Sprott Inc. Second Quarter Report 2014

Sprott INC.

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Sprott INC.

August 7, 2014

Dear Shareholders,

The performance of our mutual and hedge funds continued to improve during the second quarter and first half of 2014, with many of our funds posting solid double digit returns year-to-date. We have now generated positive net sales for four straight quarters and are gradually building momentum in a number of different areas. During the quarter, our Assets Under Management ("AUM") increased by approximately $100 million to $7.8 billion.

We remain committed to advancing our dual growth strategy of expanding our global resource franchise while growing our diversified Canadian asset management platform. Earlier this year, we acquired three real assets funds sub-advised by Capital Innovations LLC, focused on infrastructure, agriculture and timber. We subsequently launched the Sprott Real Assets Class, a new fund that provides investors with access to all three funds through a single investment solution.

In July, we launched of Sprott Gold Miners ETF ("SGDM") on the New York Stock Exchange. The ETF leverages our extensive experience as gold investors and is based on a proprietary, factors-based methodology. While it will take time to measure the success of the fund, we believe this could be a key growth area for our business. Along with our three physical trusts, this latest offering gives us four NYSE-listed investment funds that are easily accessible to U.S. and international investors.

Sprott Resource Corp. ("SRC"), one of our managed companies, was very active during the first half of 2014. SRC completed the partial disposition of one of its portfolio companies early in the second quarter and then committed to redeploy capital into two new accretive investments. SRC also partnered with Sprott Resource Lending Corp. to provide debt and equity financing to Corsa Coal Corp. to fund that company's strategic acquisition of PBS Coals Ltd.

In July, we completed a bought deal offering of 23 million shares controlled by Eric Sprott and announced a proposed private placement of a further five million shares to the Sprott employee trust. This offering provided us with the opportunity to expand our public float and bring in a number of significant new shareholders. Following the completion of these transactions, Eric will own approximately 24% of Sprott Inc.'s outstanding shares and he is committed to remaining a long-term shareholder. Eric has already re-invested a significant portion of the proceeds from the offering back into our funds, increasing both our AUM and management fee earnings potential.

We are pleased with the progress we have made so far this year, particularly in improving our performance through the implementation of a team-based approach to investment management. However, positioning our funds to generate meaningful performance fees will require time and sustained effort. Collectively, we will remain focused on these goals as we progress through the second half of 2014.

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 the year.

Sincerely,

Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Three and six months ended June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated August 6, 2014, presents an analysis of the consolidated financial condition of Sprott Inc. (the "Company") and its subsidiaries as of June 30, 2014 compared with December 31, 2013, and the consolidated results of operations for the three and six months ended June 30, 2014, compared with the three and six months ended June 30, 2013. The Board of Directors approved this MD&A on August 6, 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

Certain statements in this MD&A, and in particular the Outlook section, contain forward-looking information (collectively referred to herein as the "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) management's intentions and expectations with respect to the Company's lending services and financing activities; (ii) expectations relating to the redeployment of capital from maturing loans; (iii) expectations with respect to management of investable capital and its impact on the Company's overall results; (iv) the Company's two-pronged strategy to reinforce its global position and grow its Canadian platform; (v) the co-development and co-seeding of a new Private Lending LP (see Outlook section for further details); (vi) bringing new investment products to market while building on its improved investment performance to grow AUM; (vii) rebuilding the AUM base and positioning Funds to generate meaningful performance fees; (viii) the Company's belief that Management Fees and Interest Income will continue to be sufficient to satisfy ongoing operational needs; (ix) expectations regarding the recovery of legal costs; (x) the declaration, payment and designation of dividends.

Although the Company believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (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 "Significant Accounting Policies, Judgments and Estimates". Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (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 described under the heading "Risk Factors" in the Company's annual information form dated March 27, 2014; and (xviii) those risks described under the headings "Managing Risk - Financial" and "Managing Risk - Other" 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 speak only as of the date hereof, unless otherwise specifically noted, and the Company does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

PRESENTATION OF FINANCIAL INFORMATION

These unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2014, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34 *Interim Financial Reporting* 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 the unaudited interim condensed consolidated financial statements. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the quarter-ended and year-to-date ended June 30, 2013 as applicable 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 ("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, performance fees and/or 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 AUM 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

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) impairment charges or recoveries of prior period impairments on intangible assets and goodwill; (ii) gains and losses on proprietary investments and loans (however, loan loss provisions are not excluded from adjusted base EBITDA); (iii) non-cash stock-based compensation; and (iv) performance fees and performance fee related expenses. See table below.

	For the three months ended		For the six months ended	
($ in thousands)	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Net income (loss) for the period	**5,011**	(6,710)	**15,250**	(4,620)
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**2,659**	(3,409)	**4,086**	(1,658)
Depreciation and amortization	**1,555**	2,048	**3,125**	4,071
EBITDA	**9,225**	(8,071)	**22,461**	(2,207)
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	5,362	**—**	5,362
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**(2,267)**	9,466	**(6,747)**	12,515
Non-cash stock based compensation	**104**	1,363	**610**	2,849
Adjusted EBITDA	**7,062**	8,120	**16,324**	18,519
Less:				
Performance fees	**(460)**	(141)	**(730)**	(1,489)
Performance fee related expenses	**214**	3	**282**	299
Adjusted base EBITDA	**6,816**	7,982	**15,876**	17,329

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 periods of $8.1 million and $18.5 million, respectively, were previously termed "EBITDA". They are now termed "adjusted EBITDA" in order to comply with the December 11, 2013 guidance provided by the Ontario Securities Commission ("OSC") under staff notice 52-722 *Report on Staff's Review of Non-GAAP Financial Measures and Additional GAAP Measures*.

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

Operating Businesses 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 its clients over the long term. The Company's business model is based foremost on delivering excellence in investment management services to its clients. Each primary operating business is described in greater detail below:

SAM

SAM offers discretionary portfolio management as well as asset management services to the Company's branded Funds and Managed Accounts. The majority of the Company's revenues are earned through SAM in the form of management fees and performance fees. 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 ("SEC") as a registered investment advisor.

SPW

SPW provides broker-dealer services that serve as a unique distribution channel for the delivery of the Company's Funds and other investment opportunities to private clients. SPW also serves as a platform to brand and grow the Company's wealth management business. SPW earns most of its revenues via intercompany trailer fee payments from SAM (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. SPW is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada ("IIROC").

SC

SC is the consulting business through which the Company manages the majority of its private equity and debt strategies. These strategies are primarily executed through Managed Companies. Through this business, the Company is able to provide investors with access to counter-cyclical merchant banking and private equity style investments. SC currently provides its consulting services to Sprott Resource Corporation ("SRC"). SC earns the majority of its revenues through management fees and performance fees from SRC.

Sprott Toscana

Sprott Toscana is based in Calgary, Alberta Canada and operates through two wholly-owned subsidiaries: TEC and TCC. TEC manages the Toscana Energy Income Corporation ("TEIC"), a public company focused on investing in medium and long-term oil and gas assets, unitized production interests and royalties along with acting as a technical advisor and co-manager of the Energy Income Fund limited partnerships. TCC previously managed the Toscana Financial Income Trust ("TFIT") until the wind-up of TFIT on June 26, 2014. TFIT was a private mutual fund trust that provided mezzanine debt financing to mid-sized private and public oil and gas companies. These financing activities will continue via SRLC going forward. Since the July 3, 2012 acquisition of Sprott Toscana, this operating business earned the majority of its revenues through management fees and performance fees from TEIC.

SRLC

SRLC is a lender to companies in the mining and energy sectors with a focus on later-stage resource property developers or early stage commodity or power producers. Through this business, the Company 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 may also redeploy capital from maturing loans into other ventures of the Company, either for acquisitions, seeding of new products or organic expansion. SRLC earns revenue in the form of interest income and other fees on its lending activities as well as realizing on the upside potential of bonus arrangements with resource borrowers which are generally tied to the revenue or the value of the common shares of the borrower.

Sprott U.S. Holdings Inc.

Sprott U.S. Holdings Inc. is the parent of the Global Companies (SGRIL; SAM US; RCIC). SGRIL is a California-based limited partnership that operates as a securities broker-dealer and is registered with the Financial Industry Regulatory Authority ("FINRA"). 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 is registered with the SEC and provides discretionary investment management services. SAM US earns revenue in the form of Management Fees from the management of Managed Accounts. RCIC is the general partner and discretionary asset manager to the Exploration Capital Partners and Resource Income Partners families of limited partnerships. RCIC earns revenue in the form of management fees and carried interests in Funds it manages

Significant Sources of Revenue

Significant sources of revenue for the Company include: management fees, performance fees, unrealized and realized gains (losses) on proprietary investments and loans, commissions and interest income:

Management fees

Management fees earned from the management of Funds, Managed Accounts and Managed Companies are the Company's primary source of revenues. Management fees are calculated as a percentage of AUM. Management fees are less variable and more predictable than performance fees and carried interests (discussed below). Management fees are generally closely correlated with changes in AUM and are recorded in the financial statements when earned. However, the rate of change in management fees may not mirror the rate of change in AUM for two reasons: (i) multi-series or multi-class structures are offered in some Funds whereby the management fee differs among the applicable series or classes; and (ii) equity mutual funds have the highest rate of management fees, followed by alternative investment strategies and offshore funds. The Company introduced a suite of income funds that have lower management fees than equity mutual funds, alternative strategies and offshore funds. In addition, the Company has a substantial amount of its total AUM in bullion funds that have the lowest rate of management fees within the Company's suite of fund products. Fees for managing the various Managed Accounts and Managed Companies are negotiated on a case-by-case basis. Therefore, the weighting of AUM among the various Funds, Managed Accounts and Managed Companies can materially impact management fees as a percentage of AUM.

Performance fees

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 in 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. 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 in the financial statements of SAM for the applicable month. At SC, performance fee generation is 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 the Fund in question. Carried interests are usually realized towards the end of the term of a Fund and can be significant when realized. Carried interests are only recorded in the financial statements when realized.

Unrealized and realized gains (losses) on proprietary investments and loans

Management of investable capital continues to be an important activity for the Company and will continue to have a significant impact on the Company's overall results. Unrealized and realized gains (losses) on proprietary investments and loans arise from investments of the Company's own capital in Funds it manages as well as loans, investments in public and private securities and other products.

Commission income

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.

Interest income

Interest income is most applicable to SRLC. 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 48 months and the loans are typically used for production expansion, working capital, construction, acquisitions and general corporate purposes; (ii) precious metals loans which 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.

Operating Expenses

The most significant expenses of the Company are compensation and benefits (including stock-based compensation), trailer fees and general and administrative costs:

Compensation benefits

Employees are paid either a base salary and/or commissions, such commissions being 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").

Trailer fees

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) based on a percentage of the value of the assets held in the respective Fund by the dealer's clients.

General and administrative expenses

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 and professional fees, insurance, trading costs, donations, directors fees as well as other costs such as quote and news services, printing and systems maintenance.

BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

Investment Performance

The majority of the Company's Funds and Managed Accounts experienced positive performance for the quarter as well as on a year-to-date basis. Market appreciation of AUM on a three months ended basis was $176.5 million and on a six months ended basis was $728.1 million.

Product and Business Line Expansion

Subsequent to the quarter, the Company launched two new fund strategies: The *Sprott Real Asset Class* is a one-fund investment solution that provides access to listed infrastructure, timber and agriculture stocks through a portfolio of mutual funds and direct investments in REITs, ETFs and equity securities. The *Sprott Gold Miners Exchange Traded Funds* (NYSE: SGDM) provides investors with exposure to large and mid-sized gold companies listed on major U.S. exchanges in a manner that potentially outperforms a purely passive representation of the gold and silver mining industry.

OUTLOOK

The Company continues to implement a two-pronged strategy to reinforce its position globally as a leading asset manager of resource investments while growing its diversified Canadian platform.

For example, in this quarter, the Company launched under the Sprott brand the three real assets funds that were acquired in the first quarter, and as previously discussed, launched the *Sprott Real Assets Class* and *Sprott Gold Miners Exchange Traded Funds*. Sprott Toscana exited the resource lending business of TFIT to focus on TEIC, a business that invests in mid to long life oil and gas properties, working interests and royalties. The Company continues to seek opportunities to co-develop and co-seed a new Private Lending LP with interested institutional investors, which it had previously expected to close during the second quarter of 2014.

The Company will continue to bring innovative new investment products to market, while building on its improved investment performance through the first half of 2014 to grow its AUM. Rebuilding the AUM base and positioning Funds to generate meaningful performance fees requires time and effort, but the Company’s focus remains on those two goals as it progresses through the second half of the year.

FINANCIAL HIGHLIGHTS

For the three and six months ended June 30, 2014

- AUM as at June 30, 2014 was $7.8 billion, reflecting an increase of $875.5 million (12.6%) from December 31, 2013 and an increase of $147.5 million (1.9%) from March 31, 2014. The increase in AUM on a year-to-date basis was due to an increase in market values of $728.1 million and net sales of $196.4 million; which were partially offset by the removal of $102 million of AUM relating to the unwind of TFIT, net of the acquisition of three new funds in the first quarter of the year. The increase in AUM on a quarter-over-quarter basis was due to an increase in market values of $176.5 million and net sales of $73.0 million; which were partially offset by the removal of the $102 million of AUM previously described. Average AUM for the three and six months ended June 30, 2014 was $7.6 billion, reflecting a decrease of $0.4 billion (5.1%) and $1.2 billion (13.4%) respectively, from average AUM levels in the prior periods.
- Management fees (on an annualized basis) as a percentage of average AUM for the three and six months ended June 30, 2014 was 1.1%, consistent with the prior periods.
- AUA as at June 30, 2014 was $2.6 billion, which was flat year-over-year but down $0.1 billion (4.1%) on a quarter-over-quarter basis.
- Total revenues were $30.4 million on a three months ended basis and $63.2 million on a six months ended basis, reflecting an increase of $13.8 million (83.2%) and $19.1 million (43.3%), respectively, from the prior periods. Stronger commission and interest income coupled with improved proprietary investment performance, more than offset weaker management fees over the current periods.
- Net income was $5.0 million ($0.02 per share) on a three months ended basis and $15.3 million ($0.06 per share) on a six months ended basis, reflecting an increase of $11.7 million (174.7%) and $19.9 million (430.1%), respectively, from the prior periods. The increase was due primarily to better performance in the Company's proprietary investments in the current periods compared to losses in the prior periods, stronger interest and commission income in the current periods and impairment charges on carried interests in the Global Companies segment in the prior year.
- Adjusted base EBITDA was $6.8 million on a three months ended basis and $15.9 million on a six months ended basis, reflecting a decrease of $1.2 million (14.6%) and $1.5 million (8.4%) respectively, from the prior periods. The decrease over these periods was largely the result of stronger commission and interest income being more than offset by lower management fees and increases in cash operating expenses.
- Invested capital stood at $330.5 million, reflecting a $16.3 million (5.2%) increase from December 31, 2013. The increase was due largely to net unrealized and realized gains in the Company's proprietary investments, coupled with the retention of operating cash flow over the current period. The annualized return on invested capital (excluding cash, real estate loans, and lines of credit) was 16.0% and on investable capital (excluding only real estate loans and lines of credit) was 10.4%.

SUMMARY FINANCIAL INFORMATION

For the three and six months ended June 30, 2014

Key Performance Indicators	As at and for the three months ended June 30		As at and for the six months ended June 30	
($ in thousands, except per share amounts)	**2014**	2013	**2014**	2013
Assets Under Management	**7,842,005**	7,146,770	**7,842,005**	7,146,770
Assets Under Administration	**2,593,434**	2,625,989	**2,593,434**	2,625,989
Net Sales (Redemptions)	**73,014**	(143,798)	**196,417**	(418,375)
EBITDA	**9,225**	(8,071)	**22,461**	(2,207)
EBITDA Per Share - basic and fully diluted	**0.04**	(0.05)	**0.09**	(0.01)
Adjusted base EBITDA	**6,816**	7,982	**15,876**	17,329
Adjusted base EBITDA Per Share - basic and fully diluted	**0.03**	0.04	**0.06**	0.10

Summary Balance Sheets

($ in thousands)	As at June 30 2014	December 31 2013
Total Assets	**453,124**	455,720
Total Liabilities	**29,499**	35,422
Shareholders' Equity	**423,625**	420,298

Summary Statements of Operations and Reconciliation to Adjusted Base EBITDA

($ in thousands, except per share amounts)	For the three months ended June 30 2014	2013	For the six months ended June 30 2014	2013
Total revenue	**30,351**	16,571	**63,222**	44,132
Total expenses	**22,681**	26,690	**43,886**	50,410
Income (loss) before income taxes	**7,670**	(10,119)	**19,336**	(6,278)
Provision (recovery) for income taxes	**2,659**	(3,409)	**4,086**	(1,658)
Net income (loss)	**5,011**	(6,710)	**15,250**	(4,620)
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision for income taxes	**2,659**	(3,409)	**4,086**	(1,658)
Depreciation and amortization	**1,555**	2,048	**3,125**	4,071
EBITDA	**9,225**	(8,071)	**22,461**	(2,207)
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	5,362	**—**	5,362
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**(2,267)**	9,466	**(6,747)**	12,515
Non-cash stock based compensation	**104**	1,363	**610**	2,849
Adjusted EBITDA	**7,062**	8,120	**16,324**	18,519
Less:				
Performance fees	**(460)**	(141)	**(730)**	(1,489)
Performance fee related expenses	**214**	3	**282**	299
Adjusted base EBITDA	**6,816**	7,982	**15,876**	17,329

Earnings Per Share - basic and diluted	**0.02**	(0.04)	**0.06**	(0.03)
EBITDA Per Share - basic and diluted	**0.04**	(0.05)	**0.09**	(0.01)
Adjusted base EBITDA Per Share - basic and diluted	**0.03**	0.04	**0.06**	0.10

RESULTS OF OPERATIONS

For the three and six months ended June 30, 2014

Assets Under Management, Investment Performance and Net Sales

The majority of the Company's Funds and Managed Accounts experienced positive performance during the quarter and on a year-to-date basis. Market appreciation, when coupled with positive net sales growth, more than offset the loss of AUM relating to the unwind of TFIT.

Breakdown of AUM by investment product type:

	June 30, 2014		June 30, 2013	
Product Type	**$ (in millions)**	**% of AUM**	$ (in millions)	% of AUM
Bullion Funds	**3,603**	**46.0%**	3,679	51.5%
Mutual Funds	**1,908**	**24.3%**	1,346	18.8%
Alternative Investment Strategies	**674**	**8.6%**	842	11.8%
Offshore Funds	**192**	**2.5%**	81	1.1%
Managed Companies	**938**	**12.0%**	708	9.9%
Managed Accounts	**136**	**1.7%**	125	1.8%
Fixed Term Limited Partnerships	**391**	**5.0%**	366	5.1%
Total	**7,842**	**100%**	7,147	100%

Breakdown of AUM movements on a three months ended basis by investment product type:

$ (in millions)	**AUM March 31, 2014**	**Net Sales / (Redemptions)**	**Net Market Value Change**	**Acquisitions / (Divestitures)**	**AUM June 30, 2014**
Bullion Funds	3,581	(5)	27	—	3,603
Mutual Funds	1,747	41	120	—	1,908
Alternative Investment Strategies	711	(6)	22	(53)	674
Offshore Funds	186	(1)	7	—	192
Managed Companies	918	39	30	(49)	938
Managed Accounts	134	5	(3)	—	136
Fixed Term Limited Partnerships	418	—	(27)	—	391
Total	7,695	73	176	(102)	7,842

Breakdown of AUM movements on a six months ended basis by investment product type:

$ (in millions)	**AUM December 31, 2013**	**Net Sales / (Redemptions)**	**Net Market Value Change**	**Acquisitions / (Divestitures)**	**AUM June 30, 2014**
Bullion Funds	3,542	(273)	334	—	3,603
Mutual Funds	1,483	129	243	53	1,908
Alternative Investment Strategies	765	(98)	60	(53)	674
Offshore Funds	173	(7)	26	—	192
Managed Companies	521	415	51	(49)	938
Managed Accounts	122	3	11	—	136
Fixed Term Limited Partnerships	361	27	3	—	391
Total	6,967	196	728	(49)	7,842

Revenues

Total revenues for the three and six months ended June 30, 2014 were $30.4 million and $63.2 million, reflecting an increase of $13.8 million (83.2%) and $19.1 million (43.3%), respectively, from the prior periods.

Management fees were $20.1 million on a three months ended basis and $39.5 million on a six months ended basis, reflecting a decrease of $1.3 million (6.3%) and $7.9 million (16.7%), respectively, from the prior periods. This reflects the decline in average AUM previously discussed. Management fees as a percentage of average AUM at 1.1% was consistent with the prior periods. Management fees include fees earned from precious metal physical trusts which amounted to $3.2 million on a three months ended basis and $6.6 million on a six months ended basis, compared to $3.7 million and $8.1 million in the prior periods.

Performance fees were $0.5 million on a three months ended basis and $0.7 million on a six months ended basis, reflecting an increase of $0.3 million (226.2%) and a decrease of $0.8 million (51.0%), respectively, from the prior periods. The increase on a three months ended basis was due to performance fees generated in an alternative investment strategies fund and a Managed Company. The decrease on a six months ended basis was due to the timing of performance fees recorded in the prior period.

Commission revenues were $2.5 million on a three months ended basis and $4.4 million on a six months ended basis, reflecting an increase of $0.9 million (54.7%) and $0.9 million (24.5%) from the prior periods. The increase was due to increased private placement activities in SGRIL and SPW.

Interest income was $3.8 million on a three months ended basis and $9.2 million on a six months ended basis, reflecting an increase of $2.8 million (294.2%) and $7.4 million (431.0%), respectively, from the prior periods. Interest income earned by the Company is generated primarily by SRLC which was acquired by the Company on July 23, 2013. Prior to the acquisition, the Company's lending activities were conducted through SRLC but as a Managed Company, thereby generating management fee income for the Company at that time rather than interest income.

Unrealized and realized gains on proprietary investments and loans were $2.7 million on a three months ended basis and $7.0 million on a six months ended basis, reflecting an increase of $12.1 million and $19.5 million, respectively, from the prior periods. The increase was due to market value appreciation across most proprietary investments held by the Company in the current periods compared to losses in the prior periods.

Other income was $0.8 million on a three months ended basis and $2.4 million on a six months ended basis, reflecting a decrease of $1.0 million (56.4%) and $0.1 million (2.4%), respectively, from the prior periods. The decrease on a three months ended basis was a result of: (i) $1.3 million of foreign exchange losses in the current quarter on U.S. dollar denominated cash deposits, receivables and loans; and (ii) $1.2 million of Other income related to the sale of a note receivable in the prior period. These decreases were partially offset by a $1.5 million break-fee received on the termination of the TFIT management contract. The decrease on a six months ended basis was a result of: (i) $0.3 million in net foreign exchange losses in the current period on U.S. dollar denominated cash deposits, receivables and loans; (ii) $1.2 million of Other income related to sale of the note receivable previously described; and (iii) $0.1 million of decreases in Other income related to redemption fee revenue, syndicate fees, expense recoveries from Managed Companies and Managed Accounts and dividend income. These decreases were partially offset by the break-fee of $1.5 million previously described.

Expenses

Total expenses were $22.7 million on a three months ended basis and $43.9 million on a six months ended basis, reflecting a decrease of $4.0 million (15.0%) and $6.5 million (12.9%), respectively, from the prior periods. Changes in specific expense categories are described below:

Compensation and benefits

The table below summarizes the components of compensation and benefits:

	For the three months ended June 30		For the six months ended June 30	
($ in millions)	**2014**	2013	**2014**	2013
Salaries and benefits	**6,159**	6,296	**12,615**	13,210
Discretionary bonus-cash component	**1,975**	1,330	**3,996**	3,542
Discretionary bonus-equity component (1)	**513**	686	**1,250**	1,364
Commissions	**957**	633	**1,609**	1,354
One-time compensation expense (2)	**763**	—	**763**	—
	10,367	8,945	**20,233**	19,470

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

(2) One-time compensation expense relates to the $1.5 million break-fee received on termination of the TFIT management contract.

Total compensation and benefits as reported in the Company's unaudited interim condensed consolidated statements of operations were $9.9 million on a three months ended basis and $19.0 million on a six months ended basis, reflecting an increase of $1.6 million (19.3%) and $877 thousand (4.8%), respectively, from the prior periods. The increase in compensation and benefits was primarily a result of: (i) higher compensation expense associated with the break-fee received on termination of the TFIT management contract; and (ii) a change in discretionary bonus methodology that was necessary to reflect interest and fee income from SRLC following its acquisition in the third quarter of 2013. These increases in compensation expense were only partially offset by a change in the compensation structure for a Company executive and the departure of certain employees.

Stock-based compensation

Stock-based compensation was $0.8 million on a three months ended basis and $2.3 million on a six months ended basis, reflecting a decrease of $1.6 million (67.6%) and $2.8 million (55.3%), respectively, from the prior periods. 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 were $3.2 million on a three months ended basis and $6.2 million on a six months ended basis, reflecting an increase of $0.3 million (9.9%) and a decrease of $0.1 million (1.9%), respectively, from the prior periods. Trailer fees increased on a three months ended basis as there was an increase in the amount of third party trailers paid by the Company which more than offset the effects of the decline in average trailer fee paying AUM. On a six months ended basis, however, increased third party trailers were more than offset by a larger drop in trailer fee paying AUM.

General and administrative

General and administrative expenses were $7.3 million on a three months ended basis and $13.3 million on a six months ended basis, reflecting an increase of $1.6 million (28.2%) and $1.8 million (16.0%), respectively, from the prior periods. These increases were the result of: (i) an increase in fund development costs; (ii) higher marketing costs; (iii) property taxes paid by SRLC on legacy foreclosed properties; and (iv) 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.

Amortization of intangibles

Amortization of intangibles was $1.4 million on a three months ended basis and $2.7 million on a six months ended basis, reflecting a decrease of $0.5 million (25.5%) and $0.8 million (24.3%), respectively, from the prior periods. The decrease was mainly the result of lower amortization of carried interests as a result of prior period write-downs of carried interest in the Global Companies' operating segment. Amortization of intangibles consists of: (i) the amortization of deferred sales commissions; and (ii) the amortization of fund management contracts and carried interests.

Impairment (reversals) of intangibles

For the three and six month periods ended, there were no indicators of impairment for goodwill and intangibles. For the three months ended June 30, 2013, an impairment charge of $5.4 million was recognized.

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 of property and equipment for the three and six months ended was $0.2 million and $0.4 million, respectively, compared to $0.2 million and $0.5 million in the prior periods.

Net Income and Adjusted base EBITDA

Net income was $5.0 million on a three months ended basis and $15.3 million on a six months ended basis, reflecting an increase of $11.7 million (174.7%) and $19.9 million (430.1%), respectively from the prior periods. The increase was due primarily to: (i) better performance in the Company's proprietary investments in the current periods compared to losses in the prior periods; (ii) higher interest and commission income in the current periods; and (iii) an impairment charge on carried interests in the Global Companies segment in the prior periods. Basic and diluted earnings per share were $0.02 on a three months ended basis and $0.06 on a six months ended basis, reflecting an increase of $0.06 and $0.09 per share, respectively, from the prior periods.

Adjusted base EBITDA was $6.8 million on a three months ended basis and $15.9 million on a six months ended basis, reflecting a decrease of $1.2 million (14.6%) and $1.5 million (8.4%), respectively, from the prior periods. The decrease over these periods was largely the result of higher commission and interest income being more than offset by lower management fees and increases in cash operating expenses. Basic and diluted adjusted base EBITDA per share were $0.03 on a three months ended basis and $0.06 on a six months ended basis, reflecting a $0.01 and $0.04 per share decline, respectively, from the prior periods.

Balance Sheet

Total assets at June 30, 2014 were $453.1 million, reflecting a decrease of $2.6 million (0.6%) from December 31, 2013.

Cash and cash equivalents were $104.9 million, a decrease of $10.8 million (9.3%) from December 31, 2013. The decrease was primarily due to: (i) new loan originations as well as SRLC's purchase of loans from TFIT pursuant to its unwind; (ii) the normal course funding of proprietary investments; and (iii) payment of quarterly dividends. These cash outflows were partially offset by the generation and retention of operating cash flows in the normal course.

Fees receivable were $10.2 million, reflecting a decrease of $3.6 million (26.1%) from December 31, 2013. The decrease was primarily due to the receipt of year-end performance fees in the current period.

Other assets were $8.5 million, reflecting a decrease of $12.2 million (58.8%) from December 31, 2013. The decrease was primarily due to proceeds received from the redemption of a Sprott Fund.

Proprietary investments were $104.2 million, reflecting an increase of $10.0 million (10.6%) from December 31, 2013. The increase was due to: (i) additional investments made in the equity securities of a Managed Company; (ii) investments made in certain bonds; (iii) increased investment interests in certain private holdings; and (iv) general market value appreciation. These increases were partially offset by the sale or redemption of certain investments.

Loans receivable were $121.4 million, reflecting an increase of $17.1 million (16.4%) from December 31, 2013. The increase was primarily due to an increase in new loan originations as well as SRLC's purchase of loans from TFIT pursuant to its unwind.

Intangible assets were $34.5 million, reflecting an increase of $1.9 million (5.9%) from December 31, 2013. The increase was primarily the result of: (i) the purchase of funds from Arrow Capital Management Inc. during the first quarter of the year; (ii) the addition of carried interest rights relating to a new fixed term limited partnership launched by RCIC; and (iii) net increases in deferred sales commissions, all partially offset by the amortization of finite life management contracts and carried interests.

Goodwill was $46.6 million, reflecting an increase of $0.2 million (0.4%) from December 31, 2013. The increase was due entirely to foreign exchange gains on translation of the Company's U.S. dollar denominated goodwill recorded in Global Companies, the Company's U.S.-based operating segment.

Deferred income tax assets (net of deferred income tax liabilities) was $4.2 million ($5.2 million - December 31, 2013). The $1.0 million net decrease was due primarily to the ongoing use of tax loss carryforwards against current period income, coupled with current period tax payments on previously deferred taxable income.

Accounts payable and accrued liabilities were $13.6 million, reflecting an increase of $0.5 million (3.5%) from December 31, 2013. The increase was the result of higher syndicate fees payable and higher professional fee accruals, partially offset by lower sub-advisory fees payable, lower HST payable and year-end expense reimbursements paid to a Managed Company.

Compensation and employee bonuses payable as at June 30, 2014 were $6.0 million, reflecting a decrease of $4.0 million (39.6%) from December 31, 2013. The decrease was the result of year-end bonus and compensation paid out during the first quarter, partially offset by new bonus and cash based earn-out remuneration payables accrued during the current period.

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		For the six months ended	
($ in thousands)	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Revenue				
Management fees	**15,504**	16,254	**30,648**	36,556
Performance fees	**160**	4	**160**	4
Interest income	**35**	53	**54**	132
Other	**380**	(2,561)	**2,168**	(3,551)
Total revenue	**16,079**	13,750	**33,030**	33,141
Total revenue				
General and administrative	**8,583**	8,620	**16,978**	19,009
Trailer fees	**3,740**	3,954	**7,366**	8,793
Amortization and impairment of intangibles, property and equipment	**583**	552	**1,187**	1,093
Total expenses	**12,906**	13,126	**25,531**	28,895
Income (loss) before income taxes for the period	**3,173**	624	**7,499**	4,246
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**583**	552	**1,187**	1,093
EBITDA	**3,756**	1,176	**8,686**	5,339
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**(408)**	2,896	**(1,780)**	4,133
Non-cash stock based compensation	**—**	—	**—**	—
Adjusted EBITDA	**3,348**	4,072	**6,906**	9,472
Less:				
Performance fees	**(160)**	(4)	**(160)**	(3)
Performance fee related expenses	**139**	3	**139**	3
Adjusted base EBITDA	**3,327**	4,071	**6,885**	9,472

For the three and six months ended June 30, 2014

Revenues

Revenues were $16.1 million on a three months ended basis and $33.0 million on a six months ended basis, reflecting an increase of $2.3 million (16.9%) and a decrease $0.1 million (0.3%), respectively from the prior periods.

Revenues from management fees were $15.5 million on a three months ended basis and $30.6 million on a six months ended basis, reflecting a decrease of $0.8 million (4.6%) and $5.9 million (16.2%), respectively, from the prior periods. The decrease was primarily the result of lower average AUM over the periods.

Performance fees were $0.2 million, reflecting an increase of $0.2 million from the prior periods. Performance fees were earned from an alternative investment strategies fund.

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

Other revenues were $0.4 million on a three months ended basis and $2.2 million on a six months ended basis, reflecting an increase of $2.9 million (114.8%) and $5.7 million (161.1%), respectively, from the prior periods. The increase on a three months ended basis was the result of net unrealized and realized gains from proprietary investments in the current periods compared to losses in the prior periods being partially offset by foreign exchange losses in the current quarter on U.S. dollar denominated cash deposits and receivables. The increase on a six months ended basis was due to the same factors noted above except that foreign exchange gains were experienced in the first quarter of this year which partially offset the foreign exchange losses in the second quarter of this year, thereby resulting in a larger increase in other revenues on a six months ended basis than on a three months ended basis.

Expenses

Total expenses were $12.9 million on a three months ended basis and $25.5 million on a six months ended basis, reflecting a decrease of $0.2 million (1.7%) and $3.4 million (11.6%), respectively, from the prior periods.

General and administrative expenses (which include compensation and benefits expenses) were $8.6 million on a three months ended basis and $17.0 million on a six months ended basis, which was virtually unchanged on a three months ended basis and decreased $2.0 million (10.7%) on a six months ended basis. While general and administrative expenses were flat on a three months ended basis, the decrease on a six months ended basis was the result of: (i) a decline in compensation and benefits as a result of the ending of certain guaranteed compensation payments and the departure of certain employees; and (ii) lower stock-based compensation and fund subsidies. These declines were only partially offset by an increase in sub-advisory fees.

Trailer fees were $3.7 million on a three months ended basis and $7.4 million on a six months ended basis, reflecting a decrease of $0.2 million (5.4%) and $1.4 million (16.2%), respectively, from the prior periods. The decrease was the result of a decline in average AUM over the prior periods.

Depreciation and amortization was $0.6 million on a three months ended basis and $1.2 million on a six months ended basis, which was virtually unchanged on a three months ended basis and increased $0.1 million (8.6%) on a six months ended basis. While depreciation and amortization was flat on a three months ended basis, the increase on a six months ended basis was due to amortization of higher deferred sales commissions in the current period.

Adjusted base EBITDA

Adjusted base EBITDA was $3.3 million and $6.9 million, reflecting a decrease of $0.7 million (18.3%) and $2.6 million (27.3%), respectively, from the prior periods. The decrease was due to lower management fees net of trailers which more than offset lower cash operating expenses during the current periods.

Global Companies Segment

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

Results of operations:

	For the three months ended		For the six months ended	
(in $ thousands)	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Revenue				
Management fees	**2,326**	2,351	**4,685**	4,978
Commissions	**1,862**	1,355	**3,415**	2,702
Interest income	**14**	16	**24**	33
Other	**227**	(1,163)	**696**	(1,380)
Total revenue	**4,429**	2,559	**8,820**	6,333
Expenses				
General and administrative	**2,850**	3,667	**6,002**	7,458
Amortization and impairment of intangibles, property and equipment	**948**	6,829	**1,894**	8,286
Total expenses	**3,798**	10,496	**7,896**	15,744
Income (loss) before income taxes for the period	**631**	(7,937)	**924**	(9,411)
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**948**	1,467	**1,894**	2,924
EBITDA	**1,579**	(6,470)	**2,818**	(6,487)
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	5,362	**—**	5,362
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**(190)**	1,152	**(671)**	1,409
Non-cash stock based compensation	**—**	1,080	**403**	2,151
Adjusted EBITDA	**1,389**	1,124	**2,550**	2,435
Less:				
Performance fees	**—**	—	**—**	—
Performance fee related expenses	**—**	—	**—**	—
Adjusted base EBITDA	**1,389**	1,124	**2,550**	2,435

For the three and six months ended June 30, 2014

Revenues

Total revenues were $4.4 million on a three months ended basis and $8.8 million on a six months ended basis, reflecting an increase of $1.9 million (73.1%) and $2.5 million (39.3%), respectively, from the prior periods.

Revenue from management fees were $2.3 million on a three months ended basis and $4.7 million on a six months ended basis, which was virtually unchanged on a three months ended basis and decreased $0.3 million (5.9%) on a six months ended basis. While management fees were largely unchanged on a three months ended basis, the decrease on a six months ended basis was the result of lower management fees generated on a lower level of average AUM at RCIC over the period.

Commission revenues were $1.9 million on a three months ended basis and $3.4 million on a six months ended basis, reflecting an increase of $0.5 million (37.4%) and $0.7 million (27.1%), respectively, from the prior periods. Improved commission income came from SGRIL and relates to increased private placement activities.

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

Other revenue was $0.2 million on a three months ended basis and $0.7 million on a six months ended basis, reflecting an increase of $1.4 million (119.5%) and $2.1 million (150.4%), respectively, from the prior periods. The majority of the increase was due to gains on proprietary investments in the current period compared to losses encountered in the prior periods.

Expenses

Total expenses were $3.8 million on a three months ended basis and $7.9 million on a six months ended basis, reflecting a decrease of $6.7 million (63.8%) and $7.8 million (49.8%), respectively, from the prior periods.

General and administrative expenses (which include compensation and benefits expenses) were $2.9 million on a three months ended basis and $6.0 million on a six months ended basis, reflecting a decrease of $0.8 million (22.3%) and $1.5 million (19.5%), respectively, from the prior periods. The decrease in general and administrative expenses was mainly due to a reduction in stock-based compensation as a result of earn-out shares attributable to the acquisition of the Global Companies in 2011 fully vesting on February 3, 2014. The decrease was partially offset by an increase in non-stock based employee compensation and benefits, specifically commission expense, which increased commensurately with the increase in commission revenues over the periods.

Depreciation and amortization was $0.9 million on a three months ended basis and $1.9 million on a six months ended basis, reflecting a decrease of $5.9 million (86.1%) and $6.4 million (77.1%), respectively, from the prior periods. The decrease was due to a reduction in amortization expense pertaining to carried interests previously written-down in the second quarter of 2013. During the current 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. During the second quarter of 2013, the carrying value of carried interests was in excess of their recoverable amount, therefore an impairment charge of $5.4 million 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 $1.4 million on a three months ended basis and $2.6 million on a six months ended basis, reflecting an increase of $0.3 million (23.6%) and $0.1 million (4.7%), respectively, from the prior periods. The increase was due primarily to stronger commission income.

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 and six months ended June 30, 2014 without comparative information.

Results of operations:

	For the three months ended		For the six months ended	
($ in thousands)	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Revenue				
Interest income	**3,203**	—	**8,103**	—
Other	**(334)**	—	**2,187**	—
Total revenue	**2,869**	—	**10,290**	—
Expenses				
General and administrative	**1,918**	—	**3,701**	—
Total expenses	**1,918**	—	**3,701**	—
Income (loss) before income taxes for the period	**951**	—	**6,589**	—
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**—**	—	**—**	—
EBITDA	**951**	—	**6,589**	—
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**179**	—	**(1,438)**	—
Non-cash stock based compensation	**—**	—	**—**	—
Adjusted EBITDA	**1,130**	—	**5,151**	—
Less:				
Performance fees	**—**	—	**—**	—
Performance fee related expenses	**—**	—	**—**	—
Adjusted base EBITDA	**1,130**	—	**5,151**	—

For the three and six months ended June 30, 2014

Revenues

Interest income was $3.2 million on a three months ended basis and $8.1 million on a six months ended basis. Interest income in SRLC is earned exclusively from resource sector lending.

Other revenues were negative $0.3 million on a three months ended basis and $2.2 million on a six months ended basis and consisted of: (i) unrealized and realized gains and losses on proprietary investments and loans; (ii) other loan related revenue; and (iii) foreign exchange losses on U.S. denominated loans.

Expenses

General and administrative expenses (which includes compensation and benefits expenses) were $1.9 million on a three months ended basis and $3.7 million on a six months ended basis. The largest component of general and administrative expenses is compensation and benefits followed by start-up costs for new initiatives and property taxes on legacy foreclosed properties.

Adjusted base EBITDA

Adjusted base EBITDA was $1.1 million on a three months ended basis and $5.2 million on a six months ended basis. Interest income, gains on early repayment of loans as well as foreign exchange gains and losses on U.S. dollar denominated loans were the primary drivers of this segment's performance during the periods.

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		For the six months ended	
($ in thousands)	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Revenue				
Management fees	**2,211**	2,840	**3,992**	5,850
Performance fees	**300**	137	**570**	1,485
Interest income	**15**	14	**30**	17
Other	**1,634**	116	**1,748**	202
Total revenue	**4,160**	3,107	**6,340**	7,554
Expenses				
General and administrative	**2,082**	1,617	**3,098**	3,770
Amortization of property and equipment	**17**	11	**26**	18
Total expenses	**2,099**	1,628	**3,124**	3,788
Income (loss) before income taxes for the period	**2,061**	1,479	**3,216**	3,766
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**17**	11	**26**	18
EBITDA	**2,078**	1,490	**3,242**	3,784
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**—**	30	**—**	31
Non-cash stock based compensation	**104**	271	**207**	678
Adjusted EBITDA	**2,182**	1,791	**3,449**	4,493
Less:				
Performance fees	**(300)**	(137)	**(570)**	(1,486)
Performance fee related expenses	**75**	—	**143**	296
Adjusted base EBITDA	**1,957**	1,654	**3,022**	3,303

For the three and six months ended June 30, 2014

Revenues

Total revenues were $4.2 million on a three months ended basis and $6.3 million on a six months ended basis, reflecting an increase of $1.1 million (33.9%) and a decrease of $1.2 million (16.1%), respectively, from the prior periods.

Management fees were $2.2 million on a three months ended basis and $4.0 million on a six months ended basis, reflecting a decrease of $0.6 million (22.1%) and $1.9 million (31.8%), respectively, from the prior periods. The decrease was due to the removal of $188.6 million of AUM relating to loan assets previously managed under a management services agreement with SRLC. Since the July 23, 2013 acquisition of SRLC by the Company, those loan assets have been included as part of the consolidated assets of the Company and generate interest income in SRLC as a separate business segment.

Performance fees were $0.3 million on a three months ended basis and $0.6 million on a six months ended basis, reflecting an increase of $0.2 million (119.0%) and a decrease of $0.9 million (61.6%), respectively, from the prior periods. Performance fees earned in the current period relates to Sprott Toscana. In the prior periods, the majority of performance fees recognized were a result of fees recorded in the first quarter of 2013 relating to SRC and from Sprott Toscana.

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

Other revenues were $1.6 million on a three months ended basis and $1.7 million on a six months ended basis, reflecting an increase of $1.5 million from each of the prior periods. The increase was due to the $1.5 million break-fee received on termination of the TFIT management contract.

Expenses

Total expenses were $2.1 million on a three months ended basis and $3.1 million on a six months ended basis, reflecting an increase of $0.5 million (39.4%) and a decrease of $0.7 million (17.5%), respectively, from the prior periods.

General and administrative expenses (which include compensation and benefits expenses) were $2.1 million on a three months ended basis and $3.1 million on a six months ended basis, reflecting an increase of $0.5 million (28.8%) and a decrease of $0.7 million (17.8%), respectively, from the prior periods. The increase on a three months ended basis was due to increased employee compensation as a result of the TFIT management contract termination in the second quarter of the year. That increase was partially offset by a reduction in earn-out share expenses over the same three month period. In contrast, on a six months ended basis, general and administrative expenses actually declined as the effects of: (i) six months worth of lower monthly earn-out share charges; and (ii) declines in other general and administrative expenses before break-fee payouts; more than offset the break-fee payouts that occurred in the second quarter.

Depreciation and amortization was nominal on both a three months and six months ended basis.

Adjusted base EBITDA

Adjusted base EBITDA was $2.0 million on a three months ended basis and $3.0 million on a six months ended basis, reflecting an increase of $0.3 million (18.3%) and a decrease of $0.3 million (8.5%), respectively, from the prior periods. The increase on a three months ended basis was primarily due to the break fee received on termination of the TFIT management contract. The break-fee more than offset lower management fees and higher cash expenses in the three month period. The decrease on a six months ended basis was due to the break-fee received and lower cash expenses being more than offset by lower management fees over the past six months as a result of SRLC income now being reported as a separate business segment from the Consulting Segment.

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 certain subsidiaries. The Other segment includes the activities of SPW, the private wealth business of the Company.

Results of operations:

	For the three months ended		For the six months ended	
($ in thousands)	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Revenue				
Management fees	**75**	13	**163**	25
Performance fees	**—**	—	**—**	—
Commissions	**638**	261	**1,009**	850
Interest income	**552**	885	**962**	1,545
Trailer fee income	**650**	1,111	**1,350**	2,563
Other	**1,539**	(4,012)	**2,596**	(5,307)
Total revenue	**3,454**	(1,742)	**6,080**	(324)
Expenses				
General and administrative	**2,593**	2,525	**4,954**	4,519
Amortization of property and equipment	**7**	18	**18**	36
Total expenses	**2,600**	2,543	**4,972**	4,555
Income (loss) before income taxes for the period	**854**	(4,285)	**1,108**	(4,879)
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**7**	18	**18**	36
EBITDA	**861**	(4,267)	**1,126**	(4,843)
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**(1,848)**	5,388	**(2,858)**	6,942
Non-cash stock based compensation	**—**	12	**—**	20
Adjusted EBITDA	**(987)**	1,133	**(1,732)**	2,119
Less:				
Performance fees	**—**	—	**—**	—
Performance fee related expenses	**—**	—	**—**	—
Adjusted base EBITDA	**(987)**	1,133	**(1,732)**	2,119

For the three and six months ended June 30, 2014

Revenues

Total revenues were $3.5 million on a three months ended basis and $6.1 million on a six months ended basis, reflecting an increase of $6.4 million and $5.2 million, respectively, from the prior periods.

Management fees for the three and six months ended were $0.1 million and $0.2 million, reflecting an increase of $0.1 million from the prior periods. Management fees were earned by SPW on certain accounts it manages.

Commission revenues were $0.6 million on a three months ended basis and $1.0 million on a six months ended basis, reflecting an increase of $0.4 million (144.4%) and $0.2 million (18.7%), respectively, from the prior periods. The increase was the result of more robust private placement activity during the current periods.

Interest income was $0.6 million on a three months ended basis and $1.0 million on a six months ended basis, reflecting a decrease of $0.3 million (37.6%) and $0.6 million (37.7%), respectively, from the prior periods. The decrease was primarily due to lower interest earning cash deposits with banks and brokerage.

Trailers were $0.7 million on a three months ended basis and $1.4 million on a six months ended basis, reflecting a decrease of $0.5 million (41.5%) and $1.2 million (47.3%), respectively, from the prior periods. 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 $1.5 million on a three months ended basis and $2.6 million on a six months ended basis, reflecting an increase of $5.6 million (138.4%) and $7.9 million (148.9%), respectively, from the prior periods. The increase was the result of net unrealized and realized gains on proprietary investments compared to losses in the prior periods. These gains year-over-year more than offset current period foreign exchange losses on U.S. dollar denominated cash deposits and receivables.

Expenses

Total expenses were $2.6 million on a three months ended basis and $5.0 million on a six months ended basis, reflecting an increase of $0.1 million (2.2%) and $0.4 million (9.2%), respectively, from the prior periods.

General and administrative expenses (which include compensation and benefits expenses) were $2.6 million on a three months ended basis and $5.0 million on a six months ended basis, reflecting an increase of $0.1 million (2.7%) and $0.4 million (9.6%), respectively, from the prior periods. The increase was mainly due to: (i) an increase in marketing costs; (ii) higher discretionary bonus as a result of a change in discretionary bonus methodology that was necessary to reflect interest and fee income from SRLC following its acquisition in the third quarter of 2013; and (iii) higher stock-based compensation.

Depreciation and amortization was nominal on both a three month and six month ended basis.

Adjusted base EBITDA

Adjusted base EBITDA was negative $1.0 million on a three months ended basis and negative $1.7 million on a six months ended basis, reflecting a decrease of $2.1 million (187.1%) and $3.9 million (181.7%), respectively, from the prior periods. The decrease was primarily due to a $1.2 million gain on early redemption of a secured note receivable in the prior period, coupled with lower interest, trailer fee income and higher general and administrative expenses in the current periods.

SUMMARY OF QUARTERLY RESULTS

($ in thousands)	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**	**As at 30-Jun-14**
Assets Under Management	10,302,652	9,931,151	9,109,951	7,146,770	7,335,625	6,966,524	**7,694,545**	**7,842,005**

($ in thousands, except per share amounts)	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**	**3 Months ended 30-Jun-14**
Income Statement Information								
Revenue								
Management fees	28,202	29,242	25,951	21,458	19,497	17,792	**19,372**	**20,116**
Performance fees	93	9,769	1,348	141	892	6,613	**270**	**460**
Commissions	2,424	3,303	1,936	1,616	1,477	1,191	**1,924**	**2,500**
Interest income	655	705	759	968	3,306	4,815	**5,354**	**3,816**
Unrealized and realized gains (losses) on proprietary investments and loans	3,798	(1,789)	(3,049)	(9,466)	1,323	(3,286)	**4,350**	**2,650**
Other income	602	9,319	616	1,854	13,697	2,923	**1,601**	**809**
Total revenue	35,774	50,549	27,561	16,571	40,192	30,048	**32,871**	**30,351**
Net income (loss)	11,008	3,297	2,090	(6,710)	13,470	(90,111)	**10,239**	**5,011**
EBITDA	17,308	6,663	5,865	(8,070)	11,567	(87,690)	**13,236**	**9,225**
Adjusted base EBITDA	10,598	24,462	9,344	7,979	5,396	9,499	**9,060**	**6,816**
Basic earnings (loss) per share	0.07	0.02	0.01	(0.04)	0.06	(0.37)	**0.04**	**0.02**
Diluted earnings (loss) per share	0.06	0.02	0.01	(0.04)	0.06	(0.37)	**0.04**	**0.02**
Basic and diluted EBITDA per share	0.10	0.04	0.03	(0.05)	0.05	(0.36)	**0.05**	**0.04**
Basic and diluted adjusted base EBITDA per share	0.06	0.14	0.05	0.04	0.02	0.04	**0.04**	**0.03**

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 May 14, 2014, a dividend of $0.03 per common share was declared for the quarter ended March 31, 2014. This dividend was paid on June 6, 2014 to shareholders of record at the close of business on May 23, 2014.

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

Including common shares held in the EPSP Trust of 1.3 million as at June 30, 2014 (December 31, 2013 - 2.0 million), which are eliminated on consolidation under IFRS, total capital stock issued and outstanding was 248.3 million (December 31, 2013 - 247.9 million). There were no changes to capital stock between June 30, 2014 and August 6, 2014.

The 0.4 million increase in common shares was largely due to: (i) the issuance of 0.2 million common shares from treasury to partially fund the acquisition of fund management contracts from Arrow Capital Management Inc.; and (ii) the issuance of 0.2 million common shares from treasury in accordance with the share purchase agreement relating to the Global Companies acquisition.

Earnings per share for the three and six months ended June 30, 2014 and June 30, 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 and six months ended June 30, 2014 were $0.02 and $0.06 compared to negative $0.04 and negative $0.03, respectively, for the prior periods. 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 June 30, 2014, 2,650,000 of those stock options were exercisable.

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 operating 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.

Besides the Company's long-term lease agreement, it does not typically have material off-balance sheet contractual arrangements and obligations. Occasionally however, there may be loan commitments arising from the SRLC business segment. As at June 30, 2014, the Company did not have any loan commitments (December 31, 2013 - $1.9 million). 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 terms 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 June 30, 2014.

SPW and SAM are 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.

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 June 30, 2014 and expects most legal costs will be recoverable under its insurance policies and other contractual arrangements.

Significant Accounting Policies, Judgments and Estimates

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS standards in effect as at June 30, 2014, specifically IAS 34 *Interim Financial Reporting*.

Compliance 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. Significant accounting policies, items that require the use of judgment, estimates and assumptions are described in Note 2 of the December 31, 2013 audited consolidated financial statements and have been applied consistently to the unaudited interim condensed consolidated financial statements as at June 30, 2014.

Managing Risk - Financial

Market risk (including price risk, interest rate risk and foreign currency risk), credit risk, liquidity risk and concentration risk are all described in detail in Note 11 to the unaudited interim condensed consolidated financial statements.

Managing Risk - Other

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.

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.

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 quarterly the DC&P and ICFR. For the periods ended June 30, 2014, the Company's CEO and CFO concluded that the Company's DC&P and ICFR were properly designed and were operating effectively.

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 and approval. The Company established an independent review committee for public 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.

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.

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.

Consolidated Financial Statements

Three and six months ended June 30, 2014

Sprott INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *($ in thousands of Canadian dollars)*		**June 30 2014**	December 31 2013
Assets			
Current			
Cash and cash equivalents		**104,920**	115,670
Fees receivable		**10,193**	13,793
Loans receivable	*(Note 6)*	**63,376**	54,402
Other assets		**4,624**	17,071
Income taxes recoverable		**2,129**	3,545
Total current assets		**185,242**	204,481
Proprietary investments	*(Note 3)*	**104,236**	94,268
Loans receivable	*(Note 6)*	**57,977**	49,850
Other assets		**3,902**	3,613
Property and equipment, net	*(Note 4)*	**6,619**	7,010
Intangible assets	*(Note 5)*	**34,507**	32,597
Goodwill	*(Note 5)*	**46,582**	46,378
Deferred income taxes		**14,059**	17,523
		267,882	251,239
Total assets		**453,124**	455,720
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		**13,609**	13,151
Compensation and employee bonuses payable		**6,020**	9,973
Total current liabilities		**19,629**	23,124
Deferred income taxes		**9,870**	12,298
Total liabilities		**29,499**	35,422
Shareholders' equity			
Capital stock	*(Note 7)*	**416,354**	410,420
Contributed surplus	*(Note 7)*	**42,427**	45,664
Retained earnings (deficit)		**(47,894)**	(48,244)
Accumulated other comprehensive income		**12,738**	12,458
Total shareholders' equity		**423,625**	420,298
Total liabilities and shareholders' equity		**453,124**	455,720

See accompanying notes

Eric Sprott
Director, Chairman

James Roddy
Director, Chair of Audit Committee

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

($ in thousands of Canadian dollars, except for per share amounts)		*For the three months ended* **June 30 2014**	June 30 2013	*For the six months ended* **June 30 2014**	June 30 2013
Revenue					
Management fees		**20,116**	21,458	**39,488**	47,409
Performance fees		**460**	141	**730**	1,489
Commissions		**2,500**	1,616	**4,424**	3,552
Interest income		**3,816**	968	**9,170**	1,727
Unrealized and realized gains (losses) on proprietary investments and loans		**2,650**	(9,466)	**7,000**	(12,515)
Other income		**809**	1,854	**2,410**	2,470
Total revenue		**30,351**	16,571	**63,222**	44,132
Expenses					
Compensation and benefits		**9,854**	8,259	**18,983**	18,106
Stock-based compensation	*(Note 7)*	**787**	2,426	**2,267**	5,075
Trailer fees		**3,184**	2,898	**6,192**	6,315
General and administrative		**7,301**	5,697	**13,319**	11,481
Amortization of intangibles	*(Note 5)*	**1,352**	1,814	**2,726**	3,601
Impairment of intangibles	*(Note 5)*	**—**	5,362	**—**	5,362
Amortization of property and equipment	*(Note 4)*	**203**	234	**399**	470
Total expenses		**22,681**	26,690	**43,886**	50,410
Income (loss) before income taxes for the period		**7,670**	(10,119)	**19,336**	(6,278)
Provision for income taxes	*(Note 8)*	**2,659**	(3,409)	**4,086**	(1,658)
Net income (loss) for the period		**5,011**	(6,710)	**15,250**	(4,620)
Basic and diluted earnings per share	*(Note 7)*	**$ 0.02**	$ (0.04)	**$ 0.06**	$ (0.03)

See accompanying notes

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

	For the three months ended		*For the six month ended*	
	June 30	June 30	**June 30**	June 30
($ in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Net income (loss) for the period	**5,011**	(6,710)	**15,250**	(4,620)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation gain (loss) on foreign operations (taxes of nil)	**(3,015)**	5,913	**280**	9,720
Total other comprehensive income (loss)	**(3,015)**	5,913	**280**	9,720
Comprehensive income (loss)	**1,996**	(797)	**15,530**	5,100

See accompanying notes

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

For the six months ended June 30, 2014 and 2013 ($ 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)*	**672,205**	**3,915**	**(3,888)**	**—**	**—**	**27**
Foreign currency translation gain on foreign operations		**—**	**—**	**—**	**—**	**280**	**280**
Additional purchase consideration		**177,500**	**1,223**	**(1,614)**	**—**	**—**	**(391)**
Stock-based compensation		**—**	**—**	**2,267**	**—**	**—**	**2,267**
Shares issued from treasury		**225,764**	**796**	**(2)**	**—**	**—**	**794**
Regular dividends paid	*(Note 10)*	**—**	**—**	**—**	**(14,900)**	**—**	**(14,900)**
Net income		**—**	**—**	**—**	**15,250**	**—**	**15,250**
Balance, June 30, 2014		**247,021,326**	**416,354**	**42,427**	**(47,894)**	**12,738**	**423,625**
At December 31, 2012		169,049,677	215,474	42,808	58,609	818	317,709
Business acquisition		—	—	—	—	—	—
Shares acquired for equity incentive plan		(202,000)	(289)	(329)	—	—	(618)
Shares released on vesting of equity incentive plan		614,408	3,637	(3,637)	—	—	—
Foreign currency translation gain on foreign operations		—	—	—	—	9,720	9,720
Additional purchase consideration		177,500	1,554	(1,283)	—	—	271
Stock-based compensation		—	—	5,075	—	—	5,075
Deferred tax asset on stock-based compensation		—	—	(716)	—	—	(716)
Shares issued from treasury		7,577,159	24,638	(5)	—	—	24,633
Regular dividends paid		—	—	—	(10,722)	—	(10,722)
Net loss		—	—	—	(4,620)	—	(4,620)
Balance, June 30, 2013		177,216,744	245,014	41,913	43,267	10,538	340,732

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six months ended June 30 ($ in thousands of Canadian dollars)	**2014**	2013
Operating Activities		
Net income (loss) for the period	**15,250**	(4,620)
Add (deduct) non-cash items:		
Losses (gains) on proprietary investments and loans	**(7,000)**	12,515
Stock-based compensation	**2,267**	5,075
Amortization of property, equipment and intangible assets	**3,125**	4,071
Impairment of intangible assets	**—**	5,362
Deferred income taxes (recovery)	**402**	(3,983)
Other items	**(1,728)**	701
Income taxes	**3,684**	2,325
Income taxes paid	**(2,035)**	(8,108)
Changes in:		
Fees receivable and other assets	**15,395**	7,518
Loans receivable	**(17,366)**	—
Accounts payable, accrued liabilities, compensation and employee bonuses payable	**(2,975)**	(12,067)
Effect of foreign exchange on cash balances	**7**	467
Cash provided by operating activities	**9,026**	9,256
Investing Activities		
Purchase of proprietary investments	**(30,455)**	(31,299)
Sale of proprietary investments	**29,335**	14,881
Purchase of property and equipment	**(5)**	(322)
Deferred sales commissions paid	**(1,088)**	(628)
Purchase of intangible assets	**(3,455)**	(828)
Cash used in investing activities	**(5,668)**	(18,196)
Financing Activities		
Acquisition of common shares for equity incentive plan	**—**	(618)
Shares issued from treasury	**792**	24,500
Dividends paid	**(14,900)**	(10,722)
Cash provided by (used in) financing activities	**(14,108)**	13,160
Net increase (decrease) in cash and cash equivalents during the period	**(10,750)**	4,220
Cash and cash equivalents, beginning of the period	**115,670**	77,400
Cash and cash equivalents, end of the period	**104,920**	81,620
Cash and cash equivalents:		
Cash	**83,581**	22,032
Short-term deposits	**21,339**	59,588
	104,920	81,620

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 for the three and six months ended June 30, 2014 ("interim financial statements") have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Consequently, they should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2013 ("annual financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements of the Company were authorized for issue by a resolution of the Board of Directors on August 6, 2014.

Basis of presentation

The interim 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 financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

Principles of consolidation

The interim financial statements of the Company are prepared on a consolidated basis so as to include the accounts of all limited partnerships and corporations the Company is deemed to control under IFRS. Controlled limited partnerships and corporations ("subsidiaries") 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.

Control exists if the Company has power over the entity, exposure or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of returns the Company receives. In many, but not all instances, control will exist when the Company owns more than one half of the voting rights of a corporation, or is the sole limited and general partner of a limited partnership.

The Company currently controls the following subsidiaries:

- Sprott Asset Management LP ("SAM");
- Sprott Private Wealth LP ("SPW");
- Sprott Consulting LP ("SC");
- Sprott Asia LP ("Sprott Asia");
- Sprott U.S. Holdings Inc., parent company of: (i) Rule Investments Inc. (the owner of Sprott Global Resource Investments Ltd. ("SGRIL")); (ii) Sprott Asset Management USA Inc. ("SAM US"); and (iii) Resource Capital Investment Corporation ("RCIC"). Collectively, the interests of Sprott U.S. Holdings Inc. are referred to as the "Global Companies" in these interim financial statements;
- Sprott Resource Lending Corp. ("SRLC");
- Toscana Energy Corporation ("TEC") and Toscana Capital Corporation ("TCC") (Collectively, "Sprott Toscana");
- Sprott Genpar Ltd.;
- SAMGENPAR Ltd.;
- Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust").

Investments in funds

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 may designate 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 Funds that take the form of public mutual funds, alternative investment strategies, offshore funds, bullion funds and physical trusts, all of 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 June 30, 2014, assets under management in public mutual funds was $1.9 billion (December 31, 2013 - $1.5 billion); alternative investment strategies $674 million (December 31, 2013 - $765 million); offshore funds $192 million (December 31, 2013 - $173 million); bullion funds $253 million (December 31, 2013 - $239 million); and physical trusts $3.4 billion (December 31, 2013 - $3.3 billion). The Company had investments in 18 Funds (December 31, 2013 - 37) with an average ownership interest of 9.3% (December 31, 2013 - 7.6%). The Company provides no guarantees against the risk of financial loss to the investors of these investment funds.

Other accounting policies

All other accounting policies, judgments, and estimates described in the annual financial statements have been applied consistently to these interim financial statements unless otherwise noted.

Accounting policies adopted January 1, 2014

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 interim financial statements.

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 interim financial statements.

3. PROPRIETARY INVESTMENTS

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

	June 30, 2014	December 31, 2013
Gold bullion	**7,265**	6,532
Public equities and share purchase warrants	**8,232**	4,097
Mutual funds and alternative investment strategies*	**68,102**	69,429
Fixed income securities	**9,976**	7,223
Private holdings	**10,661**	6,987
Total proprietary investments	**104,236**	94,268

*Investments in mutual funds and alternative investment strategies are primarily managed by SAM or RCIC. As at June 30, 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 $10.2 million (December 31, 2013 - $24.2 million), equities of $20.5 million (December 31, 2013 - $22.4 million), short equity positions of $116.9 million (December 31, 2013 - $70.0 million), fixed income securities of $140.2 million (December 31, 2013 $86.4 million), bullion of $4.4 million (December 31, 2013 - $4.0 million) and derivatives of $7.3 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
Additions	—	5	—	—	5
Net exchange differences	—	3	1	1	5
June 30, 2014	**2,045**	**2,944**	**2,123**	**7,857**	**14,969**
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	—	(77)	(27)	(295)	(399)
Net exchange differences	—	(2)	—	—	(2)
June 30, 2014	**—**	**(2,620)**	**(2,106)**	**(3,624)**	**(8,350)**
Net Book Value at:					
December 31, 2013	2,045	395	43	4,527	7,010
June 30, 2014	**2,045**	**324**	**17**	**4,233**	**6,619**

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	—	2,642	—	813	1,088	4,543
Net exchange differences	617	—	103	126	—	846
At June 30, 2014	**143,766**	**16,969**	**24,982**	**34,283**	**7,398**	**227,398**
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	—	—	(1,611)	(256)	(859)	(2,726)
Net exchange differences	(413)	—	—	(136)	—	(549)
At June 30, 2014	**(97,184)**	**—**	**(13,753)**	**(30,734)**	**(4,638)**	**(146,309)**
Net Book Value at:						
December 31, 2013	46,378	14,327	12,737	3,002	2,531	78,975
June 30, 2014	**46,582**	**16,969**	**11,229**	**3,549**	**2,760**	**81,089**

Net Book Value	**June 30, 2014**	December 31, 2013
Intangibles	**34,507**	32,597
Goodwill	**46,582**	46,378
	81,089	78,975

Impairment assessment of goodwill

The Company identified six cash generating units ("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.

As at June 30, 2014, the Company allocated goodwill across the CGUs as follows ($ in thousands):

CGU	Allocated Goodwill	
	June 30, 2014	December 31, 2013
SAM	**20,500**	20,400
Global Companies	**22,882**	22,778
SRLC	**—**	—
Corporate	**—**	—
SC	**3,200**	3,200
SPW	**—**	—
	46,582	46,378

Goodwill is tested for impairment at least annually, which for the Company is during the fourth quarter of each year. During the first, second, and third quarters, goodwill is assessed for indicators of impairment. As at June 30, 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 June 30, 2014 the Company had indefinite life fund management contracts within the SAM CGU of $4.2 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 June 30, 2014, the Company had finite life fund management contracts of $11.2 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 June 30, 2014, the Company had carried interests of $3.5 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 June 30, 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 consists of the following ($ in thousands):

	June 30, 2014	December 31, 2013
Resource bridge loans		
Loan principal	**119,347**	102,923
Accrued interest	**79**	62
Deferred revenue	**(3,534)**	(4,157)
Mark-to-market	**1,072**	1,035
Amortized cost, before loan loss provisions	**116,964**	99,863
Loan loss provisions	**—**	—
Carrying value of resource bridge loans receivable	**116,964**	99,863
Less: current portion	**(58,987)**	(50,013)
Total non-current resource bridge loans receivable	**57,977**	49,850
Real estate loans		
Loan principal	**4,389**	4,389
Accrued interest	**486**	222
Amortized cost, before loan loss provision	**4,875**	4,611
Loan loss provision	**(486)**	(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	**—**	—
Total carrying value of loans receivable	**121,353**	104,252
Less: current portion	**(63,376)**	(54,402)
Total carrying value of non-current loans receivable	**57,977**	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 June 30, 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:

	June 30, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Real estate loans				
Amortized cost, before loan loss provision	**1**	**4,875**	1	4,611
Loan loss provision	**—**	**(486)**	—	(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	
	June 30, 2014	June 30, 2013
Interest on impaired loans	**132**	—
Loan loss provision on real estate loans		
Balance, beginning of period	**354**	—
Loan loss expense on real estate loan	**132**	—
Balance, end of period	**486**	—

Sector distribution of loan principal

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

	June 30, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans				
Metals and mining *	**9**	**81,052**	11	90,564
Energy and other	**7**	**38,295**	5	12,359
Total resource bridge loan principal	**16**	**119,347**	16	102,923
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	**17**	**123,736**	17	107,312

* As at June 30, 2014, $ 9.8 million of the precious metal loans were designated as FVTPL which includes principal and interest while the remaining $1.7 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:

	June 30, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans *				
Canada	**10**	**78,631**	9	41,145
United States of America	**2**	**9,235**	3	24,831
Mexico	**1**	**13,000**	1	17,800
Australia	**1**	**9,583**	2	14,872
Chile	**2**	**8,898**	1	4,275
Total resource bridge loan principal	**16**	**119,347**	16	102,923
Real estate loans				
Canada	**1**	**4,389**	1	4,389
Total real estate loan principal	**1**	**4,389**	1	4,389
Total loan principal	**17**	**123,736**	17	107,312

* As at June 30, 2014, $ 9.8 million of the precious metal loans were designated as FVTPL which includes principal and interest while the remaining $1.7 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 two resource bridge loans, with a carrying value of $15.6 million, which are second secured.

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 June 30, 2014, all past due loans were considered impaired.

Loan commitments

As at June 30, 2014, the Company had no 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	672,205	3,915
At June 30, 2014	**247,021,326**	**416,354**

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	1,657
Expensing of earn-out shares over the vesting period	610
Issuance of shares relating to additional purchase consideration	(1,614)
Issuance of share capital on conversion of RSU	(2)
Released on vesting of common shares for equity incentive plan	(3,888)
At June 30, 2014	**42,427**

* 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 and six months ended June 30, 2014 (nil - June 30, 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, June 30, 2014	**2,650**	**9.71**
Options exercisable, June 30, 2014	**2,650**	**9.71**

Options outstanding and exercisable as at June 30, 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	3.9	2,450
4.85	50	5.5	50
6.60	150	6.4	150
4.85 to 10.00	**2,650**	**4.0**	**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 until the awards vest and are distributed to eligible members; or (ii) from treasury, common shares of the Company that will be held in the Trust until the awards vest and are distributed to eligible members. For employees in the U.S. 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 and six months ended June 30, 2014 (2013 - nil). The Trust purchased no common shares for the three and six months ended June 30, 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	(672,205)
Unvested common shares held by the Trust, June 30, 2014	**1,308,993**

Earn-out shares

In connection with the acquisition of the Global Companies, 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 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 and six months ended June 30, 2014, the Company recorded share-based compensation expense of 0.8 million and $2.3 million, respectively, (2013 - $2.4 million and $5.1 million) with a corresponding increase to contributed surplus ($ in thousands).

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
Earn-out shares	**104**	1,350	**610**	2,825
Stock option plan	**—**	9	**—**	18
EPSP / EIP	**683**	1,067	**1,657**	2,232
	787	2,426	**2,267**	5,075

Basic and diluted earnings (loss) per share

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

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
Numerator ($ in thousands):				
Net income (loss) - basic and diluted	**5,011**	(6,710)	**15,250**	(4,620)
Denominator (Number of shares in thousands):				
Weighted average number of common shares	**248,337**	178,938	**248,192**	175,917
Weighted average number of unvested shares purchased by the Trust	**(1,312)**	(1,549)	**(1,441)**	(1,564)
Weighted average number of common shares - basic	**247,025**	177,389	**246,751**	174,353
Weighted average number of additional purchase consideration	**—**	—	**33**	—
Weighted average number of unvested shares purchased by the Trust	**1,312**	—	**1,441**	—
Weighted average number of outstanding RSU	**1**	—	**2**	—
Weighted average number of shares issuable under acquisition consideration payable	**652**	—	**652**	—
Weighted average number of common shares - diluted	**248,990**	177,389	**248,879**	174,353
Net income (loss) per common share				
Basic	**$ 0.02**	$ (0.04)	**$ 0.06**	$ (0.03)
Diluted	**$ 0.02**	$ (0.04)	**$ 0.06**	$ (0.03)

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 U.S. Securities and Exchange Commission ("SEC"), SAM US is registered with the SEC 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, management monitors regulatory and working capital on a regular basis. For the six months ended June 30, 2014, all entities were in compliance with their respective capital requirements.

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 terms 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 June 30, 2014.

8. INCOME TAXES

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

For the six months ended	**June 30, 2014**	June 30, 2013
Current income tax expense		
Based on taxable income of the current period	**3,842**	3,599
Adjustments in respect of previous years	**(158)**	(1,274)
	3,684	2,325
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**687**	(4,509)
Adjustments in respect of previous years	**(285)**	526
	402	(3,983)
Income tax expense (recovery) reported in the statements of operations	**4,086**	(1,658)

For the six months ended June 30, 2014, the Company's consolidated effective tax rate of 21.13% differs from the statutory tax rate of 27.08% primarily due to income that was earned by the Company which is taxed at more favourble income tax rates than the statutory tax rate.

9. FAIR VALUE MEASUREMENTS

The following tables present the Company's recurring fair value measurements within the fair value hierarchy. The Company did not have non-recurring fair value measurements as at June 30, 2014 (2013 - nil) ($ in thousands):

June 30, 2014	Level 1	Level 2	Level 3	Total
Recurring measurements:				
Cash and cash equivalents	104,920	—	—	104,920
Gold bullion	7,265	—	—	7,265
Public equities	7,096	388	—	7,484
Private holdings	—	—	10,661	10,661
Common share purchase warrants	—	748	—	748
Fixed income securities	—	9,976	—	9,976
Mutual funds	11,090	—	—	11,090
Alternative investment strategies	—	57,012	—	57,012
Precious metal loans	—	—	9,813	9,813
Total recurring fair value measurements	**130,371**	**68,124**	**20,474**	**218,969**

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 fair value 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 - June 30, 2014

	December 31, 2013	Purchases and reclassifications	Settlements	Net unrealized gains included in net income	Net realized gains included in net income	Net realized gains included in other income	Net realized gains included in interest income	June 30, 2014
Private holdings	5,353	5,778	(517)	47	—	—	—	10,661
Precious metal loans	11,658	—	(2,872)	498	—	5	524	9,813
	17,011	5,778	(3,389)	545	—	5	524	20,474

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 six months ended June 30, 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, 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 that were designated as FVTPL) had a carrying value of $111.5 million and a fair value of $117.9 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 comparable bonds 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 June 30, 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
May 23, 2014 - regular dividend Q1 - 2014	June 6, 2014	0.03	7,450
Dividends paid			14,900

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 currency 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 or decreased by 5%, with all other variables held constant, this would have resulted in an increase or decrease in net income of approximately $4.2 million for the period (December 31, 2013 - $3.8 million). 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 precious 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.

As at June 30, 2014, the Company held precious metal loans with a carrying value of $11.5 million (December 31, 2013 - $14.7 million). The fair value of these 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 $0.5 million for the period (December 31, 2013 - $0.6 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.

As at June 30, 2014, the Company held gold bullion with a carrying value of $7.3 million (December 31, 2013 - $6.5 million). If the market value of gold bullion increased or decreased by 5%, with all other variables held constant, this would have resulted in an increase or decrease in net income of approximately $0.3 million for the period (2013 - $0.3 million).

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 segment are exposed to volatility as a result of sudden changes in interest rates. As a mitigating factor, the Company from time-to-time sets minimum interest rates or an interest rate floor in its variable rate loans. As at June 30, 2014 the Company's loan portfolio consisted only of fixed-rate loans. 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.

As at June 30, 2014, the Company had 16 fixed-rate resource-based loans and 1 fixed rate real estate loan with an aggregate carrying value of $121.4 million (December 31, 2013 - $104.2 million). The Company's 16 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.

The carrying amounts of the Company's assets and liabilities in the following table are presented based on the earlier of contractual repricing and maturity dates as at June 30, 2014 ($ in thousands):

June 30, 2014	Floating Rate	Within 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Non-Interest Sensitive	Total
Total assets	104,920	6,389	38,272	46,679	31,825	225,039	453,124
Total liabilities and equity	—	—	—	—	—	(453,124)	(453,124)
Difference	104,920	6,389	38,272	46,679	31,825	(228,085)	—
Cumulative difference	104,920	111,309	149,581	196,260	228,085	—	—
Cumulative difference as a percentage of total assets	23.2%	24.6%	33.0%	43.3%	50.3%	—	—

Foreign currency risk

Foreign currency risk arises from foreign exchange rate movements that could negatively impact the carrying value of financial assets and liabilities when translating those balances into Canadian dollars. The Company's primary foreign currency is the United States dollar ("USD"). The Company may employ certain hedging strategies to mitigate foreign currency risk.

The Global Companies' assets are all denominated in USD with their impact being reported as part of Other Comprehensive Income in the interim financial statements. Excluding the impact of the Global Companies, as at June 30, 2014, approximately $24.6 million or 4.6% (June 30, 2013 - $36.4 million or 10.1%) of total Canadian assets were invested in proprietary investments priced in USD. Furthermore, a total of $27.9 million (June 30, 2013 - $0.9 million) of cash, $1.4 million (June 30, 2013 -$1.3 million) of accounts receivable, $13.1 million (June 30, 2013 - nil) of loans receivable and $0.7 million (June 30, 2013 - $0.2 million) of other assets were denominated in USD. As at June 30, 2014, if the exchange rate between USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease in net income would have been approximately $2.2 million for the period (2013 - $1.7 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 June 30, 2014, the Company's most significant proprietary investments counterparty was 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. NBCN is registered as an investment dealer subject to regulation by IIROC; as a result, it is required to maintain minimum levels of regulatory capital at all times.

Loans receivable

The Company incurs credit risk primarily in the loan portfolio of SRLC. In addition to the relative default probability of SRLC borrowers, credit risk is also dependent on loss given default, which can increase credit risk 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, 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 that 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;
- legal reviews that are performed to ensure that all due diligence requirements are met prior to funding.

As at June 30, 2014, the Company's exposure to on-balance sheet credit risk (loans receivable) was $121.4 million (December 31, 2013 - $104.3 million) and the Company had no exposure to off-balance sheet credit risk (loan commitments) (December 31, 2013 - $1.9 million). As at June 30, 2014, the largest loan in the Company's loan portfolio was a resource loan with a carrying value of $16.4 million or 13.5% 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 June 30, 2014, the Global Companies' most significant counterparty was 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 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 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. As at June 30, 2014, the Company had $104.9 million or 23.2% of its total assets in cash and cash equivalents. In addition, approximately $62.0 million or 59.5% 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 through the ongoing monitoring of scheduled loan fundings and repayments. As at June 30, 2014, the Company had no funding commitments (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 team 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 loan 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 U.S. 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 certain 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 pricing between operating segments is performed 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	June 30, 2014						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	15,504	2,326	—	2,211	75	—	20,116
Performance fees	160	—	—	300	—	—	460
Commissions	—	1,862	—	—	638	—	2,500
Interest income	35	14	3,203	15	552	(3)	3,816
Trailer fee income	—	—	—	—	650	(556)	94
Other	380	227	(334)	1,634	1,539	(81)	3,365
Total revenue	**16,079**	**4,429**	**2,869**	**4,160**	**3,454**	**(640)**	**30,351**
Expenses							
General and administrative	8,583	2,850	1,918	2,082	2,593	(84)	17,942
Trailer fees	3,740	—	—	—	—	(556)	3,184
Amortization and impairment of intangibles, property and equipment	583	948	—	17	7	—	1,555
Total expenses	**12,906**	**3,798**	**1,918**	**2,099**	**2,600**	**(640)**	**22,681**
Income (loss) before income taxes for the period	**3,173**	**631**	**951**	**2,061**	**854**	**—**	**7,670**
Provision for income taxes	—	—	—	—	—	—	2,659
Net income (loss) for the period							**5,011**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	2,659
Depreciation and amortization	583	948	—	17	7	—	1,555
EBITDA	**3,756**	**1,579**	**951**	**2,078**	**861**	**—**	**9,225**
Other adjustments:							
Impairment (reversal) of intangible assets	—	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	(408)	(190)	179	—	(1,848)	—	(2,267)
Non-cash stock based compensation	—	—	—	104	—	—	104
Adjusted EBITDA	**3,348**	**1,389**	**1,130**	**2,182**	**(987)**	**—**	**7,062**
Less:							
Performance fees	(160)	—	—	(300)	—	—	(460)
Performance fee related expenses	139	—	—	75	—	—	214
Adjusted base EBITDA	**3,327**	**1,389**	**1,130**	**1,957**	**(987)**	**—**	**6,816**

For the three months ended	June 30, 2013						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	16,254	2,351	—	2,840	13	—	21,458
Performance fees	4	—	—	137	—	—	141
Commissions	—	1,355	—	—	261	—	1,616
Interest income	53	16	—	14	885	—	968
Trailer fee income	—	—	—	—	1,111	(1,056)	55
Other	(2,561)	(1,163)	—	116	(4,012)	(47)	(7,667)
Total revenue	**13,750**	**2,559**	**—**	**3,107**	**(1,742)**	**(1,103)**	**16,571**
Expenses							
General and administrative	8,620	3,667	—	1,617	2,525	(47)	16,382
Trailer fees	3,954	—	—	—	—	(1,056)	2,898
Amortization and impairment of intangibles, property and equipment	552	6,829	—	11	18	—	7,410
Total expenses	**13,126**	**10,496**	**—**	**1,628**	**2,543**	**(1,103)**	**26,690**
Income (loss) before income taxes for the period	**624**	**(7,937)**	**—**	**1,479**	**(4,285)**	**—**	**(10,119)**
Provision for income taxes	—	—	—	—	—	—	(3,409)
Net income (loss) for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(6,710)**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	(3,409)
Depreciation and amortization	552	1,467	—	11	18	—	2,048
EBITDA	**1,176**	**(6,470)**	**—**	**1,490**	**(4,267)**	**—**	**(8,071)**
Other adjustments:							
Impairment (reversal) of intangible assets	—	5,362	—	—	—	—	5,362
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	2,896	1,152	—	30	5,388	—	9,466
Non-cash stock based compensation	—	1,080	—	271	12	—	1,363
Adjusted EBITDA	**4,072**	**1,124**	**—**	**1,791**	**1,133**	**—**	**8,120**
Less:							
Performance fees	(4)	—	—	(137)	—	—	(141)
Performance fee related expenses	3	—	—	—	—	—	3
Adjusted base EBITDA	**4,071**	**1,124**	**—**	**1,654**	**1,133**	**—**	**7,982**

For the six months ended	June 30, 2014						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	30,648	4,685	—	3,992	163	—	39,488
Performance fees	160	—	—	570	—	—	730
Commissions	—	3,415	—	—	1,009	—	4,424
Interest income	54	24	8,103	30	962	(3)	9,170
Trailer fee income	—	—	—	—	1,350	(1,174)	176
Other	2,168	696	2,187	1,748	2,596	(161)	9,234
Total revenue	**33,030**	**8,820**	**10,290**	**6,340**	**6,080**	**(1,338)**	**63,222**
Expenses							
General and administrative	16,978	6,002	3,701	3,098	4,954	(164)	34,569
Trailer fees	7,366	—	—	—	—	(1,174)	6,192
Amortization and impairment of intangibles, property and equipment	1,187	1,894	—	26	18	—	3,125
Total expenses	**25,531**	**7,896**	**3,701**	**3,124**	**4,972**	**(1,338)**	**43,886**
Income (loss) before income taxes for the period	**7,499**	**924**	**6,589**	**3,216**	**1,108**	**—**	**19,336**
Provision for income taxes	—	—	—	—	—	—	4,086
Net income (loss) for the period							**15,250**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	4,086
Depreciation and amortization	1,187	1,894	—	26	18	—	3,125
EBITDA	**8,686**	**2,818**	**6,589**	**3,242**	**1,126**	**—**	**22,461**
Other adjustments:							
Impairment (reversal) of intangible assets	—	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	(1,780)	(671)	(1,438)	—	(2,858)	—	(6,747)
Non-cash stock based compensation	—	403	—	207	—	—	610
Adjusted EBITDA	**6,906**	**2,550**	**5,151**	**3,449**	**(1,732)**	**—**	**16,324**
Less:							
Performance fees	(160)	—	—	(570)	—	—	(730)
Performance fee related expenses	139	—	—	143	—	—	282
Adjusted base EBITDA	**6,885**	**2,550**	**5,151**	**3,022**	**(1,732)**	**—**	**15,876**

For the six months ended	June 30, 2013						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	36,556	4,978	—	5,850	25	—	47,409
Performance fees	4	—	—	1,485	—	—	1,489
Commissions	—	2,702	—	—	850	—	3,552
Interest income	132	33	—	17	1,545	—	1,727
Trailer fee income	—	—	—	—	2,563	(2,478)	85
Other	(3,551)	(1,380)	—	202	(5,307)	(94)	(10,130)
Total revenue	**33,141**	**6,333**	**—**	**7,554**	**(324)**	**(2,572)**	**44,132**
Expenses							
General and administrative	19,009	7,458	—	3,770	4,519	(94)	34,662
Trailer fees	8,793	—	—	—	—	(2,478)	6,315
Amortization and impairment of intangibles, property and equipment	1,093	8,286	—	18	36	—	9,433
Total expenses	**28,895**	**15,744**	**—**	**3,788**	**4,555**	**(2,572)**	**50,410**
Income (loss) before income taxes for the period	**4,246**	**(9,411)**	**—**	**3,766**	**(4,879)**	**—**	**(6,278)**
Provision for income taxes	—	—	—	—	—	—	(1,658)
Net income (loss) for the period	**—**	**—**	**—**	**—**	**—**		**(4,620)**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	(1,658)
Depreciation and amortization	1,093	2,924	—	18	36	—	4,071
EBITDA	**5,339**	**(6,487)**	**—**	**3,784**	**(4,843)**	**—**	**(2,207)**
Other adjustments:							
Impairment (reversal) of intangible assets	—	5,362	—	—	—	—	5,362
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	4,133	1,409	—	31	6,942	—	12,515
Non-cash stock based compensation	—	2,151	—	678	20	—	2,849
Adjusted EBITDA	**9,472**	**2,435**	**—**	**4,493**	**2,119**	**—**	**18,519**
Less:							
Performance fees	(3)	—	—	(1,486)	—	—	(1,489)
Performance fee related expenses	3	—	—	296	—	—	299
Adjusted base EBITDA	**9,472**	**2,435**	**—**	**3,303**	**2,119**	**—**	**17,329**

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

General and administrative expenses include compensation and benefits and stock-based compensation.

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

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
Canada	**25,922**	14,012	**54,402**	37,799
United States	**4,429**	2,559	**8,820**	6,333
	30,351	16,571	**63,222**	44,132

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.

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

Sprott INC.

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