Sprott Inc. First Quarter Report 2014

Sprott INC.

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Sprott INC.

May 14, 2014

Dear Shareholders,

During the first quarter of 2014, our Assets Under Management increased from $7.0 billion to $7.7 billion due largely to strong performance from our mutual and hedge funds. While our natural resource focused strategies have led the way, almost all of our funds have delivered positive year-to-date performance with several posting double digit returns.

During the early months of 2014, we have maintained the positive sales momentum established during the second half of 2013. We recorded our third consecutive quarter of net sales during the first quarter, with our Enhanced Products line continuing to grow at an impressive rate. We are encouraged with our progress in this area and expect to see stronger sales across our product offerings in the quarters ahead.

We continue to broaden our product lineup to offer a wider range of options to investors. In March, we acquired three new real assets-focused funds managed by Michael Underhill of Capital Innovations LLC and we have also registered to launch a gold equities ETF in the US later this year.
One of our key priorities is to build our institutional client base and we are very pleased with the early results of our efforts in this area. Over the past year, we have secured two substantial mandates to manage institutional funds for Asian investors and we expect to complete the first close of our new Private Resource Lending LP before the end of the second quarter.

With approximately $365 million in available capital, we are well positioned to grow the business by seeding next generation funds and selectively evaluating acquisition opportunities. Our capital book is managed through a disciplined capital allocation plan and it performed well during the first quarter, delivering strong returns on invested capital.

Sprott's managed companies are well positioned to capitalize on the downturn in the resource space and continue to execute well on their business plans. Sprott Resource Corp. recently entered into a bought deal agreement to partially divest one of its holdings in a transaction that will provide it with more than $64 million in cash and position the company well to make new investments.

While it has been a generally positive start to the year, we realize there is much work to be done to improve our overall financial results in what we expect to be a transitional year for Sprott. As such, we remain focused on prudently managing our expenses in order to maximize shareholder returns. 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 throughout 2014.

Sincerely,

Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Three months ended March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated May 13, 2014, presents an analysis of the financial condition of Sprott Inc. (the "Company") and its subsidiaries as of March 31, 2014 compared with December 31, 2013, and results of operations for the three months ended March 31, 2014, compared with the three months ended March 31, 2013. The Board of Directors approved this MD&A on May 13, 2014. All note references in this MD&A are to the notes to the Company's 2014 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, 2013.

FORWARD LOOKING STATEMENTS

This MD&A and, in particular, the "Outlook" section contains certain forward-looking information and statements (collectively referred to herein as "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the forgoing, this MD&A contains Forward-Looking Statements pertaining to: (i) expectations relating to the Company's lending business; (ii) expectations relating to the redeployment of capital from maturing loans; (iii) the Company's expectation that investment trends for the quarter will continue in 2014; (iv) expectations with respect to management of investable capital and its impact on the Company's overall results; (v) the Company's continued focus on improving investment performance, on expanding the range of investment products that are managed and its consideration of selective acquisitions, both in Canada and globally; (vi) expectations relating to the launching of an institutional resource lending fund in the second quarter of 2014; (vii) the Company's continued focus on prudent expense management; (viii) the Company's belief that Management Fees and Interest Income will continue to be sufficient to satisfy ongoing operational needs, including expenditures on its corporate infrastructure, business development and information systems; (ix) the declaration, payment and designation of dividends; (x) expectations relating to liquidity and capital resources; and (xi) expectations with respect to the recovery of legal costs.

Forward-Looking Statements are based on a number of expectations or assumptions, which have been used to develop such information and statements but which may prove to be incorrect, including, but not limited to: (i) future exchange rates will remain consistent with the current environment; (ii) the price of precious metals will increase; (iii) the resource sector will recover; (iv) the impact of increasing competition in each business in which the Company operates will not be material; (v) quality management will be available; (vi) the effects of regulation and tax laws of governmental agencies will be consistent with the current environment; and (vii) those assumptions disclosed herein under the heading "Critical Accounting Judgments and Estimates". Although the Company believes the expectations and assumptions reflected in such Forward-Looking Statements are reasonable, undue reliance should not be placed on Forward-Looking Statements because the Company can give no assurance that such expectations and assumptions will prove to be correct. The Forward-Looking Statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors, which may cause actual results or events to differ materially from those anticipated in such Forward-Looking Statements, including, without limitation: (i) difficult market conditions; (ii) changes in the investment management industry; (iii) risks related to regulatory compliance; (iv) failure to deal appropriately with conflicts of interest; (v) failure to continue to retain and attract quality staff; (vi) competitive pressures; (vii) corporate growth may be difficult to sustain and may place significant demands on existing administrative, operational and financial resources; (viii) failure to execute the Company's succession plan; (ix) litigation risk; (x) employee errors or misconduct could result in regulatory sanctions or reputational harm; (xi) failure to implement effective information security policies, procedures and capabilities; (xii) failure to develop effective business resiliency plans; (xiii) failure to obtain or maintain sufficient insurance coverage on favourable economic terms; (xiv) foreign exchange risk relating to the relative value of the U.S. dollar; (xv) historical financial information is not necessarily indicative of future performance; (xvi) the market price of common shares of the Company may fluctuate widely and rapidly; (xvii) those risks listed under the heading "Risk Factors" in the Company's annual information form dated March 27, 2014; (xviii) those risks disclosed herein under the heading "Managing Risk"; and (xix) other risks, which are beyond the control of the Company or its subsidiaries. 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. In addition, the payment of dividends is not guaranteed and the amount and timing of any dividends payable by the Company will be at the discretion of the Board of Directors of the Company and will be established on the basis of the Company's earnings, the satisfaction of solvency tests imposed by applicable corporate law for the declaration and payment of dividends, and other relevant factors.

The Forward-Looking Statements contained in this MD&A speak only as of the date of this MD&A, and the Company does not assume any obligation to publicly update or revise any of the included Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

PRESENTATION OF FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2014, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34 which relates to interim financial reporting, 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. The use of the term "prior period" refers to the quarter-ended March 31, 2013 unless stated otherwise.

KEY PERFORMANCE INDICATORS (NON-IFRS FINANCIAL MEASURES)

The Company measures the success of its 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 (loss) 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 the Company's 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"), and Toscana Capital Corporation ("TCC") and Toscana Energy Corporation ("TEC") (collectively, "Sprott Toscana") on which management fees ("Management Fees"), performance fees ("Performance Fees") and/or carried interests ("Carried Interests") are calculated. The Company believes that AUM is an important measure since it earns Management Fees, calculated as a percentage of AUM, and may earn Performance Fees or Carried Interests, calculated as a percentage of: (i) Funds', Managed Accounts' and Managed Companies' excess performance over a relevant benchmark; (ii) the increase in net asset values of Funds over a predetermined hurdle, if any; or (iii) the net profit in Funds over the performance period. The Company monitors the level of its AUM because it drives the amount of Management Fees it will earn. The amount of Performance Fees and Carried Interests the Company earns is related to both investment performance and its 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 these broker-dealer companies within the group.

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

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

On December 11, 2013, the Ontario Securities Commission ("OSC") issued staff notice 52-722, Report on Staff's Review of Non-GAAP Financial Measures and Additional GAAP Measures. As at March 31, 2014, the Company has adopted much of the guidance contained in the notice in order to provide enhanced disclosures around EBITDA and adjustments thereto.

EBITDA in its most basic form is defined as earnings before interest expense, income taxes, depreciation and amortization. The Company further adjusts EBITDA ("adjusted base EBITDA") by eliminating the following items to derive a more meaningful measure of its core operations and cash generating ability: (i) performance fee and performance fee related expenses; (ii) impairment charges or recoveries of prior period impairments on intangible assets and goodwill; (iii) gains and losses on proprietary investments and loans (however, loan loss provisions are not excluded from adjusted base EBITDA); and (iv) non-cash stock-based compensation. See table below.

	For the three months ended	
($ in thousands)	**March 31, 2014**	March 31, 2013
Net income for the period	**10,239**	2,090
Adjustments:		
Interest expense	**—**	—
Provision (recovery) for income taxes	**1,427**	1,751
Depreciation and amortization	**1,570**	2,023
EBITDA	**13,236**	5,864
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	**—**	—
(Gains) and losses on proprietary investments and loans	**(4,481)**	3,049
Non-cash stock based compensation	**507**	1,484
Adjusted EBITDA	**9,262**	10,397
Less:		
Performance fees	**(270)**	(1,348)
Performance fee related expenses	**68**	295
Adjusted base EBITDA	**9,060**	9,344

Stock-based compensation relating to the Company's Employee Profit Sharing Plan ("EPSP") is treated as a cash expense for the purpose of calculating EBITDA, adjusted EBITDA as well as adjusted base EBITDA. EBITDA and adjusted EBITDA include Performance Fees and Performance Fee related expenses, whereas adjusted base EBITDA does not. Performance fees and performance fee related expenses do not typically form a material part of EBITDA and adjusted EBITDA until the end of the fiscal year, which is when the majority of these fees and related expenses are earned and paid. The Company believes that adjusted base EBITDA is the most relevant measure as it allows the Company to assess its ongoing business without the impact of interest expense, income taxes, depreciation, amortization as well as other non-cash items and items that, while being cash, may be ancillary to the Company's core business operations or not be indicative of a run-rate cash flow from operations (such as performance fees and related expenses). Adjusted base EBITDA is a useful indicator of the Company's ability to pay sustainable dividends and invest in the business and continuing operations. Adjusted EBITDA in the prior period of $10.4 million was previously termed "EBITDA". It is now termed "adjusted EBITDA" in order to comply with the relevant guidance provided by the OSC under staff notice 52-722.

EBITDA in various forms 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, amortization techniques and income tax rates between companies in the same industry. While other companies, investors or investment analysts may not utilize the same method of calculating EBITDA (or adjustments thereto), the Company believes its adjusted base EBITDA metric, in particular, results in a better comparison of the Company's underlying operations against its peers.

Neither EBITDA, adjusted EBITDA or adjusted base EBITDA have standardized meaning under IFRS. Consequently, they should not be considered in isolation, nor should they be used in substitute for, measures of performance prepared in accordance with IFRS.

OVERVIEW

The Company operates primarily through six operating businesses, SAM, SPW, SC, Sprott Toscana, SRLC and Sprott U.S. Holdings Inc., the parent of the Global Companies which consist of SGRIL, RCIC and SAM US. 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.

On July 23, 2013, the Company completed its acquisition of 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. Effective July 23, 2013, the accounts of SRLC have been consolidated with those of the Company.

Sprott Toscana is 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.

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"). SAM is also registered with the U.S. Securities and Exchange Commission as a registered investment advisor. SPW is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada ("IIROC"). SC and Sprott Toscana provide active management, consulting and administrative services to other companies. Currently, SC provides these services to Sprott Resource Corp. ("SRC") and Sprott Toscana offers these services to TFIT and TEIC.

SGRIL is a California-based limited partnership that operates as a securities broker-dealer and is registered with the Financial Industry Regulatory Authority ("FINRA"). SAM US is registered with the U.S. Securities and Exchange Commission and 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.

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 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 and Sprott Toscana earn the majority of their revenues through the management of Managed Companies in the form of Management Fees and Performance Fees. During the period, the Company completed the on-boarding of US$375 million in AUM associated with the December 2013 transaction to co-manage a 10-year private equity fund for South Korea's National Pension Service. The Company will co-manage the fund with Woori Asset Management, the asset manager of Korea's largest bank, Woori Financial Group. Revenues and expenses attributable to this activity are captured as part of the Consulting segment of the company along with revenues and expenses of SC and Sprott Toscana. RCIC earns revenue in the form of Management Fees and Carried Interests in Funds it manages; SGRIL earns commissions and other fees from the sale and purchase of stocks by its clients, new and follow-on offerings of limited partnerships managed by RCIC and from the sale of private placements to its clients. 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 the Company with a competitive advantage by providing a unique distribution channel for its Fund products and other investment opportunities that it is able to make available to its private clients. SPW also serves as a platform to brand and grow the Company's wealth management business. SC, Sprott Toscana and Sprott Korea enable the Company to benefit from its expertise in managing other companies, both public and private. SC in particular also provides the Company with a competitive advantage by providing SPW and SGRIL clients access to merchant banking and private equity-style investments.

The Company operates through several operating companies as described above. SRLC is the operating company through which the Company's invested capital is deployed in the form of a loan portfolio, whereas, the other operating entities are focused on prudent investing and growing of AUM or AUA of the Funds, Managed Accounts and Managed Companies that are managed for the benefit of unitholders, shareholders and partners of those entities and the AUA of clients.

The most significant factor that drives business results continues to be the performance of assets the Company manages. 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 Funds, Managed Accounts and Managed Companies. Management Fees are calculated as a percentage of AUM. Performance Fees are calculated as a percentage of the return earned by Funds, Managed Accounts and Managed Companies. Carried Interests are calculated as a percentage of profits earned by monetizing events at Funds managed by RCIC. Accordingly, growth in fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by 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 March 31, 2014, the Company managed $7.7 billion in assets among various Funds, Managed Accounts and Managed Companies. AUA in client assets totaled to $2.7 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 underlying 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. 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 7 of the unaudited interim condensed consolidated financial statements). 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

Since the beginning of the fiscal period, virtually all of the Company's Funds, Managed Accounts and Managed Companies experienced positive investment performance for the quarter. AUM as at March 31, 2014 was $7.7 billion, reflecting a $0.7 billion (10.4%) increase quarter-over-quarter. $0.6 billion of that AUM growth came from market appreciation, while another $0.1 billion came from net sales.

Product and Business Line Expansion

As at March 31, 2014, the Company completed the acquisition of the following funds from Arrow Capital Management Inc.: Exemplar Global Infrastructure Fund; Exemplar Timber Fund; and Exemplar Global Agriculture Fund. To manage these funds, the Company entered into an exclusive sub-advisory agreement with Capital Innovations, LLC. This initiative will diversify the Company's existing product line and improve its ability to offer Canadian investors a broad range of investment strategies.

OUTLOOK

Fiscal 2014 is, in many respects, a transitional year for the Company after a very challenging 2013. The investment performance of virtually all of the Company's Managed Funds and companies was positive for the quarter. The Company's Mutual Funds, overall, experienced good net sales for the quarter and, while redemptions from physical trusts were high in the early part of the quarter, they had ceased by the end of the quarter. The Company expects these trends to continue in 2014.

The Company's invested capital performed very well during the quarter, particularly the resource loans. Interest and other income from the loan book contributed substantially to EBITDA. Unrealized gains from other investments were also strong for the quarter. Management of investable capital will continue to be an important activity for the Company and will have a significant impact on the Company's overall results.

The Company remains focused on improving investment performance, on expanding the range of investment products that are managed and is also considering selective acquisitions, both in Canada and globally. The Company expects to launch an institutional resource lending fund in the second quarter of 2014.

While it has been a generally positive start to the year, there remains much work to be done to improve the Company's overall financial results and, as such, the Company remains focused on a variety of initiatives, including prudent expense management.

FINANCIAL HIGHLIGHTS

- AUM as at March 31, 2014 was $7.7 billion, reflecting a decrease of $1.4 billion (15.5%) from March 31, 2013 and an increase of $0.7 billion (10.4%) from $7.0 billion of AUM as at December 31, 2013. The increase in AUM on a quarter-over-quarter basis was due to the following: (i) an increase in market values of $0.6 billion; and (ii) net sales of $0.1 billion. Average AUM for the three months ended March 31, 2014 was $7.6 billion, reflecting a decrease of $1.9 billion (20.4%) from average AUM levels in the prior period.
- Management Fees as a percentage of average AUM for the three months ended March 31, 2014 was 1.0%, reflecting a decrease from 1.1% in the prior period. The decrease in management fees as a percentage of AUM was primarily the result of an increase in the value of AUM from Sprott Korea Corporation, a Managed Company.
- AUA as at March 31, 2014 was $2.7 billion, reflecting a year-over-year decrease of $0.6 billion (18.7%) and a quarter-over-quarter increase of $0.4 billion (15.4%).
- Management Fees were $19.4 million, reflecting a decrease of $6.6 million (25.4%) from the prior period.
- Commissions were flat at $1.9 million compared to the prior period.
- Interest income was $5.4 million, reflecting an increase of $4.6 million (605.4%) from the prior period.
- Unrealized and realized gains on proprietary investments and loans were $4.4 million, reflecting an increase of $7.4 million from the prior period.
- Adjusted base EBITDA was $9.1 million, reflecting a decrease of $0.3 million (3.0%) from the prior period.
- Net income was $10.2 million ($0.04 per share), reflecting an increase of $8.1 million (389.9%) from the prior period.
- Invested capital stood at $331.5 million, reflecting a $17.3 million (5.5%) increase from December 31, 2013. The increase was due largely to unrealized and realized gains and losses in the Company's proprietary investments, coupled with increased cash balances over the quarter. The annualized return on invested capital (excluding cash, real estate loans, and lines of credit) was 21.29% and on investable capital (excluding only real estate loans and lines of credit) was 12.37%.

SUMMARY FINANCIAL INFORMATION

Key Performance Indicators	As at and for the three months ended March 31,	
($ in thousands, except per share amounts)	**2014**	2013
Assets Under Management	**7,694,545**	9,109,795
Assets Under Administration	**2,705,446**	3,329,109
Net Sales (Redemptions)	**123,403**	(273,826)
EBITDA	**13,236**	5,864
EBITDA Per Share - basic and fully diluted	**0.05**	0.03
Adjusted base EBITDA	**9,060**	9,344
Adjusted base EBITDA Per Share - basic and fully diluted	**0.04**	0.05

Summary Balance Sheets	As at	
($ in thousands)	**March 31, 2014**	December 31, 2013
Total Assets	**458,086**	455,720
Total Liabilities	**29,724**	35,422
Shareholders' Equity	**428,362**	420,298

Summary Statements of Operations and Reconciliation to EBITDA and Adjusted Base EBITDA	For the three months ended March 31,	
($ in thousands, except per share amounts)	**2014**	2013
Total revenue	**32,871**	27,561
Total expenses	**21,205**	23,720
Income (loss) before income taxes	**11,666**	3,841
Provision (recovery) for income taxes	**1,427**	1,751
Net income	**10,239**	2,090
Adjustments:		
Interest expense	**—**	—
Provision for income taxes	**1,427**	1,751
Depreciation and amortization	**1,570**	2,023
EBITDA	**13,236**	5,864
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	**—**	—
(Gains) and losses on proprietary investments and loans	**(4,481)**	3,049
Non-cash stock based compensation	**507**	1,484
Adjusted EBITDA	**9,262**	10,397
Less:		
Performance fees	**(270)**	(1,348)
Performance fee related expenses	**68**	295
Adjusted base EBITDA	**9,060**	9,344

Earnings Per Share - basic	**0.04**	0.01
Earnings Per Share - fully diluted	**0.04**	0.01
EBITDA Per Share - basic and fully diluted	**0.05**	0.03
Adjusted base EBITDA Per Share - basic and fully diluted	**0.04**	0.05

RESULTS OF OPERATIONS

Three months ended March 31, 2014 vs. three months ended March 31, 2013

Overall Performance

AUM as at March 31, 2014 was $7.7 billion, reflecting a decrease of $1.4 billion (15.5%) from March 31, 2013 and an increase of $0.7 billion from $7.0 billion of AUM as at December 31, 2013. The quarter-over-quarter increase in AUM was the result of the following: (i) an increase in market values of $0.6 billion; and (ii) net sales of $0.1 billion. Average AUM for the period ended was $7.6 billion, reflecting a decrease of $1.9 billion (20.4%) from the average AUM level this time last year.

Total revenues were $32.9 million, reflecting an increase of $5.3 million (19.3%) from the prior period. Management Fees were $19.4 million, reflecting a decrease of $6.6 million (25.4%) from the prior period. Gross Performance Fees were $0.3 million, reflecting a decrease of $1.1 million (80.0%) from the prior period. Commission revenue was flat year-over-year at $1.9 million. Interest income was $5.4 million, reflecting an increase of $4.6 million (605.4%) from the prior period. Unrealized and realized gains on proprietary investments and loans was $4.4 million, reflecting an increase of $7.4 million from the prior period. Other income was $1.6 million, reflecting a an increase of $1.0 million (159.9%) from the prior period.

Expenses were $21.2 million, reflecting a decrease of $2.5 million (10.6%) from the prior period.

Net income for the three months ended March 31, 2014 was $10.2 million, reflecting an increase of $8.1 million (389.9%) compared with the prior period.

Assets Under Management, Investment Performance and Net Sales

The breakdown of AUM by investment product type on a year-over-year basis is as follows:

	March 31, 2014		March 31, 2013	
Product Type	**$ (in millions)**	**% of AUM**	$ (in millions)	% of AUM
Bullion Funds	**3,581**	**46.6%**	4,767	52.3%
Mutual Funds	**1,747**	**22.7%**	1,757	19.3%
Alternative Investment Strategies	**711**	**9.2%**	1,096	12.0%
Offshore Funds	**186**	**2.4%**	116	1.3%
Managed Companies	**918**	**12.0%**	763	8.4%
Managed Accounts	**134**	**1.7%**	166	1.8%
Fixed Term Limited Partnerships	**418**	**5.4%**	445	4.9%
Total	**7,695**	**100%**	9,110	100%

The breakdown of AUM by investment product type on a quarter-over-quarter basis is as follows:

$ (in millions)	AUM December 31, 2013	Net Sales / (Redemptions)	Net Market Value Change	Acquisitions	AUM March 31, 2014
Bullion Funds	3,542	(268)	307	—	3,581
Mutual Funds	1,483	88	123	53	1,747
Alternative Investment Strategies	765	(92)	38	—	711
Offshore Funds	173	(6)	19	—	186
Managed Companies	521	376	21	—	918
Managed Accounts	122	(2)	14	—	134
Fixed Term Limited Partnerships	361	27	30	—	418
Total	6,967	123	552	53	7,695

The majority of the Company's Funds and Managed Accounts experienced positive performance quarter-over-quarter resulting in an overall market value appreciation of AUM as noted in the above table.

Net sales were $0.1 billion. Collectively, Bullion Funds, Managed Accounts and Alternative Investment Strategies experienced net redemptions of $0.4 billion. Sales in Enhanced strategies more than offset redemptions from other Mutual Funds. During the quarter, the Company acquired three Mutual Funds from Arrow Capital Management Inc. which added $53 million to Mutual Fund AUM. The launch of the Natural Resource Income Investing Partners LP, a fixed term limited partnership, added $27 million to AUM. Offshore Funds collectively had redemptions of $6 million or 0.2% of offshore AUM at the beginning of the year.

Revenues

Total revenues were $32.9 million, reflecting an increase of $5.3 million (19.3%) from the prior period.

Management Fees were $19.4 million, reflecting a decrease of $6.6 million (25.4%) from the prior period, reflecting the decline in average AUM as previously discussed. Management Fees as a percentage of average AUM was 1.0% compared to 1.1% in the prior period. The decrease in management fees as a percentage of AUM was primarily the result of an increase in the value of AUM from Sprott Korea Corporation, a Managed Company. Management Fees include fees earned from precious metal physical trusts which amounted to $3.3 million compared to $4.4 million in the prior period.

Gross Performance Fees were $0.3 million, reflecting a decrease of $1.1 million (80.0%) from the prior period. The decrease was mainly a result of greater than expected Performance Fee recorded in the first quarter of the prior period from a Managed Company.

Commission revenue was flat at $1.9 million. Commission revenue is generated primarily through private placements and client trading activities in SGRIL, and to a lesser extent, SPW.

Interest income was $5.4 million, reflecting a an increase of $4.6 million (605.4%) from the prior period. Interest income earned by the Company is generated primarily by SRLC which was acquired by the Company on July 23, 2013.

Unrealized and realized gains on proprietary investments and loans were $4.4 million, reflecting an increase of $7.4 million (242.7%) from the prior period. The increase was due to market value appreciation in proprietary investments resulting in net unrealized gains of $6.0 million, partially offset by realized losses of $1.6 million from the sale of certain proprietary investments.

Other income was $1.6 million, reflecting an increase of $1.0 million (159.9%) from the prior period as a result of: (i) $1.0 million in foreign exchange gains; and (ii) $0.6 million of Other income related to redemption fee revenue, syndicate fees, expense recoveries from Managed Companies and Managed Accounts and dividend income.

Expenses

Total expenses were $21.2 million, reflecting a decrease of $2.5 million (10.6%) from the prior period. Changes in specific expense categories are described below:

Compensation and Benefits

The table below summarizes the components of compensation and benefits for the relevant periods.

($ in millions)	For the three months ended March 31, 2014	2013
Salaries and benefits	**6,456**	6,914
Discretionary bonus-cash component	**2,021**	2,212
Discretionary bonus-equity component (1)	**737**	678
Commissions	**652**	721
	9,866	10,525

(1) Discretionary bonus-equity component is included in stock-based compensation on the Company's unaudited interim condensed consolidated statements of operations.

Total compensation and benefits as reported in the Company's unaudited interim condensed consolidated statements of operations were $9.1 million, reflecting a decrease of $0.7 million (7.3%) from the prior period. The decrease in compensation and benefits was primarily as a result of: (i) a change in the compensation level of a Company executive; (ii) the departure of certain employees; and (iii) lower bonus expense as a result of lower adjusted base EBITDA.

Stock-based compensation

Stock-based compensation was $1.5 million, a decrease of $1.2 million (44.1%) from the prior period. The decline was the result of the following: (i) a reduction in the expensing of earn-out shares for Sprott Toscana as the Company approaches the end of the vesting period (ii) a reduction in the expensing of earn-out shares for Global Companies as earn-out shares were fully amortized by February 3, 2014; and (iii) a reduction in stock-based compensation relating to employees hired in prior periods which is accounted for on a graded vesting schedule.

Trailer Fees

Trailer fees are somewhat correlated with AUM and Management Fees. Trailer fees were $3.0 million, reflecting a decrease of $0.4 million (12.0%) from the prior period. The decline was consistent with the decrease in Management Fees and average AUM over the same time period.

General and Administrative

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. General and administrative expenses were $6.0 million, reflecting an increase of $0.2 million (4.0%) from the prior period. The increase was the result of: (i) an increase in rent as the Company took on additional leased space during the first and third quarter of 2013 along with additional rent and occupancy costs related to SRLC; (ii) an increase in the fund start-up costs; and (iii) higher directors fees and expenses. These increases were partially offset by decreases in professional fees due to lower legal costs.

Amortization of Intangibles

Amortization of intangibles consists of: (i) the amortization of deferred sales commissions; and (ii) the amortization of fund management contracts and carried interests. Amortization expense was $1.4 million, reflecting a decrease of $0.4 million (23.1%) from the prior period. The decrease was mainly the result of lower amortization of carried interests as a result of the December 31, 2013 write-down of carried interest in the Global Companies' operating segment.

Impairment (reversals) of Intangibles

There were no indicators of impairment for goodwill, indefinite life and finite life intangibles of the Company. All Company intangibles had carrying values indicative of their recoverable amounts. Consequently, no impairment charges or recoveries were taken.

The underlying inputs and assumptions that determine the recoverable amounts of goodwill, fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, recoverable amounts may demonstrate significant fluctuations in value over the year. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record future impairment losses or reversals.

See note 5 of the unaudited interim condensed consolidated financial statements for further details.

Amortization of Property and Equipment

Amortization expense for the three months ended March 31, 2014 was flat at $0.2 million over the period.

Adjusted base EBITDA and Net Income

Adjusted base EBITDA was $9.1 million, reflecting a decrease of $0.3 million (3.0%) from the prior period. The decrease was primarily the result of lower Management Fees net of trailers partially offset by higher interest income. Basic and diluted adjusted base EBITDA per share was $0.04 compared to $0.05 in the prior period.

Income before taxes was $11.7 million, reflecting an increase of $7.8 million (203.8%) from the prior period. The effective tax rate was lower compared to the prior period as a result of non-capital losses utilized in the current period.

Net Income was $10.2 million, reflecting an increase of $8.1 million (389.9%) from the prior period. The increase was the result of the changes previously discussed in this MD&A. Basic earnings per share was $0.04, versus $0.01 for the prior period. Diluted earnings per share was $0.04, versus $0.01 for the prior period.

Balance Sheet

Total assets at March 31, 2014 were $458.1 million, reflecting an increase of $2.4 million (0.5%) from December 31, 2013.

Cash and cash equivalents were $147.9 million, an increase of $32.2 million from December 31, 2013 primarily due to repayment of loans and proceeds from the sales of proprietary investments partially offset by advances on new loans, purchases of proprietary investments and dividend payments.

Fees receivable was $10.3 million, reflecting a decrease of $3.5 million (25.3%) from December 31, 2013. The decrease was primarily due to the receipt of year-end performance fees.

Other assets were $7.2 million, reflecting a decrease of $13.5 million (65.1%) from December 31, 2013. The decrease was primarily due to proceeds received from the redemption of a Sprott Fund.

Proprietary investments were $106.7 million, reflecting an increase of $12.4 million (13.1%) from December 31, 2013. The increase was due to purchase and appreciation of proprietary investments, partially offset by sales.

Loans receivable were $77.0 million, reflecting a decrease of $27.3 million (26.2%) from December 31, 2013. The decrease was primarily due to the early repayment of four loans as well as the sale of one loan which more than offset additional loan fundings during the quarter.

Intangible assets were $35.9 million, reflecting an increase of $3.3 million (10.1%) from December 31, 2013. The increase is the result of the purchase of funds from Arrow Capital Management Inc., and the addition of carried interest rights relating to a new fixed term limited partnership launched by RCIC, partially offset by the amortization of finite life management contracts and carried interests.

Goodwill was $48.1 million, reflecting an increase of $1.7 million (3.8%) from December 31, 2013. The increase was due entirely to foreign exchange gains as a result of a weakened Canadian dollar against the U.S. denominated goodwill recorded in Global Companies, the Company's U.S. based operating segment.

The net deferred income tax asset was $6.4 million ($5.2 million - December 31, 2013). The $1.2 million change was mainly attributable to i) a reduction in the transitional partnership income which was currently taxable in the year of $3.0 million; and ii) the use of tax losses benefited of $0.9 million.

Accounts payable and accrued liabilities were $9.2 million, reflecting a decrease of $3.9 million (30.0%) from the prior period. The decrease was the result of lower sub-advisory fees payable, lower harmonized sales tax payable and year-end expense reimbursements paid to a Managed Company, partially offset by payables for the acquisition of funds from Arrow Capital Management Inc.

Compensation and employee bonuses payable as at March 31, 2014 were $3.3 million, reflecting a decrease of $6.7 million (67.2%) from the prior period. The decrease was the result of year-end bonus and compensation paid out during the first quarter, partially offset by bonus and cash based earn-out remuneration payable accrued during the first quarter.

RESULTS OF OPERATIONS - REPORTABLE SEGMENTS

SAM Segment

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

Results of operations:

	For the three months ended	
($ in thousands)	**March 31, 2014**	March 31, 2013
Revenue		
Management fees	**15,144**	20,302
Interest income	**19**	79
Other	**1,788**	(990)
Total revenue	**16,951**	19,391
Total revenue		
General and administrative	**8,395**	10,389
Trailer fees	**3,626**	4,839
Amortization and impairment of intangibles, property and equipment	**604**	541
Total expenses	**12,625**	15,769
Income (loss) before income taxes for the period	**4,326**	3,622
Adjustments:		
Interest expense	**—**	—
Provision (recovery) for income taxes	**—**	—
Depreciation and amortization	**604**	541
EBITDA	**4,930**	4,163
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	**—**	—
(Gains) and losses on proprietary investments and loans	**(1,373)**	1,238
Non-cash stock based compensation	**—**	—
Adjusted EBITDA	**3,557**	5,401
Less:		
Performance fees	**—**	—
Performance fee related expenses	**—**	—
Adjusted base EBITDA	**3,557**	5,401

Three months ended March 31, 2014 vs. Three months ended March 31, 2013

Revenues

Revenues were $17.0 million, reflecting a decrease of $2.4 million (12.6%) from the prior period.

Revenues from Management Fees were $15.1 million, reflecting a decrease of $5.2 million (25.4%) from the prior period. The decrease was primarily the result of lower average AUM over the period, and to a lesser extent, the different composition of SAM's AUM during the period.

Interest income was nominal. Interest income is primarily generated from treasury bills and cash deposits with banks and brokerages.

Other revenues were $1.8 million, reflecting an increase of $2.8 million (280.6%) from the prior period. The increase was the result of: (i) net realized and unrealized gains from proprietary investments in the period compared to net realized and unrealized losses in the prior period; and (ii) increased foreign exchange gains due to the strengthening of the U.S. dollar against the Canadian dollar. The largest components of other revenue are realized and unrealized gains and losses on proprietary investments, foreign exchange, short term trading fees and early redemption fees.

Expenses

Total expenses were $12.6 million, reflecting a decrease of $3.1 million (19.9%) from the prior period.

General and administrative expenses (which include compensation and benefits expenses) were $8.4 million, reflecting a decrease of $2.0 million (19.2%) from the prior period. The decrease was the result of: (i) a decline in compensation and benefits as a result of the ending of certain guaranteed income payments and lower headcount; and (ii) lower stock-based compensation and fund subsidies. These declines were partially offset by an increase in sub-advisory fees.

Trailer fees were $3.6 million, reflecting a decrease of $1.2 million (25.1%) from the prior period. The decrease was the result of a decline in average AUM in Mutual Funds and Alternative Investment Strategies which are the primary products to which trailer fees relate.

Amortization of intangibles, property and equipment was $0.6 million, reflecting an increase of $0.1 million (11.6%) from the prior period. The increase was due to amortization of higher deferred sales commissions in the period.

Adjusted base EBITDA

Adjusted base EBITDA was $3.6 million, reflecting a decrease of $1.8 million (34.1%) from the prior period. The decrease was the result of lower Management Fees earned, which were only partially offset by lower trailer fees and lower compensation and benefits expenses.

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	
(in $ thousands)	**March 31, 2014**	March 31, 2013
Revenue		
Management fees	**2,359**	2,627
Commissions	**1,553**	1,347
Interest income	**10**	18
Other	**469**	(218)
Total revenue	**4,391**	3,774
Expenses		
General and administrative	**3,152**	3,792
Amortization and impairment of intangibles, property and equipment	**946**	1,456
Total expenses	**4,098**	5,248
Income (loss) before income taxes for the period	**293**	(1,474)
Adjustments:		
Interest expense	**—**	—
Provision (recovery) for income taxes	**—**	—
Depreciation and amortization	**946**	1,456
EBITDA	**1,239**	(18)
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	—	—
(Gains) and losses on proprietary investments and loans	**(481)**	258
Non-cash stock based compensation	**403**	1,068
Adjusted EBITDA	**1,161**	1,308
Less:		
Performance fees	**—**	—
Performance fee related expenses	**—**	—
Adjusted base EBITDA	**1,161**	1,308

Three months ended March 31, 2014 vs. Three months ended March 31, 2013

Revenues

Total revenues were $4.4 million, reflecting an increase of $0.6 million (16.3%) from the prior period. The increase was primarily due to an increase in commissions and other revenues.

Revenue from Management Fees were $2.4 million, reflecting a decrease of $0.3 million (10.2%) from the prior period. The decrease was the result of lower Management Fees generated on a lower level of average AUM at RCIC over the period.

Commission revenues were $1.6 million, reflecting an increase of $0.2 million (16.8%) from the prior period as a result of increased commission generating transactions. 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.

Interest income was nominal. Interest income is primarily generated from cash deposits with banks and brokerages.

Other revenue was $0.5 million, reflecting an increase of $0.7 million from the prior period. Unrealized and realized gains and losses on proprietary investments make up the majority of the Other revenue category.

Expenses

Total expenses were $4.1 million, reflecting a decrease of $1.2 million (21.9%) from the prior period. The decrease was the result of: (i) a reduction in the amortization of carried interests as a result of the December 31, 2013 carried interest write-down; and (ii) the completion of the expensing of stock-based compensation relating to earn-out shares.

General and administrative expenses (which include compensation and benefits expenses) were $3.2 million, reflecting a decrease of $0.6 million (16.9%). The largest component of general and administrative expenses is compensation and benefits followed by stock-based compensation relating to earn-out shares. The decrease in general and administrative expenses was mainly due to a reduction in stock-based compensation as a result of the completion of expensing of earn-out shares. This decrease was partially offset by an increase in rent as the Company took on additional leased space.

Amortization and impairment charges on intangibles, property and equipment was $0.9 million, reflecting a decrease of $0.5 million (35.0%) from the prior period. The decrease was mainly a result of reduction in the amortization of carried interests as a result of the December 31, 2013 carried interest write-down. During the current and prior period, the recoverable amount of goodwill, fund management contracts and carried interests aligned with their respective carrying values, therefore no impairment charge or impairment charge reversal was recognized.

The underlying inputs and assumptions that determine the recoverable amounts of goodwill, 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 intangible assets may demonstrate significant fluctuations in value over the year. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, record future impairment losses or reversals.

Adjusted base EBITDA

Adjusted base EBITDA was $1.2 million, reflecting a decrease of $0.1 million (11.2%) from the prior period. The decrease was the result of weaker management fees and higher rent expense being only partially offset by stronger commission revenues over the period.

SRLC

The SRLC segment provides loans to companies in the mining and energy sectors.

SRLC was acquired by the Company effective July 23, 2013 and as a result, its operations are presented for the three months ended March 31, 2014 without comparative information.

Results of operations:

	For the three months ended	
($ in thousands)	**March 31, 2014**	March 31, 2013
Revenue		
Interest income	**4,900**	—
Other	**2,521**	—
Total revenue	**7,421**	—
Expenses		
General and administrative	**1,783**	—
Total expenses	**1,783**	—
Income (loss) before income taxes for the period	**5,638**	—
Adjustments:		
Interest expense	**—**	—
Provision (recovery) for income taxes	**—**	—
Depreciation and amortization	**—**	—
EBITDA	**5,638**	—
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	**—**	—
(Gains) and losses on proprietary investments and loans	**(1,618)**	—
Non-cash stock based compensation	**—**	—
Adjusted EBITDA	**4,020**	—
Less:		
Performance fees	**—**	—
Performance fee related expenses	**—**	—
Adjusted base EBITDA	**4,020**	—

Three months ended March 31, 2014

Revenues

Interest income was $4.9 million. Interest income is earned primarily from resource sector loans.

Other revenues were $2.5 million and consisted of: (i) unrealized and realized gains and losses on proprietary investments and loans; (ii) other loan related revenue; and (iii) foreign exchange gains on U.S. denominated loans.

Expenses

General and administrative expenses (which includes compensation and benefits expenses) were $1.8 million. The largest component of general and administrative expenses is compensation and benefits followed by startup costs for new initiatives.

Adjusted base EBITDA

The acquisition of SRLC contributed $4.0 million to adjusted base EBITDA for the period and was primarily the result of interest income earned on the loan portfolio, gains on early repayment of loans, as well as foreign exchange gains on U.S. denominated loans.

Consulting Segment

The Consulting segment includes the operations of SC, Sprott Toscana, and Sprott Korea Corporation, the consulting businesses of the Company.

Results of operations:

	For the three months ended	
($ in thousands)	**March 31, 2014**	March 31, 2013
Revenue		
Management fees	**1,781**	3,022
Performance fees	**270**	1,348
Interest income	**15**	3
Other	**114**	86
Total revenue	**2,180**	4,459
Expenses		
General and administrative	**1,016**	2,153
Amortization of property and equipment	**9**	9
Total expenses	**1,025**	2,162
Income (loss) before income taxes for the period	**1,155**	2,297
Adjustments:		
Interest expense	**—**	—
Provision (recovery) for income taxes	**—**	—
Depreciation and amortization	**9**	9
EBITDA	**1,164**	2,306
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	**—**	—
(Gains) and losses on proprietary investments and loans	**—**	—
Non-cash stock based compensation	**104**	407
Adjusted EBITDA	**1,268**	2,713
Less:		
Performance fees	**(270)**	(1,348)
Performance fee related expenses	**68**	295
Adjusted base EBITDA	**1,066**	**1,660**

Three months ended March 31, 2014 vs. Three months ended March 31, 2013

Revenues

Total revenues were $2.2 million, reflecting a decrease of $2.3 million (51.1%) from the prior period.

Management Fees were $1.8 million, reflecting a decrease of $1.2 million (41.1%) from the prior period. The decrease was the result of lower Management Fees generated on lower average AUM in the Managed Companies, specifically as a result of the removal of $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 part of the net assets of the Company effective July 23, 2013.

Performance Fees were $0.3 million, reflecting a decrease of $1.1 million (80.0%) from the prior period. Revenues recognized during the period relate to Performance Fees earned in Sprott Toscana. In the comparative period, the majority of Performance Fees recognized were a result of greater than expected Performance Fees received in first quarter 2013 from a Managed Company and from the inclusion of Performance Fees from Sprott Toscana.

Interest income continues to be nominal. Interest income is primarily generated from cash deposits with banks and brokerages.

Other revenue was $114.0 thousand, reflecting an increase of $28.0 thousand from the prior period.

Expenses

General and administrative expenses (which include compensation and benefits expenses) were $1.0 million, reflecting a decrease of $1.1 million (52.8%) from the prior period. The decrease was due to a decline in compensation and benefits expenses and a reduction in the expensing of earn-out shares for Sprott Toscana as the vesting period approaches its end.

Adjusted base EBITDA

Adjusted base EBITDA was $1.1 million, reflecting a decrease of $0.6 million (35.8%) from the prior period. The decrease was primarily the result of a decline in management and performance fees as the SRLC management services contract was eliminated upon acquisition and consolidation of the SRLC business with that of the Company. The decrease in revenues was only partially offset by a decrease in expenses. SRLC is no longer a managed company of SC, but instead, is now its own standalone operating segment within the Company.

Corporate and Other 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. The Other segment includes the activities of SPW, the private wealth business of the Company.

Results of operations:

	For the three months ended	
($ in thousands)	**March 31, 2014**	March 31, 2013
Revenue		
Management fees	**88**	—
Commissions	**371**	589
Interest income	**410**	659
Trailer fee income	**700**	1,452
Other	**1,058**	(1,294)
Total revenue	**2,627**	1,406
Expenses		
General and administrative	**2,362**	1,993
Amortization of property and equipment	**11**	17
Total expenses	**2,373**	2,010
Income (loss) before income taxes for the period	**254**	(604)
Adjustments:		
Interest expense	**—**	—
Provision (recovery) for income taxes	**—**	—
Depreciation and amortization	**11**	17
EBITDA	**265**	(587)
Other adjustments:		
Impairment (reversal) of intangible assets	**—**	—
Impairment of goodwill	**—**	—
(Gains) and losses on proprietary investments and loans	**(1,009)**	1,553
Non-cash stock based compensation	**—**	9
Adjusted EBITDA	**(744)**	975
Less:		
Performance fees	**—**	—
Performance fee related expenses	**—**	—
Adjusted base EBITDA	**(744)**	**975**

Three months ended March 31, 2014 vs. Three months ended March 31, 2013

Revenues

Total revenues were $2.6 million, reflecting an increase of $1.2 million (86.8%) from the prior period.

Management Fees were $0.1 million, reflecting an increase of $0.1 million from the prior period. Management fees were earned by SPW on certain accounts it manages.

Commission revenue was $0.4 million, reflecting a decrease of $0.2 million (37.0%) from the prior period. The decrease was the result of a reduction in commission generating transactions (primarily private placements) from the prior period. These commissions were generated by SPW 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.

Interest income was $0.4 million, reflecting a decrease of $0.2 million (37.8%) from the prior period. The decrease was due to lower interest earned from the Corporate segment's proprietary investments along with a lower amount of interest income generated from cash deposits with banks and brokerage.

Trailers were $0.7 million, reflecting a decrease of $0.8 million (51.8)% from the prior period. The decrease was due to a decline in the average trailer paying AUA of SPW. Trailer fee income received by SPW from the SAM segment is an intercompany revenue, and as such, is eliminated on consolidation.

Other income was $1.1 million, reflecting an increase of $2.4 million from the prior period. The increase was the result of: (i) net unrealized and realized gains on proprietary investments compared to losses in the prior period; and (ii) foreign exchange gains.

Expenses

Total expenses were $2.4 million, reflecting an increase of $0.4 million (18.1%) from the prior period. The increase in expenses was mainly due to higher directors fees, marketing and regulatory expenses associated with certain new initiatives.

General and administrative expenses (which include compensation and benefits expenses) were $2.4 million, reflecting an increase of $0.4 million (18.5%) from the prior period. The increase was due to an increase in compensation and benefits expenses and stock-based compensation.

Adjusted base EBITDA

Adjusted base EBITDA was negative $0.7 million, reflecting a decrease of $1.7 million (176.3%) from the prior period. The decrease was the result of a decline in trailer fees and commissions along with higher compensation benefits expense.

SUMMARY OF QUARTERLY RESULTS

($ in thousands)	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	As at 31-Dec-13	As at 31-Mar-14
Assets Under Management	8,485,400	10,302,652	9,931,151	9,109,951	7,146,770	7,335,625	6,966,524	**7,694,545**

($ in thousands, except per share amounts)	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	3 Months ended 31-Dec-13	3 Months ended 31-Mar-14
Income Statement Information								
Revenue								
Management fees	28,084	28,202	29,242	25,951	21,458	19,497	17,792	**19,372**
Performance fees	17	93	9,769	1,348	141	892	6,613	**270**
Commissions	2,057	2,424	3,303	1,936	1,616	1,477	1,191	**1,924**
Interest income	612	655	705	759	968	3,306	4,815	**5,354**
Unrealized and realized gains (losses) on proprietary investments and loans	(3,984)	3,798	(1,789)	(3,049)	(9,466)	1,323	(3,286)	**4,350**
Other income	655	602	9,319	616	1,854	13,697	2,923	**1,601**
Total revenue	27,441	35,774	50,549	27,561	16,571	40,192	30,048	**32,871**
Net income (loss)	736	11,008	3,297	2,090	(6,710)	13,470	(90,111)	**10,239**
EBITDA	3,363	17,308	6,663	5,865	(8,070)	11,567	(87,690)	**13,236**
Adjusted base EBITDA	10,402	10,598	24,462	9,344	7,979	5,396	9,499	**9,060**
Basic earnings (loss) per share	0.00	0.07	0.02	0.01	(0.04)	0.06	(0.37)	**0.04**
Diluted earnings (loss) per share	0.00	0.06	0.02	0.01	(0.04)	0.06	(0.37)	**0.04**
Basic and diluted EBITDA per share	0.02	0.10	0.04	0.03	(0.05)	0.05	(0.36)	**0.05**
Basic and diluted adjusted base EBITDA per share	0.06	0.06	0.14	0.05	0.04	0.02	0.04	**0.04**

Performance Fees are typically earned on the last day of the fiscal year other than Funds managed by RCIC. As a result, quarters ending December 31 are significantly more variable than other quarters during the year. There is generally no other seasonality to the Company's earnings and the trends in fees and expenses relate primarily to the level of AUM.

During the fourth quarter of 2013, impairment charges on carried interests and goodwill were taken in the amount of $98.4 million.

The consolidated results shown in the table above include the results of SRLC from the date of its acquisition on July 23, 2013.

Dividends

On March 25, 2014, a dividend of $0.03 per common share was declared for the quarter ended December 31, 2013. This dividend was paid on April 23, 2014 to shareholders of record at the close of business on April 8, 2014.

Capital Stock

Capital stock issued and outstanding as at March 31, 2014 was 246.8 million common shares (December 31, 2013 - 245.9 million) for total equity of $428.4 million (December 31, 2013 - $420.3 million).

The increase in common shares of 0.8 million was due to: (i) the acquisition of fund management contracts from Arrow Capital Management Inc. which resulted in the issuance of 0.2 million common shares valued at $0.8 million from treasury; (ii) 0.4 million common shares valued at $2.4 million held for the EPSP were released on vesting. Common shares held for the EPSP program are treated as if the Company repurchased the shares for retirement; and (iii) Issuance of 0.2 million common shares valued at $1.7 million from treasury, in accordance with the Share Purchase agreement relating to the Global Companies acquisition.

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 quarters of 2012, 2013 and 2014, a total of 532,500 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 Sprott Toscana acquisition, the sellers were eligible to earn up to an additional 0.9 million common shares of the Company with the achievement of certain earnings targets by Sprott Toscana over a period not exceeding three years from the acquisition date.

Earnings per share as at March 31, 2014 and March 31, 2013 have been calculated using the weighted average number of shares outstanding during the respective periods. Basic and diluted earnings per share for the three months ended March 31, 2014 was $0.04 compared to $0.01 for the prior period. Diluted earnings per share reflects the dilutive effect of in-the-money stock options, shares held for the equity incentive plan, estimated earn-out shares being accrued over the Sprott Toscana earn-out vesting period, and outstanding restricted stock units.

A total of 2,650,000 stock options have been issued pursuant to our stock option plan. As at March 31, 2014, 2,650,000 of those stock options were exercisable.

As at May 13, 2014, the Company had 248.3 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 by the Company. Management Fees are collected monthly or quarterly and Interest Income collected monthly, which aids the Company's ability to manage cash flow. The Company believes that Management Fees and Interest Income will continue to be sufficient to satisfy 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 the Company's 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.

The Company does not have off-balance sheet contractual arrangements and no material contractual obligations other than its long-term lease agreement. The Company has a credit facility with a major Canadian chartered bank in the amount of $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 and contains financial covenants that require the Company to meet certain financial ratio and financial condition tests. The Company has not drawn on the credit facility as at March 31, 2014. See note 7 of the unaudited interim condensed consolidated financial statements for further details.

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 March 31, 2014, 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 March 31, 2014 and expects most legal costs will be recoverable under its insurance policies and other contractual arrangements.

Critical Accounting Judgments and Estimates

The unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS, using accounting policies the Company adopted in its unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2014. 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 March 31, 2014.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires the Company to exercise judgment, 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. Items that require the use of judgment, estimates and assumptions are described below.

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment. Finite life intangibles are only tested for impairment to the extent indications of impairment exist at time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash flows, 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 estimates of future performance and fair value change.

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 and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 9 of the unaudited interim condensed consolidated financial statements.

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 (in the case of options grants) the expected life of the option, volatility, and dividend yields, (and in the case of earn-out shares), the 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.

Deferred tax assets

Deferred tax assets are recognized primarily for unused tax losses to the extent it is probable that sufficient taxable profit will be generated in order to utilize the losses. 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 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 tax laws and regulations, both domestic and foreign; an amendment to the calculation of partnership income allocation; 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 on the likely timing and the level of future taxable profits together with future tax planning strategies.

Provisions, including provisions for loan losses

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, including assumptions concerning the likelihood of future events occurring. The actual outcome of these uncertain events may be materially different from the initial provision in the Company's financial statements. With regard to 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.

Investments in other entities

IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") and IAS 28 - *Investments in Associates and Joint Ventures* ("IAS 28") provide for the use of judgment in determining whether an investee should be included within the consolidated financial statements of the Company and on what basis (subsidiary, joint venture or associate). Significant judgment is applied in evaluating facts and circumstances relevant to the Company and investee, including: the extent of the Company's direct and indirect interests in the investee; the level of compensation to be received from the investee for management and other services provided to it; kick out rights available to other investors in the investee; and other indicators of the extent of power that the Company has over the investee.

Valuation of foreclosed properties held for sale

Management exercises judgment to determine the timing and amount of future cash flows from foreclosed properties held for sale.

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 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 financial markets; non-repayment by borrowers; failure to retain and attract qualified staff; poor investment performance; changes in the investment management industry; competitive pressures; 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 Company's 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 and is available on SEDAR.

The Company has processes and procedures in place to monitor and mitigate risks to the extent reasonable and practicable within the framework of the Company's overall strategic objectives of delivering excellence in investment performance. Certain key risks are managed as described below:

Market Risk

The Company monitors, evaluates and manages the principal risks associated with the conduct of its business. These risks include external market risks to which all investors are subject and internal risks resulting from the nature of its business. In SAM, RCIC and SAM US, the Company will manage risk at the investment product level through the selection, weighting and monitoring of individual investments based on stated investment objectives and strategies. At SPW and SGRIL, risk is managed 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 11 to the unaudited interim condensed consolidated financial statements illustrates the Company's sensitivity to changes in interest rates.

Credit Risk

The Company's loan portfolio introduces the 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 as these assets are typically relied upon as collateral against the loan portfolio. These market changes may be regional, national or international in nature and scope or may revolve around a specific asset. 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, the Company 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.

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. The Company has internal control policies related to 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 the Company's 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 evaluate annually the DC&P and ICFR. The last annual assessment was completed in December 2013 and the Company concluded at that time that the controls were properly designed and operating effectively. There were no material changes in the Company's control environment that occurred during the three months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Conflicts of Interest

The Company established a number of policies with respect to employee personal trading. Employees may not trade any of the securities held or being considered for investment by any of the Company's 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 employees must comply with the Company's Code of Ethics. This Code establishes strict rules for professional conduct including the 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. The Company established an independent review committee for public mutual Funds and other Funds. As required by NI 81-107, The Company established written policies and procedures for dealing with conflict of interest matters, and maintains records in respect of these matters and provides 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 the Company and to the holders of interests in public mutual Funds in respect of its functions.

Confidentiality of Information

Confidentiality is essential to the success of the Company's business, and it strives to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties. The Company keeps the affairs of its clients confidential and does not disclose the identities of clients (absent expressed client consent to do so). If a prospective client requests a reference, the Company will not provide the name of an existing client before receiving permission from that client to do so.

Insurance

The Company maintains appropriate insurance coverage for general business and liability risks as well as insurance coverage required by regulation. Insurance coverage is reviewed 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 months ended March 31, 2014

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *($ in thousands of Canadian dollars)*		**March 31, 2014**	December 31, 2013
Assets			
Current			
Cash and cash equivalents		**147,915**	115,670
Fees receivable		**10,302**	13,793
Loans receivable	*(Note 6)*	**28,506**	54,402
Other assets		**3,465**	17,071
Income taxes recoverable		**1,978**	3,545
Total current assets		**192,166**	204,481
Proprietary investments	*(Note 3)*	**106,653**	94,268
Loans receivable	*(Note 6)*	**48,447**	49,850
Other assets		**3,755**	3,613
Property and equipment, net	*(Note 4)*	**6,825**	7,010
Intangible assets	*(Note 5)*	**35,877**	32,597
Goodwill	*(Note 5)*	**48,126**	46,378
Deferred income taxes	*(Note 8)*	**16,237**	17,523
		265,920	251,239
Total assets		**458,086**	455,720
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		**9,203**	13,151
Compensation and employee bonuses payable		**3,273**	9,973
Dividends payable		**7,450**	—
Total current liabilities		**19,926**	23,124
Deferred income taxes	*(Note 8)*	**9,798**	12,298
Total liabilities		**29,724**	35,422
Shareholders' equity			
Capital stock	*(Note 7)*	**414,821**	410,420
Contributed surplus	*(Note 7)*	**43,243**	45,664
Retained earnings (deficit)		**(45,455)**	(48,244)
Accumulated other comprehensive income		**15,753**	12,458
Total shareholders' equity		**428,362**	420,298
Total liabilities and shareholders' equity		**458,086**	455,720

See accompanying notes

Eric Sprott
Director, Chairman

James Roddy
Director, Chair of Audit Committee

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

For the three months ended March 31 ($ in thousands of Canadian dollars, except for per share amounts)		**2014**	2013
Revenue			
Management fees		**19,372**	25,951
Performance fees		**270**	1,348
Commissions		**1,924**	1,936
Interest income		**5,354**	759
Unrealized and realized gains (losses) on proprietary investments and loans		**4,350**	(3,049)
Other income		**1,601**	616
Total revenue		**32,871**	27,561
Expenses			
Compensation and benefits		**9,129**	9,847
Stock-based compensation	*(Note 7)*	**1,480**	2,649
Trailer fees		**3,008**	3,417
General and administrative		**6,018**	5,784
Amortization of intangibles	*(Note 5)*	**1,374**	1,787
Amortization of property and equipment	*(Note 4)*	**196**	236
Total expenses		**21,205**	23,720
Income before income taxes for the period		**11,666**	3,841
Provision for income taxes	*(Note 8)*	**1,427**	1,751
Net income for the period		**10,239**	2,090
Basic earnings per share	*(Note 7)*	**$ 0.04**	$ 0.01
Diluted earnings per share	*(Note 7)*	**$ 0.04**	$ 0.01

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended March 31 ($ in thousands of Canadian dollars)	**2014**	2013
Net income for the period	**10,239**	2,090
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain on foreign operations (taxes of nil)	**3,295**	3,807
Total other comprehensive income	**3,295**	3,807
Comprehensive income	**13,534**	5,897

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 (Deficit)	Accumulated Other Comprehensive Income	Total Equity
At December 31, 2013		**245,945,857**	**410,420**	**45,664**	**(48,244)**	**12,458**	**420,298**
Shares released on vesting of equity incentive plan	*(Note 7)*	**414,884**	**2,382**	**(2,382)**	—	—	—
Foreign currency translation gain on foreign operations		—	—	—	—	**3,295**	**3,295**
Additional purchase consideration		**177,500**	**1,223**	**(1,517)**	—	—	**(294)**
Stock-based compensation		—	—	**1,480**	—	—	**1,480**
Shares issued from treasury		**225,764**	**796**	**(2)**	—	—	**794**
Regular dividends paid	*(Note 10)*	—	—	—	**(7,450)**	—	**(7,450)**
Net income		—	—	—	**10,239**	—	**10,239**
Balance, March 31, 2014		**246,764,005**	**414,821**	**43,243**	**(45,455)**	**15,753**	**428,362**
At December 31, 2012		169,049,677	215,474	42,808	58,609	818	317,709
Business acquisition		68,962,896	166,201	—	—	—	166,201
Shares acquired for equity incentive plan		(448,500)	(697)	(558)	—	—	(1,255)
Shares released on vesting of equity incentive plan		627,125	3,714	(3,707)	—	—	7
Foreign currency translation gain on foreign operations		—	—	—	—	11,640	11,640
Additional purchase consideration		177,500	1,090	(1,234)	—	—	(144)
Stock-based compensation		—	—	10,264	—	—	10,264
Deferred tax asset on stock-based compensation		—	—	(1,904)	—	—	(1,904)
Shares issued from treasury		7,577,159	24,638	(5)	—	—	24,633
Regular dividends paid		—	—	—	(25,592)	—	(25,592)
Net loss		—	—	—	(81,261)	—	(81,261)
Balance, December 31, 2013		245,945,857	410,420	45,664	(48,244)	12,458	420,298

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the three months ended March 31 ($ in thousands of Canadian dollars)	**2014**	2013
Operating Activities		
Net income for the period	**10,239**	2,090
Add (deduct) non-cash items:		
Losses (gains) on proprietary investments and loans	**(4,350)**	3,049
Stock-based compensation	**1,480**	2,649
Amortization of property, equipment and intangible assets	**1,570**	2,023
Deferred income tax recovery	**(1,523)**	(1,172)
Other items	**(1,302)**	(167)
Income taxes	**2,950**	2,923
Income taxes paid	**(1,112)**	(7,363)
Changes in:		
Fees receivable and other assets	**16,758**	990
Loans receivable	**26,992**	—
Accounts payable, accrued liabilities, compensation and employee bonuses payable	**(10,315)**	(10,118)
Effect of foreign exchange on cash balances	**659**	132
Cash provided by (used in) operating activities	**42,046**	(4,964)
Investing Activities		
Purchase of proprietary investments	**(21,003)**	(30,778)
Sale of proprietary investments	**14,441**	111
Purchase of property and equipment	**(13)**	(310)
Deferred sales commissions paid	**(680)**	(342)
Purchase of intangible assets	**(3,338)**	(532)
Cash used in investing activities	**(10,593)**	(31,851)
Financing Activities		
Shares issued from treasury	**792**	24,500
Cash provided by financing activities	**792**	24,500
Net increase (decrease) in cash and cash equivalents during the period	**32,245**	(12,315)
Cash and cash equivalents, beginning of the period	**115,670**	77,400
Cash and cash equivalents, end of the period	**147,915**	65,085
Cash and cash equivalents:		
Cash	**102,645**	21,399
Short-term deposits	**45,270**	43,686
	147,915	65,085

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 audited consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

These unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2014 were authorized for issue by a resolution of the Board of Directors on May 13, 2014.

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 classified as held-for-trading or designated as 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 four limited partnerships in which the Company is the sole limited partner and general partner.

The four limited partnerships are: Sprott Asset Management LP ("SAM"); Sprott Private Wealth LP ("SPW"); Sprott Consulting LP ("SC") and Sprott Asia LP ("Asia"). Material wholly-owned subsidiaries are Sprott U.S. Holdings Inc., Sprott Resource Lending Corp. ("SRLC"), Toscana Capital Corporation and Toscana Energy Corporation (Collectively, "Sprott Toscana"), 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")), Sprott Asset Management USA Inc. ("SAM US") and Resource Capital Investment Corporation ("RCIC"). Collectively, these interests of Sprott U.S. Holdings Inc. are referred to as the "Global Companies". These are entities over which the Company has control. 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 returns the Company receives. 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 entities for which it owns less than one half of the voting rights, other than the Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust"), which the Company is deemed to control.

The subsidiaries and limited partnerships noted above are consolidated from the date the Company obtains control. All intercompany balances with subsidiaries are eliminated upon consolidation. Subsidiary financial statements are prepared over the same reporting period as the Company and are based on accounting policies consistent with that of the Company.

Investments in funds ("Fund" or "Funds") managed by the Company and included in proprietary investments, are assessed to determine whether the Company has control, joint control or significant influence. This determination includes consideration of all facts and circumstances relevant to a Fund, including the extent of the Company's direct and indirect interests in a Fund, the level of compensation to be received from a Fund for management and other services provided to it, kick out rights available to other investors and other indicators of power the Company has over a Fund. If a Fund is determined to be controlled, it will be consolidated by the Company. If a Fund is determined to be subject to significant influence, the Company has designated the investment 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*.

The Company manages a range of public mutual funds, alternative investment strategies, offshore funds, bullion funds and physical trusts, which meet the definition of structured entities under IFRS. The principal place of business of the Funds is Toronto, Ontario, which is where the ultimate manager of all the funds resides. As at March 31, 2014, assets under management in public mutual funds was $1.7 billion (December 31, 2013 - $1.5 billion); alternative investment strategies $711 million (December 31, 2013 - $765 million); offshore funds $186 million (December 31, 2013 - $173 million); bullion funds $256 million (December 31, 2013 - $239 million); and physical trusts $3.3 billion (December 31, 2013 - $3.3 billion). The Company had investments in 17 Funds (December 31, 2013 - 37) with an average ownership interest of 7.2% (December 31, 2013 - 7.6%). The Company provides no guarantees against the risk of financial loss to the investors of these investment funds.

Recognition of income

The Company earns management fees from the funds, managed accounts and companies that it manages. 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 or managed company as a percentage of: (i) excess performance over the relevant benchmark; (ii) the increase in net asset values over a predetermined hurdle, if any; or (iii) the net profit 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 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 rate in the loan documents. 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

Public equities, fixed income securities and share purchase warrants are measured at fair value and are accounted for on a trade-date basis.

Mutual fund and alternative investment strategy investments are valued using the net asset value per unit of the fund, which represents the underlying net assets at fair values determined using closing market prices. The Company's investments in funds it manages through its subsidiaries are included on the consolidated balance sheet as proprietary investments. These investments are generally made in the process of launching a new fund and are redeemed as third party investors subscribe. The balance represents the Company's maximum exposure to loss associated with the investments.

Private holdings include interests in private companies and are fair valued based on 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 that might reasonably be determined until the individual positions are liquidated. Private holdings also include foreclosed properties held for sale.

Foreclosed properties held for sale include properties for which SRLC is entitled, through court order, to take title or to enforce the sale, unconditionally. In accordance with IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations*, (IFRS 5) foreclosed properties held for sale that are in saleable condition and for which a sale is considered probable are classified as held for sale and are initially measured at the lower of carrying value or fair value less estimated costs to sell. Subsequent changes in carrying values of foreclosed properties are reported within Unrealized and realized gains (losses) on proprietary investments and loans. 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 the fair value of foreclosed properties, which involves engaging realtors, valuation experts and other professionals as deemed necessary to obtain independent property appraisals and assessments of market conditions. Costs to sell include property taxes and realtor commissions.

Investments in gold bullion are measured at fair value determined by reference to published price quotations, with unrealized and realized gains and losses recorded in income in accordance with IAS 40 *Investment Property* (IAS 40) fair value model. Investment transactions in physical gold bullion are accounted for on the business day following the date the order to buy or sell is executed.

Loans receivable

Precious metal loans

Precious metal loans are initially measured at fair value. After initial measurement, precious metal loans are designated as fair value through profit or loss (FVTPL) or classified as held-to-maturity (HTM). All funds advanced to a borrower are first allocated to the value of any shares, warrants, commitment fees, etc. and are recognized as part of proprietary investments on the Company's balance sheet. The remaining funds are recognized as loan principal on the balance sheet. At each reporting period, precious metal loans are fair valued using published futures contract prices for precious metals and discount rates to reflect the time value of money. Discount rates are reviewed at each reporting period and adjusted as necessary for changes in credit risk of the borrower, or for changes in relevant market conditions. To assess market changes, the Company reviews yields to maturity for a group of comparable loans or borrowings trading in the market based on similar characteristics such as terms to maturity, security rankings and business risks.

Resource bridge loans and real estate loans

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

Resource bridge loans 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 considered an integral part of the yield earned on the loan 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 bridge loans 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 which are discounted using the original effective interest rate on the loan. To the extent that discounted estimated future cash flows are less than a loan's 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 considers the security of a loan to be 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 loan is required to be written off, the Company would apply a loan loss provision against the entire carrying amount of the loan to write it down to a zero value.

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, the current state of commodity markets and reviews of markets for information on the risks associated with the debt or equity of the borrower.

Financial instruments

Financial instrument assets held by the Company are classified as held-for-trading (HFT), designated as FVTPL, HTM or as loans and receivables. Financial instrument liabilities may be classified as either HFT or other. The Company does not currently hold available-for-sale instruments (AFS). All financial instruments held by the Company 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 active markets where available or through the use of valuation techniques as appropriate. Precious metal loans are designated as FVTPL or classified as HTM. Changes in fair value of the Company's financial instruments are reflected in net income, with the exception of financial instruments classified as HTM, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Transaction costs related to financial assets classified as HFT or designated as FVTPL 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 have occurred after 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 are classified as HFT;
- Proprietary investments are classified as HFT or as loans and receivables, as appropriate;
- Fees receivable, proceeds receivable (part of other assets) and loans receivable are classified as loans and receivables;
- Precious metal loans are designated as FVTPL or classified as HTM; and
- Accounts payable and accrued liabilities and compensation and employee bonuses payable are classified as other financial liabilities.

Fair value option

A financial instrument can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term. An instrument that is designated as FVTPL by way of this fair value option must have a reliably measurable fair value and satisfy one of the following criteria: (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing gains and losses on them on a different basis; (ii) it belongs to a group of financial assets or financial liabilities or both that are managed, evaluated, and reported to senior management on a fair value basis in accordance with the Company's documented investment or risk management strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or (iii) there is an embedded derivative in the financial or non-financial host contract and the embedded derivative can significantly modify the cash flows required under the contract.

Financial instruments designated as FVTPL are recorded at fair value with any unrealized gain or loss being included with Unrealized and realized gains (losses) on proprietary investments and loans. These financial instruments cannot be reclassified out of the FVTPL category while they are held or issued. Certain of the Company's precious metal loans are currently designated 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.

The Company will transfer financial instruments into or out of levels in the fair value hierarchy to the extent the instrument no longer satisfies the criteria for inclusion in the category in question. See note 9.

Level 3 valuations are prepared by the Company and reviewed and approved by management at each reporting date. Valuation results, including the appropriateness of model inputs, are compared to actual market transactions to the extent readily available. Valuations of level 3 assets are also discussed with the Audit Committee as deemed necessary by the Company as part of its quarterly review of the Company's financial statements.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported on 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 over the expected useful life which ranges from 1 to 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Artwork is not amortized since it does not have a determinable useful life.

The residual values, useful life and methods of amortization for property and equipment are reviewed at each reporting date and adjusted prospectively, if necessary.

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 an intangible asset is either finite or indefinite. Intangible assets other than goodwill are recognized when they are separable or arise from contractual or other legal rights, and have fair values that can be reliably measured.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. Intangible assets with finite lives are only tested for impairment if indicators of impairment exist at the time of an impairment assessment. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at each reporting date. 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 operations.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. In addition to quarterly impairment indicator assessments, indefinite life intangibles must be tested annually for impairment. The indefinite life of an intangible asset is reviewed annually to determine whether the indefinite life continues to be supportable. If not, change in useful life from indefinite to finite are made prospectively.

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 but cannot 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 operations 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 rather, is assessed for impairment indicators at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. In addition to quarterly impairment indicator assessments, goodwill must be tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash generating units (CGUs) that are expected to benefit from the acquisition. The recoverable amount of a CGU is compared to its carrying value plus any goodwill allocated to the CGU. If the recoverable amount of a CGU is less than its carrying value plus allocated goodwill, an impairment charge is recognized, first against the carrying value of the goodwill, with any remaining difference being applied against the carrying value of assets contained in the impacted CGUs. Impairment losses on goodwill are recorded in the consolidated statements of operations and cannot be subsequently reversed.

Income taxes

Income tax is comprised of current and deferred tax.

Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in other comprehensive income, in which case, the related taxes are also recognized in the consolidated statements of comprehensive income.

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.

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 7). 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 earn-out shares are determined using appropriate valuation models (see note 7). Compensation expense for the Trust is determined based on the value of the Company's common shares purchased by the Trust (see note 7). 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 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

Accounts 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 the functional currency of the Company. The Canadian dollar is also the functional currency of all its subsidiaries, with the exception of Sprott U.S. Holdings Inc. and the Global Companies, which uses the US dollar as its functional currency. Accordingly, the 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 date 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 (see note 12). 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 unaudited 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 and estimates as they occur.

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment. Finite life intangibles are only tested for impairment to the extent indications of impairment exist at the time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash flows, 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 estimates of future performance and fair value change.

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 and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 9 of the unaudited interim condensed consolidated financial statements.

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 (in the case of options grants) the expected life of the option, volatility, and dividend yields, (and in the case of earn-out shares), the 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.

Deferred tax assets

Deferred tax assets are recognized primarily for unused tax losses to the extent it is probable that sufficient taxable profit will be generated in order to utilize the losses. 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 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 tax laws and regulations, both domestic and foreign; an amendment to the calculation of partnership income allocation; 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 on the likely timing and the level of future taxable profits together with future tax planning strategies.

Provisions, including provisions for loan losses

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, including assumptions concerning the likelihood of future events occurring. The actual outcome of these uncertain events may be materially different from the initial provision in the Company's financial statements. With regard to 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.

Investments in other entities

IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") and IAS 28 - *Investments in Associates and Joint Ventures* ("IAS 28") provide for the use of judgment in determining whether an investee should be included within the consolidated financial statements of the Company and on what basis (subsidiary, joint venture or associate). Significant judgment is applied in evaluating facts and circumstances relevant to the Company and investee, including: the extent of the Company's direct and indirect interests in the investee; the level of compensation to be received from the investee for management and other services provided to it; kick out rights available to other investors in the investee; and other indicators of the extent of power that the Company has over the investee.

Valuation of foreclosed properties held for sale

Management exercises judgment to determine the timing and amount of future cash flows from foreclosed properties held for sale.

Accounting policies adopted during the period

Amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32")

The amendments to IAS 32 clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. The amendments to IAS 32 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements upon adoption.

IFRIC 21, *Levies* ("IFRIC 21")

In May 2013, the IFRS Interpretations Committee ("IFRIC"), with the approval of the IASB, issued IFRIC 21. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by the government that is accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. The adoption of IFRIC 21 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Future changes in accounting policies

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 is expected to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). On February 20, 2014, the IASB set the mandatory effective date of IFRS 9 to January 1, 2018. The Company is evaluating the potential impacts to the financial statements.

3. PROPRIETARY INVESTMENTS

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

	March 31, 2014	December 31, 2013
Gold bullion	**6,587**	6,532
Public equities and share purchase warrants	**6,374**	4,097
Mutual funds and alternative investment strategies*	**75,054**	69,429
Fixed income securities	**9,072**	7,223
Private holdings	**9,566**	6,987
Total proprietary investments	**106,653**	94,268

*Investments in mutual funds and alternative investment strategies are primarily managed by SAM or RCIC. As at March 31, 2014, the underlying investments related to the Company's investments in mutual funds and alternative investment strategies primarily consisted of cash and short-term investments of $34.5 million (December 31, 2013 - $24 million), equities of $13.5 million (December 31, 2013 - $22 million), short equity positions of $75.5 million (December 31, 2013 - $70 million), fixed income securities of $100.3 million (December 31, 2013 -$86 million), bullion of $3.7 million (December 31, 2013 - $4 million) and derivatives of $2.3 million (December 31, 2013 - $nil). The underlying securities of these funds are classified as held for trading and recognized at fair value through profit or loss.

4. 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, 2012	2,007	2,902	2,049	7,280	14,238
Business acquisition	38	—	2	—	40
Additions, net of disposals	—	34	71	576	681
December 31, 2013	2,045	2,936	2,122	7,856	14,959
Net exchange differences	—	18	14	11	43
March 31, 2014	**2,045**	**2,954**	**2,136**	**7,867**	**15,002**
Accumulated amortization					
At December 31, 2012	—	(2,282)	(1,925)	(2,771)	(6,978)
Charge for the period	—	(240)	(131)	(555)	(926)
Net exchange differences	—	(19)	(23)	(3)	(45)
December 31, 2013	—	(2,541)	(2,079)	(3,329)	(7,949)
Charge for the period	—	(38)	(15)	(143)	(196)
Net exchange differences	—	(15)	(14)	(3)	(32)
March 31, 2014	**—**	**(2,594)**	**(2,108)**	**(3,475)**	**(8,177)**
Net Book Value at:					
December 31, 2013	2,045	395	43	4,527	7,010
March 31, 2014	**2,045**	**360**	**28**	**4,392**	**6,825**

5. 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, 2012	134,675	14,327	23,464	30,386	4,340	207,192
Net additions	—	—	—	828	1,970	2,798
Net exchange differences	8,474	—	1,415	2,130	—	12,019
December 31, 2013	143,149	14,327	24,879	33,344	6,310	222,009
Net additions	—	2,525	—	813	680	4,018
Net exchange differences	5,304	—	886	1,350	—	7,540
At March 31, 2014	**148,453**	**16,852**	**25,765**	**35,507**	**6,990**	**233,567**
Accumulated amortization and impairment losses						
At December 31, 2012	(8,935)	—	(8,632)	(16,418)	(2,214)	(36,199)
Amortization charge for the period	—	—	(3,025)	(2,198)	(1,565)	(6,788)
Net impairment charge for the period	(87,960)	—	—	(10,360)	—	(98,320)
Net exchange differences	124	—	(485)	(1,366)	—	(1,727)
December 31, 2013	(96,771)	—	(12,142)	(30,342)	(3,779)	(143,034)
Amortization charge for the period	—	—	(810)	(122)	(442)	(1,374)
Net exchange differences	(3,556)	—	(372)	(1,228)	—	(5,156)
At March 31, 2014	**(100,327)**	**—**	**(13,324)**	**(31,692)**	**(4,221)**	**(149,564)**
Net Book Value at:						
December 31, 2013	46,378	14,327	12,737	3,002	2,531	78,975
March 31, 2014	**48,126**	**16,852**	**12,441**	**3,815**	**2,769**	**84,003**

Net Book Value	**March 31, 2014**	December 31, 2013
Intangibles	**35,877**	32,597
Goodwill	**48,126**	46,378
	84,003	78,975

The Company identified six CGUs for goodwill impairment assessment and testing purposes: SAM, Global Companies, SRLC, Corporate, SC and SPW. Operating segments of the Company are a separate but related concept under IFRS and are described in note 12.

Impairment assessment of goodwill

As at March 31, 2014, the Company had goodwill allocated across its CGUs as follows ($ in thousands):

CGU	**Allocated Goodwill**	
	March 31, 2014	December 31, 2013
SAM	21,200	20,400
Global Companies	23,726	22,778
SRLC	—	—
Corporate	—	—
SC	3,200	3,200
SPW	—	—
	48,126	46,378

Goodwill is tested for impairment at least annually, which for the Company is in December of each year. During the first, second, and third quarters, goodwill is assessed for indicators of impairment. As at March 31, 2014, there were no indicators of impairment of goodwill for any of the Company's CGUs.

Impairment assessment of indefinite life fund management contracts

As at March 31, 2014 the Company had indefinite life fund management contracts within the SAM CGU of $4.1 million (December 31, 2013 - $1.5 million) and within the SC CGU of $12.8 million (December 31, 2013 - $12.8 million). There were no indicators of impairment for the period.

Impairment assessment of finite life fund management contracts

As at March 31, 2014, the Company had finite life fund management contracts of $12.4 million within the Global Companies CGU (December 31, 2013 - $12.7 million). There were no indicators of impairment for the period.

Impairment assessment of carried interests

As at March 31, 2014, the Company had carried interests of $3.8 million within the Global Companies CGU (December 31, 2013 - $3.0 million). There were no indicators of impairment for the period.

Impairment assessment of deferred sales commissions

As at March 31, 2014, the Company had deferred sales commissions of $2.8 million within the SAM CGU (December 31, 2013 - $2.5 million). There were no indicators of impairment for the period.

6. LOANS RECEIVABLE

Components of loans receivable

Loans receivable are reported at their amortized cost using the effective interest method, other than precious metal loans that are designated as FVTPL which are reported at fair value.

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

	March 31, 2014	December 31, 2013
Resource bridge loans		
Loan principal	**61,465**	88,778
Accrued interest	**168**	62
Deferred revenue	**(2,106)**	(3,668)
Amortized cost, before loan loss provisions	**59,527**	85,172
Loan loss provisions	**—**	—
Carrying value of resource bridge loans receivable	**59,527**	85,172
Less: current portion	**(19,554)**	(45,890)
Total non-current resource bridge loans receivable	**39,973**	39,282
Real estate loans		
Loan principal	**4,389**	4,389
Accrued interest	**354**	222
Amortized cost, before loan loss provision	**4,743**	4,611
Loan loss provision	**(354)**	(222)
Carrying value of real estate loans receivable	**4,389**	4,389
Less: current portion	**(4,389)**	(4,389)
Total non-current real estate loans receivable	**—**	—
Precious metal loans		
Precious metal loan - FVTPL	**10,911**	11,658
Precious metal loan - HTM	**2,126**	3,033
Carrying value of precious metal loans	**13,037**	14,691
Less: current portion	**(4,563)**	(4,123)
Total non-current precious metal loans	**8,474**	10,568
Total carrying value of loans receivable	**76,953**	104,252
Less: current portion	**(28,506)**	(54,402)
Total carrying value of non-current loans receivable	**48,447**	49,850

Impaired loans and loan loss provisions

When a 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 March 31, 2014, 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:

	March 31, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Real estate loans				
Carrying value of impaired loan	**1**	**4,743**	1	4,611
Loan loss provision	—	**(354)**	—	(222)
Total carrying value of impaired loan, net of loan loss provision	**1**	**4,389**	1	4,389
Total carrying value of impaired loans, net of loan loss provisions	**1**	**4,389**	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	
	March 31, 2014	March 31, 2013
Interest on impaired loans	**132**	—
Loan loss provision on real estate loans		
Balance, beginning of period	**222**	—
Loan loss expense on real estate loan	**132**	—
Balance, end of period	**354**	—

Sector distribution of loan principal

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

	March 31, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans				
Metals and mining	**5**	**45,097**	9	76,419
Energy and other	**5**	**16,368**	5	12,359
Total resource bridge loan principal	**10**	**61,465**	14	88,778
Precious metal loans				
Metals and mining *	**2**	**13,037**	2	14,691
Total precious metal loan principal	**2**	**13,037**	2	14,691
Real estate loans				
Land under development	**1**	**4,389**	1	4,389
Total real estate loan principal	**1**	**4,389**	1	4,389
Total loan principal	**13**	**78,891**	17	107,858

* As at March 31, 2014, $10.9 million of the precious metal loans were designated as FVTPL which includes principal and interest while the remaining $2.1 million were classified as HTM. As at December 31, 2013, $11.7 million were designated as FVTPL and $3.0 million of the precious metal loans were classified as HTM.

Geographic distribution of loan principal

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

	March 31, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans				
Canada	**5**	**25,000**	7	27,000
United States of America	**2**	**9,368**	3	24,831
Mexico	**1**	**13,000**	1	17,800
Australia	**1**	**10,000**	2	14,872
Chile	**1**	**4,097**	1	4,275
Total resource bridge loan principal	**10**	**61,465**	14	88,778
Precious metal loans				
Canada *	**2**	**13,037**	2	14,691
Total precious metal loan principal	**2**	**13,037**	2	14,691
Real estate loans				
Canada	**1**	**4,389**	1	4,389
Total real estate loan principal	**1**	**4,389**	1	4,389
Total loan principal	**13**	**78,891**	17	107,858

* As at March 31, 2014, $10.9 million of the precious metal loans were designated as FVTPL which includes principal and interest while the remaining $2.1 million were classified as HTM. As at December 31, 2013, $11.7 million were designated as FVTPL and $3.0 million of the precious metal loans were classified as HTM.

Priority of security charges

All of the Company's loans are senior secured with the exception of one resource bridge loan, with a carrying value of $4.6 million, which is unsecured.

Past due loans that are not impaired

Loans are considered past due once the borrower has failed to make payments within 30 days of the contractual due date. As at the balance sheet date, all past due loans were considered impaired.

Loan commitments

As at March 31, 2014, the Company had $3.9 million of outstanding loan commitments (December 31, 2013 - $1.9 million).

7. SHAREHOLDERS' EQUITY

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, 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	68,962,896	166,201
Acquired for equity incentive plan	(448,500)	(697)
Released on vesting of equity incentive plan	627,125	3,714
At December 31, 2013	245,945,857	410,420
Additional purchase consideration	177,500	1,223
Issuance of share capital on purchase of management contracts	224,363	792
Issuance of share capital on conversion of RSU	1,401	4
Released on vesting of equity incentive plan	414,884	2,382
At March 31, 2014	**246,764,005**	**414,821**

Contributed surplus consists of: stock option expense; earn-out shares expense; equity incentive plans' expense; and additional purchase consideration.

	Stated value ($ in thousands)
At December 31, 2012	42,808
Expensing of Sprott Inc. stock options over the vesting period	30
Expensing of EPSP / EIP shares over the vesting period	3,922
Expensing of earn-out shares over the vesting period	6,312
Write-down of deferred tax asset on earn-out shares	(1,904)
Issuance of shares relating to additional purchase consideration	(1,234)
Issuance of share capital on conversion of RSU	(5)
Excess on repurchase of common shares for equity incentive plan *	(558)
Released on vesting of common shares for equity incentive plan	(3,707)
At December 31, 2013	45,664
Expensing of EPSP / EIP shares over the vesting period	973
Expensing of earn-out shares over the vesting period	507
Issuance of shares relating to additional purchase consideration	(1,517)
Issuance of share capital on conversion of RSU	(2)
Released on vesting of common shares for equity incentive plan	(2,382)
At March 31, 2014	**43,243**

* 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

The Company has an option plan (the "Plan") intended 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 stock-based compensation arrangements including the Trust and Equity Incentive Plan ("EIP") 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 months ended March 31, 2014 (nil - March 31, 2013).

For valuing share option grants, the fair value method of accounting is used. The fair value of option grants is determined using the Black-Scholes option-pricing model, which takes into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. 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, 2012	2,650	9.71
Options exercisable, December 31, 2012	2,583	9.80
Options outstanding, December 31, 2013	2,650	9.71
Options exercisable, December 31, 2013	2,650	9.71
Options outstanding, March 31, 2014	**2,650**	**9.71**
Options exercisable, March 31, 2014	**2,650**	**9.71**

Options outstanding and exercisable as at March 31, 2014 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	4.1	2,450
4.85	50	5.8	50
6.60	150	6.6	150
4.85 to 10.00	**2,650**	**4.3**	**2,650**

Equity incentive plan

For employees in Canada, the Trust has been established and the Company will fund the Trust with cash, which will be used by the trustee to purchase: (i) on the open market, common shares of the Company that will be held in the Trust by the trustee until the awards vest and are distributed to eligible members; or (ii) 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 under the EIP plan, 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 months ended March 31, 2014 (2013 - nil). The Trust purchased no common shares for the three months ended March 31, 2014 (2013 - nil).

	Number of common shares
Common shares held by the Trust, December 31, 2012	2,159,823
Acquired	448,500
Released on vesting	(627,125)
Unvested common shares held by the Trust, December 31, 2013	1,981,198
Released on vesting	(414,884)
Unvested common shares held by the Trust, March 31, 2014	**1,566,314**

Earn-out shares

In connection with the acquisition of the Global Companies (see note 2), 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 operations equally over the period of the service condition, being 3 years.

In connection with the acquisition of Sprott Toscana, up to an additional 0.9 million common shares of the Company may be issued with the achievement of certain earnings targets by Sprott Toscana. 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 operations 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 February 6, 2012, February 4, 2013 and February 4, 2014, 177,500 common shares of the Company were issued to employees of the Global Companies.

For the three months ended March 31, 2014, the Company recorded share-based compensation expense of $1.5 million (2013 - $2.6 million) with a corresponding increase to contributed surplus ($ in thousands).

	For the three months ended	
	March 31, 2014	March 31, 2013
Earn-out shares	**507**	1,475
Stock option plan	**—**	9
EPSP / EIP	**973**	1,165
	1,480	2,649

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			
		March 31, 2014		March 31, 2013
Numerator ($ in thousands):				
Net income (loss) - basic and diluted		**10,239**		2,090
Denominator (Number of shares in thousands):				
Weighted average number of common shares		**248,045**		172,835
Weighted average number of unvested shares purchased by the Trust		**(1,571)**		(1,552)
Weighted average number of common shares - basic		**246,474**		171,283
Weighted average number of additional purchase consideration		**67**		245
Weighted average number of unvested shares purchased by the Trust		**1,571**		1,552
Weighted average number of outstanding Restricted Stock Units		**2**		4
Weighted average number of shares issuable under acquisition consideration payable		**652**		—
Weighted average number of common shares - diluted		**248,766**		173,084
Net income per common share				
Basic	**$**	**0.04**	$	0.01
Diluted	**$**	**0.04**	$	0.01

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 growth in assets under management, growth in management fees and performance fees and 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 (deficit) 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, SAM US is registered with the U.S. 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 months ended March 31, 2014, 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 has a revolving credit facility with a Canadian chartered bank (the "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 March 31, 2014.

8. INCOME TAXES

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

For the three months ended	**March 31, 2014**	March 31, 2013
Current income tax expense		
Based on taxable income of the current period	**3,071**	2,923
Adjustments in respect of previous years	**(121)**	—
	2,950	2,923
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(1,523)**	(1,172)
	(1,523)	(1,172)
Income tax expense (recovery) reported in the statements of operations	**1,427**	1,751

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 three months ended	**March 31, 2014**	March 31, 2013
Income before income taxes	**11,666**	3,841
Tax calculated at domestic tax rates applicable to profits and (losses) in the respective countries	**3,130**	811
Tax effects of:		
Non-deductible stock-based compensation	**102**	536
Non-deductible capital gains or (losses) and unrealized gains or (losses)	**(557)**	388
Non-taxable foreign affiliate (income) loss	**—**	(182)
Adjustments in respect of previous years	**(121)**	63
Write-down of deferred tax asset	**61**	—
Non-capital losses not previously benefited	**(1,492)**	—
Rate differences and other	**304**	135
Tax charge (recovery)	**1,427**	1,751

The weighted average applicable tax rate was 26.8% (2013 - 21.1%). The increase was caused primarily by an increase in the profitability of the Global Companies resident in the US and taxable at a higher rate than the Canadian operations, partially offset by the utilization of non-capital losses.

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 three months ended March 31, 2014

	At December 31, 2013	Recognized in income	Recognized in other comprehensive income	Recognized in equity	Business acquisition	At March 31, 2014
Deferred income tax assets						
Prepaid taxes and unrealized losses	14,537	(608)	599	—	—	14,528
Additional purchase consideration	672	—	28	(700)	—	—
Other stock-based compensation	2,802	258	(5)	—	—	3,055
Non-capital losses	7,709	(849)	(33)	—	—	6,827
Other	449	100	165	—	—	714
Total deferred income tax assets	**26,169**	**(1,099)**	**754**	**(700)**	**—**	**25,124**
Deferred income tax liabilities						
Fund management contracts	8,793	(330)	210	—	—	8,673
Carried interests	335	(21)	14	—	—	328
Deferred sales commissions	671	63	—	—	—	734
Unrealized gains	(241)	527	(12)	—	—	274
Transitional partnership income	9,645	(2,968)	—	—	—	6,677
Proceeds receivable	1,223	50	—	—	—	1,273
Other	518	57	151	—	—	726
Total deferred income tax liabilities	**20,944**	**(2,622)**	**363**	**—**	**—**	**18,685**
Net deferred income tax assets (liabilities)	**5,225**	**1,523**	**391**	**(700)**	**—**	**6,439**

For the year ended December 31, 2013

	At December 31, 2012	Recognized in income	Recognized in other comprehensive income	Recognized in equity	Business acquisition	December 31, 2013
Deferred income tax assets						
Unrealized losses	15,481	(2,012)	1,068	—	—	14,537
Additional purchase consideration	1,258	—	48	(634)	—	672
Earn-out shares	1,799	—	56	(1,855)	—	—
Other stock-based compensation	1,769	1,032	1	—	—	2,802
Non-capital losses	—	4,751	—	—	2,958	7,709
Other	1,346	(905)	114	(106)	—	449
Total deferred income tax assets	**21,653**	**2,866**	**1,287**	**(2,595)**	**2,958**	**26,169**
Deferred income tax liabilities						
Fund management contracts	9,646	(1,232)	379	—	—	8,793
Carried interests	5,093	(4,948)	190	—	—	335
Deferred sales commissions	564	107	—	—	—	671
Unrealized gains	679	(917)	(3)	—	—	(241)
Transitional partnership income	9,645	—	—	—	—	9,645
Proceeds receivable	—	78	—	—	1,145	1,223
Other	(208)	972	(246)	—	—	518
Total deferred income tax liabilities	**25,419**	**(5,940)**	**320**	**—**	**1,145**	**20,944**
Net deferred income tax assets (liabilities)	**(3,766)**	**8,806**	**967**	**(2,595)**	**1,813**	**5,225**

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.

9. FAIR VALUE MEASUREMENTS

The following tables present the level within the fair value hierarchy for the Company's recurring and non-recurring fair value measurements ($ in thousands):

March 31, 2014	Level 1	Level 2	Level 3	Total
Recurring measurements:				
Cash and cash equivalents	147,915	—	—	147,915
Gold bullion	6,587	—	—	6,587
Public equities	5,712	274	—	5,986
Private holdings	—	—	7,360	7,360
Common share purchase warrants	—	388	—	388
Fixed income securities	—	9,072	—	9,072
Mutual funds	10,636	—	—	10,636
Alternative investment strategies	—	64,418	—	64,418
Precious metal loans	—	—	10,911	10,911
Total recurring fair value measurements	**170,850**	**74,152**	**18,271**	**263,273**

December 31, 2013	Level 1	Level 2	Level 3	Total
Recurring measurements:				
Cash and cash equivalents	115,670	—	—	115,670
Gold bullion	6,532	—	—	6,532
Public equities	3,503	236	—	3,739
Private holdings	—	—	5,353	5,353
Common share purchase warrants	—	358	—	358
Fixed income securities	—	7,223	—	7,223
Mutual funds	16,132	—	—	16,132
Alternative investment strategies	—	53,296	—	53,296
Precious metal loans	—	—	11,658	11,658
Total recurring measurements:	**141,837**	**61,113**	**17,011**	**219,961**

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 measurements - March 31, 2014

	December 31, 2013	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Net realized gains (losses) included in net income	Net realized gains (losses) included in other income	Net realized gains (losses) included in interest income	March 31, 2014
Private holdings	5,353	2,000	—	7	—	—	—	7,360
Precious metal loans	11,658	—	(1,455)	260	—	166	282	10,911
	17,011	2,000	(1,455)	267	—	166	282	18,271

Changes in the fair value of Level 3 measurements - December 31, 2013

	December 31, 2012	Purchases	Settlements	Net unrealized gains included in net income	Net realized gains and losses included in net income	Net realized gains (losses) included in other income	Net realized gains (losses) included in interest income	December 31, 2013
Private holdings	4,949	9,216	(8,277)	(1,165)	630	—	—	5,353
Precious metal loans	—	13,018	(2,317)	585	—	237	135	11,658
	4,949	22,234	(10,594)	(580)	630	237	135	17,011

During the three months ended March 31, 2014, $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.

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 precious metal loans) had a carrying value of $63.9 million and a fair value of $64.2 million. Loans receivable (excluding precious metal loans) lack an available trading market, are not typically exchanged, and have been recorded at amortized cost. The fair value of the Company's resource loans is measured based on 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 into account 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. The fair value of loans are not necessarily representative of the amounts realizable upon immediate settlement of the loans. The valuation techniques used for these amortized cost loans for which a fair value has been disclosed would fall under Level 3 of the fair value hierarchy.

10. DIVIDENDS

The following dividends were declared and paid by the Company during the three months ended March 31, 2014:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount ($ in thousands)
April 8, 2014 - regular dividend Q4 - 2013	April 23, 2014	0.03	7,450
Dividends paid			7,450

11. 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 classified as HFT, designated as FVTPL, HTM or as 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. The Company manages market risk through 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. If the market values of proprietary investments classified as HFT increased by 5%, with all other variables held constant, this would have increased net income by approximately $4.3 million for the three months ended March 31, 2014 (March 31, 2013 - $3.3 million); conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by a similar amount. For more details about the Company's proprietary investments, refer to note 3.

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, Sprott Toscana, RCIC and SAM US.

Commodity price risk refers to 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.

At March 31, 2014, the Company held precious metal loans with a carrying value of $13.0 million (December 31, 2013 - $14.7 million). The fair value of the Company's loans 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 $0.6 million for the three months ended March 31, 2014 (2013 - $0.0 million). As a mitigating factor, the Company may from time-to-time implement certain hedging strategies such as imposing a minimum internal rate of return on a precious metal loan or fixing the loan payments at a predetermined price of gold over the full term of the loan.

At March 31, 2014, the Company held gold bullion with a carrying value of $6.6 million (December 31, 2013 - $6.5 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 three months ended March 31, 2014 (2013 - $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. The Company's earnings, particularly through its SRLC subsidiary are exposed to volatility as a result of sudden changes in interest rates. 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 March 31, 2014, the Company had 10 fixed-rate resource-based loans and 1 fixed-rate real estate loans with an aggregate carrying value of $63.9 million (December 31, 2013 - $89.6 million). The Company's 10 fixed rate resource loans range in maturity dates from less than 6 months to 4 years and it has one real estate loan that 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.

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 March 31, 2014 ($ in thousands):

March 31, 2014	Floating Rate	Within 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Non-Interest Sensitive	Total
Total assets	147,915	6,389	18,000	33,713	16,823	235,246	458,086
Total liabilities and equity	—	—	—	—	—	(458,086)	(458,086)
Difference	147,915	6,389	18,000	33,713	16,823	(222,840)	—
Cumulative difference	147,915	154,304	172,304	206,017	222,840	—	—
Cumulative difference as a percentage of total assets	32.3%	33.7%	37.6%	45.0%	48.6%	—	—

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 March 31, 2014, approximately $41.8 million or 7.7% (March 31, 2013 - $40.8 million or 10.9%) of total Canadian assets were invested in proprietary investments priced in USD. Furthermore, a total of $28.0 million (March 31, 2013 - $0.7 million) of cash, $2.7 million (March 31, 2013 -$1.7 million) of accounts receivable, $8.1 million (March 31, 2013- $0.0 million) of loans receivable and $0.1 million (March 31, 2013 - $0.1 million) of other assets were denominated in USD. As at March 31, 2014, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income for the three months ended March 31, 2014 would have amounted to approximately $2.9 million (March 31, 2013 - $1.9 million).

(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 March 31, 2014, 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 minimum levels of regulatory capital at all times.

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.

At March 31, 2014, 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 $77.0 million (December 31, 2013 - $104.3 million) and its loan commitments of $3.9 million (December 31, 2013 - $1.9 million). As at March 31, 2014, the largest loan in the Company's loan portfolio was a resource loan with a carrying value of $23.0 million or 29.9% of the Company's loans receivable (December 31, 2013 - $17.5 million or 16.8% of the Company's loans receivable). 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 bridge 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 March 31, 2014, the Global Companies' most significant counterparty is RBC Capital Markets LLC ("RBCCM"), the carrying broker of SGRIL and custodian of the net assets of the funds managed by RCIC. RBCCM 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 March 31, 2014, the Company had $147.9 million or 32.3% 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 $58.8 million or 55.2% of proprietary investments held by the Company are readily marketable and are recorded at their fair value.

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 March 31, 2014, subject to certain funding conditions, the Company is committed to providing up to $3.9 million in resource loan advances (December 31, 2013 - $1.9 million). 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 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 shares.

(d) Concentration risk

The majority of the Company's AUM as well as its proprietary investments and loans are focused on the natural resource sector.

12. 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:

- SAM, which provides asset management services to the Company's branded Funds and Managed Accounts;
- 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;
- SRLC, which provides loans to companies in the mining and energy sectors;
- The Consulting segment includes the operations of SC, Sprott Toscana, and Sprott Korea Corporation, the consulting businesses of the Company; and
- Corporate and Other. 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. The Other segment includes the activities of SPW, the private wealth business of the Company.

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 and goodwill, gains and losses on proprietary investments (as if such gains and losses had not been incurred), non-cash stock-based compensation and performance fees and performance fee related expenses (adjusted base 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.

Adjusted base 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	March 31, 2014						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	15,144	2,359	—	1,781	88	—	19,372
Performance fees	—	—	—	270	—	—	270
Commissions	—	1,553	—	—	371	—	1,924
Interest income	19	10	4,900	15	410	—	5,354
Trailer fee income	—	—	—	—	700	(618)	82
Other	1,788	469	2,521	114	1,058	(81)	5,869
Total revenue	**16,951**	**4,391**	**7,421**	**2,180**	**2,627**	**(699)**	**32,871**
Expenses							
General and administrative	8,395	3,152	1,783	1,016	2,362	(81)	16,627
Trailer fees	3,626	—	—	—	—	(618)	3,008
Amortization and impairment of intangibles, property and equipment	604	946	—	9	11	—	1,570
Total expenses	**12,625**	**4,098**	**1,783**	**1,025**	**2,373**	**(699)**	**21,205**
Income (loss) before income taxes for the period	**4,326**	**293**	**5,638**	**1,155**	**254**	**—**	**11,666**
Provision for income taxes	—	—	—	—	—	—	1,427
Net income for the period							**10,239**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	1,427
Depreciation and amortization	604	946	—	9	11	—	1,570
EBITDA	**4,930**	**1,239**	**5,638**	**1,164**	**265**	**—**	**13,236**
Other adjustments:							
Impairment (reversal) of intangible assets	—	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	(1,373)	(481)	(1,618)	—	(1,009)	—	(4,481)
Non-cash stock based compensation	—	403	—	104	—	—	507
Adjusted EBITDA	**3,557**	**1,161**	**4,020**	**1,268**	**(744)**	**—**	**9,262**
Less:							
Performance fees	—	—	—	(270)	—	—	(270)
Performance fee related expenses	—	—	—	68	—	—	68
Adjusted base EBITDA	**3,557**	**1,161**	**4,020**	**1,066**	**(744)**	**—**	**9,060**

For the three months ended	March 31, 2013						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	20,302	2,627	—	3,022	—	—	25,951
Performance fees	—	—	—	1,348	—	—	1,348
Commissions	—	1,347	—	—	589	—	1,936
Interest income	79	18	—	3	659	—	759
Trailer fee income	—	—	—	—	1,452	(1,423)	29
Other	(990)	(218)	—	86	(1,294)	(46)	(2,462)
Total revenue	**19,391**	**3,774**	**—**	**4,459**	**1,406**	**(1,469)**	**27,561**
Expenses							
General and administrative	10,389	3,792	—	2,153	1,993	(47)	18,280
Trailer fees	4,839	—	—	—	—	(1,422)	3,417
Amortization and impairment of intangibles, property and equipment	541	1,456	—	9	17	—	2,023
Total expenses	**15,769**	**5,248**	**—**	**2,162**	**2,010**	**(1,469)**	**23,720**
Income (loss) before income taxes for the period	**3,622**	**(1,474)**	**—**	**2,297**	**(604)**	**—**	**3,841**
Provision for income taxes	—	—	—	—	—	—	1,751
Net income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**2,090**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	1,751
Depreciation and amortization	541	1,456	—	9	17	—	2,023
EBITDA	**4,163**	**(18)**	**—**	**2,306**	**(587)**	**—**	**5,864**
Other adjustments:							
Impairment (reversal) of intangible assets	—	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	1,238	258	—	—	1,553	—	3,049
Non-cash stock based compensation	—	1,068	—	407	9	—	1,484
Adjusted EBITDA	**5,401**	**1,308**	**—**	**2,713**	**975**	**—**	**10,397**
Less:							
Performance fees	—	—	—	(1,348)	—	—	(1,348)
Performance fee related expenses	—	—	—	295	—	—	295
Adjusted base EBITDA	**5,401**	**1,308**	**—**	**1,660**	**975**	**—**	**9,344**

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

Included in Other revenue is trailer fee income of $0.6 million for the year ended March 31, 2014, (March 31, 2013 - $1.4 million) which reflects substantially all of the Company's inter-segment revenue.

Included in General and administrative are compensation and benefits, stock-based compensation and general and administrative expenses on the unaudited interim condensed consolidated statements of operations.

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	
	March 31, 2014	March 31, 2013
Canada	**28,480**	23,787
United States	**4,391**	3,774
	32,871	27,561

13. PROVISIONS

The Company is engaged in litigation arising in the ordinary course of business relating to claims for additional compensation by former employees. The Company has made provisions based on current information and the probable resolution of any such proceedings and claims.

CORPORATE INFORMATION

Head Office
Sprott Inc.
Royal Bank Plaza, South Tower
200 Bay Street
Suite 2700, P.O. Box 27
Toronto, Ontario M5J 2J1
Telephone: 416.362.7172
Toll Free: 1.888.362.7172

Directors & Officers
Eric S. Sprott, Chairman
Peter Grosskopf, Chief Executive Officer and Director
Jack C. Lee, Lead Director
Rick Rule, Director
James T. Roddy, Director
Marc Faber, Director
Paul Stephens, Director
Sharon Ranson, Director
Rosemary Zigrossi, Director
Steven Rostowsky, Chief Financial Officer and Corporate Secretary

Transfer Agent & Registrar
Equity Transfer & Trust Company
200 University Avenue, Suite 400
Toronto, Ontario M5H 4H1
Toll Free: 1.866.393.4891
www.equitytransfer.com

Legal Counsel
Baker & McKenzie LLP
Brookfield Place, Suite 2100
181 Bay Street, P.O. Box 874
Toronto, Ontario, Canada M5J 2T3

Auditors
Ernst & Young LLP
Ernst & Young Tower
P.O. Box 251, 222 Bay Street
Toronto-Dominion Centre
Toronto, Ontario M5K 1J7

Investor Relations
Shareholder requests may be directed to Investor Relations by e-mail at ir@sprott.com or via telephone at 416.203.2310 or toll free at 1.877.403.2310

Stock Information
Sprott Inc. common shares are traded on the Toronto Stock Exchange under the symbol "SII"

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