividend payments and the purchase of proprietary investments.

Fees receivable at September 30, 2013 were $9.2 million, which is a decrease of $8.1 million since December 31, 2012 primarily reflecting the Company's reduced AUM along with its monetization of year end Performance Fees.

Other assets consist primarily of proceeds receivable on the sale of a security by SRLC, prepaid expenses of the Company and receivables from our funds and managed companies for which the Company has incurred expenses on their behalf.

Proprietary investments are comprised of investments in various Funds that we manage, including those managed by RCIC, fixed income securities, foreclosed properties, equities and warrants and gold bullion. During the quarter, the Company seeded a $10 million new institutional based Offshore Fund in connection with its previously announced joint venture with Zijin Mining Group of China. Proprietary investments are discussed in more detail in the Revenue section of this MD&A.

Loans receivable consist of the loan portfolio acquired through the Company's acquisition of SRLC on July 23, 2013. The Company had 18 loans outstanding as at September 30, 2013. The Company expects to continue making direct resource-based loans but at a declining rate as the monetization of expiring loans is expected to be used to seed and launch new initiatives that will continue to grow our private lending business through one or more new lending partnerships.

Intangible assets as at September 30, 2013 of $37.8 million consist of finite and indefinite life intangible assets. Intangible assets with indefinite useful lives relate to (i) costs incurred to create fund management contracts between SAM and certain Funds managed by SAM and (ii) fund management contracts identified as a result of the acquisition of the Toscana Companies (see note 3). Intangible assets with finite lives relate to (i) the costs assigned to fund management contracts and carried interests as a result of the acquisition of the Global Companies and, (ii) deferred sales commissions the Company pays to brokers and dealers on the sale of mutual Fund securities. Intangible assets decreased by approximately $7.4 million during 2013 primarily as a result of the impairment of carried interests and the amortization of management contracts and carried interests, offset partially by the additional carried interest rights relating to two new limited partnerships launched by RCIC.

As a result of the acquisition of the Global Companies in 2011, finite life fund management contracts and carried interests were identified. Both the finite life fund management contracts and carried interests are amortized and at each reporting period are reviewed for indicators of impairment. In the event that either is impaired, an impairment charge will be recorded against earnings in the period in which the impairment occurs. As at September 30, 2013, management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of the finite life fund management contracts or carried interests. As a result of the acquisition of the Toscana Companies in 2012, indefinite life fund management contracts totaling $12.8 million were identified. These fund management contracts are not amortized, but instead are reviewed for indicators of impairment. In the event that these fund management contracts are impaired, an impairment charge will be recorded against earnings in the period in which the impairment occurs. As at September 30, 2013, management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of these fund management contracts.

The underlying inputs and assumptions that determine the recoverable amounts of fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or may reverse all or part of any previously recorded impairment losses in future periods.

Deferred sales commissions are recorded at cost and amortized on a straight line basis over a maximum of three years. Deferred sales commissions at September 30, 2013 of $2.2 million were slightly higher than $2.1 million at December 31, 2012. During the nine months ended September 30, 2013, $1.2 million in commissions were paid for low load funds and were offset by amortization of $1.1 million.

The acquisition of the Global Companies resulted in goodwill of $127.2 million at September 30, 2013 including $5.1 million of foreign exchange differences which form part of other comprehensive income. The Company had not recorded any goodwill prior to the acquisition of the Global Companies in 2011. The subsequent acquisition of the Toscana Companies in 2012 resulted in additional goodwill of $3.2 million at September 30, 2013. Goodwill is not amortized, but is subject to impairment tests on at least an annual basis. Management last performed its impairment test of goodwill in the fourth quarter of 2012. Management's assumptions that impact the recoverable amount of goodwill will be reassessed in the fourth quarter of 2013 to reflect past experiences and future expectations of performance. The resulting assessment may indicate a goodwill impairment charge is required, and if applicable, will be charged to income during the fourth quarter of 2013. As at September 30, 2013, management concluded that there were no indicators of impairment at September 30, 2013 that required management to reassess the recoverable amount of goodwill.

Deferred income tax assets at September 30, 2013 are valued at $29.2 million and are predominantly made up of (i) non-capital losses that the Company has instituted tax planning strategies to utilize, and (ii) unrealized losses which reside primarily in the US operations that reflect taxable allocations of income for which the Company has paid cash taxes but has not received the cash distributions on which it has been taxed.

Accounts payable and accrued liabilities were $7.8 million at September 30, 2013, which is a decrease of $5.9 million from December 31, 2012. The decrease is mainly a result of the payment of year-end performance fees to a sub-advisor of the Company, the payment of higher year-end harmonized sales tax and the payment of 2012 fund operating expenses by SAM on behalf of certain Funds that it manages.

Compensation and employee bonuses payable were $14.6 million at September 30, 2013 compared to $10.2 million at December 31, 2012. The increase from December 31, 2012 is primarily a result of additional compensation and termination benefits of $4.5 million associated with the one-time break-fee received for the termination of the management services agreement with a Managed Company and to termination benefits of $2.7 million.

## RESULTS OF OPERATIONS - REPORTABLE SEGMENTS

**SAM Segment**

The SAM segment provides asset management services to the Company's branded Funds and Managed Accounts and includes the operating results of SAM.

Results of operations

| ($ in thousands) | For the three months ended September 30, 2013 | For the three months ended September 30, 2012 | For the nine months ended September 30, 2013 | For the nine months ended September 30, 2012 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Management fees | **15,271** | 23,461 | **51,828** | 75,581 |
| Performance fees | **32** | 9 | **36** | 102 |
| Interest income | **48** | 61 | **180** | 233 |
| Other | **769** | 596 | **(2,782)** | 1,370 |
| **Total revenue** | **16,120** | 24,127 | **49,262** | 77,286 |
| **Expenses** | | | | |
| General and administrative | **10,094** | 11,130 | **29,101** | 33,116 |
| Trailer fees | **3,643** | 6,118 | **12,436** | 20,668 |
| Amortization and impairment of intangibles, property and equipment | **595** | 608 | **1,688** | 1,569 |
| **Total expenses** | **14,332** | 17,856 | **43,225** | 55,353 |
| **Income before income taxes for the period** | **1,788** | 6,271 | **6,037** | 21,933 |
| **EBITDA** | **1,781** | 6,436 | **11,255** | 23,335 |

*Three months ended September 30, 2013 compared to three months ended September 30, 2012*

Revenues

During the three months ended September 30, 2013, total revenues decreased by $8.0 million (33.2%) from $24.1 million in the three months ended September 30, 2012 to $16.1 million in the three months ended September 30, 2013.

Revenues from Management Fees were $15.3 million for the three months ended September 30, 2013, a decrease of 34.9% from the three months ended September 30, 2012 mainly attributable to the different composition of SAM's AUM and to the lower level of average AUM.

Revenues from Gross Performance Fees were $32 thousand for the three months ended September 30, 2013 versus $9 thousand for the three months ended September 30, 2012 reflecting Performance Fees generated on the redemption of SAM Funds.

Interest income decreased by $13.0 thousand to $48.0 thousand for the three months ended September 30, 2013 when compared to the three months ended September 30, 2012. Interest income is primarily generated from cash deposits with banks and brokerages.

Other revenues were $0.8 million for the three months ended September 30, 2013, an increase of $0.2 million from the three months ended September 30, 2012 reflecting higher unrealized gains on proprietary investments in 2013 compared to 2012. The largest components of other revenue are unrealized gains and losses on proprietary investments, short term trading fees and early redemption fees.

Expenses

Total expenses for the three months ended September 30, 2013 were $14.3 million, a decrease of approximately $3.5 million or 19.7%, compared with $17.9 million for the three months ended September 30, 2012.

General and administrative (including compensation and benefits) expense for the three months ended September 30, 2013 amounted to $10.1 million versus $11.1 million for the three months ended September 30, 2012. The largest components of the decrease from the prior year relate to decreased stock-based compensation and a decrease in compensation and benefits offset slightly by an increase in professional fees.

Trailer fees for the three months ended September 30, 2013 were $3.6 million versus $6.1 million, a decrease of 40.5% over 2012. The decrease was attributable to the decrease in the average AUM of our Mutual Funds and Alternative Investment Strategies which are the primary products to which trailer fees relate.

Amortization and impairment of intangibles, property and equipment were relatively unchanged at $0.6 million for the three months ended September 30, 2013 when compared to the three months ended September 30, 2012 with the majority of the expense related to the amortization of deferred sales commissions.

EBITDA

For the three months ended September 30, 2013, EBITDA was $1.8 million compared with $6.4 million for the three months ended September 30, 2012. The decrease in EBITDA in 2013 when compared to 2012 is mainly a result of lower Management Fees earned in the current quarter offset partially by lower trailer fees in the current quarter.

*Nine months ended September 30, 2013 compared to nine months ended September 30, 2012*

Revenues

During the nine months ended September 30, 2013, total revenues decreased by approximately $28.0 million (36.3%) from $77.3 million in the nine months ended September 30, 2012 to $49.3 million in the nine months ended September 30, 2013.

Revenues from Management Fees were $51.8 million for the nine months ended September 30, 2013, a decrease of 31.4% from the nine months ended September 30, 2012 mainly attributable to the the different composition of SAM's AUM and to the lower level of average AUM.

Revenues from gross Performance Fees were $36 thousand for the nine months ended September 30, 2013 versus $102 thousand for the nine months ended September 30, 2012 reflecting Performance Fees generated on the redemption of SAM Funds.

Interest income was relatively unchanged at $0.2 million for the nine months ended September 30, 2013 when compared to the nine months ended September 30, 2012. Interest income is primarily generated from cash deposits with banks and brokerages.

Other revenues were negative $2.8 million for the nine months ended September 30, 2013, a decrease of approximately $4.2 million from the nine months ended September 30, 2012 reflecting higher unrealized losses on proprietary investments in 2013 compared to 2012. The largest components of other revenue are unrealized gains and losses on proprietary investments, short term trading fees and early redemption fees.

Expenses

Total expenses for the nine months ended September 30, 2013 were $43.2 million, a decrease of approximately $12.1 million or 21.9%, compared with $55.4 million for the nine months ended September 30, 2012.

General and administrative (including compensation and benefits) expense for the nine months ended September 30, 2013 amounted to $29.1 million versus $33.1 million for the nine months ended September 30, 2012. The largest components of the decrease from the prior year relate to a reduction in the bonus pool accrual, decreased stock-based compensation, reduced marketing and professional fees offset slightly by increased sub-advisor fees and rent.

Trailer fees for the nine months ended September 30, 2013 were $12.4 million versus $20.7 million, a decrease of 39.8% over 2012. The decrease was attributable to the decrease in the average AUM of our Mutual Funds and Alternative Investment Strategies which are the primary products to which trailer fees relate.

Amortization of intangibles, property and equipment increased slightly by $0.1 million for the nine months ended September 30, 2013 when compared to the nine months ended September 30, 2012. This is mainly due to increased amortization of deferred sales commissions during the period.

EBITDA

For the nine months ended September 30, 2013, EBITDA was $11.3 million compared with $23.3 million for the nine months ended September 30, 2012. The decrease in EBITDA in 2013 when compared to 2012 is mainly a result of lower Management Fees earned in the current period offset partially by expenses in the current period.

**Global Companies Segment**

The Global Companies segment provides asset management services to the Company's Funds and Managed Accounts in the US and also provides securities trading services to its clients and includes the operating results of SGRIL, RCIC and SAM USA.

Results of operations

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| (in $ thousands) | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| **Revenue** | | | | |
| Management fees | **2,197** | 2,269 | **7,175** | 7,075 |
| Performance fees | **302** | — | **302** | — |
| Commissions | **1,284** | 2,280 | **3,987** | 6,686 |
| Interest income | **13** | 20 | **46** | 65 |
| Other | **571** | 341 | **(809)** | 609 |
| **Total revenue** | **4,367** | 4,910 | **10,701** | 14,435 |
| **Expenses** | | | | |
| General and administrative | **3,635** | 4,007 | **11,093** | 12,143 |
| Amortization of intangibles, property and equipment | **1,191** | (2,139) | **9,477** | (970) |
| **Total expenses** | **4,826** | 1,868 | **20,570** | 11,173 |
| **Income (loss) before income taxes for the period** | **(459)** | 3,042 | **(9,869)** | 3,262 |
| **EBITDA** | **1,256** | 1,674 | **3,694** | 4,921 |

*Three months ended September 30, 2013 compared to three months ended September 30, 2012*

Revenues

Total revenues decreased by $0.5 million (11.1%) from $4.9 million in the three months ended September 30, 2012 to $4.4 million in the three months ended September 30, 2013. The decrease is due primarily to a reduction in the volume of transactions that generate commission revenue (primarily private placements), partially offset by net realized and unrealized gains on proprietary investments and realized carried interests (presented as performance fees), when compared to the same period of 2012.

Revenue from Management Fees was $2.2 million for the three months ended September 30, 2013 compared to $2.3 million for the corresponding comparative period. The slight decrease is due to lower Management Fees generated on a lower level of average AUM at RCIC and SAM US.

During the three months ended September 30, 2013, Carried Interests of $0.3 million were realized compared to $nil in the three months ended September 30, 2012. This Carried Interest was realized on the extension of the term of one of the Fixed Term Limited Partnerships for a further five years. For financial statement presentation purposes, Carried Interests are included with Performance fees on the Company's unaudited interim condensed consolidated financial statements.

Revenue from Commissions was approximately $1.3 million for the three months ended September 30, 2013, a decrease of approximately $1.0 million when compared to $2.3 million in the three months ended September 30, 2012. These commissions were generated by SGRIL from the trading of securities by clients and from the sale to clients of new and follow-on offerings of products and through private placements of unrelated companies. The decrease is due to fewer transactions that generated commission revenue (primarily private placements) in the three months ended September 30, 2013 compared to the three months ended September 30, 2012.

Interest income was $13 thousand for the three months ended September 30, 2013 compared to $20 thousand for the corresponding period of 2012. Interest income is primarily generated from cash deposits with banks and brokerages.

Gains and losses from our capital that is invested in proprietary investments (realized and unrealized) make up the majority of the Other revenue category. For the three months ended September 30, 2013, Other revenue was $0.6 million compared to $0.3 million for the three months ended September 30, 2012.

Expenses

Total expenses increased by approximately $3.0 million (158.4%) to $4.8 million in the three months ended September 30, 2013 from $1.9 million in the corresponding comparative period. The increase is due primarily to no impairment charge or impairment charge reversal for intangible assets recognized in the three months ended September 30, 2013, compared to an impairment charge reversal for carried interests of $3.8 million recorded in the three months ended September 30, 2012.

General and administrative (including compensation and benefits) expense for the three months ended September 30, 2013 amounted to $3.6 million versus $4.0 million for the three months ended September 30, 2012. The largest component of general and administrative is compensation and benefits followed by stock-based compensation relating to earn-out shares (see note 9) with other significant expenses consisting of rent, marketing, professional fees and expenses unique to its brokerage business.

Amortization expense, excluding the effect of impairment related losses and reversals, decreased slightly. No impairment charge was recorded in the three months ended September 30, 2013, compared to an impairment charge reversal of $3.8 million in the three months ended September 30, 2012 resulting in total amortization and impairment expense of $1.2 million for the three months ended September 30, 2013 compared to negative $2.1 million for the three months ended September 30, 2012. This reflects a net change of $3.3 million from the prior period's comparative figure. The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests for the Global Companies are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of any previously recorded impairment losses in future periods.

EBITDA

For the three months ended September 30, 2013, EBITDA was $1.3 million compared with $1.7 million for the three months ended September 30, 2012. The decrease in EBITDA in 2013 when compared to 2012 is mainly a result of a reduction in the volume of transactions that generate commission revenue.

*Nine months ended September 30, 2013 compared to nine months ended September 30, 2012*

Revenues

Total revenues decreased by $3.7 million (25.9%) from $14.4 million in the nine months ended September 30, 2012 to $10.7 million in the nine months ended September 30, 2013. The decrease is due primarily to a reduction in the volume of transactions that generate commission revenue (primarily private placements) and to realized and unrealized losses on proprietary investments in 2013 compared to realized and unrealized gains during the same period of 2012.

Revenue from Management Fees was $7.2 million for the nine months ended September 30, 2013 compared to $7.1 million for the nine months ended September 30, 2012. The increase is due to higher Management Fees generated on a higher level of average AUM at RCIC and SAM US.

During the nine months ended September 30, 2013, Carried Interests of $0.3 million were realized compared to $nil in the nine months ended September 30, 2012. This Carried Interest was realized on the extension of the term of one of the Fixed Term Limited Partnerships for a further five years. For financial statement presentation purposes, Carried Interests are included with Performance fees on the Company's unaudited interim condensed consolidated financial statements.

Revenue from Commissions was $4.0 million for the nine months ended September 30, 2013, a decrease of $2.7 million when compared to $6.7 million in the nine months ended September 30, 2012. These commissions were generated by SGRIL from the trading of securities by clients and from the sale to clients of new and follow-on offerings of products and through private placements of unrelated companies. The decrease is due to fewer transactions that generated commission revenue (primarily private placements) in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Interest income was $46 thousand for the nine months ended September 30, 2013 compared to $65 thousand for the corresponding period of 2012. Interest income is primarily generated from cash deposits with banks and brokerages.

Gains and losses from our capital that is invested in proprietary investments (realized and unrealized) make up the majority of the Other revenue category. For the nine months ended September 30, 2013, Other revenue was negative $0.8 million compared to income of $0.6 million for the nine months ended September 30, 2012.

Expenses

Total expenses increased by $9.4 million (84.1%) to $20.6 million in the nine months ended September 30, 2013 from $11.2 million in the corresponding comparative period. The increase is due primarily to an impairment charge of $5.4 million recorded in the nine months ended September 30, 2013, compared to an impairment charge reversal of $5.9 million recorded in the nine months ended September 30, 2012.

General and administrative (including compensation and benefits) expenses for the nine months ended September 30, 2013 were $11.1 million compared to $12.1 million for the nine months ended September 30, 2012, a decrease of approximately $1.1 million. The largest component of general and administrative is compensation and benefits followed by stock-based compensation relating to earn-out shares (see note 9) with other significant expenses consisting of rent, marketing, professional fees and expenses unique to its brokerage business. Compensation and benefits (including stock-based compensation) decreased during 2013 primarily as a result of a lower bonus accrual and lower variable compensation which is directly correlated to the lower commission revenue realized in the nine months ended September 30, 2013. The decrease in professional fees, marketing and other office expenses were offset partially by sub-advisor fees paid in 2013 compared to the prior year's comparative period, which did not include any sub-advisor fees. The sub-advisor fees are paid to SRLC which was acquired by the Company effective July 23, 2013 and beginning in the third quarter of 2013, these sub-advisor fees are eliminated upon consolidation.

Amortization expense, excluding the effect of impairment related charges and reversals, decreased slightly. However, an impairment charge of $5.4 million was recorded in the nine months ended September 30, 2013, compared to an impairment charge reversal of $5.9 million recorded in the nine months ended September 30, 2012 resulting in total amortization of $9.5 million for the nine months ended September 30, 2013 compared to negative $1.0 million for the nine months ended September 30, 2012. This reflects a net change of approximately $10.4 million from the prior period's comparative figure. The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests for the Global Companies are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of any previously recorded impairment losses in future periods.

EBITDA

For the nine months ended September 30, 2013, EBITDA was $3.7 million compared with $4.9 million for the nine months ended September 30, 2012. The decrease in EBITDA in 2013 when compared to 2012 is mainly a result of a reduction in the volume of transactions that generate commission revenue offset in part by a decrease in employee compensation.

**SRLC**

The SRLC segment provides loans to companies in the mining and energy sectors and includes the operating results of SRLC.

SRLC was acquired by the Company effective July 23, 2013 and as a result, its operations are presented for the period July 23, 2013 to September 30, 2013 (the "Period") without comparative information.

Results of operations

| | For the Period ended | | For the Period ended | |
|---|---|---|---|---|
| ($ in thousands) | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| **Revenue** | | | | |
| Interest income | **3,036** | — | **3,036** | — |
| Other | **433** | — | **433** | — |
| **Total revenue** | **3,469** | — | **3,469** | — |
| **Expenses** | | | | |
| General and administrative | **1,545** | — | **1,545** | — |
| Amortization of property and equipment | **1** | — | **1** | — |
| **Total expenses** | **1,546** | — | **1,546** | — |
| **Income before income taxes for the period** | **1,923** | — | **1,923** | — |
| **EBITDA** | **1,792** | — | **1,792** | — |

*Period ended September 30, 2013*

Revenues

The acquisition of SRLC added $3.5 million in total revenues for the Period ended September 30, 2013.

Revenues from interest income were $3.0 million for the Period ended September 30, 2013. Interest income was earned primarily from resource sector loans.

Gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) together with other loan-related revenues make up the majority of the Other revenue category of $0.4 million for the Period ended September 30, 2013.

Expenses

The acquisition of SRLC added $1.5 million in total expenses for the Period ended September 30, 2013.

General and administrative (including compensation and benefits) expenses for the Period ended September 30, 2013 were $1.5 million. The largest component of general and administrative expenses is compensation and benefits followed by professional fees and expenses related to the lending business.

EBITDA

For the Period ended September 30, 2013, the acquisition of SRLC contributed $1.8 million to EBITDA.

**Corporate Segment**

The Corporate segment provides treasury and shared services to the Company's business units and includes the operating results of Sprott Inc. without the effect of consolidating its subsidiaries.

Results of operations

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| ($ in thousands) | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| **Revenue** | | | | |
| Interest income | **—** | 509 | **1,376** | 1,474 |
| Other | **6,137** | 3,313 | **838** | 3,756 |
| **Total revenue** | **6,137** | 3,822 | **2,214** | 5,230 |
| **Expenses** | | | | |
| General and administrative | **3,751** | 815 | **5,618** | 2,180 |
| Amortization of property and equipment | **15** | 31 | **45** | 84 |
| **Total expenses** | **3,766** | 846 | **5,663** | 2,264 |
| **Income (loss) before income taxes for the period** | **2,371** | 2,976 | **(3,449)** | 2,966 |
| **EBITDA** | **(3,746)** | (114) | **(2,651)** | (139) |

*Three months ended September 30, 2013 compared to three months ended September 30, 2012*

Revenues

During the three months ended September 30, 2013, total revenues increased by $2.3 million from $3.8 million in the three months ended September 30, 2012 to $6.1 million in the three months ended September 30, 2013.

Interest income was nominal for the three months ended September 30, 2013 compared to $509 thousand for the corresponding period of 2012. This decrease is due to the reclassification of income to Other income as it relates to the precious metals loan in the Corporate segment's loan portfolio in the current quarter.

The gain on bargain purchase from the acquisition of SRLC together with gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) make up the majority of Other revenue. The acquisition of SRLC resulted in a $5.5 million gain on bargain purchase, which is a non-taxable item, as the purchase price was less than the fair values of the net identifiable assets acquired. For the three months ended September 30, 2013, the Corporate segment recorded higher net realized and unrealized gains on proprietary investments compared to the three months ended September 30, 2012.

Expenses

Total expenses for the three months ended September 30, 2013 were $3.8 million, an increase of approximately $2.9 million, compared with $0.8 million for the three months ended September 30, 2012.

General and administrative (including compensation and benefits) expenses increased by $2.9 million to $3.8 million for the three months ended September 30, 2013 when compared to the three months ended September 30, 2012. General and administrative expenses increased mostly due to termination benefits of $2.7 million and higher regulatory and professional fees resulting from the acquisition of SRLC. There were no other significant variances in the components of general and administrative expenses between the three months ended September 30, 2013 and the three months ended September 30, 2012.

EBITDA

For the three months ended September 30, 2013, EBITDA was negative $3.7 million compared with negative $0.1 million for the three months ended September 30, 2012. The decrease in EBITDA was mainly due to the increase in compensation and benefits expense associated with the aforementioned termination benefits.

*Nine months ended September 30, 2013 compared to nine months ended September 30, 2012*

Revenues

During the nine months ended September 30, 2013, total revenues decreased by $3.0 million from $5.2 million in the nine months ended September 30, 2012 to $2.2 million in the nine months ended September 30, 2013.

Interest income was $1.4 million for the nine months ended September 30, 2013 compared to $1.5 million for the corresponding period of 2012. The majority of interest income was earned from its loan portfolio that was previously presented as proprietary investments.

The gain on bargain purchase from the acquisition of SRLC together with gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) make up the majority of Other revenue. The acquisition of SRLC resulted in a $5.5 million gain on bargain purchase, which is a non-taxable item, as the purchase price was less than the fair values of the net identifiable assets acquired. For the nine months ended September 30, 2013, the Corporate segment recorded net lower realized and unrealized gains on proprietary investments compared to net realized and unrealized gains for the nine months ended September 30, 2012.

Expenses

Total expenses for the nine months ended September 30, 2013 were $5.7 million, an increase of $3.4 million from $2.3 million for the nine months ended September 30, 2012. General and administrative expenses increased mostly due to termination benefits of $2.7 million associated with the departure of a senior executive of the Company.

General and administrative (including compensation and benefits) expenses increased by $3.4 million to $5.6 million for the nine months ended September 30, 2013 when compared to the nine months ended September 30, 2012. General and administrative expenses increased mostly due to the termination benefits of $2.7 million and higher regulatory and professional fees resulting from the acquisition of SRLC. There were no other significant variances in the components of general and administrative expenses between the nine months ended September 30, 2013 and the nine months ended September 30, 2012.

EBITDA

For the nine months ended September 30, 2013, EBITDA was negative $2.7 million compared with negative $0.1 million for the nine months ended September 30, 2012. The decrease in EBITDA was mainly due to the increase in compensation and benefits expense associated with the aforementioned termination benefits.

**Other Segment**

The Other segment includes the operations of SC and SPW, our consulting and private wealth businesses, respectively. The results of the acquisition of the Toscana Companies are included in the Other segment.

Results of operations

| ($ in thousands) | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| **Revenue** | | | | |
| Management fees | **2,034** | 2,472 | **7,908** | 6,616 |
| Performance fees | **558** | 84 | **2,043** | 84 |
| Commissions | **193** | 144 | **1,042** | 3,517 |
| Interest income | **209** | 65 | **391** | 214 |
| Other | **8,056** | 2,051 | **10,817** | 6,630 |
| **Total revenue** | **11,050** | 4,816 | **22,201** | 17,061 |
| **Expenses** | | | | |
| General and administrative | **6,910** | 2,236 | **13,334** | 7,931 |
| Amortization of property and equipment | **10** | 14 | **34** | 30 |
| **Total expenses** | **6,920** | 2,250 | **13,368** | 7,961 |
| **Income before income taxes for the period** | **4,130** | 2,566 | **8,833** | 9,100 |
| **EBITDA** | **4,797** | 2,508 | **10,307** | 8,954 |

*Three months ended September 30, 2013 compared to three months ended September 30, 2012*

Revenues

During the three months ended September 30, 2013, total revenues increased by approximately $6.2 million (129.4%) from $4.8 million in the three months ended September 30, 2012 to $11.1 million in the three months ended September 30, 2013.

Revenues from Management Fees were $2.0 million for the three months ended September 30, 2013 compared to $2.5 million in the three months ended September 30, 2012. The decrease is mainly attributable to the lower Management Fees generated on a lower level of average AUM at our Managed Companies, specifically as a result of the removal of approximately $0.2 billion of AUM relating to assets that were previously managed under a management services agreement with SRLC and instead are now included as net assets of the Company effective July 23, 2013.

Revenues from Performance Fees were $0.6 million for the three months ended September 30, 2013 compared to $0.1 million for the three months ended September 30, 2012. Performance Fees were earned from the Toscana Companies and SRLC upon its acquisition.

Commission revenue for the three months ended September 30, 2013, was $0.2 million compared to $0.1 million during the three months ended September 30, 2012. The increase in Commissions was mainly due to slightly higher one-time fees earned by SPW during the current quarter as compared to the prior year's quarter.

Interest income was $0.2 million for the three months ended September 30, 2013 compared to $0.1 million for the prior year's quarter. Interest income is primarily generated from cash deposits with banks and brokerages.

Trailer fee income received from SAM is the most significant recurring component of Other revenue. The current period also includes the one-time break-fee of $7.5 million received for the termination of the management services agreement with a Managed Company. Excluding this one-time receipt, trailer fee income decreased during the current period as a result of the decrease in the average trailer paying AUA of SPW. This inter-company revenue received is eliminated upon consolidation.

Expenses

General and administrative (including compensation and benefits) expenses for the three months ended September 30, 2013 were $6.9 million, an increase of $4.7 million from the prior year of $2.2 million. The largest components of the increase from the prior year's comparative quarter relates to $4.5 million of compensation and termination benefits associated with the one-time break-fee received for the termination of the management services agreement with a Managed Company.

EBITDA

For the three months ended September 30, 2013, EBITDA was $4.8 million compared with $2.5 million for the three months ended September 30, 2012. The increase in EBITDA in 2013 when compared to 2012 is mainly due to the one-time break-fee received for the termination of the management services agreement with a Managed Company net of its related compensation and termination benefits and to a lesser extent from a decline in trailer fees.

*Nine months ended September 30, 2013 compared to nine months ended September 30, 2012*

Revenues

During the nine months ended September 30, 2013, total revenues increased by approximately $5.1 million (30.1%) from $17.1 million in the nine months ended September 30, 2012 to $22.2 million in the nine months ended September 30, 2013.

Revenues from Management Fees were $7.9 million for the nine months ended September 30, 2013 compared to $6.6 million in the nine months ended September 30, 2012. The increase is mainly attributable to the higher Management Fees generated on a higher level of average AUM at our Managed Companies.

Revenues from Performance Fees were $2.0 million for the nine months ended September 30, 2013 compared to $0.1 million in the nine months ended September 30, 2012. The majority of the Performance Fees recognized in the nine months ended September 30, 2013 were a result of greater than expected Performance Fees for the year ended December 31, 2012 received in 2013 from a Managed Company and from the inclusion of Performance Fees from the Toscana Companies and SRLC upon its acquisition.

Commission revenue for the nine months ended September 30, 2013 was $1.0 million compared to $3.5 million during the nine months ended September 30, 2012. The decrease in Commissions was mainly due to substantial commissions earned by SPW on the sale of units of Sprott Physical Silver Trust, Sprott 2012 Flow-Through Fund and other various private placements to its clients in the nine months ended September 30, 2012.

Interest income was $0.4 million for the nine months ended September 30, 2013 compared to $0.2 million for the prior year's period. Interest income is primarily generated from cash deposits with banks and brokerages.

Trailer fee income received from SAM is the most significant recurring component of Other revenue. The current period also includes the one-time break-fee of $7.5 million received for the termination of the management services agreement with a Managed Company. Excluding this one-time receipt, trailer fee income decreased during the current period as a result of the decrease in the average trailer paying AUA of SPW. This inter-company revenue received is eliminated upon consolidation.

Expenses

General and administrative (including compensation and benefits) expenses for the nine months ended September 30, 2013 were $13.3 million, an increase of $5.4 million from the prior year of $7.9 million. The largest components of the increase from the prior year's comparative period relates to $4.5 million of compensation and termination benefits associated with the one-time break-fee received for the termination of the management services agreement with a Managed Company.

EBITDA

For the nine months ended September 30, 2013, EBITDA was $10.3 million compared with $9.0 million for the nine months ended September 30, 2012. The increase in EBITDA in 2013 when compared to 2012 is mainly due to the one-time break-fee received for the termination of the management services agreement with a Managed Company net of its related compensation and termination benefits and to a lesser extent from a decline in trailer fees.

**SUMMARY OF QUARTERLY RESULTS**

| ($ in thousands) | As at 31-Dec-11 | As at 31-Mar-12 | As at 30-Jun-12 | As at 30-Sept-12 | As at 31-Dec-12 | As at 31-Mar-13 | As at 30-Jun-13 | As at 30-Sept-13 |
|---|---|---|---|---|---|---|---|---|
| **Assets Under Management** | 9,137,084 | 9,683.283 | 8,485,400 | 10,302,652 | 9,931,151 | 9,109,951 | 7,146,770 | **7,335,625** |

| ($ in thousands, except per share amounts) | 3 Months ended 31-Dec-11 | 3 Months ended 31-Mar-12 | 3 Months ended 30-Jun-12 | 3 Months ended 30-Sept-12 | 3 Months ended 31-Dec-12 | 3 Months ended 31-Mar-13 | 3 Months ended 30-Jun-13 | 3 Months ended 30-Sept-13 |
|---|---|---|---|---|---|---|---|---|
| **Income Statement Information** | | | | | | | | |
| **Revenue** | | | | | | | | |
| Management fees | 33,700 | 32,986 | 28,084 | 28,202 | 29,242 | 25,951 | 21,458 | **19,497** |
| Performance fees | 2,528 | 76 | 17 | 93 | 9,769 | 1,348 | 141 | **892** |
| Commissions | 2,861 | 5,722 | 2,057 | 2,424 | 3,303 | 1,936 | 1,616 | **1,477** |
| Interest income | 780 | 720 | 612 | 655 | 705 | 759 | 968 | **3,306** |
| Unrealized and realized gains (losses) on proprietary investments and loans | (1,963) | 4,241 | (3,984) | 3,798 | (1,789) | (3,049) | (9,466) | **1,323** |
| Other income | 207 | 645 | 655 | 602 | 9,319 | 616 | 1,854 | **13,697** |
| **Total revenue** | 38,113 | 44,390 | 27,441 | 35,774 | 50,549 | 27,561 | 16,571 | **40,192** |
| **Net income (loss)** | 4,625 | 16,943 | 736 | 11,008 | 3,297 | 2,090 | (6,710) | **13,470** |
| **EBITDA** | 17,042 | 16,159 | 10,409 | 10,504 | 20,274 | 10,399 | 8,120 | **5,881** |
| **Basic earnings (loss) per share** | 0.03 | 0.10 | 0.00 | 0.07 | 0.02 | 0.01 | (0.04) | **0.06** |
| **Diluted earnings (loss) per share** | 0.03 | 0.10 | 0.00 | 0.06 | 0.02 | 0.01 | (0.04) | **0.06** |
| **Basic and diluted EBITDA per share** | 0.10 | 0.10 | 0.06 | 0.06 | 0.12 | 0.06 | 0.05 | **0.03** |

Performance Fees are typically earned on the last day of the fiscal year other than for the Funds that are managed by RCIC. As a result, quarters ending December 31 are significantly more variable than other quarters during the year. During the three months ended September 30, 2013, the Company recognized Performance Fees and Carried Interests of $0.9 million from two Managed Companies and RCIC.

There is generally no other seasonality to our earnings and the trends in fees and expenses relate primarily to the level of our AUM.

During the three months ended September 30, 2013, the Company recognized a one-time break-fee of $7.5 million for the termination of the management services agreement with a Managed Company. Mostly offsetting this is compensation and termination benefits totaling $7.2 million associated with this one-time receipt and other termination benefits of the Company.

At September 30, 2013, management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of its intangible assets. As a result, there was no impairment charge for the three months ended September 30, 2013 (three months ended September 30, 2012 - $3.8 million impairment charge reversal). The underlying inputs and assumptions that determine the recoverable amounts of the carried interests and fund management contracts are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of carried interests and fund management contracts may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of this and other intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of previously recorded impairment losses in future periods.

The consolidated results shown in the table above include the results of SRLC from the date of its acquisition on July 23, 2013, the results of Flatiron from the date of its acquisition on August 1, 2012 to its termination in January 2013, the results of the Toscana Companies from the date of their acquisition on July 3, 2012 and the results of the Global Companies from the date of their acquisition on February 4, 2011.

## Dividends

On March 26, 2013, a dividend of $0.03 per common share was declared for the quarter ended December 31, 2012. This dividend was paid on April 23, 2013 to shareholders of record at the close of business on April 8, 2013.

On May 7, 2013, a dividend of $0.03 per common share was declared for the quarter ended March 31, 2013. This dividend was paid on May 31, 2013 to shareholders of record at the close of business on May 16, 2013.

On August 7, 2013, a dividend of $0.03 per common share was declared for the quarter ended June 30, 2013. This dividend was paid on August 30, 2013 to shareholders of record at the close of business on August 16, 2013.

On November 12, 2013, a dividend of $0.03 per common share was declared for the quarter ended September 30, 2013. This dividend will be paid on December 5, 2013 to shareholders of record at the close of business on November 21, 2013.

Unless indicated otherwise, all dividends on the shares of the Company will be designated as "eligible dividends" under the Income Tax Act (Canada).

## Capital Stock

Capital stock at the end of 2012 was $215.5 million with 169.0 million common shares issued and outstanding for financial reporting purposes. As at September 30, 2013, capital stock had increased by $195.0 million to $410.5 million primarily as a result of the acquisition of SRLC that resulted in the issuance of 69.0 million common shares from treasury valued at $166.2 million and through a private placement which resulted in the issuance of 7.6 million common shares from treasury valued at $24.6 million. As at September 30, 2013, the Company had 247.9 million common shares issued and outstanding and 246.0 million common shares issued and outstanding for financial reporting purposes.

Pursuant to the Share Purchase agreement relating to the Global Companies acquisition, an additional 532,500 common shares of the Company are to be provided to employees of the Global Companies. In the first quarter of 2012 and 2013, a total of 355,000 of those common shares were issued. In addition, the seller and certain current and future employees will be eligible to earn up to an additional 8 million common shares of the Company with the achievement of certain earnings targets by the Global Companies over a period not exceeding five years from the date of the acquisition of the Global Companies.

Pursuant to the Share Purchase agreement relating to the Toscana Companies acquisition, the sellers will be eligible to earn up to an additional 0.9 million common shares of the Company with the achievement of certain earnings targets by the Toscana Companies over a period not exceeding three years from the acquisition date.

Earnings per share as at September 30, 2013 and September 30, 2012 have been calculated using the weighted average number of shares outstanding during the respective periods. Basic earnings per share for the three and nine months ended September 30, 2013 were $0.06 and $0.05 versus $0.07 and $0.17 for the three and nine months ended September 30, 2012. Diluted earnings per share for the three and nine months ended September 30, 2013 were $0.06 and $0.05 versus 0.06 and $0.17 for the three and nine months ended September 30, 2012. For the three and nine months ended September 30, 2013, diluted earnings per share reflects the dilutive effect of in-the-money stock options, shares held for the equity incentive plan, the remaining 0.2 million common shares relating to the additional purchase consideration to be provided to employees of the Global Companies and outstanding restricted stock units.

A total of 2,650,000 stock options have been issued pursuant to our incentive stock option plan. As at September 30, 2013, 2,600,000 of those stock options were exercisable.

As at November 12, 2013, the Company had 247.9 million common shares outstanding.

## Liquidity and Capital Resources

Management Fees and Interest Income can be projected and forecasted with a higher degree of certainty than Performance Fees and Carried Interests, and are therefore used as a base for budgeting and planning in our business. Management Fees are collected monthly or quarterly and Interest Income collected monthly, which assists our ability to manage cash flow. We believe that Management Fees and Interest Income will continue to be sufficient to satisfy our ongoing operational needs, including expenditures on our corporate infrastructure, business development and information systems. In addition, the Company holds sufficient cash and liquid securities to meet any other operating and capital requirements, if any, including its contractual commitments. The nature of our operations ensures that the largest outflows, such as trailer fees and monthly compensation, are correlated with cash inflows, in the form of Management Fees and Interest Income.

We do not have off-balance sheet contractual arrangements and no material contractual obligations other than our long-term lease agreement and loan commitments of $3.6 million. During the quarter ended September 30, 2012 we completed the negotiation of a credit facility with a Canadian chartered bank and renewed this credit facility in September 2013. The amount that may be borrowed under this facility is $35 million. Amounts may be borrowed under the facility through prime rate loans, which bear interest at the bank's prime rate, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 1.375%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 1.375%.

Loans are made by the bank under a two year revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, all outstanding principal, interest and fees are due at the maturity date.

The credit facility is fully and unconditionally guaranteed by SAM, a wholly-owned subsidiary of the Company. The credit facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. The Company is within its financial covenants with respect to its credit facility, which require that the funded debt to EBITDA ratio remain below 2:1, the funded debt to SAM EBITDA ratio remain below 1.5:1 and that the Company's AUM not fall below $5.5 billion, calculated on the last day of each calendar month. The Company has not drawn on the credit facility as at September 30, 2013.

SPW is a member of IIROC and a registered investment dealer, SAM is an OSC registrant in the category of IFM, PM and EMD and as such each of SPW and SAM is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of IIROC and of the OSC, respectively. In addition, SGRIL is registered with FINRA in the United States and is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of FINRA. During the three months ended September 30, 2013, SAM, SPW and SGRIL were in compliance with specified capital requirements.

## Contingency

In June 2013, the Company and certain subsidiaries were named as defendants in a legal proceeding filed with the Ontario Superior Court of Justice relating to the Flatiron Market Neutral Limited Partnership (the "Flatiron Fund") by Performance Diversified Fund, as plaintiff. The proceeding is in respect of a claim relating to an investment by the plaintiff in the Flatiron Fund. The plaintiff was a limited partner in the Flatiron Fund from 2006 until February 2013. The Company indirectly acquired the shares of the manager of the Flatiron Fund in August 2012. The orderly liquidation of the Flatiron Fund announced in November 2012 was completed in February 2013.

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

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

The Company has incurred nominal expenses in relation to this claim as at September 30, 2013 and expects most legal costs will be recoverable under its insurance policies and other contractual arrangements.

## Critical Accounting Estimates

These unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS, using the accounting policies the Company adopted in its unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2013. In preparing the Company's unaudited interim condensed consolidated financial statements under IFRS, the Company is required to use the standards in effect as at September 30, 2013.

The preparation of the financial statements in conformity with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. Items that require the use of estimates and assumptions include income taxes, share-based payments and the valuation of goodwill, intangible assets and certain proprietary investments.

A portion of Performance Fee revenue is earned by a wholly-owned subsidiary that acts as the general partner to the domestic limited partnerships managed by us. For income tax purposes, as at the end of each income tax year these Performance Fees are an allocation of partnership income and, for the purposes of calculating taxable income, consists of capital gains and/or losses, interest income, dividend income, carrying charges and other types of income and expenses allocated to the general partner. We work with third party advisors to calculate allocations of partnership income, however, such allocations involve a certain degree of estimation. Income tax estimates could change as a result of change in taxation laws and regulations, both domestic and foreign, an amendment to the calculation of allocation of partnership income and/or a change in foreign affiliate rules.

Stock-based compensation expense is estimated based on the value of the option on its grant date. Management adopted a fair value-based valuation methodology as required by IFRS that will best determine the value of options and the cost over the vesting period of the option. The valuation model utilizes multiple observable market inputs including interest rates, however the model requires judgment and assumptions be applied in determining certain inputs including expected volatility and expected option life. Management reviews all inputs on a regular basis to ensure consistency of application and reasonableness. Details regarding stock options granted, including key inputs and assumptions are contained in note 9 to the Company's unaudited interim condensed consolidated financial statements.

As a result of the Company's acquisitions, intangible assets and goodwill were identified. The values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, asset lives and the future stock price of the Company. These estimates require significant judgment regarding market growth rates, fund flow assumptions, expected margins and costs which could affect the Company's future results if the current estimates of future performance and fair value change. These determinations also affect the amount of amortization expense on carried interests and fund management contracts with finite lives recognized in future periods. Management monitors for indicators of impairment and impairment reversals on a regular basis and performs thorough valuations to verify the value of the intangibles and goodwill should an indicator of impairment exist or an indicator of an impairment reversal exists.

The Company's proprietary investments are designated as fair value through profit or loss. Some of these investments are generally not traded in an active market. Management monitors all proprietary investments on a regular basis and makes all reasonable efforts to obtain publicly available information related to such investments. However, since the amount of information for investments that are not publicly traded is often limited, fair value of these investments could subsequently prove to differ from amounts at which they are carried on the balance sheet.

Certain fees recoverable from Funds or third parties relate to new investment products and are contingent upon a successful completion of such product launches. Management evaluates such assets on a regular basis and only capitalizes the portion of the recoverable that is more likely than not to be recovered.

Resource and real estate related loans receivable are stated net of loan loss provisions, where required, on impaired loans. Such provisions reflect management's best estimate of the credit losses in the Company's loan portfolio and judgments about economic conditions. This evaluation process involves estimates and judgments, which could change in the near term, and result in a significant change to an existing provision. On at least a quarterly basis, the loan portfolio and loan loss provisions are reviewed on a loan-by-loan basis. In determining the loan loss provision, the Company considers (i) the nature and quality of collateral and, if applicable, any guarantee; (ii) the secondary market value of the loan and the related collateral; (iii) the overall financial strength of the borrower; (iv) the length of time that the loan has been in arrears; and (v) the borrower's plan, if any, with respect to restructuring the loan.

IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") provides for the use of professional judgment in determining whether an entity should be included within the consolidated financial statements of the Company. Although somewhat prescriptive in the application of IFRS 10, this use of professional judgment introduces the potential for different conclusions based on the weightings assigned to both qualitative and quantitative inputs on which the Company relied. Management works with expert advisors to assess these inputs and conclude on the most appropriate accounting treatment.

We review all estimates periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

## Alternative and policy choices under IFRS

A summary of the Company's significant accounting policies under IFRS are provided in note 2 to the unaudited interim condensed consolidated financial statements. These policies have been retrospectively and consistently applied to the unaudited interim condensed consolidated financial statements.

## Managing Risk

There are certain risks inherent in the activities of the Company, including risks related to general market conditions; changes in the financial markets; non-repayment by borrowers; failure to retain and attract qualified staff; poor investment performance; changes in the investment management industry; competitive pressures; failure to manage risks; rapid growth; regulatory compliance; public company reporting and other regulatory obligations; historical financial information not necessarily indicative of future performance; failure to execute our succession plan; conflicts of interest; litigation risk; employee errors or misconduct; effectiveness of information security policies, procedures and capabilities; failure to develop effective business continuity plans; entering new lines of business; fluctuations in Performance Fees and Carried Interests; rapid growth or decline in our AUM and AUA; insufficient insurance coverage; possible volatility of the share price; and significant influence by a principal shareholder. A full description of the Company's risks are discussed in the Company's Annual Information Form dated May 7, 2013 and is available on SEDAR and is augmented by the following discussion on risks primarily as a result of the acquisition of SRLC.

We have processes and procedures in place to monitor and mitigate these risks to the extent reasonable and practicable within the framework of our overall strategic objectives of delivering excellence in investment performance.

Certain key risks are managed as described below:

*Market Risk*

We monitor, evaluate and manage the principal risks associated with the conduct of our business. These risks include external market risks to which all investors are subject and internal risk resulting from the nature of our business. In SAM, RCIC and SAM US, at the investment product level, we manage risk through the selection, weighting and monitoring of individual investments based on stated investment objectives and strategies. At SPW and SGRIL, we manage risk at the asset allocation level, by focusing on mitigating risk through the appropriate selection and weighting of portfolio investments for each client to reflect their suitability and risk tolerance.

*Interest Rate Risk*

In SRLC, where the majority of the Company's loan portfolio resides, interest rate risk is managed by lending for short terms, with terms at the inception of the loan generally varying from nine months to three years, and by charging prepayment penalties and/or upfront commitment fees. This mitigates earnings that are exposed to volatility as a result of sudden changes in interest rates. Note 15 to the unaudited interim condensed consolidated financial statements illustrates the Company's sensitivity to changes in interest rates.

*Credit Risk*

The loans receivable to the Company introduce increased risk that a borrower will not honour its commitments and a loss to the Company may result. The Company is further exposed to adverse changes in conditions which affect real estate values for its real estate loans and commodity and energy prices for its resource loans. These market changes may be regional, national or international in nature and scope or may revolve around a specific asset. Risk is increased if the values of the underlying assets securing the Company's loans decline to levels approaching or below the loan amounts. Any decrease in real estate values or commodity or energy prices may delay the development of the underlying security or business plans of the borrower and will adversely affect the value of the Company's security. Additionally, the value of the Company's underlying security in a resource loan can be negatively affected if the actual amount or quality of the commodity proves to be less than that estimated or the ability to extract the commodity proves to be more difficult or more costly than estimated.

During the resource loan origination process, senior management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately mitigated including (i) emphasis on first priority and/or secured financings; (ii) investigation of the creditworthiness of all borrowers; (iii) employment of qualified and experienced loan professionals; (iv) review of the sufficiency of the borrower's business plans including plans which will enhance the value of the underlying security; (v)frequent and documented status updates provided on the business plans and if applicable, progress thereon; (vi) engagement of qualified independent consultants and advisors such as lawyers, engineers and geologists dedicated to protecting the Company's interests; and (vii) legal review which is performed to ensure that all due diligence requirements are met prior to funding.

The Board of Directors has the responsibility of ensuring that credit risk management is adequate. They have delegated much of this responsibility to the Executive Credit Committee. The Board of Directors are provided with a detailed portfolio analysis including a report on all overdue and impaired loans, and meet at a minimum on a quarterly basis, to review and assess the risk profile of the loan portfolio. The Executive Credit Committee is required to approve all non-related party loan exposures up to $10 million. The Executive Credit Committee and a sub-committee of the Board of Directors are required to unanimously approve all non-related party loan exposures between $10 million and $20 million. All non-related party loan exposures exceeding $20 million are required to be approved by the Board of Directors of the Company. Any related party loans shall be approved within the limits noted above provided that any person who may have a conflict with such loan, shall abstain from voting.

*Other Lending Risks*

In providing resource loans, the Company may be exposed to other risks such as environmental and governmental risks. Environmental risks can arise when the borrower fails to meet applicable environmental laws and regulations or the environmental laws or regulations are revised. This can result in the borrower's licenses being revoked or suspended and thereby reducing the value of the underlying security of the loan or the borrower's ability to repay its indebtedness.

The Company may enter into lending agreements with resource companies operating in various international locations. Any changes in regulations in these foreign jurisdictions are beyond the Company's control and could potentially adversely affect the borrower's ability to repay its indebtedness with the Company.

*Internal Controls and Procedures*

SAM, SPW, SGRIL and SAM US operate in regulated environments and are subject to business conduct rules and other rules and regulations. We have internal control policies related to our business conduct. They include controls required to ensure compliance with the rules and regulations of relevant regulatory bodies including the OSC, IIROC, FINRA and the SEC.

*Disclosure Controls and Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR")*

Management is responsible for the design and operational effectiveness of DC&P and ICFR in order to provide reasonable assurance regarding the disclosure of material information relating to the Company and information required to be disclosed in our annual filings, interim filings and other reports filed under securities legislation, as well as the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Consistent with *National Instrument 52-109*, the Company's CEO and CFO have evaluated the DC&P and ICFR as of September 30, 2013 and concluded that the controls have been properly designed and are operating effectively.

During the three months ended September 30, 2013, the Company acquired SRLC which required the Company to analyze and implement additional internal controls over financial reporting to reflect the unique aspects associated with a lending business, including, but not limited to, loan portfolio valuation and real estate valuation methodologies. There were no other changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

*Conflicts of Interest*

Internally, we have established a number of policies with respect to our employees' personal trading. Employees may not trade any of the securities held or being considered for investment by any of our Funds without prior approval. In addition, employees must receive prior approval before they are permitted to buy or sell securities. Speculative trading is strongly discouraged. While employees are permitted to have investments managed by third parties on a discretionary basis, they generally choose to invest in the Funds. All of our employees must comply with our Code of Ethics. This Code establishes strict rules for professional conduct and management of conflicts of interest.

*Independent Review Committee*

National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee to whom all conflicts of interest matters must be referred for review or approval. We have established one independent review committee for our public mutual Funds and other funds. As required by NI 81-107, we have established written policies and procedures for dealing with conflict of interest matters, and we maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is comprised of three independent members, and is subject to requirements to conduct regular assessments and provide reports to us and to the holders of interests in our public mutual Funds in respect of its functions.

*Confidentiality of Information*

We believe that confidentiality is essential to the success of our business, and we strive to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties. We keep the affairs of our clients confidential and do not disclose the identities of our clients (absent express client consent to do so). If a prospective client requests a reference, we will not furnish the name of an existing client before receiving permission from that client to reveal their business relationship with us.

*Insurance*

We maintain appropriate insurance coverage for general business and liability risks as well insurance coverage required by regulation. We review our insurance coverage periodically to ensure continued adequacy.

*Additional information relating to the Company, including the Company's Annual Information Form is available on SEDAR at www.sedar.com.*

*Consolidated Financial Statements*

Three and nine months ended September 30, 2013

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| As at<br>*($ in thousands of Canadian dollars)* | | **September 30, 2013** | December 31, 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **116,656** | 77,400 |
| Fees receivable | | **9,223** | 17,301 |
| Other assets | *(Note 8)* | **3,508** | 3,919 |
| Income taxes recoverable | | **3,777** | — |
| **Total current assets** | | **133,164** | 98,620 |
| Proprietary investments | *(Note 4)* | **101,960** | 60,602 |
| Loans receivable | *(Note 7)* | **113,204** | 16,122 |
| Other assets | *(Note 8)* | **3,477** | — |
| Property and equipment, net | *(Note 5)* | **7,150** | 7,260 |
| Intangible assets | *(Note 6)* | **37,816** | 45,253 |
| Goodwill | *(Note 6)* | **130,440** | 125,740 |
| Deferred income taxes | *(Note 10)* | **29,172** | 21,653 |
| | | **423,219** | 276,630 |
| **Total assets** | | **556,383** | 375,250 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | | **7,799** | 13,712 |
| Compensation and employee bonuses payable | | **14,635** | 10,242 |
| Income taxes payable | | **—** | 8,168 |
| **Total current liabilities** | | **22,434** | 32,122 |
| Deferred income taxes | *(Note 10)* | **23,029** | 25,419 |
| **Total liabilities** | | **45,463** | 57,541 |
| **Shareholders' equity** | | | |
| Capital stock | *(Note 9)* | **410,460** | 215,474 |
| Contributed surplus | *(Note 9)* | **43,904** | 42,808 |
| Retained earnings | | **49,308** | 58,609 |
| Accumulated other comprehensive income | | **7,248** | 818 |
| **Total shareholders' equity** | | **510,920** | 317,709 |
| **Total liabilities and shareholders' equity** | | **556,383** | 375,250 |

*See accompanying notes*

*Events after the reporting period (Note 18)*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| *($ in thousands of Canadian dollars, except for per share amounts)* | | ***For the three months ended*** **September 30, 2013** | *For the three months ended* September 30, 2012 | ***For the nine months ended*** **September 30, 2013** | *For the nine months ended* September 30, 2012 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Management fees | | **19,497** | 28,202 | **66,906** | 89,272 |
| Performance fees | | **892** | 93 | **2,381** | 186 |
| Commissions | | **1,477** | 2,424 | **5,029** | 10,203 |
| Interest income | | **3,306** | 655 | **5,029** | 1,986 |
| Unrealized and realized gains (losses) on proprietary investments and loans | | **1,323** | 3,798 | **(11,192)** | 4,055 |
| Other income | *(Note 8)* | **13,697** | 602 | **16,171** | 1,903 |
| **Total revenue** | | **40,192** | 35,774 | **84,324** | 107,605 |
| **Expenses** | | | | | |
| Compensation and benefits | | **17,331** | 9,564 | **35,437** | 29,240 |
| Stock-based compensation | *(Note 9)* | **2,347** | 2,809 | **7,422** | 8,300 |
| Trailer fees | | **2,802** | 4,264 | **9,117** | 14,402 |
| General and administrative | | **6,147** | 5,768 | **17,628** | 17,689 |
| Amortization of intangibles | *(Note 6)* | **1,570** | 2,156 | **5,171** | 5,846 |
| Impairment (impairment reversal) of intangibles | *(Note 6)* | **—** | (3,939) | **5,362** | (5,961) |
| Amortization of property and equipment | *(Note 5)* | **242** | 297 | **712** | 828 |
| **Total expenses** | | **30,439** | 20,919 | **80,849** | 70,344 |
| **Income before income taxes for the period** | | **9,753** | 14,855 | **3,475** | 37,261 |
| Provision for income taxes | *(Note 10)* | **(3,717)** | 3,847 | **(5,375)** | 8,574 |
| **Net income for the period** | | **13,470** | 11,008 | **8,850** | 28,687 |
| **Basic earnings per share** | *(Note 9)* | **$ 0.06** | $ 0.07 | **$ 0.05** | $ 0.17 |
| **Diluted earnings per share** | *(Note 9)* | **$ 0.06** | $ 0.06 | **$ 0.05** | $ 0.17 |

*See accompanying notes*

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## (UNAUDITED)

| *($ in thousands of Canadian dollars)* | ***For the three months ended*** **September 30, 2013** | *For the three months ended* September 30, 2012 | ***For the nine months ended*** **September 30, 2013** | *For the nine months ended* September 30, 2012 |
|---|---|---|---|---|
| **Net income for the period** | **13,470** | 11,008 | **8,850** | 28,687 |
| **Other comprehensive income (loss)** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Foreign currency translation gain (loss) on foreign operations, before taxes | **(3,290)** | (5,804) | **6,430** | (6,112) |
| Total other comprehensive income (loss) | **(3,290)** | (5,804) | **6,430** | (6,112) |
| **Comprehensive income** | **10,180** | 5,204 | **15,280** | 22,575 |

*See accompanying notes*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

| *($ in thousands of Canadian dollars, other than number of shares)* | | Number of Shares Outstanding | Capital Stock | Contributed Surplus | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Equity |
|---|---|---|---|---|---|---|---|
| **At December 31, 2012** | | **169,049,677** | **215,474** | **42,808** | **58,609** | **818** | **317,709** |
| Business acquisition | *(Note 3)* | **68,962,896** | **166,201** | **—** | **—** | **—** | **166,201** |
| Shares acquired for equity incentive plan | *(Note 9)* | **(448,500)** | **(697)** | **(559)** | **—** | **—** | **(1,256)** |
| Shares released on vesting of equity incentive plan | *(Note 9)* | **634,164** | **3,754** | **(3,754)** | **—** | **—** | **—** |
| Foreign currency translation gain on foreign operations | | **—** | **—** | **—** | **—** | **6,430** | **6,430** |
| Additional purchase consideration | *(Note 3)* | **177,500** | **1,090** | **(1,376)** | **—** | **—** | **(286)** |
| Stock-based compensation | | **—** | **—** | **7,422** | **—** | **—** | **7,422** |
| Deferred tax asset on stock-based compensation | | **—** | **—** | **(632)** | **—** | **—** | **(632)** |
| Shares issued from treasury | | **7,577,159** | **24,638** | **(5)** | **—** | **—** | **24,633** |
| Regular dividends paid | *(Note 13)* | **—** | **—** | **—** | **(18,151)** | **—** | **(18,151)** |
| Net income | | **—** | **—** | **—** | **8,850** | **—** | **8,850** |
| **Balance, September 30, 2013** | | **245,952,896** | **410,460** | **43,904** | **49,308** | **7,248** | **510,920** |
| **At December 31, 2011** | | **169,082,077** | **208,413** | **40,857** | **47,038** | **5,133** | **301,441** |
| Business acquisition | | 1,564,500 | 7,698 | — | — | — | 7,698 |
| Shares acquired for equity incentive plan | | (1,774,400) | (2,188) | (7,821) | — | — | (10,009) |
| Foreign currency translation gain on foreign operations | | — | — | — | — | (6,112) | (6,112) |
| Additional purchase consideration | | 177,500 | 1,551 | (1,719) | — | — | (168) |
| Stock-based compensation | | — | — | 8,300 | — | — | 8,300 |
| Deferred tax asset on stock-based compensation | | — | — | 624 | — | — | 624 |
| Regular dividends paid | | — | — | — | (15,284) | — | (15,284) |
| Net income | | — | — | — | 28,687 | — | 28,687 |
| **Balance, September 30, 2012** | | **169,049,677** | **215,474** | **40,241** | **60,441** | **(979)** | **315,177** |

*See accompanying notes*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| *For the nine months ended September 30 ($ in thousands of Canadian dollars)* | **2013** | 2012 |
|---|---|---|
| **Operating Activities** | | |
| Net income for the period | **8,850** | 28,687 |
| Add (deduct) non-cash items: | | |
| Unrealized and realized losses (gains) on proprietary investments and loans | **11,192** | (4,055) |
| Stock-based compensation | **7,422** | 8,300 |
| Amortization of property, equipment and intangible assets | **5,883** | 6,674 |
| Impairment (impairment reversal) of intangible assets | **5,362** | (5,961) |
| Gain on bargain purchase | **(5,457)** | — |
| Income taxes | **3,392** | 12,218 |
| Deferred income tax recovery | **(8,767)** | (3,644) |
| Other items | **(7,830)** | (257) |
| Income taxes paid | **(15,292)** | (46,778) |
| Changes in: | | |
| Fees receivable and other assets | **9,611** | (3,725) |
| Loans receivable | **11,082** | — |
| Accounts payable, accrued liabilities, compensation and employee bonuses payable | **(23,466)** | (19,172) |
| Effect of foreign exchange on cash balances | **506** | (457) |
| **Cash provided by (used in) operating activities** | **2,488** | (28,170) |
| **Investing Activities** | | |
| Purchase of proprietary investments | **(37,506)** | (35,321) |
| Sale of proprietary investments | **4,272** | 44,940 |
| Purchase of property and equipment | **(562)** | (2,705) |
| Deferred sales commissions paid | **(1,202)** | (831) |
| Cash paid for acquisitions | **(20,806)** | (12,289) |
| Cash acquired on acquisition | **88,307** | 1,236 |
| Purchase of intangible assets | **(828)** | — |
| **Cash provided by (used in) investing activities** | **31,675** | (4,970) |
| **Financing Activities** | | |
| Acquisition of common shares for equity incentive plan | **(1,256)** | (10,008) |
| Shares issued from treasury | **24,500** | — |
| Dividends paid | **(18,151)** | (15,284) |
| **Cash provided by (used in) financing activities** | **5,093** | (25,292) |
| **Net increase (decrease) in cash and cash equivalents during the period** | **39,256** | (58,432) |
| Cash and cash equivalents, beginning of the period | **77,400** | 119,506 |
| **Cash and cash equivalents, end of the period** | **116,656** | 61,074 |
| **Cash and cash equivalents:** | | |
| Cash | **99,171** | 11,593 |
| Short-term deposits | **17,485** | 49,481 |
| | **116,656** | 61,074 |

*See accompanying notes*

## 1. CORPORATE INFORMATION

Sprott Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on February 13, 2008. Its registered office is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, M5J 2J2.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2013 were authorized for issue by a resolution of the Board of Directors on November 12, 2013.

### Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis and on a historical cost basis, except for financial assets and financial liabilities designated as held for trading or held at fair value through profit or loss both of which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

### Principles of consolidation

These unaudited interim condensed consolidated financial statements comprise those of the Company and its subsidiaries as well as three limited partnerships in which the Company is the sole limited partner.

The three limited partnerships are Sprott Asset Management LP ("SAM"), Sprott Private Wealth LP ("SPW") and Sprott Consulting LP ("SC") while material wholly-owned subsidiaries are Sprott U.S. Holdings Inc., Sprott Resource Lending Corp. ("SRLC"), Toscana Companies, Sprott Genpar Ltd. and SAMGENPAR Ltd. Sprott U.S. Holdings Inc. is the parent company of Rule Investments, Inc. (the owner of Sprott Global Resource Investments, Ltd. ("SGRIL") (formerly Global Resource Investments, Ltd.), Sprott Asset Management USA Inc. ("SAM US") (formerly Terra Resource Investment Management, Inc.) and Resource Capital Investment Corporation ("RCIC") (collectively, the "Global Companies")). In addition, the acquisitions of the Toscana Companies in 2012 and SRLC in 2013 resulted in two additional wholly-owned subsidiaries of the Company. These are entities over which the Company has control, where control exists if the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns. Generally, control is presumed to exist when the Company owns more than one half of the voting rights of an entity. The Company does not control any entities for which it owns less than one half of the voting rights of an entity, other than the Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust"), which the Company is deemed to control.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions and dividends are eliminated in full.

Investments in funds managed by the Company (included in proprietary investments) are assessed to determine whether or not the Company has control, joint control or significant influence. This determination includes consideration of all factors and circumstances relevant to the fund, including: the extent of the Company's direct and indirect interests in the fund, the level of compensation to be received from the fund for management and other services provided to it, kick out rights available to other investors and other indicators of the extent of power that the Company has over the fund. If a fund is determined to be controlled, it will be consolidated by the Company. Funds which are not controlled by the Company are typically subject to significant influence. The Company has designated all such investments at fair value through profit or loss in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* as permitted by IAS 28, *Investments in Associates and Joint Ventures (amended in 2011).*

The IASB issued a new standard, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 establishes control as the basis for consolidation and defines the principle of control. An investor controls an investee if the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 10 did not have a material impact on the Company's results of operations, financial positions and disclosures.

**Recognition of income**

The Company earns management fees from the funds, managed accounts and companies that it manages. The management fees are recognized on an accrual basis over the period during which the related services are rendered and are collected monthly, quarterly or annually.

The Company also earns performance fees, calculated for each relevant fund, managed account and/or managed company as a percentage of: (i) the fund's/managed account's excess performance over the relevant benchmark; (ii) the increase in net asset values over a predetermined hurdle, if any; or (iii) the net profit in the fund over the performance period. Performance fee revenue is recognized when earned, according to agreements in the underlying funds, managed accounts and managed companies which is predominantly on the last day of the fiscal year.

Fees arising from carried interest entitlements, and presented as performance fees, are recorded on an accrual basis following disposition of underlying portfolio investments.

The Company, through SPW and SGRIL, primarily earns trailer fee income, fees and commissions from the sale of new and follow-on offerings of products managed by the Company, through advisory services, through private placements to clients of SPW and SGRIL and, particularly with respect to SGRIL, from trading in stocks by clients of SGRIL. Trailer fee income and commission income are recognized on an accrual basis over the period during which the related service is rendered.

The Company, through SRLC, primarily earns interest income from resource and real estate loans. Interest income on these loans is recognized on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated loan interest rate. The effective interest rate is the rate required to discount the future value of all loan cash flows to their present value and is adjusted for the receipt of cash and non-cash items in connection with the loan.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit with banks and with carrying brokers, which are not subject to restrictions, and short-term interest bearing notes and treasury bills with a term to maturity of less than three months from the date of purchase.

**Proprietary investments**

Securities transactions and related revenue and expenses are accounted for on a trade-date basis.

Public equities, fixed income securities and share purchase warrants are measured at fair value determined using quoted market prices.

Mutual funds and alternative investment strategies are fair valued which is estimated based on the net asset value per unit of each fund.

Private securities are fair valued based upon the value of the Company's interests in the private companies determined from financial information provided by management of the underlying companies, which may include operating results, subsequent rounds of financing and other appropriate information. The values assigned are based on available information and do not necessarily represent amounts which might reasonably be determined until the individual positions are liquidated.

Precious metal bullion includes investments in gold and silver bullion. Investments in gold and silver bullion are measured at fair value determined by reference to published price quotations, with unrealized and realized gains and losses recorded in income based on the IAS 40 Investment Property fair value model as IAS 40 is the most relevant standard to apply. Investment transactions in physical gold and silver bullion are accounted for on the business day following the date the order to buy or sell is executed.

Foreclosed properties held for sale include properties for which SRLC has taken legal title, as well as those properties for which SRLC is entitled, through court order, to take title or to enforce the sale, unconditionally. When a loan is foreclosed, the value of the foreclosed property is initially measured at the lower of the carrying value or fair value less estimated selling costs. Foreclosed properties held for sale which are in saleable condition and for which a sale is considered probable are classified as held for sale and are subsequently measured at the lower of carrying value or fair value less estimated costs to sell. Reductions in the carrying values of foreclosed properties are reported as losses on revaluation of foreclosed properties. Amortization is not recorded on foreclosed properties held for sale. An extension of the period required to complete the sale would not preclude the properties from being classified as held for sale when the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the asset. The Company uses management's best estimate to determine fair value of the properties which involves frequent inspection, engaging realtors and other professionals to obtain property appraisals, and assessment of market conditions based on previous purchase and sale offers received.

**Loans receivable**

*Precious metal loans*

Precious metal loans are initially measured at fair value. After initial measurement, precious metal loans are classified as fair value through profit or loss or held-to-maturity. The total funds advanced to a borrower are allocated first to the value of any shares/warrants received, with the remainder applied as loan principal advanced. Fair value gains (losses) are recognized in net income (loss) for changes in fair value and for time value of money effect.

*Resource and real estate loans*

Resource and real estate loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Resource and real estate loans are initially measured at fair value. After initial measurement, these loans are subsequently measured at amortized cost using the effective interest method, less impairment, if any.

Fees received for originating loans are netted against the carrying value and are recognized in interest income over the term of the loan using the effective interest method. Fees received may include cash payments and/or securities in the borrower.

*Impairment of resource and real estate loans*

Loans are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected.

At each reporting date, management assesses whether there are indicators that specific loan loss provisions are required for each loan in the Company's loan portfolio based on factors that may include economic and market trends, the impairment status of loans, the quoted credit rating of the borrower, market value of the asset, and appraisals, if any, of the security underlying loans receivable. If these factors indicate that the carrying value of loans may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value of the affected loans with the discounted present values of their estimated future cash flows. To the extent that discounted estimated future cash flows are less than the loan carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income on a loan for which a specific loan loss provision exists is calculated at the discount rate used in determining the provision, which may differ from the contracted loan interest rate.

Should the cash flow assumptions used to determine the original specific loan loss provision change, the specific loan loss provision may be reversed. A specific loan loss provision is reversed only to the extent that the revised carrying value of the loan does not exceed its amortized cost that would have been recorded had no specific loan loss provision been recognized.

At each reporting date, management assesses the need for a collective provision for loan losses which have yet to be identified. Loans are grouped on the basis of similar characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Collective grouping is performed on the basis of a credit risk evaluation or a grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Management consider the security of a loan as the most appropriate determining factor in formulating a portfolio of loans. If the evaluation does not result in a group of assets with similar characteristics, the loans are individually assessed for impairment.

When a group of loans is determined, certain factors are considered in determining the appropriate level of a collective provision. Such factors include the length of the loan term, currents state of commodity markets, and reviews of markets for information on the risk associated with the debt or equity of the borrower.

**Financial instruments**

Financial assets may be classified as held-for-trading ("HFT"), designated at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") or loans and receivables. Financial liabilities may be classified as either HFT or other. All financial instruments are initially measured at fair value. After initial recognition, financial instruments classified as HFT or those designated as FVTPL are measured at fair value using quoted market prices in an active market other than precious metal loans. Precious metal loans are designated at FVTPL or classified as HTM. Precious metal loans measured at fair value reflect factors such as time value of money, changes in the market price of the precious metal, changes in foreign exchange rates, or changes in the discount rate as a result of market conditions and/or changes to the borrower's credit risk. Changes in fair value of financial instruments are reflected in net income. All other financial instruments, which include those classified as HTM investments, loans and receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method. Transaction costs related to financial assets at fair value through profit or loss are expensed as incurred.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets classified as loans and receivables or HTM is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets and it can be reliably estimated.

Financial instruments included in the Company's accounts have the following classifications:

- Cash and cash equivalents, precious metal loans, proceeds receivable (part of other assets) and all proprietary investments (excluding gold, silver bullion and foreclosed properties) are classified as HFT or designated as FVTPL.
- Fees receivable and loans receivable (excluding precious metal loans) are classified as loans and receivables.
- Precious metals loan is classified as FVTPL or HTM.
- Contingent returnable consideration are classified as FVTPL.
- Accounts payable and accrued liabilities, provisions and compensation and employee bonuses payable are classified as other financial liabilities.
- Acquisition consideration payable is classified as FVTPL.

*Fair value hierarchy*

All financial instruments recognized at fair value in the consolidated balance sheets are classified into three fair value hierarchy levels as follows:

Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means;

Level 3: valuation techniques with significant unobservable market inputs.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Property and equipment**

Property and equipment are recorded at cost and are amortized on a straight-line basis between 0 and 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the respective lease. The artwork is not amortized since it does not have a determinable useful life.

Assets' residual values, useful lives and methods of amortization are reviewed at each reporting date, and adjusted prospectively if appropriate.

**Deferred sales commissions**

Sales commissions paid on the sale of mutual fund securities are recorded at cost and amortized on a straight-line basis over a maximum of three years. When redemptions occur, the actual investment period is shorter than expected, and the unamortized deferred sales commission related to the original investment in the funds is charged to net income and included in the amortization of deferred sales commissions.

**Intangible assets**

The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses net of reversals, if any.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense and any impairment losses on intangible assets with finite lives are recognized in the consolidated statements of income (loss) in the expense category.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually and whenever there is an indication that the asset may be impaired. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

At each reporting date, intangible assets are assessed for (i) indicators of impairment, and (ii) indicators of impairment reversals. If indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified. Any gain resulting from an impairment reversal of intangible assets is recognized in the period the impairment reversal is identified such that the increased carrying amount of the intangible asset shall not exceed the carrying amount that would have been determined (net of amortization and impairment) had no impairment loss been recognized for the intangible asset in prior periods.

**Business combinations, goodwill and gain on bargain purchase**

The purchase price of an acquisition accounted for under the acquisition method is allocated based on the fair values of the net identifiable assets acquired. The excess of the purchase price over the values of such assets, including identifiable intangible assets, is recorded as goodwill. A gain on bargain purchase occurs where the purchase price is less than the fair values of net identifiable assets acquired. Gain on bargain purchase is recognized in the consolidated statements of income (loss) on the date of acquisition and included in other income. Acquisition costs incurred are expensed and included in general and administrative expenses.

Goodwill, which is measured at cost less any accumulated impairment losses, is not amortized, but is subject to impairment tests on at least an annual basis. For the purpose of impairment testing, goodwill acquired in a business acquisition is allocated to each of the Company's cash generating units that are expected to benefit from the acquisition. Goodwill is assessed for impairment annually or more frequently if events or circumstances suggest that there may be impairment. If any impairment is indicated, then it is quantified by comparing the recoverable amount of the cash generating unit to which goodwill is allocated to its carrying value including the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized in the consolidated statements of income (loss) in the period in which it occurs. Impairment losses on goodwill cannot be subsequently reversed. Goodwill is allocated to the appropriate cash-generating unit for the purpose of impairment testing.

**Income taxes**

Income tax is comprised of current and deferred tax. Income tax is recognized in the consolidated statements of income (loss) except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related taxes are also recognized in other comprehensive income or directly in equity, respectively, as part of a purchase transaction or to the extent it relates to items directly in other comprehensive income, or equity.

Deferred taxes are recognized using the liability method for temporary differences that exist between the carrying amounts of assets and liabilities in the consolidated balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets and liabilities are determined based on the enacted or substantively enacted tax rates that are expected to apply when the differences related to the assets or liabilities reported for tax purposes are expected to reverse in the future. Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available or taxable temporary differences reversing in future periods against which deductible temporary differences may be utilized.

Deferred taxes liabilities are not recognized on the following temporary differences:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Taxable temporary differences related to investments in subsidiaries, associates or joint ventures or joint operations to the extent they are controlled by the Company and they will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill; and
- Taxable temporary differences arising on the recognition of gain on bargain purchase.

The Company records a provision for uncertain tax positions if it is probable that the Company will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses they are no longer required or determined by statute.

The measurement of tax assets and liabilities requires an assessment of the potential tax consequences of items that can only be resolved through agreement with the tax authorities. While the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred taxes.

**Share-based payments**

The Company uses the fair value method to account for equity settled share-based payments with employees and directors. Compensation expense is determined using the Black‑Scholes option valuation model for stock options. Compensation expense for the share incentive program is determined based on the fair value of the benefit conferred on the employee (see note 9). Compensation expense for deferred stock units ("DSU") is determined based on the value of the Company's common shares at the time of grant. Compensation expense for the earn-out shares is determined using appropriate valuation models (see note 9). Compensation expense for the Company's Employee Profit Sharing Plan (the "Trust") is determined based on the value of the Company's common shares purchased by the Trust (see note 9). The amount of compensation expense is recognized over the vesting period with a corresponding increase to contributed surplus other than for the Company's DSUs where the corresponding increase is to liabilities. Stock options and common shares held by the Trust vest in installments which require a graded vesting methodology to account for these share-based awards. On the exercise of stock options for shares, the contributed surplus previously recorded with respect to the exercised options and the consideration paid is credited to capital stock. On the issuance of the earn-out shares, the contributed surplus previously recorded with respect to the issued earn-out shares is credited to capital stock. On the withdrawal of vested common shares from the Trust, the contributed surplus previously recorded is credited to cash. On the exercise of DSUs, the liability previously recorded is credited to cash.

**Earnings per share**

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period.

The Company applies the treasury stock method to determine the dilutive impact, if any, of stock options and unvested shares purchased for the Employee Profit Sharing Plan by the Trust. The treasury stock method determines the number of incremental common shares by assuming that the number of dilutive securities the Company has granted to employees have been issued.

**Foreign currency translation**

Items in the financial statements of the Company's subsidiaries are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The functional currency of the Company and all its subsidiaries, with the exception of Sprott U.S. Holdings Inc. and the Global Companies, is the Canadian dollar. The functional currency of Sprott U.S. Holdings Inc. and the Global Companies is the US dollar, and accordingly, assets and liabilities of Sprott U.S. Holdings Inc. and the Global Companies are translated into Canadian dollars using the rate in effect on the dates of the consolidated balance sheets. Revenue and expenses are translated at the average rate over the reporting period. Foreign currency translation gains and losses arising from the Company's translation of its net investment in Sprott U.S. Holdings Inc., including goodwill and the identified intangible assets, are included in accumulated other comprehensive income or loss as a separate component within shareholders' equity until there has been a realized reduction in the value of the underlying investment.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to management. Management is responsible for allocating resources and assessing performance of the operating segments to make strategic decisions.

**Significant accounting judgments and estimates**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i. Impairment of goodwill and intangible assets

Goodwill and indefinite life intangible assets are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. The values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, asset lives and the future stock price of the Company. These estimates require significant judgment regarding market growth rates, fund flow assumptions, expected margins and costs which could affect the Company's future results if the current estimates of future performance and fair value change. These determinations also affect the amount of amortization expense on fund management contracts with finite lives recognized in future periods. Finite life intangible assets are reviewed for impairment when changes in circumstances indicate that the carrying value may be impaired. Similarly, finite life intangible assets are reviewed for impairment reversals when changes in circumstances indicate that the calculated recoverable amount is in excess of the carrying value. The underlying inputs and assumptions that determine the recoverable amount of certain finite life intangible assets are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amount of these finite life intangible assets may demonstrate significant fluctuations in value from quarter to quarter.

ii. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 11.

iii. Share-based payments

The Company measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, probability of a subsidiary attaining certain earnings targets, the future stock price of the Company and the future employment of a senior employee and making assumptions about them.

iv. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. In addition, taxable income is subject to estimation as a portion of performance fee revenue is an allocation of partnership income. This allocation consists of capital gains and/or losses, interest income, dividend income, carrying charges and other types of income and expenses. Such allocations involve a certain degree of estimation and income tax estimates could change as a result of changes in taxation laws and regulations, both domestic and foreign, an amendment to the calculation of allocation of partnership income and/or a change in foreign affiliate rules. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

v. Provisions

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions.

vi. Consolidation

IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") provides for the use of professional judgment in determining whether an entity should be included within the consolidated financial statements of the Company. Although the application of IFRS 10 is somewhat prescriptive, the use of professional judgment introduces the potential for different conclusions based on the weightings assigned to both qualitative and quantitative inputs on which the Company relied.

vii. Provisions for loan losses

Management exercises judgment to determine whether indicators of loan impairment exist and if so, management must estimate the timing and amount of future cash flows from loans receivable.

viii. Revaluation of foreclosed properties held for sale

Management exercises judgment to determine whether indicators of impairment exist and if so, management must estimate the timing and amount of future cash flows from foreclosed properties held for sale.

**Future changes in accounting policies**

The Company is currently evaluating the impact the following new standard issued by the IASB will have on its unaudited interim condensed consolidated financial statements. The Company has not yet determined whether to early adopt IFRS 9.

| *International Accounting Standard* | *Issue Date / Amendment Date* | *Effective Date* |
|---|---|---|
| IFRS 9 - Financial Instruments | November 12, 2009 | January 1, 2015 |

IFRS 9, *Financial Instruments* ("IFRS 9"), will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules presently in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

There are no other IFRS interpretations that are not yet effective that would be expected to have a material impact on the financial statements.

## 3. BUSINESS ACQUISITION

*Toscana Companies*

On July 3, 2012, the Company acquired all of the outstanding common shares of the Toscana Companies. As consideration, the Company paid $5.2 million cash and issued 1,564,500 common shares from treasury valued at $7.7 million, excluding costs, for total consideration of $12.9 million. The common shares of the Company issued as consideration were valued at $4.92 per share using the closing price of the Company's common shares on the TSX on July 3, 2012. In addition, the sellers will be eligible to earn up to an additional $5.3 million in cash and common shares of the Company with the achievement of certain financial targets by the Toscana Companies over a period of up to 3 years.

The Company accounted for the acquisition using the acquisition method and the results of operations have been consolidated from the date of the transaction.

Fund management contracts were acquired as part of the Toscana Companies business acquisition and are recognized as intangible assets with indefinite lives. The goodwill acquired of $3.2 million, which is not tax deductible, relates to the expected synergies and/or intangible assets that do not qualify for separate recognition. The acquisition is expected to provide benefits across the organization through the sharing of intellectual capital and the development of new products.

*Flatiron Capital Management Partners ("Flatiron")*

On August 1, 2012, the Company acquired all of the outstanding common shares of Flatiron. As consideration, the Company paid $1.7 million cash, invested $4.9 million in a fund on behalf of the Flatiron vendors and had an obligation to issue common shares from treasury valued at $4.8 million, excluding costs, for total consideration of $11.4 million. In addition, the seller was eligible to earn up to an additional $4.5 million in common shares of the Company with the achievement of certain financial targets by Flatiron over a period of up to 3 years.

The Company accounted for the acquisition using the acquisition method and the results of operations have been consolidated from the date of the transaction.

Effective January 11, 2013, the Company and the Flatiron vendors entered into agreements to release the Company from the remaining purchase price to be paid as contemplated by the acquisition on August 1, 2012. The accounting for these agreements was reflected as at December 31, 2012 as follows:

- the acquisition consideration payable of $8.4 million reflected the fair value of the legal obligation by the Company to pay the Flatiron vendors;
- the contingent returnable consideration asset of $8.4 million reflected the fair value of management's best estimate as to the amount the Company expects not to pay the Flatiron vendors;
- the contingent returnable consideration asset of $8.4 million was netted against the acquisition consideration payable of $8.4 million on the consolidated balance sheets;
- the effect of the fair value adjustments to the acquisition consideration payable and the contingent returnable consideration asset resulted in other income of $9.1 million and was included in other income on the consolidated statements of income (loss);
- management's estimate as to the value of the goodwill was written down to $nil with a charge of $8.9 million to the consolidated statements of income (loss); and,
- management's estimate as to the value of the finite life fund management contracts was been written down to $nil with a charge of $3.0 million to the consolidated statements of income (loss).

There were nominal impacts to the unaudited interim condensed consolidated statements of income for the three and nine months ended September 30, 2013 as a result of the agreements entered into by the Company and the Flatiron vendors effective January 11, 2013.

*Sprott Resource Lending Corp. ("SRLC")*

On July 23, 2013, the Company acquired all of the outstanding common shares of SRLC that it did not already own. As consideration, the Company paid $20.8 million cash and issued 69.0 million common shares from treasury valued at $166.2 million, excluding costs for total consideration of $187.0 million. For accounting purposes and as a result of the Company's prior equity ownership in SRLC, the total purchase price is approximately $198.9 million. The common shares of the Company issued as consideration were valued at $2.41 per share using the closing price of the Company's common shares on July 23, 2013.

The Company accounted for the acquisition using the acquisition method and the results of operations have been consolidated from the date of the transaction.

Details of the net assets acquired, at fair value, are as follows ($ in thousands):

| | **July 23, 2013** |
|---|---|
| *Net assets acquired* | |
| Cash and cash equivalents | 88,307 |
| Fees receivable and other assets | 4,568 |
| Proprietary investments | 23,573 |
| Loans receivable | 108,015 |
| Property and equipment | 40 |
| Deferred tax assets | 2,958 |
| Accounts payable and accrued liabilities | (21,912) |
| Deferred tax liabilities | (1,145) |
| | 204,404 |
| *Consideration paid* | |
| Cash consideration | 20,806 |
| Common shares - newly issued | 166,201 |
| Common shares - prior ownership | 11,940 |
| | 198,947 |
| *Gain on bargain purchase* | 5,457 |
| *Additional Disclosures* | |
| Revenues earned since acquisition date | 3,469 |
| Income before taxes since acquisition date | 1,923 |

A gain on bargain purchase of $5.5 million was recognized upon acquisition as a result of the consideration paid being less than the net assets acquired. The gain on bargain purchase is included in other income in the consolidated statements of income.

The new capital acquired through SRLC is expected to be used to seed and launch new initiatives while continuing to grow its private lending business.

The Company's revenues and net loss would have been approximately $80.0 million and $1.8 million, respectively, should the acquisition have happened on January 1, 2013.

Included in general and administrative expenses on the unaudited interim condensed consolidated statements of income are approximately $1.2 million of acquisition-related costs relating to the acquisition of SRLC.

## 4. PROPRIETARY INVESTMENTS

Proprietary investments consist of the following ($ in thousands):

| | **September 30, 2013** | December 31, 2012 |
|---|---|---|
| Gold bullion | **7,030** | 8,548 |
| Public equities and share purchase warrants | **12,323** | 17,979 |
| Mutual funds and alternative investment strategies | **59,940** | 29,126 |
| Fixed income securities | **11,459** | — |
| Private securities | **1,558** | 4,949 |
| Foreclosed properties | **9,650** | — |
| **Total proprietary investments** | **101,960** | 60,602 |

As at September 30, 2013, investments in public equities, share purchase warrants and fixed income securities consisted primarily of companies in the resource sector.

Investments in mutual funds and alternative investment strategies consist mostly of investments in mutual funds and alternative investment strategy funds managed by SAM or RCIC.

Foreclosed properties consist of properties for which SRLC has taken legal title, as well as those properties for which SRLC is entitled, through court order, to take title or to enforce the sale, unconditionally. Subsequent to September 30, 2013, the Company disposed of two foreclosed properties for proceeds of $5.6 million.

## 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following ($ in thousands):

| | Artwork | Furniture and fixtures | Computer hardware and software | Leasehold improvements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At December 31, 2011 | 1,691 | 2,557 | 1,773 | 4,739 | 10,760 |
| Business acquisition | 6 | 189 | 171 | 72 | 438 |
| Additions, net of disposals | 310 | 156 | 105 | 2,469 | 3,040 |
| December 31, 2012 | 2,007 | 2,902 | 2,049 | 7,280 | 14,238 |
| Business acquisitions | 38 | — | 2 | — | 40 |
| Additions | — | 22 | 40 | 523 | 585 |
| **September 30, 2013** | **2,045** | **2,924** | **2,091** | **7,803** | **14,863** |
| **Accumulated amortization** | | | | | |
| At December 31, 2011 | — | (1,879) | (1,458) | (2,297) | (5,634) |
| Business acquisition | — | (120) | (161) | (45) | (326) |
| Disposals | — | — | — | 72 | 72 |
| Charge for the period | — | (291) | (311) | (502) | (1,104) |
| Net exchange differences | — | 8 | 5 | 1 | 14 |
| December 31, 2012 | — | (2,282) | (1,925) | (2,771) | (6,978) |
| Charge for the period | — | (190) | (108) | (414) | (712) |
| Net exchange differences | — | (9) | (12) | (2) | (23) |
| **September 30, 2013** | **—** | **(2,481)** | **(2,045)** | **(3,187)** | **(7,713)** |
| Net Book Value at: | | | | | |
| December 31, 2012 | 2,007 | 620 | 124 | 4,509 | 7,260 |
| **September 30, 2013** | **2,045** | **443** | **46** | **4,616** | **7,150** |

## 6. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following ($ in thousands):

| | Goodwill | Fund management contracts - indefinite life | Fund management contracts - finite life | Carried interests | Deferred sales commissions | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At December 31, 2011 | 125,730 | 1,370 | 21,001 | 29,671 | 3,133 | 180,905 |
| Business acquisitions | 12,140 | 12,817 | 2,997 | — | — | 27,954 |
| Net additions | — | 140 | — | 1,469 | 1,207 | 2,816 |
| Net exchange differences | (3,195) | — | (534) | (754) | — | (4,483) |
| December 31, 2012 | 134,675 | 14,327 | 23,464 | 30,386 | 4,340 | 207,192 |
| Net additions | — | — | — | 828 | 1,202 | 2,030 |
| Net exchange differences | 4,700 | — | 785 | 1,166 | — | 6,651 |
| **At September 30, 2013** | **139,375** | **14,327** | **24,249** | **32,380** | **5,542** | **215,873** |
| **Accumulated amortization and impairment losses** | | | | | | |
| At December 31, 2011 | — | — | (4,789) | (9,492) | (969) | (15,250) |
| Amortization charge for the period | — | — | (2,922) | (3,615) | (1,245) | (7,782) |
| Net impairment charge for the period | (8,935) | — | (999) | (3,727) | — | (13,661) |
| Net exchange differences | — | — | 78 | 416 | — | 494 |
| December 31, 2012 | (8,935) | — | (8,632) | (16,418) | (2,214) | (36,199) |
| Amortization charge for the period | — | — | (2,254) | (1,786) | (1,131) | (5,171) |
| Net impairment charge for the period | — | — | — | (5,362) | — | (5,362) |
| Net exchange differences | — | — | (235) | (650) | — | (885) |
| **At September 30, 2013** | **(8,935)** | **—** | **(11,121)** | **(24,216)** | **(3,345)** | **(47,617)** |
| Net Book Value at: | | | | | | |
| December 31, 2012 | 125,740 | 14,327 | 14,832 | 13,968 | 2,126 | 170,993 |
| **September 30, 2013** | **130,440** | **14,327** | **13,128** | **8,164** | **2,197** | **168,256** |

| Net Book Value | **September 30, 2013** | December 31, 2012 |
|---|---|---|
| Intangibles | **37,816** | 45,253 |
| Goodwill | **130,440** | 125,740 |
| | **168,256** | 170,993 |

There was $nil and a $5.4 million impairment charge (discussed below) for the three and nine months ended September 30, 2013, respectively ($3.8 million impairment charge reversal for the three months ended September 30, 2012 and $5.9 million impairment charge reversal for the nine months ended September 30, 2012).

As a result of the acquisition of the Global Companies by the Company in 2011, intangible assets consisting of fund management contracts with a finite life and carried interests were identified. Amortization is computed on a straight-line basis based on the estimated useful lives of these assets, which is 7 years for both fund management contracts and carried interests (5 years remaining).

As a result of the acquisition of the Toscana Companies in 2012, intangible assets consisting of fund management contracts with indefinite lives were identified.

The Company evaluates goodwill and indefinite life fund management contracts for impairment annually or more often if events or circumstances indicate there may be impairment. These intangible assets would be impaired if the carrying value of a cash-generating unit including the allocated intangible assets exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or value in use.

*Cash-generating units*

The Company has six cash-generating units ("CGU") for the purpose of assessing the carrying value of the allocated goodwill, being SAM, Global Companies, SRLC, Corporate and Other (includes two CGUs) operating segments as described in note 16.

i. *Impairment testing of goodwill*

As at September 30, 2013, the Company had goodwill allocated across its CGUs as follows ($ in millions):

| CGU | Allocated Goodwill |
|---|---|
| SAM | 20.0 |
| Global Companies | 99.3 |
| SRLC | — |
| Corporate | — |
| SC | 3.2 |
| SPW | 7.9 |
| | 130.4 |

The recoverable amount of goodwill for each of the CGUs was calculated in the fourth quarter of fiscal 2012 at fair value less costs to sell, using a valuation multiple applied to a measure of earnings, other than the Global Companies which used a discounted cash flow valuation technique. The calculation of the recoverable amounts exceeded the carrying amount of goodwill for each of the identified CGUs at that time.

Subsequent to the assessment during the fourth quarter of fiscal 2012, management concluded that there were indicators of impairment that required management to reassess the recoverable amount of goodwill allocated to the SAM CGU. As a result, the goodwill identified as part of the Flatiron acquisition (see note 3) of $8.9 million was determined to be fully impaired and charged against income on the consolidated statements of income for the year ended December 31, 2012.

Management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of goodwill allocated across its CGUs. Goodwill is assessed for impairment at least annually, which for the Company is in the fourth quarter of each year. Management's assumptions that impact the recoverable amount of goodwill are reassessed at that time to reflect past experiences and future expectations of performance. The resulting assessment may indicate a goodwill impairment charge is required, and if applicable, will be charged to income during the fourth quarter of 2013.

ii. *Impairment testing of indefinite life fund management contracts*

As at September 30, 2013 the Company had indefinite life fund management contracts within the SAM CGU of $1.5 million (December 31, 2012 - $1.5 million) and within the SC CGU of $12.8 million (December 31, 2012 - $12.8 million). These are contracts for the management of exchange listed vehicles which have no expiry or termination provisions and for the fund management contracts identified as a result of the acquisition of the Toscana Companies.

The recoverable amount of indefinite life intangibles for the SAM operating segment was calculated in the fourth quarter of fiscal 2012 using a value in use calculation, by discounting, at 10%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable exchange listed funds.

The recoverable amount of indefinite life intangibles for the Other operating segment was calculated in the fourth quarter of fiscal 2012 using a value in use calculation, by discounting, at 11.5% to 12.5%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable underlying fee-producing products.

Management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of the indefinite life fund management contracts.

iii. *Impairment testing of finite life fund management contracts*

As at September 30, 2013, the Company had finite life fund management contracts of $13.1 million within the Global Companies CGU (December 31, 2012 - $14.8 million). These are contracts for the management of funds that have a fixed termination date. The recoverable amount of these finite life fund management contracts as at September 30, 2013 has been determined from a value in use calculation, by discounting, at 13.5%, the most recent estimated net cash flows to the Company by these funds.

Management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of the finite life fund management contracts.

The underlying inputs and assumptions that determine the recoverable amount of the finite life fund management contracts for the Global Companies CGU are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amount of these finite life fund management contracts may demonstrate significant fluctuations in value from quarter to quarter.

iv. *Impairment testing of finite life carried interests*

As at September 30, 2013, the Company had carried interests of $8.2 million within the Global Companies CGU (December 31, 2012 - $14.0 million). These are rights to participate in the profits of the funds managed by the Global Companies that have a fixed termination date. The recoverable amount of these carried interests as at September 30, 2013 has been determined from a value in use calculation, by discounting, at 27.5%, the most recent estimated net cash flows to the Company by these funds.

Management concluded that there were no indicators of impairment during the third quarter of fiscal 2013 that required management to reassess the recoverable amount of the finite life carried interests.

The underlying inputs and assumptions that determine the recoverable amount of carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amount of carried interests may demonstrate significant fluctuations in value from quarter to quarter.

## 7. LOANS RECEIVABLE

i. *Components of loans receivable*

Loans receivable are reported at their amortized cost using the effective interest method other than the precious metal loan that is designated as FVTPL which is reported at fair value or classified as HTM.

The carrying value of the Company's loan portfolio comprises the following components ($ in thousands):

| | **September 30, 2013** | At December 31, 2012 |
|---|---|---|
| **Resource loans** | | |
| Loan principal | **100,605** | 12,000 |
| Accrued interest | **178** | — |
| Deferred revenue and other, net | **(3,655)** | (284) |
| Amortized cost, before loan loss provisions | **97,128** | 11,716 |
| Loan loss provisions | **—** | — |
| Carrying value of resource loans receivable | **97,128** | 11,716 |
| **Real estate loan *** | | |
| Loan principal | **4,389** | — |
| Accrued interest | **88** | — |
| Amortized cost, before loan loss provision | **4,477** | — |
| Loan loss provision | **(88)** | — |
| Carrying value of real estate loans receivable | **4,389** | — |
| **Precious metal loans** | | |
| Precious metal loan - FVTPL | **8,351** | — |
| Precious metal loan - HTM | **3,336** | 4,406 |
| Carrying value of precious metal loans | **11,687** | 4,406 |
| **Total carrying value of loans receivable** | **113,204** | 16,122 |

* Amounts exclude foreclosed properties held for sale, see Note 4

ii. *Past due loans that are not impaired*

Resource and real estate loans are considered past due once the borrower has failed to make payments within 30 days of the contractual due date. All past due loans are classified as impaired.

iii. *Impaired loans and loan loss provisions*

When a resource or real estate loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new loan circumstances. These revised cash flows are discounted using the original effective interest rate to determine the net realizable value of the loan. Interest income is thereafter recognized on this net realizable value using the effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of previous loan losses, which would also impact the amount of subsequent interest income recognized.

As at September 30, 2013, the Company performed a comprehensive review of each loan measured at amortized cost in its loan portfolio to determine the requirement for specific loan loss provisions. The carrying values of the Company's impaired loans and specific loan loss provisions are as follows:

| | **September 30, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| | **Number of Loans** | **($ in thousands)** | Number of Loans | ($ in thousands) |
| **Resource loans** | | | | |
| Carrying value of impaired loans | **—** | **—** | — | — |
| Loan loss provisions | **—** | **—** | — | — |
| Total carrying value of impaired loans, net of loan loss provisions | **—** | **—** | — | — |
| **Real estate loan** | | | | |
| Carrying value of impaired loan | **1** | **4,477** | — | — |
| Loan loss provision | — | **(88)** | — | — |
| Total carrying value of impaired loan, net of loan loss provision | **1** | **4,389** | — | — |
| **Total carrying value of impaired loans, net of loan loss provisions** | **1** | **4,389** | — | — |

Interest income on the Company's impaired real estate loan and the changes in the Company's loan loss provision on real estate loans are as follows ($ in thousands):

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| **Interest on impaired loans** | **88** | — | **88** | — |
| **Loan loss provision on real estate loans** | | | | |
| Balance, beginning of period | **—** | — | **—** | — |
| Loan loss expense on real estate loan | **88** | — | **88** | — |
| **Balance, end of period** | **88** | — | **88** | — |

iv. *Loan commitments*

As at September 30, 2013, subject to certain funding conditions, the Company is committed to providing up to $3.6 million in credit facilities on resource loans (December 31, 2012 - $5.0 million).

v. *Property sector distribution of loan principal*

The following table summarizes the distribution of all of the Company's outstanding loan principal balances by property sector:

| | **September 30, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| | **Number of Loans** | **($ in thousands)** | Number of Loans | ($ in thousands) |
| **Resource loans** | | | | |
| Metals and mining | **11** | **89,550** | 1 | 12,000 |
| Energy and other | **5** | **11,055** | — | — |
| **Total resource loan principal** | **16** | **100,605** | 1 | 12,000 |
| **Precious metal loan** | | | | |
| Metals and mining * | **1** | **11,687** | 1 | 4,406 |
| **Total loan principal** | **1** | **11,687** | 1 | 4,406 |
| **Real estate loan** | | | | |
| Land under development | **1** | **4,389** | — | — |
| **Total real estate loan principal** | **1** | **4,389** | — | — |
| **Total loan principal** | **18** | **116,681** | 2 | 16,406 |

* $8.4 million of the precious metal loan as at September 30, 2013 is carried at fair value which includes principal and interest while the remaining $3.3 million is classified as HTM. As at December 31, 2012, $4.4 million of the precious metal loan was classified at HTM.

vi. *Geographic distribution of loan principal*

The following table summarizes the distribution of all of the Company's outstanding loan principal balances by principal geographic location of the underlying security:

| | **September 30, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| | **Number of Loans** | **($ in thousands)** | Number of Loans | ($ in thousands) |
| **Resource loans** | | | | |
| Canada | **8** | **31,500** | 1 | 12,000 |
| United States of America | **3** | **24,805** | — | — |
| Mexico | **2** | **22,550** | — | — |
| Australia | **2** | **17,000** | — | — |
| Chile | **1** | **4,750** | — | — |
| **Total resource loan principal** | **16** | **100,605** | 1 | 12,000 |
| **Precious metal loan** | | | | |
| Canada * | **1** | **11,687** | 1 | 4,406 |
| **Total loan principal** | **1** | **11,687** | 1 | 4,406 |
| **Real estate loan** | | | | |
| Canada | **1** | **4,389** | — | — |
| **Total real estate loan principal** | **1** | **4,389** | — | — |
| **Total loan principal** | **18** | **116,681** | 2 | 16,406 |

* $8.4 million of the precious metal loan as at September 30, 2013 is carried at fair value which includes principal and interest while the remaining $3.3 million is classified as HTM. As at December 31, 2012, $4.4 million of the precious metal loan was classified at HTM.

vii. *Priority of security charges*

The following table summarizes the distribution of all of the Company's outstanding loan principal balances by priority:

| | **September 30, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| | **Number of Loans** | **($ in thousands)** | Number of Loans | ($ in thousands) |
| **Resource loans** | | | | |
| Senior priority | **16** | **100,605** | 1 | 12,000 |
| **Precious metal loan** | | | | |
| Senior priority * | **1** | **11,687** | 1 | 4,406 |
| **Real estate loan** | | | | |
| Senior priority | **1** | **4,389** | — | — |
| **Total loan principal** | **18** | **116,681** | 2 | 16,406 |

* $8.4 million of the precious metal loan as at September 30, 2013 is carried at fair value which includes principal and interest while the remaining $3.3 million is classified as HTM. As at December 31, 2012, $4.4 million of the precious metal loan was classified at HTM.

## 8. OTHER ASSETS AND OTHER INCOME

*Other assets*

Other assets consist primarily of proceeds receivable on the sale of a security by SRLC, prepaid expenses of the Company and receivables from the funds and managed companies managed by the Company for which the Company has incurred expenses on their behalf ($ in thousands).

| | **September 30, 2013** | December 31, 2012 |
|---|---|---|
| Prepaid expenses and other receivables | **3,625** | 3,919 |
| Proceeds receivable | **3,360** | — |
| Total other assets | **6,985** | 3,919 |
| Included in long-term other assets | **3,477** | — |
| | **3,508** | 3,919 |

*Other income*

Other income consists primarily of foreign exchange gains and losses, dividend income and redemption fee revenue on a recurring basis.

For the three and nine months ended September 30, 2013, other income includes the one-time inclusions of (i) the gain on bargain purchase of $5.5 million resulting from the acquisition of SRLC by the Company and (ii) the break-fee of $7.5 million for the termination of the management services agreement with a Managed Company.

## 9. SHAREHOLDERS' EQUITY

### a. Capital stock and contributed surplus

The authorized and issued share capital of the Company consists of an unlimited number of common shares, without par value.

| | **Number of shares** | **Stated value ($ in thousands)** |
|---|---|---|
| At December 31, 2011 | 169,082,077 | 208,413 |
| Additional purchase consideration | 177,500 | 1,551 |
| Issuance of share capital on business acquisition (Note 3) | 1,564,500 | 7,698 |
| Acquired for equity incentive plan | (1,774,400) | (2,188) |
| At December 31, 2012 | 169,049,677 | 215,474 |
| Additional purchase consideration | 177,500 | 1,090 |
| Issuance of share capital from private placement, net of costs and taxes | 7,575,758 | 24,632 |
| Issuance of share capital on conversion of RSU | 1,401 | 6 |
| Issuance of share capital on business acquisition (Note 3) | 68,962,896 | 166,201 |
| Acquired for equity incentive plan | (448,500) | (697) |
| Released on vesting of equity incentive plan | 634,164 | 3,754 |
| **At September 30, 2013** | **245,952,896** | **410,460** |

Contributed surplus consists of the following:

i. stock option expense;
ii. equity incentive plans' expense;
iii. earn-out shares expense; and
iv. additional purchase consideration.

| | Stated value ($ in thousands) |
|---|---|
| At December 31, 2011 | 40,857 |
| Expensing of Sprott Inc. stock options over the vesting period | 98 |
| Expensing of EPSP / EIP shares over the vesting period | 6,667 |
| Expensing of earn-out shares over the vesting period | 4,342 |
| Deferred tax asset on earn-out shares | 336 |
| Issuance of shares relating to additional purchase consideration | (1,671) |
| Excess on repurchase of common shares for equity incentive plan * | (7,821) |
| At December 31, 2012 | 42,808 |
| Expensing of Sprott Inc. stock options over the vesting period | 26 |
| Expensing of EPSP / EIP shares over the vesting period | 3,309 |
| Expensing of earn-out shares over the vesting period | 4,087 |
| Deferred tax asset on earn-out shares | (632) |
| Issuance of shares relating to additional purchase consideration | (1,376) |
| Issuance of share capital on conversion of RSU | (5) |
| Excess on repurchase of common shares for equity incentive plan * | (559) |
| Released on vesting of common shares for equity incentive plan | (3,754) |
| **At September 30, 2013** | **43,904** |

* The excess on repurchase of common shares represents amounts paid to shareholders by the Company on repurchase of their shares in excess of the book value of those shares.

## Stock option plan and share incentive program

*Stock option plan*

On June 2, 2011, the Company adopted an amended and restated option plan (the "Plan") to provide incentives to directors, officers, employees and consultants of the Company and its wholly-owned subsidiaries. The aggregate number of shares issuable upon the exercise of all options granted under the Plan and under all other securities based compensation arrangements (including the EPSP and the EIP as defined below) shall not exceed 10% of the issued and outstanding shares of the Company as at the date of such grant. The options may be granted at a price that is not less than the market price of the Company's common shares at the time of the grant. The options vest annually over a three-year period and may be exercised during a period not to exceed 10 years from the date of grant.

There were no stock options issued during the three and nine months ended September 30, 2013 (nil - September 30, 2012).

For valuing share option grants, the fair value method of accounting is used. The fair value of option grants is estimated using the Black-Scholes option-pricing model. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate, with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to capital stock.

A summary of the changes in the Plan is as follows:

| | **Number of options (in thousands)** | **Weighted average exercise price ($)** |
|---|---|---|
| Options outstanding, December 31, 2011 | 2,650 | 9.71 |
| Options exercisable, December 31, 2011 | 2,517 | 9.90 |
| Options outstanding, December 31, 2012 | 2,650 | 9.71 |
| Options exercisable, December 31, 2012 | 2,583 | 9.80 |
| **Options outstanding, September 30, 2013** | **2,650** | **9.71** |
| **Options exercisable, September 30, 2013** | **2,600** | **9.77** |

Options outstanding and exercisable as at September 30, 2013 are as follows:

| **Exercise price ($)** | **Number of outstanding options (in thousands)** | **Weighted average remaining contractual life (years)** | **Number of options exercisable (in thousands)** |
|---|---|---|---|
| 10.00 | 2,450 | 4.6 | 2,450 |
| 4.85 | 50 | 6.3 | 50 |
| 6.60 | 150 | 7.1 | 100 |
| **4.85 to 10.00** | **2,650** | **4.8** | **2,600** |

*Equity incentive plan*

On June 2, 2011, the Company adopted an Employee Profit Sharing Plan ("EPSP") for Canadian employees and an Equity Incentive Plan ("EIP") for its US employees. For employees in Canada, an employee benefit trust (the "Trust") has been established and the Company will fund the Trust with cash, which will be used by the trustee to purchase (a) on the open market, common shares of the Company that will be held in a trust by the trustee until the awards vest and are distributed to eligible members or (b) from treasury, common shares of the Company that will be held in trust by the trustee until the awards vest and are distributed to eligible members. For employees in the US, the Company will allot common shares of the Company as either (i) restricted stock, (ii) unrestricted stock or (iii) restricted stock units ("RSUs"), the resulting common shares of which will be issued from treasury.

There were no RSUs issued during the three and nine months ended September 30, 2013 (nil and 4 thousand - during the three and nine months ended September 30, 2012). The Trust purchased 0.4 million common shares for the three months ended September 30, 2013 (nil - September 30, 2012) and 0.4 million common shares for the nine months ended September 30, 2013 (1.8 million - September 30, 2012).

| | **Number of common shares** |
|---|---|
| Common shares held by the Trust, December 31, 2011 | 385,423 |
| Acquired | 1,774,400 |
| Released on vesting | — |
| Unvested common shares held by the Trust, December 31, 2012 | 2,159,823 |
| Acquired | 448,500 |
| Released on vesting | (634,164) |
| **Unvested common shares held by the Trust, September 30, 2013** | **1,974,159** |

*Earn-out shares*

In connection with the acquisition of the Global Companies (see note 3), up to an additional 8 million common shares of the Company may be issued with the achievement of certain earnings targets by the Global Companies. In accordance with IFRS 2 *Share-based Payment*, this potential award carries a service condition without a performance condition of equal term. As a result, the accounting guidance under IFRS 2 required the Company to estimate the fair value of the potential share-based award on the business acquisition date. The fair value determined by the Company of $13.0 million was determined using an acceptable valuation model that utilized several significant assumptions including the probability of continued employment of a senior employee on or after February 4, 2014, the stock price of the Company on February 4, 2016 and the cumulative earnings of the Global Companies for the five year period ending February 4, 2016. The fair value of this share-based award is being charged to the consolidated statements of income (loss) equally over the period of the service condition, being 3 years and can only be adjusted upon forfeiture of the share-based award. Forfeiture can only happen if the Company does not employ the senior employee on February 4, 2014.

In connection with the acquisition of the Toscana Companies (see note 3), up to an additional 0.9 million common shares of the Company may be issued with the achievement of certain earnings targets by the Toscana Companies. In accordance with IFRS 2 *Share-based Payment*, this potential award carries a service condition with a market performance condition of equal term. As a result, the accounting guidance under IFRS 2 required the Company to initially estimate the number of equity instruments expected to ultimately vest and to assess the fair value of the equity instrument on the grant date. The fair value for each equity instrument was determined to be $3.99 using an acceptable valuation model that utilized several significant assumptions including the probability of future dividends, options pricing and discounts for lock-up restrictions. In addition, the valuation model contemplated cash flow assumptions related to future AUM levels and cumulative earnings. The fair value of this share-based award is being charged to the consolidated statements of income (loss) over the period of the service condition, being 3 years and is adjusted each reporting period to reflect the best available estimate of the number of equity instruments expected to ultimately vest.

*Additional purchase consideration*

In connection with the acquisition of the Global Companies, an additional 532,500 common shares of the Company were committed for issuance to employees of the Global Companies. The common shares were not considered compensation but formed part of the business acquisition. This additional consideration was recorded at fair value based on the market price of the Company's common shares as at February 4, 2011. Upon issuance of the common shares, the amount originally recorded against contributed surplus will be credited to capital stock. On each of February 6, 2012, and February 4, 2013, 177,500 common shares of the Company were issued to employees of the Global Companies.

For the three and nine months ended September 30, 2013, the Company recorded share-based compensation expense of $2.3 million and $7.4 million million, respectively (2012 - $2.8 million and $8.3 million ) with a corresponding increase to contributed surplus ($ in thousands).

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| Earn-out shares | **1,261** | 1,092 | **4,087** | 3,251 |
| Stock option plan | **9** | 26 | **26** | 79 |
| EPSP / EIP | **1,077** | 1,691 | **3,309** | 4,970 |
| | **2,347** | 2,809 | **7,422** | 8,300 |

b. **Basic and diluted earnings (loss) per share**

The following table presents the calculation of basic and diluted earnings per common share:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| **Numerator ($ in thousands):** | | | | |
| Net income (loss) - basic and diluted | **13,470** | 11,008 | **8,850** | 28,687 |
| **Denominator (Number of shares in thousands):** | | | | |
| Weighted average number of common shares | **230,687** | 171,159 | **194,374** | 170,131 |
| Weighted average number of unvested shares purchased by the Trust | **(1,863)** | (2,135) | **(1,664)** | (1,532) |
| Weighted average number of common shares - basic | **228,824** | 169,024 | **192,710** | 168,599 |
| Weighted average number of dilutive stock options * | **—** | — | **—** | 3 |
| Weighted average number of additional purchase consideration | **177** | 355 | **200** | 377 |
| Weighted average number of unvested shares purchased by the Trust | **1,863** | 2,135 | **1,664** | 1,532 |
| Weighted average number of outstanding Restricted Stock Units | **3** | 4 | **3** | 4 |
| Weighted average number of shares issuable under acquisition consideration payable | **—** | 650 | **—** | 218 |
| Weighted average number of common shares - diluted | **230,867** | 172,168 | **194,577** | 170,733 |
| **Net income per common share** | | | | |
| Basic | **$ 0.06** | $ 0.07 | **$ 0.05** | $ 0.17 |
| Diluted | **$ 0.06** | $ 0.06 | **$ 0.05** | $ 0.17 |

* The determination of the weighted average number of common shares - diluted excludes 2.6 million shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2013 (2.6 million for the three and nine months ended September 30, 2012).

### c. Maximum share dilution

The following table presents the maximum number of common shares that would be outstanding if all options were exercised and all earn-out shares were issued (in thousands):

| | |
|---|---|
| Shares outstanding at November 12, 2013 | 247,927 |
| Additional purchase consideration | 177 |
| Options to purchase shares | 2,650 |
| Earn-out shares * | 8,936 |
| Restricted Stock Units | 3 |
| | 259,693 |

* Includes shares issuable as a result of the Global Companies and Toscana Companies acquisitions.

### d. Capital management

The Company's objectives when managing capital are:

- To meet regulatory requirements and other contractual obligations;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders;
- To provide financial flexibility to fund possible acquisitions;
- To provide adequate seed capital for the Company's new product offerings; and,
- To provide an adequate return to shareholders through the growth in assets under management, growth in management fees and performance fees and the return on the Company's invested capital that will result in dividend payments to shareholders.

The Company's capital is comprised of equity, including capital stock, contributed surplus, retained earnings and accumulated other comprehensive income. SPW is a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), SAM is a registrant of the Ontario Securities Commission ("OSC") and the US Securities and Exchange Commission and SGRIL is a member of the Financial Industry Regulatory Authority ("FINRA"); as a result, all of these entities are required to maintain a minimum level of regulatory capital. To ensure compliance, senior management monitors regulatory and working capital on a regular basis. For the three and nine months ended September 30, 2013, all entities were in compliance with their respective capital requirements.

Effective January 15, 2013, Flatiron voluntarily surrendered its registrations with the OSC.

In the normal course of business, the Company, through its limited partnerships and wholly-owned subsidiaries, generates adequate operating cash flow and has limited capital requirements.

The Company may adjust its capital levels to reflect business-specific circumstances as well as overall economic conditions.

Effective September 10, 2013, the Company amended its revolving credit facility with a Canadian chartered bank. The amount that may be borrowed under this facility is $35 million. Amounts may be borrowed under the facility through prime rate loans, which bear interest at the bank's prime rate, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 1.375%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 1.375%.

Loans are made by the bank under a two year revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, all outstanding principal, interest and fees are due at the maturity date.

The credit facility is fully and unconditionally guaranteed by SAM, a wholly-owned subsidiary of the Company. The credit facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. The Company is within its financial covenants with respect to its credit facility, which require that the funded debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio remain below 2:1, the funded debt to SAM EBITDA ratio remain below 1.5:1 and that the Company's AUM not fall below $5.5 billion, calculated on the last day of each calendar month. There can be no assurance that future borrowings or equity financing will be available to the Company or available on acceptable terms.

The Company has not drawn on the credit facility as at September 30, 2013.

## 10. INCOME TAXES

The major components of income tax expense are as follows ($ in thousands):

| For the nine months ended | **September 30, 2013** | September 30, 2012 |
|---|---|---|
| *Current income tax expense* | | |
| Based on taxable income of the current period | **4,587** | 14,246 |
| Adjustments in respect of previous years | **(1,195)** | (2,028) |
| | **3,392** | 12,218 |
| *Deferred income tax expense* | | |
| Origination and reversal of temporary differences | **(9,147)** | (3,703) |
| Impact of change in tax rates | **380** | 59 |
| | **(8,767)** | (3,644) |
| Income tax expense (recovery) reported in the statements of income | **(5,375)** | 8,574 |

The tax on the Company's earnings before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the Company as follows ($ in thousands):

| For the nine months ended | **September 30, 2013** | September 30, 2012 |
|---|---|---|
| Income before income taxes | **3,475** | 37,261 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | **(481)** | 10,378 |
| Tax effects of: | | |
| Non-taxable stock-based compensation | **806** | 1,346 |
| Non-taxable portion of capital gains and unrealized gains | **1,400** | (254) |
| Non-taxable foreign affiliate income | **—** | (757) |
| Adjustments in respect of previous years | **(816)** | (2,028) |
| Non-capital losses not previously benefited | **(6,387)** | — |
| Rate differences and other | **103** | (111) |
| Tax charge | **(5,375)** | 8,574 |

The weighted average applicable tax rate was negative 13.8% (2012 - 27.9%). The decrease is caused primarily due to the recognition of previously unrecognized deductible temporary differences and to a lesser extent by a change in the profitability of the Company's subsidiaries in the respective countries because of the addition of the Global Companies resident in the US.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The movement in significant components of the Company's deferred income tax assets and liabilities is as follows ($ in thousands):

*For the nine months ended September 30, 2013*

| | At December 31, 2012 | Recognized in income | Recognized in other comprehensive income | Recognized in contributed surplus | Business acquisition | At September 30, 2013 |
|---|---|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | | | |
| Fund management contracts | 9,646 | (917) | 224 | — | — | 8,953 |
| Carried interests | 5,093 | (2,821) | 170 | — | — | 2,442 |
| Deferred sales commissions | 564 | 18 | — | — | — | 582 |
| Unrealized gains | 679 | (1,034) | — | — | — | (355) |
| Transitional partnership income | 9,645 | — | — | — | — | 9,645 |
| Proceeds receivable | — | 31 | — | — | 1,145 | 1,176 |
| Other | (208) | 1,010 | (216) | — | — | 586 |
| **Total deferred income tax liabilities** | **25,419** | **(3,713)** | **178** | **—** | **1,145** | **23,029** |
| **Deferred income tax assets** | | | | | | |
| Unrealized losses | 15,481 | (2,245) | 621 | — | — | 13,857 |
| Additional purchase consideration | 1,258 | — | 29 | (634) | — | 653 |
| Earn-out shares | 1,799 | — | 26 | (588) | — | 1,237 |
| Other stock-based compensation | 1,769 | 874 | — | — | — | 2,643 |
| Non-capital losses | — | 5,496 | — | — | 2,958 | 8,454 |
| Other | 1,346 | 929 | 53 | — | — | 2,328 |
| **Total deferred income tax assets** | **21,653** | **5,054** | **729** | **(1,222)** | **2,958** | **29,172** |
| **Net deferred income tax assets (liabilities)** | **(3,766)** | **8,767** | **551** | **(1,222)** | **1,813** | **6,143** |

*For the year ended December 31, 2012*

| | At December 31, 2011 | Recognized in income | Recognized in other comprehensive income | Recognized in contributed surplus | Business acquisition | December 31, 2012 |
|---|---|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | | | |
| Fund management contracts | 6,947 | (1,191) | (145) | — | 4,035 | 9,646 |
| Carried interests | 8,223 | (2,992) | (138) | — | — | 5,093 |
| Deferred sales commissions | 562 | 2 | — | — | — | 564 |
| Unrealized gains | 1,257 | (578) | — | — | — | 679 |
| Transitional partnership income * | 10,563 | (918) | — | — | — | 9,645 |
| Other | — | (208) | — | — | — | (208) |
| **Total deferred income tax liabilities** | **27,552** | **(5,885)** | **(283)** | **—** | **4,035** | **25,419** |
| **Deferred income tax assets** | | | | | | |
| Unrealized losses | 14,684 | 1,092 | (295) | — | — | 15,481 |
| Additional purchase consideration | 1,936 | (634) | (44) | — | — | 1,258 |
| Earn-out shares | 1,528 | — | (43) | 314 | — | 1,799 |
| Other stock-based compensation | — | 1,769 | — | — | — | 1,769 |
| Other | 618 | 748 | (20) | — | — | 1,346 |
| **Total deferred income tax assets** | **18,766** | **2,975** | **(402)** | **314** | **—** | **21,653** |
| **Net deferred income tax assets (liabilities)** | **(8,786)** | **8,860** | **(119)** | **314** | **(4,035)** | **(3,766)** |

* The balance at December 31, 2011 has been adjusted by $10,563 to reflect the change in tax policy issued by the Ministry of Finance that eliminated the Company's ability to defer tax payable on earnings of its operating limited partnerships. This amount was previously included in the Company's income taxes payable at December 31, 2011.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. At September 30, 2013, the Company recognized a deferred tax asset of $5.8 million reflecting management's tax strategy to utilize previously non-accessible tax losses. Management expects to monetize this deferred tax asset over the next two to three years.

## 11. FINANCIAL INSTRUMENTS

IFRS 7 *Financial Instruments: Disclosures* as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or liability as of the measurement date.

The following tables present the level within the fair value hierarchy for each of the financial assets and liabilities carried at fair value ($ in thousands):

| | Financial instruments at fair value | | | |
|---|---|---|---|---|
| September 30, 2013 | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | 116,656 | — | — | 116,656 |
| Public equities | 11,480 | 241 | — | 11,721 |
| Private securities | — | — | 1,558 | 1,558 |
| Common share purchase warrants | 7 | 596 | — | 603 |
| Fixed Income | — | 11,459 | — | 11,459 |
| Mutual funds | 13,553 | — | — | 13,553 |
| Alternative investment strategies | — | 46,387 | — | 46,387 |
| Precious metal loan | — | — | 8,351 | 8,351 |
| **Total** | **141,696** | **58,683** | **9,909** | **210,288** |

| | Financial instruments at fair value | | | |
|---|---|---|---|---|
| December 31, 2012 | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | 77,400 | — | — | 77,400 |
| Public equities | 17,179 | 261 | — | 17,440 |
| Private securities | — | — | 4,949 | 4,949 |
| Common share purchase warrants | — | 539 | — | 539 |
| Mutual funds | 16,009 | — | — | 16,009 |
| Alternative investment strategies | — | 13,117 | — | 13,117 |
| Contingent returnable consideration * | 3,918 | 4,456 | — | 8,374 |
| Acquisition consideration payable * | (3,918) | (4,456) | — | (8,374) |
| **Total** | **110,588** | **13,917** | **4,949** | **129,454** |

* these amounts are netted on the consolidated balance sheets

The following tables provides a summary of changes in the fair value of Level 3 financial assets ($ in thousands):

| | Changes in the fair value of Level 3 financial instruments - September 30, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2012 | Purchases and reclassifications | Settlements | Net unrealized gains (losses) included in net income | Net realized gains (losses) included in net income | September 30, 2013 |
| Private securities | 4,949 | 116 | (2,582) | (960) | 35 | 1,558 |
| Precious metal loan | — | 9,123 | (966) | 90 | 104 | 8,351 |
| | 4,949 | 9,239 | (3,548) | (870) | 139 | 9,909 |

Changes in the fair value of Level 3 financial instruments - December 31, 2012

| | December 31, 2011 | Purchases | Settlements | Net unrealized gains included in net income | Net realized gains and losses included in net income | December 31, 2012 |
|---|---|---|---|---|---|---|
| Private securities | 2,400 | 2,550 | — | (1) | — | 4,949 |

During the nine months ended September 30, 2013, $0.2 million of financial assets was transferred from Level 2 to Level 1. This transfer represented the expiry of the trading restriction on the common shares of certain proprietary investments.

*Proceeds receivable*

Proceeds receivable are classified as Level 3 and relates to the remainder of the consideration due on the sale of securities by SRLC prior to its acquisition by the Company. Each reporting period, the carrying value is calculated using a discounted cash flow valuation technique using a discount rate of 16 percent.

**Financial instruments not carried at fair value**

For fees receivable, other assets (except proceeds receivable), accounts payable and accrued liabilities and compensation and employee bonuses payable, the carrying amount represents a reasonable approximation of fair value due to their short term nature.

Loans receivable (excluding the precious metal loan) had a carrying value of $104.9 million and a fair value of $101.3 million. Loans receivable (excluding the precious metal loan) lack an available trading market and are not typically exchanged, and have been recorded at amortized cost. The fair value of the Company's resource loans is measured based on the changes in the market price of a comparable emerging markets benchmark bond since the average date that the loans were originated. The fair value of the Company's real estate loan is based on discounted expected future cash flows at current market rates for loans with similar terms and risks. The Company adjusts the fair value of loans to take account of any significant changes in credit risks using observable market inputs in determining the counterparty credit risks of loans, net of loan loss provisions on the loans. Their fair values are not necessarily representative of the amounts realizable in immediate settlement of the instruments.

## 12. RELATED PARTY TRANSACTIONS

The remuneration of directors and other key management personnel of the Company for employment services rendered are as follows ($ in thousands):

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| Fixed salaries and benefits | **1,005** | 1,050 | **3,016** | 3,122 |
| Variable incentive-based compensation | **20** | 785 | **634** | 7,900 |
| Termination benefits | **2,700** | — | **2,700** | — |
| Share-based compensation | **167** | 284 | **497** | 846 |
| | **3,892** | 2,119 | **6,847** | 11,868 |

On May 8, 2012, the Company adopted a deferred stock unit ("DSU") plan for the independent directors of the Company. The DSUs vest annually over a three-year period and may only be settled in cash upon retirement. There were no DSUs issued during the three and nine months ended September 30, 2013 (September 30, 2012 - 225,000 DSUs issued at a price of $4.64 per DSU). The resulting expense from the DSUs issued in the second quarter of 2012 is included in general and administrative costs and is recognized over the three-year vesting period with an offset to accrued liabilities.

## 13. DIVIDENDS

The following dividends were declared and payable by the Company during the nine months ended September 30, 2013:

| Record date | Payment Date | Cash dividend per share ($) * | Total dividend amount ($ in thousands) |
|---|---|---|---|
| April 8, 2013 - regular dividend Q4 - 2012 | April 23, 2013 | 0.03 | 5,361 |
| May 16, 2013 - regular dividend Q1 - 2013 | May 31, 2013 | 0.03 | 5,361 |
| August 16, 2013 - regular dividend Q2 - 2013 | August 30, 2013 | 0.03 | 7,429 |
| Dividends paid | | | 18,151 |

* Dividends have been designated as eligible dividends by the Company pursuant to the guidelines issued by the Canada Revenue Agency.

## 14. CONTINGENCY

In June 2013, the Company and certain subsidiaries were named as defendants in a legal proceeding filed with the Ontario Superior Court of Justice relating to the Flatiron Market Neutral Limited Partnership (the "Flatiron Fund") by Performance Diversified Fund, as plaintiff. The proceeding is in respect of a claim relating to an investment by the plaintiff in the Flatiron Fund. The plaintiff was a limited partner in the Flatiron Fund from 2006 until February 2013. The Company indirectly acquired the shares of the manager of the Flatiron Fund in August 2012. The orderly liquidation of the Flatiron Fund announced in November 2012 was completed in February 2013.

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

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

The Company has incurred nominal expenses in relation to this claim as at September 30, 2013 and expects most legal costs will be recoverable under its insurance policies and other contractual arrangements.

## 15. RISK MANAGEMENT ACTIVITIES

The Company's financial instruments present a number of specific risks as identified below.

(a) Market risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of a financial instrument. The Company's financial instruments are designated as held for trading, fair value through profit or loss, held-to-maturity or loans and receivables. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments classified as held for trading and available for sale and for those classified as held-to-maturity or loans and receivables at amortized cost. The Company manages market risk by regular monitoring of its proprietary investments and loans receivable.

The Company separates market risk into three categories: price risk, interest rate risk and foreign exchange risk.

*Price risk*

Price risk arises from the possibility that changes in the price of the Company's proprietary investments will result in changes in carrying value. For more details about the Company's proprietary investments, refer to note 4.

If the market values of proprietary investments that are held for trading increased by 5%, with all other variables held constant, this would have increased net income by approximately $3.7 million for the nine months ended September 30, 2013 (September 30, 2012 - $2.3 million); conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by a similar amount.

The Company's revenues are also exposed to price risk since management fees, performance fees and carried interests are correlated with assets under management, which fluctuates with changes in the market values of the assets in the funds and managed accounts managed by SAM, SC, RCIC and SAM US. Assets under management refer to the total net assets of Sprott funds and managed accounts, on which management fees, performance fees and carried interests are calculated.

Commodity price risk refers to the uncertainty of the future market values and the amount of future income caused by the fluctuation in the price of specific commodities. The Company may, from time to time, (i) hold certain investments linked to the market prices of metals, and (ii) enter into certain precious metal loans, where the repayment is notionally tied to a specific commodity spot price at the time of the loan and downward changes to the price of the commodity can reduce the value of the loan and the amounts ultimately repaid to the Company. In these circumstances the Company may employ certain hedging strategies in order to mitigate the exposure to this type of risk, or contractually agree to a minimum rate of return on the loan in order to mitigate any potential downside from the volatility of commodity prices.

At September 30, 2013, the Company held a precious metal loan with a carrying value of $11.7 million (December 31, 2012 - $4.4 million). The loan's fair value is dependent on future gold prices. A 5% increase or decrease in the future price of gold, with all other variables held constant, would have resulted in an increase or decrease in net income of approximately $0.5 million for the nine months ended September 30, 2013 (September 30, 2012 - $0.2 million). As a mitigating factor, the minimum internal rate of return on the precious metal loan is contractually set at 5 percent.

Included in the Company's proprietary investments are units in a publicly traded gold-linked note with a carrying value of $1.9 million (December 31, 2012 - $nil) where interest is dependent on the average of the London PM Gold Fixing Price. In order to result in a change in interest earned, a 10% increase or decrease in the price of gold is required. A 10% increase or decrease in the London PM fixing price of gold would not have a significant impact on the Company's net income.

At September 30, 2013, the Company held gold bullion with a carrying value of $7.0 million (December 31, 2012 - $8.5 million). If the market value of gold bullion increased by 5%, with all other variables held constant, this would have increased net income by approximately $0.3 million for the nine months ended September 30, 2013 (September 30, 2012 - $0.4 million); conversely, if the value of gold bullion decreased by 5%, this would have decreased net income by a similar amount.

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. For the Company and particularly SRLC, interest rate risk is the risk that the Company's earnings are exposed to volatility as a result of sudden changes in interest rates. This occurs, in most circumstances, when there is a mismatch between the maturity (or re-pricing characteristics) of loans and the liabilities used to fund the loans. In the past, the Company has, in some cases, set minimum rates or an interest rate floor in its variable rate loans. None of the Company's current lending is based on variable interest rates. The Company is also exposed to changes in the value of a loan when that loan's interest rate is at a rate other than current market rates. The Company mitigates this risk by lending for short terms, with terms at the inception of the loan generally varying from nine months to three years, and by charging prepayment penalties and/or upfront commitment fees.

As at September 30, 2013, the Company had 16 fixed-rate resource-based loans and 1 fixed-rate real estate loan with an aggregate carrying value of $104.9 million (December 31, 2012 - $16.1 million). The Company's 16 fixed rate resource loans range in maturity dates from less than 6 months to four years and its real estate loan is considered non-performing.

As part of its cash management program, the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months.

Interest rate sensitivity

The carrying amounts of the Company's assets and liabilities in the following table are presented in the periods in which they next reprice to market rates or mature based on the earlier of contractual repricing and maturity dates, as at September 30, 2013 ($ in thousands):

| September 30, 2013 | Floating Rate | Within 6 Months | 6 to 12 Months | 1 to 3 years | Over 3 years | Non-Interest Sensitive | Total |
|---|---|---|---|---|---|---|---|
| Total assets | 116,656 | 31,689 | 32,500 | 36,846 | 13,624 | 325,068 | 556,383 |
| Total liabilities and equity | — | — | — | — | — | (556,383) | (556,383) |
| Difference | 116,656 | 31,689 | 32,500 | 36,846 | 13,624 | (231,315) | — |
| Cumulative difference | 116,656 | 148,345 | 180,845 | 217,691 | 231,315 | — | — |
| Cumulative difference as a percentage of total assets | 21.0% | 26.7% | 32.5% | 39.1% | 41.6% | — | — |

*Foreign exchange risk*

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds assets denominated in currencies other than the Canadian dollar, such as the United States dollar ("USD"). In these circumstances, the Company may employ certain hedging strategies in order to mitigate its exposure to this type of risk. In addition, the Global Companies' assets are all denominated in USD. The Company is therefore exposed to currency risk, as the value of investments denominated in other currencies will fluctuate due to changes in exchange rates.

Excluding the impact of the Global Companies, as at September 30, 2013, approximately $50.4 million or 9.3% (September 30, 2012 - $17.5 million or 4.9%) of total Canadian assets were invested in proprietary investments priced in USD. Furthermore, a total of $13.6 million (September 30, 2012 - $1.0 million) of cash, $1.4 million (September 30, 2012 -$1.5 million) of accounts receivable, $1.4 million (September 30, 2012- $0.0 million) of loans receivable and $0.5 million (September 30, 2012 - $0.4 million) of other assets were denominated in USD. As at September 30, 2013, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5% (relative to the Canadian dollar), with all other variables held constant, the increase or decrease, respectively, in net income for the nine months ended September 30, 2013 would have amounted to approximately $2.8 million (September 30, 2012 - $0.9 million).

As it relates to the Global Companies impact on the Company, had the exchange rate as at September 30, 2013 between the USD and the Canadian dollar increased or decreased by 5% (relative to the Canadian dollar), with all other variables held constant, the increase or decrease, respectively, in net income and other comprehensive income would have amounted to a nominal amount and approximately $8.6 million, respectively.

(b) Credit risk

Credit risk is the risk that a borrower will not honor its commitments and a loss to the Company may result.

*Proprietary investments*

The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at September 30, 2013, the Company's most significant counterparty is National Bank Correspondent Network Inc. ("NBCN"), the carrying broker of SPW, which also acts as a custodian for most of the Company's proprietary investments (other than foreclosed properties). NBCN is registered as an investment dealer subject to regulation by the IIROC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

The Company continues to work on the realization of foreclosed properties held for sale. Subsequent to September 30, 2013, the Company disposed of two foreclosed properties for proceeds of $5.6 million.

*Loans receivable*

The Company incurs credit risk as it is exposed to adverse changes in conditions which affect real estate values for its real estate loan and commodity and energy prices for its resource loans. These market changes may be regional, national or international in nature and scope or may revolve around a specific asset. Risk is increased if the values of the underlying assets securing the Company's loans decline to levels approaching or below the loan amounts. Any decrease in real estate values or commodity or energy prices may delay the development of the underlying security or business plans of the borrower and will adversely affect the value of the the Company's security. Additionally, the value of the Company's underlying security in a resource loan can be negatively affected if the actual amount or quality of the commodity proves to be less than that estimated or the ability to extract the commodity proves to be more difficult or more costly than estimated.

During the resource loan origination process, senior management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately mitigated.

These include:

- emphasis on first priority and/or secured financings;
- the investigation of the creditworthiness of all borrowers;
- the employment of qualified and experienced loan professionals;
- a review of the sufficiency of the borrower's business plans including plans which will enhance the value of the underlying security;
- frequent and documented status updates provided on the business plans and if applicable, progress thereon;
- the engagement of qualified independent consultants and advisors such as lawyers, engineers and geologists dedicated to protecting the Company's interests; and
- a legal review which is performed to ensure that all due diligence requirements are met prior to funding.

The Board of Directors has the responsibility of ensuring that credit risk management is adequate. They have delegated much of this responsibility to the Executive Credit Committee. The Board of Directors are provided with a detailed portfolio analysis including a report on all overdue and impaired loans, and meet at a minimum on a quarterly basis, to review and assess the risk profile of the loan portfolio. The Executive Credit Committee is required to approve all non-related party loan exposures up to $10 million. The Executive Credit Committee and a sub-committee of the Board of Directors are required to unanimously approve all non-related party loan exposures between $10 million and $20 million. All non-related party loan exposures exceeding $20 million are required to be approved by the Board of Directors of the Company. Any related party loans shall be approved within the limits noted above provided that any person who may have a conflict with such loan, shall abstain from voting.

At September 30, 2013, the Company's exposure to credit risk on the consolidated balance sheet as it relates to its loan receivables is the carrying value of its loans receivable of $113.2 million (December 31, 2012 - $16.1 million) and its loan commitments of $3.6 million (December 31, 2012 - $5.0 million). As at September 30, 2013, the largest loan in the Company's loan portfolio was a resource loan with a carrying value of $17.8 million or 15.7% of the Company's loans receivable (December 31, 2012 - $11.7 million or 72.7% of the Company's loan receivable). This was also the largest aggregate amount owing by any one borrower. The Company will syndicate loans in certain circumstances if it wishes to reduce its exposure to a borrower or comply with loan exposure maximums. The Company reviews its policies regarding its lending limits on an ongoing basis. For precious metal loans, the Company performs the same due diligence procedures as it would for its resource loans.

*Other*

Credit risk is also managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties. The majority of accounts receivable relate to management and performance fees receivable from the funds, managed accounts and managed companies managed by the Company.

The Global Companies incur credit risk when entering into, settling and financing various proprietary transactions. As at September 30, 2013, the Global Companies' most significant counterparty is RBC Capital Markets ("RBC Capital"), the carrying broker of SGRIL and custodian of the net assets of the funds managed by RCIC. RBC Capital is registered as a broker dealer and registered investment advisor subject to regulation by the FINRA and the SEC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

(c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. .

The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. As at September 30, 2013, the Company had $116.7 million or 21.0% of its total assets in cash and cash equivalents. The majority of current assets reflected on the consolidated balance sheets are highly liquid. In addition, approximately $54.1 million or 53.1% of proprietary investments held by the Company are readily marketable and are recorded at their fair value. Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within a year.

The Company's exposure to liquidity risk as it relates to loans receivable arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The Company manages its loan commitment liquidity risk by the ongoing monitoring of scheduled loan fundings and repayments. As at September 30, 2013, subject to certain funding conditions, the Company is committed to providing up to $3.6 million in resource loan advances (December 31, 2012 - $5.0 million).

The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis. To meet any liquidity shortfalls, actions taken by the Company could include: syndicating a portion of its loans; slowing its lending activities; drawing on available debt facilities; liquidating proprietary investments; and/or issuing common or preferred shares.

## 16. SEGMENTED INFORMATION

For management purposes the Company is organized into business units based on its products, services and geographical location and has five reportable segments, as follows:

a. SAM, which provides asset management services to the Company's branded Funds and Managed Accounts.

b. Global Companies, which provides asset management services to the Company's branded Funds and Managed Accounts in the US and also provides securities trading services to its clients.

c. SRLC, which provides loans to companies in the mining and energy sectors.

d. Corporate, which provides treasury and common shared services to the Company's business units.

e. Other, which includes its consulting business through SC and its private wealth business through SPW.

Due to their relatively small size, two operating segments have been aggregated to form the Other reportable segment as described in point (e.) above.

The results of the Toscana Companies are included in the Other segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on earnings before interest expense, income taxes, amortization and impairment of intangible assets, gains and losses on proprietary investments (as if such gains and losses had not been incurred) and stock-based non-cash compensation ("EBITDA"). Income taxes are managed on a consolidated basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

EBITDA is not a measurement in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The following tables present the operations of the Company's reportable segments ($ in thousands):

| For the three months ended | September 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | SAM | Global Companies | SRLC | Corporate | Other | Adjustments and Eliminations | Consolidated |
| **Revenue** | | | | | | | |
| Management fees | 15,271 | 2,197 | — | — | 2,034 | (5) | 19,497 |
| Performance fees | 32 | 302 | — | — | 558 | — | 892 |
| Commissions | — | 1,284 | — | — | 193 | — | 1,477 |
| Interest income | 48 | 13 | 3,036 | — | 209 | — | 3,306 |
| Other | 769 | 571 | 433 | 6,137 | 8,056 | (946) | 15,020 |
| **Total revenue** | **16,120** | **4,367** | **3,469** | **6,137** | **11,050** | **(951)** | **40,192** |
| **Expenses** | | | | | | | |
| General and administrative | 10,094 | 3,635 | 1,545 | 3,751 | 6,910 | (110) | 25,825 |
| Trailer fees | 3,643 | — | — | — | — | (841) | 2,802 |
| Amortization and impairment of intangibles, property and equipment | 595 | 1,191 | 1 | 15 | 10 | — | 1,812 |
| **Total expenses** | **14,332** | **4,826** | **1,546** | **3,766** | **6,920** | **(951)** | **30,439** |
| **Income (loss) before income taxes for the period** | **1,788** | **(459)** | **1,923** | **2,371** | **4,130** | **—** | **9,753** |
| Provision for income taxes | | | | | | | (3,717) |
| **Net income for the period** | | | | | | | **13,470** |
| **Income (loss) before income taxes for the period, from above** | **1,788** | **(459)** | **1,923** | **2,371** | **4,130** | **—** | **9,753** |
| EBITDA adjustments | (7) | 1,715 | (131) | (6,117) | 667 | — | (3,873) |
| **EBITDA** | **1,781** | **1,256** | **1,792** | **(3,746)** | **4,797** | **—** | **5,880** |

| For the three months ended | **September 30, 2012** | | | | | | |
|---|---|---|---|---|---|---|---|
| | SAM | Global Companies | SRLC | Corporate | Other | Adjustments and Eliminations | Consolidated |
| **Revenue** | | | | | | | |
| Management fees | 23,461 | 2,269 | — | — | 2,472 | — | 28,202 |
| Performance fees | 9 | — | — | — | 84 | — | 93 |
| Commissions | — | 2,280 | — | — | 144 | — | 2,424 |
| Interest income | 61 | 20 | — | 509 | 65 | — | 655 |
| Other | 596 | 341 | — | 3,313 | 2,051 | (1,901) | 4,400 |
| **Total revenue** | **24,127** | **4,910** | **—** | **3,822** | **4,816** | **(1,901)** | **35,774** |
| **Expenses** | | | | | | | |
| General and administrative | 11,130 | 4,007 | — | 815 | 2,236 | (47) | 18,141 |
| Trailer fees | 6,118 | — | — | — | — | (1,854) | 4,264 |
| Amortization and impairment of intangibles, property and equipment | 608 | (2,139) | — | 31 | 14 | — | (1,486) |
| **Total expenses** | **17,856** | **1,868** | **—** | **846** | **2,250** | **(1,901)** | **20,919** |
| **Income before income taxes for the period** | **6,271** | **3,042** | **—** | **2,976** | **2,566** | **—** | **14,855** |
| Provision for income taxes | | | | | | | 3,847 |
| **Net income for the period** | | | | | | | **11,008** |
| **Income before income taxes for the period, from above** | **6,271** | **3,042** | **—** | **2,976** | **2,566** | **—** | **14,855** |
| EBITDA adjustments | 165 | (1,368) | — | (3,090) | (58) | — | (4,351) |
| **EBITDA** | **6,436** | **1,674** | **—** | **(114)** | **2,508** | **—** | **10,504** |

| For the nine months ended | September 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | SAM | Global Companies | SRLC | Corporate | Other | Adjustments and Eliminations | Consolidated |
| **Revenue** | | | | | | | |
| Management fees | 51,828 | 7,175 | — | — | 7,908 | (5) | 66,906 |
| Performance fees | 36 | 302 | — | — | 2,043 | — | 2,381 |
| Commissions | — | 3,987 | — | — | 1,042 | — | 5,029 |
| Interest income | 180 | 46 | 3,036 | 1,376 | 391 | — | 5,029 |
| Other | (2,782) | (809) | 433 | 838 | 10,817 | (3,518) | 4,979 |
| **Total revenue** | **49,262** | **10,701** | **3,469** | **2,214** | **22,201** | **(3,523)** | **84,324** |
| **Expenses** | | | | | | | |
| General and administrative | 29,101 | 11,093 | 1,545 | 5,618 | 13,334 | (204) | 60,487 |
| Trailer fees | 12,436 | — | — | — | — | (3,319) | 9,117 |
| Amortization and impairment of intangibles, property and equipment | 1,688 | 9,477 | 1 | 45 | 34 | — | 11,245 |
| **Total expenses** | **43,225** | **20,570** | **1,546** | **5,663** | **13,368** | **(3,523)** | **80,849** |
| **Income (loss) before income taxes for the period** | **6,037** | **(9,869)** | **1,923** | **(3,449)** | **8,833** | **—** | **3,475** |
| Provision for income taxes | | | | | | | (5,375) |
| **Net income for the period** | | | | | | | **8,850** |
| **Income (loss) before income taxes for the period, from above** | **6,037** | **(9,869)** | **1,923** | **(3,449)** | **8,833** | **—** | **3,475** |
| EBITDA adjustments | 5,218 | 13,563 | (131) | 798 | 1,474 | — | 20,922 |
| **EBITDA** | **11,255** | **3,694** | **1,792** | **(2,651)** | **10,307** | **—** | **24,397** |

| For the nine months ended | September 30, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | SAM | Global Companies | SRLC | Corporate | Other | Adjustments and Eliminations | Consolidated |
| **Revenue** | | | | | | | |
| Management fees | 75,581 | 7,075 | — | — | 6,616 | — | 89,272 |
| Performance fees | 102 | — | — | — | 84 | — | 186 |
| Commissions | — | 6,686 | — | — | 3,517 | — | 10,203 |
| Interest income | 233 | 65 | — | 1,474 | 214 | — | 1,986 |
| Other | 1,370 | 609 | — | 3,756 | 6,630 | (6,407) | 5,958 |
| **Total revenue** | **77,286** | **14,435** | **—** | **5,230** | **17,061** | **(6,407)** | **107,605** |
| **Expenses** | | | | | | | |
| General and administrative | 33,116 | 12,143 | — | 2,180 | 7,931 | (141) | 55,229 |
| Trailer fees | 20,668 | — | — | — | — | (6,266) | 14,402 |
| Amortization and impairment of intangibles, property and equipment | 1,569 | (970) | — | 84 | 30 | — | 713 |
| **Total expenses** | **55,353** | **11,173** | **—** | **2,264** | **7,961** | **(6,407)** | **70,344** |
| **Income before income taxes for the period** | **21,933** | **3,262** | **—** | **2,966** | **9,100** | **—** | **37,261** |
| Provision for income taxes | | | | | | | 8,574 |
| **Net income for the period** | | | | | | | **28,687** |
| **Income before income taxes for the period, from above** | **21,933** | **3,262** | **—** | **2,966** | **9,100** | **—** | **37,261** |
| EBITDA adjustments | 1,402 | 1,659 | — | (3,105) | (146) | — | (190) |
| **EBITDA** | **23,335** | **4,921** | **—** | **(139)** | **8,954** | **—** | **37,071** |

Inter-segment revenues are eliminated upon consolidation and reflected in the "Adjustments and Eliminations" column.

Included in Other revenue is trailer fee income of $0.8 million and $3.3 million for the three and nine months ended September 30, 2013, respectively (September 30, 2012 - $1.9 million and $6.3 million) which reflects substantially all of the Company's inter-segment revenue.

Included in Amortization and impairment of intangibles, property and equipment for the Global Companies segment are impairment losses of $nil and $5.4 million on finite life intangible assets for the three and nine months ended September 30, 2013, respectively ($3.8 million impairment loss reversal and $5.9 million impairment loss reversal for finite life intangible assets for the three and nine months ended September 30, 2012).

For geographic reporting purposes, transactions are primarily recorded in the location that corresponds with the entity's country of domicile that generates the revenue. The following table presents the revenue of the Company by geographic location ($ in thousands):

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2013** | September 30, 2012 | **September 30, 2013** | September 30, 2012 |
| Canada | **35,825** | 30,864 | **73,623** | 93,170 |
| United States | **4,367** | 4,910 | **10,701** | 14,435 |
| | **40,192** | 35,774 | **84,324** | 107,605 |

## 17. RECLASSIFICATION OF PRIOR YEAR COMPARATIVE FIGURES

Certain prior year comparatives have been reclassified to conform to the current period's method of presentation.

## 18. EVENTS AFTER THE REPORTING PERIOD

(a) Dividend

On November 12, 2013, a dividend of $0.03 per common share was declared for the quarter ended September 30, 2013.

(b) Change in Senior Management

On October 21, 2013, the Company announced the departure of its President.

# Corporate Information

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Sprott Inc. common shares are traded on the
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