Sprott Inc. Annual Report 2014

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Sprott INC.

March 5, 2015

Dear Shareholders,

In many ways, 2014 was a year of transition for Sprott. Although our assets under management ("AUM") remained largely unchanged from the end of 2013 at $7.0 billion, there were meaningful shifts within the composition of our AUM. These changes are reflective of our overall strategy of growing both our global presence as leading resource investors and our diversified asset management platform in Canada.

On the resource side of the business, we continued to expand our passive product offerings with the successful launch of our first ETF, the Sprott Gold Miners ETF ("SGDM"). We are pleased with the early results from this new product, which has already grown to more than $275 million in assets. The SGDM was one of the 10 best ETF launches in the U.S. last year, despite its third quarter launch date and the difficult market for precious metals investments. We expect to introduce our second ETF, the Sprott Junior Gold Miners ETF, during the second quarter of this year and will continue to expand this product line in the future.

In Canada, for the first time, our diversified asset management business ended the year with the majority of its actively-managed AUM in non-resource strategies. This shift was driven by the successful growth of our Enhanced products franchise, as well as the expansion of other areas such as our specialty lending products.

As we have continued to transition to a team-based approach to investment management, we have made changes to our investment management team both in Canada and the U.S. Most notably, Eric Sprott recently stepped back from his portfolio management duties to focus on his role as Chairman of our Board of Directors. Mr. Sprott is our largest shareholder, one of the largest clients in our funds and will continue to act as an ambassador representing the firm to clients and investors. We thank Mr. Sprott for his exceptional contributions as the founder of our business and note that we will continue to honor many of his core contrarian philosophies.

In Canada, we added two new portfolio managers to manage the Canadian Equity Fund. We also appointed a new precious metals team to work with our in-house technical experts to manage our existing gold and precious minerals fund and a new planned gold equity fund, within a rigorous framework.

We have also expanded our presence in the U.S. through an agreement to have veteran portfolio manager Whitney George join Sprott. Mr. George is bringing two funds to our platform with a combined AUM of approximately $285 million. He will also play a key role in helping to market our products to U.S. investors.

In recent years, we have built a platform and team to manage a much larger asset base. As such, one of our key priorities for 2015 is to build scale in all of our products, including our institutional business. This will be achieved through the growth of both existing products and new offerings where we have a sustainable competitive advantage. We believe we are well positioned as an independent asset manager with a deep pool of investment talent capable of supporting organic growth. We will continue to protect our strong balance sheet, with its associated capabilities to seed new products and pursue domestic and international growth opportunities. We are confident in our positioning and are committed to delivering strong results during all market conditions.

Thank you for your continued support and we look forward to reporting to you on our progress in the quarters ahead.

Sincerely,

Peter Grosskopf
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated March 4, 2015, presents an analysis of the consolidated financial condition of Sprott Inc. (the "Company") and its subsidiaries as of December 31, 2014 compared with December 31, 2013, and the consolidated results of operations for the three and twelve months ended December 31, 2014, compared with the three and twelve months ended December 31, 2013. The Board of Directors approved this MD&A on March 4, 2015. All note references in this MD&A are to the notes to the Company's 2014 annual consolidated financial statements ("annual financial statements"), unless otherwise noted.

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

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) the continued impact of management of investable capital on the Company's overall results; (iv) the Company's overall strategy of growing its diversified asset management platform in Canada and its presence in resource fund management globally; (v) the launching of additional resource-focused EFT's; (vi) the Company's belief that it is well positioned to grow AUM along a two-pronged strategy involving: (a) the growth of existing Funds and Managed Companies; and (b) the introduction of new strategies where the Company identifies a material addressable market opportunity and can develop a meaningfully differentiated investment strategy to address that opportunity; (vii) the Company's belief that management fees and interest income will continue to be sufficient to satisfy ongoing operational needs and the Company's belief that it holds sufficient cash and liquid securities to meet any other operating and capital requirements; and (viii) 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) the price of precious metals will increase; (ii) the resource sector will recover; (iii) the impact of increasing competition in each business in which the Company operates will not be material; (iv) quality management will be available; (v) the effects of regulation and tax laws of governmental agencies will be consistent with the current environment; and (vi) those assumptions disclosed herein under the heading "Significant Accounting 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) foreign exchange risk relating to the relative value of the U.S. dollar; (x) litigation risk; (xi) employee errors or misconduct could result in regulatory sanctions or reputational harm; (xii) failure to implement effective information security policies, procedures and capabilities; (xiii) failure to develop effective business resiliency plans; (xiv) failure to obtain or maintain sufficient insurance coverage on favourable economic terms; (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 4, 2015; 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 annual financial statements for the year ended December 31, 2014, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Financial results, including related historical comparatives contained in this MD&A, unless otherwise specified herein, are based on the annual financial statements. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the annual 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 December 31, 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 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 ("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 on real estate loans and resource loans 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 year ended	
($ in thousands)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Net income (loss) for the year	**(363)**	(90,111)	**19,389**	(81,261)
Adjustments:				
Interest expense	**51**	—	**51**	—
Provision (recovery) for income taxes	**2,515**	574	**8,672**	(4,801)
Depreciation and amortization	**1,571**	1,831	**6,233**	7,714
EBITDA	**3,774**	(87,706)	**34,345**	(78,348)
Other adjustments:				
Impairment (reversal) of intangible assets	**2,308**	4,998	**2,308**	10,360
Impairment of goodwill	**—**	87,960	**—**	87,960
(Gains) and losses on proprietary investments and loans	**7,158**	3,152	**4,515**	14,256
Non-cash stock based compensation	**53**	2,229	**111**	6,341
Other	**451**	—	**451**	(5,457)
Adjusted EBITDA	**13,744**	10,633	**41,730**	35,112
Less:				
Performance fees	**(9,493)**	(6,613)	**(10,693)**	(8,994)
Performance fee related expenses	**6,527**	5,463	**7,025**	6,081
Adjusted base EBITDA	**10,778**	9,483	**38,062**	32,199

Stock-based compensation relating to the Company's Employee Profit Sharing Plan ("EPSP") is treated as a cash expense when calculating adjusted EBITDA and 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. The above terminology differs from what was used prior to the first quarter of 2014 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 Segments Overview

The Company operates primarily through five operating segments: SAM; Global Companies; SRLC; Consulting; Corporate & Other. 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 operating segment 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 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.

Global Companies

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 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 from Funds it manages.

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.

Consulting

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

SC is the consulting business through which the Company manages the majority of its private equity 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 is based in Calgary, Alberta 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 energy 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 energy companies. These financing activities will continue via SRLC going forward. The majority of Sprott Toscana's management and performance fees continue to be earned through TEIC.

Sprott Korea Corporation co-manages a 10-year private equity fund for South Korea's National Pension Service alongside Woori Asset Management, the asset manager of Korea's largest bank, Woori Financial Group. Revenues and expenses attributable to this activity are captured as part of the Consulting segment.

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.

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, through various private placements and other transactional services. SPW is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada ("IIROC").

Significant Sources of Revenue

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

<u>Management fees</u>

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 as different fund products and multi-series or multi-class structures within the total AUM mix often have management fees that differ materially from one another. 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.

<u>Performance fees</u>

Performance fees are calculated as a percentage of the return earned in 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.

<u>Commission income</u>

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

<u>Interest income</u>

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.

<u>Unrealized and realized gains (losses) on proprietary investments and loans</u>

Management of invested capital continues to be an important activity for the Company and will continue to have a significant impact on the Company's overall results. Gains and 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.

Operating Expenses

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

<u>Compensation benefits</u>

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 or 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

After a good first quarter and a solid second quarter, the investment performance of most Funds and Managed Accounts turned decidedly negative in the third and the fourth quarters as precious metals and energy prices fell significantly. This resulted in much of the good gains in the first half of the year dissipating by year-end. Overall, market value depreciation was approximately $112 million across the Company's various Fund and Managed Company portfolios in 2014.

Product and Business Line Expansion

In the first half of 2014, the Company completed the acquisition of three fund management contracts from Arrow Capital Management Inc.: Exemplar Global Infrastructure Fund; Exemplar Timber Fund; and Exemplar Global Agriculture Fund. The Company then entered into an exclusive sub-advisory agreement with Capital Innovations, LLC, the existing sub-advisor to these funds. This initiative diversified the Company's existing product line and improved its ability to offer Canadian investors a broader range of investment strategies.

During the second half of 2014, the Company launched three new fund strategies: (i) 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; (ii) The *Sprott Gold Miners Exchange Traded Funds* (NYSE: SGDM) provides investors with exposure to large and mid-sized gold companies listed on major North American exchanges in a manner that potentially outperforms purely passive representations of the gold and silver mining industry; and (iii) the *Sprott Bridging Income Fund LP*, which has the objective of acquiring and maintaining a diversified portfolio of asset-based investments and factoring investments that achieve superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes.

OUTLOOK

Although AUM at the end of 2014 was largely unchanged from the end of 2013, shifts within the various Fund and Managed Company categories were meaningful and reflective of the Company's overall strategy of growing its diversified asset management platform in Canada and its presence in resource fund management globally. Actively managed, non-resource focused funds managed by SAM had AUM of $1.5 billion at December 31, 2014, while actively managed resource-focused funds had AUM of $1.1 billion.

As previously noted, the Company launched the Sprott Gold Miners ETF, its first "smart beta" ETF. This ETF had AUM of over $130 million at December 31, 2014 and has continued to grow steadily since then. Building on the Company's established precious metals physical trusts and the early success of this ETF, the Company intends to launch additional resource-focused ETF's.

The Company is well positioned to grow AUM along a two-pronged strategy involving: (i) the growth of existing Funds and Managed Companies; and (ii) the introduction of new strategies where the Company identifies a material addressable market opportunity and can develop a meaningfully differentiated investment strategy to address that opportunity.

FINANCIAL HIGHLIGHTS

For the three and twelve months ended December 31, 2014

- AUM as at December 31, 2014 was $7.0 billion, which was largely flat to December 31, 2013, and a decrease of $0.3 billion (4.6%) from September 30, 2014. Average AUM for the three and twelve months ended December 31, 2014 was $7.1 billion and $7.5 billion, respectively, reflecting a decrease of $0.1 billion (1.2%) and $0.5 billion (6.5%), respectively, from average AUM levels in the prior periods.
- AUA as at December 31, 2014 was $1.9 billion, reflecting a decrease of $0.2 billion (10.4%) on a three months ended basis and $0.4 billion (17.0%) from last year on a year ended basis.
- Total revenues were $32.7 million on a three months ended basis and $124.0 million on a year ended basis, reflecting an increase of $2.6 million (8.7%) and $9.6 million (8.4%), respectively, from the prior periods.
- Total expenses were $30.5 million on a three months ended basis and $95.9 million on a year ended basis, reflecting a decrease of $89.1 million (74.5%) and $104.5 million (52.1%), respectively, from the prior periods.
- Net loss was $0.4 million on a three months ended basis and net income was $19.4 million ($0.08 per share) on a year ended basis, reflecting an increase of $89.7 million (99.6%) and $100.7 million (123.9%), respectively, from the prior periods.
- Adjusted EBITDA was $13.7 million on a three months ended basis and $41.7 million on a year ended basis, reflecting an increase of $3.1 million (29.3%) and $6.6 million (18.8%), respectively, from the prior periods.
- Adjusted base EBITDA was $10.8 million on a three months ended basis and $38.1 million on a year ended basis, reflecting an increase of $1.3 million (13.7%) and $5.9 million (18.2%), respectively, from the prior periods.
- Invested capital stood at $359.7 million, reflecting a $42.0 million (13.2%) increase from December 31, 2013. The increase was mainly due to: (i) reinvestment of earnings into proprietary investments and the loan portfolio; (ii) an increase in syndicate payables on new loan originations; and (iii) a $15.0 million credit facility draw to fund anticipated future proprietary investments. The annual return on invested capital (excluding cash, real estate loans, and lines of credit) was 10.2% and on investable capital (excluding only real estate loans and lines of credit) was 6.6%.

SUMMARY FINANCIAL INFORMATION

For the three and twelve months ended December 31, 2014

Key Performance Indicators	As at and for the three months ended		As at and for the twelve months ended	
	December 31		December 31	
($ in thousands, except per share amounts)	**2014**	2013	**2014**	2013
Assets Under Management	**7,027,390**	6,966,524	**7,027,390**	6,966,524
Assets Under Administration	**1,945,750**	2,344,545	**1,945,750**	2,344,545
Net Sales (Redemptions)	**(53,979)**	6,223	**203,295**	(386,905)
EBITDA	**3,774**	(87,706)	**34,345**	(78,348)
EBITDA Per Share - basic and fully diluted	**0.02**	(0.36)	**0.14**	(0.38)
Adjusted EBITDA	**13,744**	10,633	**41,730**	35,112
Adjusted base EBITDA	**10,778**	9,483	**38,062**	32,199
Adjusted base EBITDA Per Share - basic and fully diluted	**0.04**	0.04	**0.15**	0.16

Summary Balance Sheets	As at		
	December 31	December 31	December 31
($ in thousands)	**2014**	2013	2012
Total Assets	**481,277**	455,720	362,492
Total Liabilities	**62,665**	35,422	44,783
Shareholders' Equity	**418,612**	420,298	317,709

Summary Statements of Operations and Reconciliation to Adjusted Base EBITDA

($ in thousands, except per share amounts)	For the three months ended December 31		For the year ended December 31		
	2014	2013	**2014**	2013	2012
Management fees	**18,674**	17,792	**78,435**	84,698	118,514
Performance fees	**9,493**	6,613	**10,693**	8,994	9,955
Commissions	**1,400**	1,191	**7,837**	6,220	13,506
Interest income	**5,687**	4,815	**20,184**	9,844	2,691
Unrealized and realized gains (losses) on proprietary investments and loans	**(7,292)**	(3,286)	**(4,583)**	(14,478)	2,266
Other income	**4,702**	2,923	**11,416**	19,094	11,222
Total revenue	**32,664**	30,048	**123,982**	114,372	158,154
Compensation and benefits	**10,016**	9,322	**38,881**	44,759	36,856
Stock-based compensation	**910**	2,842	**3,373**	10,264	11,107
Trailer fees	**2,928**	2,781	**12,520**	11,898	19,030
General and administrative	**12,779**	9,851	**32,606**	27,479	26,906
Amortization of intangibles	**1,382**	1,617	**5,455**	6,788	7,782
Impairment of intangibles	**2,308**	4,998	**2,308**	10,360	4,726
Impairment of goodwill	**—**	87,960	**—**	87,960	8,935
Amortization of property and equipment	**189**	214	**778**	926	1,104
Total expenses	**30,512**	119,585	**95,921**	200,434	116,446
Income (loss) before income taxes	**2,152**	(89,537)	**28,061**	(86,062)	41,708
Provision (recovery) for income taxes	**2,515**	574	**8,672**	(4,801)	9,724
Net income (loss)	**(363)**	(90,111)	**19,389**	(81,261)	31,984
Adjustments:					
Interest expense	**51**	—	**51**	—	—
Provision (recovery) for income taxes	**2,515**	574	**8,672**	(4,801)	9,724
Depreciation and amortization	**1,571**	1,831	**6,233**	7,714	8,886
EBITDA	**3,774**	(87,706)	**34,345**	(78,348)	50,594
Other adjustments:					
Impairment (reversal) of intangible assets	**2,308**	4,998	**2,308**	10,360	4,726
Impairment of goodwill	**—**	87,960	**—**	87,960	8,935
(Gains) and losses on proprietary investments and loans	**7,158**	3,152	**4,515**	14,256	(2,266)
Non-cash stock based compensation	**53**	2,229	**111**	6,341	4,440
Other	**451**	—	**451**	(5,457)	—
Adjusted EBITDA	**13,744**	10,633	**41,730**	35,112	66,429
Less:					
Performance fees	**(9,493)**	(6,613)	**(10,693)**	(8,994)	(9,955)
Performance fee related expenses	**6,527**	5,463	**7,025**	6,081	5,090
Adjusted base EBITDA	**10,778**	9,483	**38,062**	32,199	61,564
Dividends declared	**0.03**	0.03	**0.12**	0.12	0.12
Earnings (Loss) Per Share - basic and diluted	**0.00**	(0.37)	**0.08**	(0.39)	0.19
EBITDA (Loss) Per Share - basic and diluted	**0.02**	(0.36)	**0.14**	(0.38)	0.30
Adjusted EBITDA Per Share - basic and diluted	**0.05**	0.04	**0.17**	0.17	0.39
Adjusted base EBITDA Per Share - basic and diluted	**0.04**	0.04	**0.15**	0.16	0.36

RESULTS OF OPERATIONS

For the three and twelve months ended December 31, 2014

Assets Under Management, Investment Performance and Net Sales

The majority of the Company's Funds and Managed Accounts experienced negative performance and net redemptions during the quarter. AUM as at December 31, 2014 was $7.0 billion, reflecting a decrease of $0.3 billion (4.6%) from September 30, 2014. On a full year basis, AUM growth was largely flat as net sales growth (primarily in mutual fund products and Managed Companies) was largely offset by bullion and alternative investment strategy redemptions, market depreciation and product and business divestitures during the year. Average AUM for the three and twelve months ended December 31, 2014, was $7.1 billion and $7.5 billion, respectively, reflecting a decrease of $0.1 billion (1.2%) and $0.5 billion (6.5%), respectively, from average AUM levels in the prior periods.

Breakdown of AUM by investment product type:

	December 31, 2014		December 31, 2013	
Product Type	**$ (in millions)**	**% of AUM**	$ (in millions)	% of AUM
Bullion Funds	**3,185**	**45.3%**	3,542	50.7%
Mutual Funds	**1,838**	**26.2%**	1,483	21.3%
Alternative Investment Strategies	**783**	**11.1%**	938	13.5%
Managed Companies	**770**	**11.0%**	521	7.6%
Managed Accounts	**111**	**1.6%**	122	1.7%
Fixed Term Limited Partnerships	**340**	**4.8%**	361	5.2%
Total	**7,027**	**100%**	6,967	100%

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

$ (in millions)	**AUM September 30, 2014**	**Net Sales / (Redemptions)**	**Net Market Value Change**	**Acquisitions / (Divestitures)**	**AUM December 31, 2014**
Bullion Funds	3,283	(89)	(9)	—	3,185
Mutual Funds	1,864	65	(91)	—	1,838
Alternative Investment Strategies	823	(30)	(10)	—	783
Managed Companies	911	—	(141)	—	770
Managed Accounts	121	—	(10)	—	111
Fixed Term Limited Partnerships	361	—	(21)	—	340
Total	7,363	(54)	(282)	—	7,027

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

$ (in millions)	**AUM December 31, 2013**	**Net Sales / (Redemptions)**	**Net Market Value Change**	**Acquisitions / (Divestitures)**	**AUM December 31, 2014**
Bullion Funds	3,542	(384)	27	—	3,185
Mutual Funds	1,483	289	13	53	1,838
Alternative Investment Strategies	938	(147)	27	(35)	783
Managed Companies	521	415	(117)	(49)	770
Managed Accounts	122	3	(14)	—	111
Fixed Term Limited Partnerships	361	27	(48)	—	340
Total	6,967	203	(112)	(31)	7,027

Revenues

Management fees were $18.7 million on a three months ended basis and $78.4 million on a year ended basis, reflecting an increase of $0.9 million (5.0%) and a decrease of $6.3 million (7.4%), respectively, from the prior periods. The increase on a three months ended basis was due to an increase in the average AUM of mutual funds and Managed Companies compared to the prior period. The decrease on a year ended basis was largely due to a decline in overall average AUM year-over-year. Management fees as a percentage of average AUM was 1.0% on a three months ended basis, which was unchanged from the prior period. On a year ended basis, the percentage was 0.9%, which was down 0.1% from the prior period. Management fees include fees earned from precious metal physical trusts which amounted to $3.0 million on a three months ended basis and $12.8 million on a year ended basis, reflecting a decrease of $0.5 million (13.4%), and $2.3 million (15.2%), respectively, from the prior periods.

Performance fees were $9.5 million on a three months ended basis and $10.7 million on a year ended basis, reflecting an increase of $2.9 million (43.6%) and $1.7 million (18.9%), respectively, from the prior periods. Last year, performance fees were mainly attributable to certain SAM Funds, Sprott Toscana, SRLC and Carried Interests from RCIC. This year, performance fees were mostly attributable to performance fees received from an alternative investment strategies fund in SAM and Sprott Toscana.

Commission revenues were $1.4 million on a three months ended basis and $7.8 million on a year ended basis, reflecting an increase of $0.2 million (17.5%) and $1.6 million (26.0%) from the prior periods. The increase was due to increased private placement activity in SGRIL and SPW.

Interest income was $5.7 million on a three months ended basis and $20.2 million on a year ended basis, reflecting an increase of $0.9 million (18.1%) and $10.3 million (105.0%), respectively, from the prior periods. Interest income is generated primarily by SRLC which was acquired (and its results consolidated), by the Company in the third quarter of last year. Prior to the acquisition, the Company's lending activities were conducted through SRLC as a Managed Company, thereby generating management fee income for the Company rather than interest income.

Losses on proprietary investments and loans were $7.3 million on a three months ended basis, reflecting an increase in losses of $4.0 million from the prior period. Increased losses were due to market value depreciation in public equities and share purchase warrants held as part of proprietary investments. On a year ended basis, losses on proprietary investments and loans were $4.6 million, reflecting a decrease in losses of $9.9 million from the prior period. Lower losses on a year ended basis was primarily the result of improved market performance in certain seeded alternative investment funds, which partially offset market depreciation occurring in public equities and share purchase warrants described above.

Other income was $4.7 million on a three months ended basis and $11.4 million on a year ended basis, reflecting an increase of $1.8 million (60.9%) and a decrease of $7.7 million (40.2%), respectively, from the prior periods. The increase on a three months ended basis was largely due to increased foreign exchange gains on U.S. dollar denominated cash deposits, receivables and loans. The decrease on a year ended basis was primarily a result of lower non-recurring and one-time items such as break-fees on management contract terminations and the non-recurring gain on bargain purchase of SRLC. Lower year-over-year non-recurring and one-time items were only partially offset by stronger year-over-year foreign exchange gains as described above.

Expenses

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 December 31		For the year ended December 31	
($ in thousands)	**2014**	2013	**2014**	2013
Salaries and benefits	**6,269**	6,127	**24,289**	26,057
Discretionary bonus-cash component	**2,268**	2,345	**9,807**	8,643
Discretionary bonus-equity component (1)	**650**	310	**2,480**	2,368
Commissions	**859**	1,149	**3,199**	3,116
Transition expenses	**620**	(236)	**823**	2,464
Other compensation expense (2)	**—**	(63)	**763**	4,479
	10,666	9,632	**41,361**	47,127

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

(2) Other compensation expense relates to the $1.5 million break-fee received on termination of the TFIT management contract (2013 - one-time compensation expense relates to $7.5 million break-fee received on termination of a management contract).

Total compensation and benefits were $10.0 million on a three months ended basis and $38.9 million on a year ended basis, reflecting an increase of $0.7 million (7.4%) and a decrease of $5.9 million (13.1%), respectively, from the prior periods. The increase on a three months ended basis was primarily a result of transition accruals relating to employee exits and increases in discretionary bonus due to increased adjusted EBITDA over the period. The decrease on a year ended basis was primarily a result of: (i) lower year-over-year compensation expense relating to break-fees received on management contract terminations; (ii) lower year-over-year transition expenses relating to employee exits; and (iii) a change in compensation arrangement for a Company executive in the first quarter of 2014. These decreases were only partially offset by an increase in discretionary bonus which was in line with the increase in year-over-year adjusted EBITDA of the Company.

Stock-based compensation

Stock-based compensation was $0.9 million on a three months ended basis and $3.4 million on a year ended basis, reflecting a decrease of $1.9 million (68.0%) and $6.9 million (67.1%), 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 $2.9 million on a three months ended basis and $12.5 million on a year ended basis, reflecting an increase of $0.1 million (5.3%) and $0.6 million (5.2%), respectively, from the prior periods. On a three months and year ended basis, there was a drop in trailer fee paying AUM, however, that decline was more than offset by a decline in the amount of trailers being paid intercompany to SPW.

General and administrative

General and administrative expenses were $12.8 million on a three months ended basis and $32.6 million on a year ended basis, reflecting an increase of $2.9 million (29.7%) and $5.1 million (18.7%), respectively, from the prior periods. These increases were primarily the result of an increase in sub-advisory fees, fund start-up and marketing costs. A substantial portion of general and administrative expense increases were a result of additional sub-advised product offerings of the Company such as the *Sprott Real Asset Class* and *Sprott Bridging LP* Funds that were launched earlier this year. There were also higher sub advisor performance fees paid due to an alternative investment fund earning higher performance fees for the year. These increases were partially offset by decreases in professional services fees and regulatory fees.

Amortization of intangibles

Amortization of intangibles was $1.4 million on a three months ended basis and $5.5 million on a year ended basis, reflecting a decrease of $0.2 million (14.5%) and $1.3 million (19.6%), 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 finite life fund management contracts and carried interests.

Impairment (reversals) of goodwill and intangibles

For the three months and year ended December 31, 2014, there was no impairment of goodwill (December 31, 2013 - $88 million) and no impairment of management contracts (December 31, 2013 - $Nil). For the three months and year ended, December 31, 2014, an impairment charge of $2.3 million was recognized for carried interests, compared to impairment charges of $5.0 million and $10.4 million, respectively, in the three month and year ended comparative periods.

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.

Amortization of property and equipment

Amortization of property and equipment for the three months and year ended, December 31, 2014, was $0.2 million and $0.8 million, respectively, compared to $0.2 million and $0.9 million in the prior periods.

Net Income (loss) and Adjusted base EBITDA

Net loss was $0.4 million on a three months ended basis and net income was $19.4 million on a year ended basis, reflecting improved performance of $89.7 million (99.6%) and $100.7 million (123.9%), respectively from the prior periods.

Excluding prior year impairment charges on intangible assets and goodwill, lower net losses on a three months ended basis was due to: (i) higher management fees as well as higher performance fees; (ii) foreign exchange gains on U.S. dollar denominated cash deposits, receivables and loans; and (iii) higher commission and interest income. These improvements more than offset an increase in proprietary investment losses over the period along with increases in general and administrative expenses (primarily sub advisor related, and to a lesser extent, higher marketing and fund start-up costs).

Excluding prior year impairment charges on intangible assets and goodwill, net income on a year ended basis (compared to losses in the prior year) was due to: (i) higher performance fees, commission and interest income previously described, coupled with lower proprietary investment losses on a full year basis. This improved full year performance more than offset lower management fees and higher general and administrative expenses over the year.

Adjusted base EBITDA was $10.8 million on a three months ended basis and $38.1 million on a year ended basis, reflecting an increase of $1.3 million (13.7%) and $5.9 million (18.2%), respectively, from the prior periods. This improved performance was largely the result of stronger commission and interest income as well as foreign exchange gains on U.S. dollar denominated cash deposits, receivables and loans and lower compensation expenses, which more than offset lower management fees and increases in general and administrative expenses.

Balance Sheet

Cash and cash equivalents were $120.8 million, an increase of $5.1 million (4.4%) from December 31, 2013. The increase was primarily due to: (i) a draw down on the credit facility to fund anticipated future proprietary investments; (ii) an increase in syndicate payables on new loan originations; and (iii) the generation and retention of operating cash flows in the normal course. These increases were only partially offset by the payment of quarterly dividends throughout the year.

Fees receivable were $13.2 million, reflecting a decrease of $0.6 million (4.5%) from December 31, 2013. The decrease was primarily due to the timing of year-end management fee receipts in 2014.

Other assets were $11.1 million, reflecting a decrease of $9.6 million (46.4%) from December 31, 2013. The decrease was primarily due to the current period collection of a prior period receivable relating to the redemption of units of a Fund held in proprietary investments.

Proprietary investments were $112.6 million, reflecting an increase of $18.3 million (19.4%) 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 fixed income products; (iii) bonus shares received on origination of a new loan in SRLC; and (iv) additional investments made in certain private holdings. These increases were partially offset by the sale or redemption of certain investments and general market value depreciation.

Loans receivable were $121.9 million, reflecting an increase of $17.7 million (16.9%) 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 in the second quarter of this year, partially offset by repayments of loans in existence at December 31, 2013.

Intangible assets were $32.2 million, reflecting a decrease of $0.4 million (1.2%) from December 31, 2013. The decrease was primarily a result of an impairment charge on carried interests in RCIC, coupled with normal course amortization charges, which more than offset the carrying value increase relating to the purchase of funds from Arrow Capital Management Inc. during the first quarter of the year.

Goodwill was $50.4 million, reflecting an increase of $4.0 million (8.7%) from December 31, 2013. The increase was due entirely to foreign exchange gains on translation of the Company's U.S. dollar denominated goodwill.

Deferred income tax assets (net of deferred income tax liabilities) were negative $3.3 million ($5.2 million - December 31, 2013). The net decrease was due primarily to the utilization of non-capital losses during the year.

Accounts payable and accrued liabilities were $28.3 million, reflecting an increase of $15.2 million (115.5%) from December 31, 2013. The increase was the result of higher syndicate fees and sub-advisor fees payable only partially offset by lower harmonized sales tax payable at December 31, 2014.

Compensation and employee bonuses payable as at December 31, 2014 were $9.3 million, reflecting a decrease of $0.6 million (6.5%) from December 31, 2013. The decrease was the result of lower outstanding bonus payables and the timing of 2013 compensation payables. This decrease was partially offset by higher fourth quarter restructuring accruals.

Loan payable was $15 million as at December 31, 2014 (December 31, 2013 - $Nil). During the fourth quarter of 2014, the Company drew down on its credit facility in anticipation of certain future proprietary investments.

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 year ended	
($ in thousands)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Revenue				
Management fees	**14,598**	14,709	**61,470**	66,537
Performance fees	**9,296**	6,410	**9,726**	6,446
Interest income	**4**	19	**70**	199
Other	**544**	(170)	**3,149**	(2,952)
Total revenue	**24,442**	20,968	**74,415**	70,230
Expenses				
General and administrative	**16,385**	9,763	**42,395**	38,864
Trailer fees	**3,277**	3,472	**14,541**	15,908
Amortization and impairment of intangibles, property and equipment	**571**	608	**2,335**	2,296
Total expenses	**20,233**	13,843	**59,271**	57,068
Income before income taxes	**4,209**	7,125	**15,144**	13,162
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**571**	608	**2,335**	2,296
EBITDA	**4,780**	7,733	**17,479**	15,458
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**(272)**	1,012	**(1,430)**	4,543
Non-cash stock based compensation	**—**	—	**—**	—
Adjusted EBITDA	**4,508**	8,745	**16,049**	20,001
Less:				
Performance fees	**(9,296)**	(6,410)	**(9,726)**	(6,446)
Performance fee related expenses	**6,477**	5,412	**6,783**	5,444
Adjusted base EBITDA	**1,689**	7,747	**13,106**	18,999

For the three and twelve months ended December 31, 2014

Revenues

Management fees were $14.6 million on a three months ended basis and $61.5 million on a year ended basis, reflecting a decrease of $0.1 million (0.8%) and a decrease of $5.1 million (7.6%), respectively, from the prior periods. The declines were consistent with lower average AUM over the periods.

Performance fees were $9.3 million on a three months ended basis and $9.7 million on a year ended basis, reflecting an increase of $2.9 million (45.0%) and $3.3 million (50.9%), respectively, from the prior periods. The increases were a result of higher year-end performance fees earned from an alternative investment strategies fund.

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

Other revenues were $0.5 million on a three months ended basis and $3.1 million on a year ended basis, reflecting an increase of $0.7 million (420.0%) and an increase of $6.1 million (206.7%), respectively, from the prior periods. The increase on a three months and year ended basis was a result of gains on proprietary investments compared to losses in the prior periods, coupled with higher year-over-year foreign exchange gains on U.S. dollar denominated cash deposits and receivables.

Expenses

General and administrative expenses (which include compensation and benefits expenses) were $16.4 million on a three months ended basis and $42.4 million on a year ended basis, reflecting an increase of $6.6 million (67.8%) and $3.5 million (9.1%), respectively, from the prior periods. The increase on a three months and year ended basis was primarily the result of: (i) higher discretionary bonus and transition payment accruals on employee departures in the current period; (ii) an increase in rent and marketing costs; and (iii) a substantial increase in sub-advisory fees as a result of additional sub-advised product offerings of the Company such as the *Sprott Real Assets Class* and *Sprott Bridging LP* Funds which were launched earlier this year. There were also higher sub-advisor performance fees paid due to an alternative investment fund earning higher performance fees for the year. These increases were only partially offset by lower stock-based compensation expense and lower cash-based compensation expenses as a result of a change in compensation arrangement for a Company executive during the current period.

Trailer fees were $3.3 million on a three months ended basis and $14.5 million on a year ended basis, reflecting a decrease of $0.2 million (5.6%) and a decrease of $1.4 million (8.6%), respectively, from the prior periods. The declines on a three month and year ended basis were the result of a decrease in average trailer fee paying AUM over the periods.

Amortization and impairment was $0.6 million on a three months ended basis and $2.3 million on a year ended basis, which was largely unchanged from the prior periods.

Adjusted base EBITDA

Adjusted base EBITDA was $1.7 million and $13.1 million, reflecting a decrease of $6.1 million (78.2%) and $5.9 million (31.0%), respectively, from the prior periods. The decrease on a three months ended basis was mainly due to higher compensation and benefits expense coupled with higher fund subsidies and sub-advisor costs. The decrease on a year ended basis was due to lower management fees net of trailers, higher compensation and benefits expenses and higher rent and marketing costs.

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. This segment includes the operating results of SGRIL, RCIC and SAM USA.

Results of operations:

	For the three months ended		For the year ended	
(in $ thousands)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Revenue				
Management fees	**1,709**	2,184	**8,632**	9,359
Performance fees	**—**	—	**—**	302
Commissions	**1,243**	1,094	**6,342**	5,081
Interest income	**28**	10	**66**	56
Other	**(1,546)**	(286)	**(1,836)**	(1,095)
Total revenue	**1,434**	3,002	**13,204**	13,703
Expenses				
General and administrative	**2,514**	3,440	**11,327**	14,533
Amortization and impairment of intangibles, property and equipment	**3,295**	6,197	**6,136**	15,674
Impairment of goodwill	**—**	87,960	**—**	87,960
Total expenses	**5,809**	97,597	**17,463**	118,167
Income (loss) before income taxes	**(4,375)**	(94,595)	**(4,259)**	(104,464)
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**987**	1,199	**3,828**	5,314
EBITDA	**(3,388)**	(93,396)	**(431)**	(99,150)
Other adjustments:				
Impairment (reversal) of intangible assets	**2,308**	4,998	**2,308**	10,360
Impairment of goodwill	**—**	87,960	**—**	87,960
(Gains) and losses on proprietary investments and loans	**1,712**	284	**1,971**	1,124
Non-cash stock based compensation	**—**	1,091	**403**	4,330
Adjusted EBITDA	**632**	937	**4,251**	4,624
Less:				
Performance fees	**—**	—	**—**	(302)
Performance fee related expenses	**—**	—	**—**	75
Adjusted base EBITDA	**632**	937	**4,251**	4,397

For the three and twelve months ended December 31, 2014

Revenues

Management fees were $1.7 million on a three months ended basis and $8.6 million on a year ended basis, which decreased by $0.5 million (21.7%) and $0.7 million (7.8%), respectively, from the prior periods. The decreases were a result of lower average AUM in RCIC.

Commission revenues were $1.2 million on a three months ended basis and $6.3 million on a year ended basis, reflecting an increase of $0.1 million (13.6%) and $1.3 million (25.2%), respectively, from the prior periods. Improved commission income was the result of more private placement activity in SGRIL.

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

Other revenue was negative $1.5 million on a three months ended basis and negative $1.8 million on a year ended basis, reflecting a decrease of $1.3 million (440.6%) and $0.7 million (67.7%), respectively, from the prior periods. The decreases were due to higher losses on proprietary investments.

Expenses

General and administrative expenses (which include compensation and benefits expenses) were $2.5 million on a three months ended basis and $11.3 million on a year ended basis, reflecting a decrease of $0.9 million (26.9%) and $3.2 million (22.1%), respectively, from the prior periods. The decreases were mainly due to a reduction in stock-based compensation as a result of earn-out shares fully vesting during the first quarter of 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.

Amortization and impairment was $3.3 million on a three months ended basis and $6.1 million on a year ended basis, reflecting a decrease of $2.9 million (46.8%) and $9.5 million (60.9%), respectively, from the prior periods. The decreases were mainly due to a reduction in carried interest amortization as prior period write-downs of carried interests resulted in lower balances to amortize in the current period. The recoverable amount of goodwill and fund management contracts aligned with their respective carrying values during 2014, consequently, no impairment charge or impairment charge reversals were recognized. However, the recoverable amount of carried interests was lower than their carrying value, consequently, an impairment charge of $2.3 million (2013- $10.4 million) was recognized in 2014.

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 $0.6 million on a three months ended basis and $4.3 million on a year ended basis, which decreased by $0.3 million (32.6%) and $0.1 million (3.3%), respectively, from the prior periods. The decreases were primarily due to declines in average AUM in RCIC and an increase in cash operating expenses which were only partially offset by stronger commission income in SGRIL.

SRLC

The SRLC segment provides loans to companies in the mining and energy sectors. SRLC was acquired by the Company on July 23, 2013. SRLC's operations are presented for the three months and year ended December 31, 2014 with partial period comparative information, as applicable.

Results of operations:

	For the three months ended		For the year ended	
($ in thousands)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013 (1)
Revenue				
Interest income	**5,012**	4,179	**17,830**	7,215
Other	**(2,047)**	88	**249**	5,978
Total revenue	**2,965**	4,267	**18,079**	13,193
Expenses				
General and administrative	**(833)**	1,007	**5,250**	2,552
Amortization property and equipment	**—**	1	**—**	2
Total expenses	**(833)**	1,008	**5,250**	2,554
Income before income taxes	**3,798**	3,259	**12,829**	10,639
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**—**	1	**—**	2
EBITDA	**3,798**	3,260	**12,829**	10,641
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**3,719**	1,549	**4,220**	1,505
Non-cash stock based compensation	**—**	—	**—**	—
Other	**—**	—	**—**	(5,457)
Adjusted EBITDA	**7,517**	4,809	**17,049**	6,689
Less:				
Performance fees	**—**	—	**—**	—
Performance fee related expenses	**—**	—	**—**	—
Adjusted base EBITDA	**7,517**	4,809	**17,049**	6,689

(1) for the period July 23, 2013 to December 31, 2013

For the three and twelve months ended December 31, 2014

Revenues

Interest income was $5.0 million on a three months ended basis and $17.8 million on a year ended basis, reflecting an increase of $0.8 million (19.9%) and $10.6 million (147.1%), respectively, from the prior periods. The increases were due to an increase in average loan balances year-over-year along with the benefit of a full three and twelve months of interest income reported in 2014 compared to three and five months of interest income reported in the prior periods since the acquisition of SRLC closed on July 23, 2013.

Other revenues were negative $2.0 million on a three months ended basis and $0.2 million on a year ended basis reflecting a decrease of $2.1 million and $5.7 million (95.8%), respectively, from the prior periods. The decrease on a three month ended basis was mainly due to higher proprietary investment losses on equity and warrants received during the loan origination process. The decrease on a year ended basis was largely due to the gain on bargain purchase of $5.5 million related to the acquisition of SRLC last year, as well as higher proprietary investment losses previously described. The decreases were only partially offset by foreign exchange gains in the current period on U.S. dollar denominated cash deposits, receivables and loans.

Expenses

General and administrative expenses (which includes compensation and benefits expenses) were negative $0.8 million on a three months ended basis and $5.3 million on a year ended basis, reflecting a decrease of $1.8 million (182.7%) and an increase of $2.7 million (105.7%), respectively, from the prior periods. The decrease on a three month ended basis was mainly due to a reduction in discretionary bonus. The increase on a year ended basis was due to a full twelve months of expenses being reported in 2014 compared to only five months of expenses being reported last year due to the timing of SRLC's acquisition.

Adjusted base EBITDA

Adjusted base EBITDA was $7.5 million on a three months ended basis and $17.0 million on a year ended basis, reflecting an increase of $2.7 million (56.3%) and $10.4 million (154.9%), respectively, from the prior periods. The increase on a three months ended basis was mainly due to a combination of higher quarterly interest income and lower discretionary bonus in the period. The increase on a year ended basis was due to higher interest income as a result of higher average loan balances year-over-year coupled with the full year consolidation impact of last year's acquisition.

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 year ended	
($ in thousands)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Revenue				
Management fees	**2,311**	802	**8,103**	8,632
Performance fees	**197**	203	**967**	2,246
Interest income	**5**	2	**43**	30
Other	**335**	247	**2,162**	7,596
Total revenue	**2,848**	1,254	**11,275**	18,504
Expenses				
General and administrative	**1,453**	1,877	**4,699**	11,484
Trailer fees	**60**	—	**107**	—
Amortization of property and equipment	**8**	10	**43**	37
Total expenses	**1,521**	1,887	**4,849**	11,521
Income before income taxes	**1,327**	(633)	**6,426**	6,983
Adjustments:				
Interest expense	**—**	—	**—**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**8**	10	**43**	37
EBITDA	**1,335**	(623)	**6,469**	7,020
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**—**	36	**—**	556
Non-cash stock based compensation	**53**	1,134	**(292)**	1,981
Other	**—**	—	**—**	—
Adjusted EBITDA	**1,388**	547	**6,177**	9,557
Less:				
Performance fees	**(197)**	(203)	**(967)**	(2,246)
Performance fee related expenses	**50**	51	**242**	562
Adjusted base EBITDA	**1,241**	395	**5,452**	7,873

For the three and twelve months ended December 31, 2014

Revenues

Management fees were $2.3 million on a three months ended basis and $8.1 million on a year ended basis, reflecting an increase of $1.5 million (188.2%) and a decrease $0.5 million (6.1%), respectively, from the prior periods. The increase on the three months ended basis was mainly due to higher management fees from SRC in the current quarter. The decrease on a year ended basis was due to the unwind of TFIT in the second quarter of 2014 and the prior year acquisition by the Company of SRLC. The SRLC acquisition led to SRLC's transition from being a Managed Company with fees charged on AUM in the Consulting Segment, to a wholly-owned subsidiary of the Company with its loan assets now directly on the Company's balance sheet generating interest income within its own "SRLC segment".

Performance fees were $0.2 million on a three months ended basis and $1.0 million on a year ended basis, which were virtually unchanged on a three months ended basis and decreased by $1.3 million (56.9%) on a year ended basis. Performance fees earned in the current period relate 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 to a lesser extent from Sprott Toscana and SRLC.

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

Other revenues were $0.3 million on a three months ended basis and $2.2 million on a year ended basis, reflecting an increase of $0.1 million and a decrease of $5.4 million (71.5%), respectively, from the prior periods. The increase on the three months ended basis was nominal. The decrease on a year ended basis was due to lower break-fee revenues year-over-year on terminated management contracts, which was only partially offset by improved proprietary investments performance.

Expenses

General and administrative expenses (which include compensation and benefits expenses) were $1.5 million on a three months ended basis and $4.7 million on a year ended basis, reflecting a decrease of $0.4 million (22.6%) and $6.8 million (59.1%), respectively, from the prior periods. The decreases were mainly due to: (i) a reduction in current period earn-out share expenses related to Sprott Toscana as the Company reaches the end of the vesting period; and (ii) lower break-fee payouts year-over-year.

Trailer fees were nominal. Trailer fees are now being paid on management fees from Sprott Korea Corporation as this business continues to develop over time.

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

Adjusted base EBITDA

Adjusted base EBITDA was $1.2 million on a three months ended basis and $5.5 million on a year ended basis, reflecting an increase of $0.8 million (214.2%) and a decrease of $2.4 million (30.8%), respectively, from the prior periods. The increase on the three months ended basis was due to higher management fees partially offset by higher compensation and benefits expenses. The decrease on a year ended basis was due to a combination of lower break-fee revenue and lower management fees relating to the unwind of TFIT and consolidation of SRLC as previously described.

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 year ended	
($ in thousands)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Revenue				
Management fees	**56**	92	**230**	170
Performance fees	**—**	—	**—**	—
Commissions	**157**	97	**1,495**	1,139
Interest income	**677**	605	**2,223**	2,344
Trailer fee income	**489**	759	**2,472**	4,223
Other	**(65)**	(176)	**3,053**	(4,791)
Total revenue	**1,314**	1,377	**9,473**	3,085
Expenses				
General and administrative	**4,116**	6,057	**11,525**	15,402
Amortization of property and equipment	**5**	13	**27**	65
Total expenses	**4,121**	6,070	**11,552**	15,467
Income (loss) before income taxes	**(2,807)**	(4,693)	**(2,079)**	(12,382)
Adjustments:				
Interest expense	**51**	—	**51**	—
Provision (recovery) for income taxes	**—**	—	**—**	—
Depreciation and amortization	**5**	13	**27**	65
EBITDA	**(2,751)**	(4,680)	**(2,001)**	(12,317)
Other adjustments:				
Impairment (reversal) of intangible assets	**—**	—	**—**	—
Impairment of goodwill	**—**	—	**—**	—
(Gains) and losses on proprietary investments and loans	**1,999**	271	**(246)**	6,528
Non-cash stock based compensation	**—**	4	**—**	30
Other	**451**	—	**451**	—
Adjusted EBITDA	**(301)**	(4,405)	**(1,796)**	(5,759)
Less:				
Performance fees	**—**	—	**—**	—
Performance fee related expenses	**—**	—	**—**	—
Adjusted base EBITDA	**(301)**	(4,405)	**(1,796)**	(5,759)

For the three and twelve months ended December 31, 2014

Revenues

Management fees on a three month and year ended basis continue to be nominal.

Commission revenues were $0.2 million on a three months ended basis and $1.5 million on a year ended basis, reflecting an increase of $0.1 million (61.9%) and $0.4 million (31.3%), respectively, from the prior periods. The increases were the result of more private placement activity in SPW.

Interest income was $0.7 million on a three months ended basis and $2.2 million on a year ended basis, reflecting an increase of $0.1 million (11.9%) and a decrease of $0.1 million (5.2%), respectively, from the prior periods. The increase on a three months ended basis was primarily due to higher interest earned on SPW brokerage accounts. The decrease on a year ended basis was primarily due to lower interest income from loans receivable in Corporate, which was partially offset by higher interest earned on SPW brokerage accounts coupled with interest earning cash deposits with banks and brokerage.

Trailer fee income was $0.5 million on a three months ended basis and $2.5 million on a year ended basis, reflecting a decrease of $0.3 million (35.6%) and $1.8 million (41.5%), respectively, from the prior periods. The decreases were 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 against the related trailer fee expense in SAM.

Other income was nominal on a three months ended basis and $3.1 million on a year ended basis, reflecting an increase of $0.1 million and $7.8 million (163.7%), respectively, from the prior periods. The increase on a three months ended basis was due to higher proprietary investments income and higher foreign exchange gains in the current period which were only partially offset by proprietary investment losses. The increase on a year ended basis was due to: (i) gains on proprietary investments; (ii) foreign exchange gains; and (iii) income from proprietary investments. These increases more than offset the revenue earned on the early redemption of a loan receivable in the prior period.

Expenses

General and administrative expenses (which include compensation and benefits expenses) were $4.1 million on a three months ended basis and $11.5 million on a year ended basis, reflecting a decrease of $1.9 million (32.0%) and $3.9 million (25.2%), respectively, from the prior periods. The decreases were mainly due to prior period transition expenses associated with the departure of a Company executive.

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

Adjusted base EBITDA

Adjusted base EBITDA was negative $0.3 million on a three months ended basis and negative $1.8 million on a year ended basis, reflecting an increase of $4.1 million (93.2%) and $4.0 million (68.8%), respectively, from the prior periods. The increases were due to a reduction in compensation and benefits expenses coupled with increased foreign exchange gains, partially offset by lower trailer fee income.

SUMMARY OF QUARTERLY RESULTS

($ in thousands)	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**	**As at 30-Sept-14**	**As at 31-Dec-14**
Assets Under Management	9,109,795	7,146,770	7,335,625	6,966,524	**7,694,545**	**7,842,005**	**7,363,019**	**7,027,390**

($ in thousands, except per share amounts)	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**	**3 Months ended 30-Sept-14**	**3 Months ended 31-Dec-14**
Income Statement Information								
Revenue								
Management fees	25,951	21,458	19,497	17,792	**19,372**	**20,116**	**20,273**	**18,674**
Performance fees	1,348	141	892	6,613	**270**	**460**	**470**	**9,493**
Commissions	1,936	1,616	1,477	1,191	**1,924**	**2,500**	**2,013**	**1,400**
Interest income	759	968	3,306	4,815	**5,354**	**3,816**	**5,327**	**5,687**
Unrealized and realized gains (losses) on proprietary investments and loans	(3,049)	(9,466)	1,323	(3,286)	**4,350**	**2,650**	**(4,291)**	**(7,292)**
Other income	616	1,854	13,697	2,923	**1,601**	**809**	**4,304**	**4,702**
Total revenue	27,561	16,571	40,192	30,048	**32,871**	**30,351**	**28,096**	**32,664**
Net income (loss)	2,090	(6,710)	13,470	(90,111)	**10,239**	**5,011**	**4,502**	**(363)**
EBITDA	5,864	(8,071)	11,565	(87,706)	**13,236**	**9,225**	**8,110**	**3,774**
Adjusted base EBITDA	9,344	7,982	5,944	9,483	**9,060**	**6,816**	**11,409**	**10,778**
Basic and diluted earnings (loss) per share	0.01	(0.04)	0.06	(0.37)	**0.04**	**0.02**	**0.02**	**0.00**
Basic and diluted EBITDA per share	0.03	(0.05)	0.05	(0.36)	**0.05**	**0.04**	**0.03**	**0.02**
Basic and diluted adjusted base EBITDA per share	0.05	0.04	0.03	0.04	**0.04**	**0.03**	**0.05**	**0.04**

Dividends

On March 4, 2015, a dividend of $0.03 per common share was declared for the quarter ended December 31, 2014. This dividend is payable on March 30, 2015 to shareholders of record at the close of business on March 16, 2015.

On November 11, 2014, a dividend of $0.03 per common share was declared for the quarter ended September 30, 2014. This dividend was paid on December 8, 2014 to shareholders of record at the close of business on November 21, 2014.

On August 6, 2014, a dividend of $0.03 per common share was declared for the quarter ended June 30, 2014. This dividend was paid on September 3, 2014 to shareholders of record at the close of business on August 18, 2014.

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.

Capital Stock

Including 2.3 million common shares currently held in the EPSP Trust (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). On February 4, 2015, the Company issued 1,400 shares pursuant to the terms and conditions of the 2011 Equity Incentive Plan for U.S. service providers.

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. in the first quarter of this year; 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 months and years ended December 31, 2014 and December 31, 2013 have been calculated using the weighted average number of shares outstanding during the respective periods. Basic and diluted earnings (loss) per share for the three months and year ended December 31, 2014 were $0.00 and $0.08 compared to $(0.37) and $(0.39), 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, all of which are exercisable, however none of these options are in the money.

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 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 such as management fees and interest income.

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, or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans.

The Company drew $15 million on the credit facility as at December 31, 2014 (December, 31, 2013 - $Nil) in order to fund future anticipated proprietary investments.

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.

Commitments

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 commitments to provide loans arising from the SRLC business segment or commitments to make investments in the proprietary investments portfolio of the Company. As at December 31, 2014, the Company had $46.0 million of such loan commitments arising from SRLC (December 31, 2013 - $1.9 million) and $0.8 million of investment purchase commitments in the proprietary investments portfolio (December 31, 2013 - $Nil). For additional information on the Company's commitments, see Note 17 of the annual financial statements.

Significant Accounting Judgments and Estimates

The annual financial statements have been prepared in accordance with IFRS standards in effect as at December 31, 2014.

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 judgments and estimates are described below.

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

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment. Finite life intangibles are only tested for impairment to the extent indications of impairment exist at time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, asset lives and the future stock price of the Company. These estimates require significant judgment regarding market growth rates, fund flow assumptions, expected margins and costs which could affect the Company's future results if estimates of future performance and fair value change.

Impairment of energy sector assets

By their nature, estimates of discovered and probable energy reserves, as they pertain to royalties and working interests, including the estimates of future prices, costs, related future cash flows and the selection of a post-tax discount rate relevant to the assets in question are all subject to measurement uncertainty.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using valuation techniques and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments.

Share-based payments

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

Deferred tax assets

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

Provisions, including provisions for loan losses and debentures

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, including assumptions concerning the likelihood of future events occurring. The actual outcome of these uncertain events may be materially different from the initial provision in the Company's financial statements. With regard to loan losses and debenture impairments, management exercises judgment to determine whether indicators of loan or debenture impairment exist, and if so, management must estimate the timing and amount of future cash flows from loans receivable and debentures.

Investments in other entities

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

Managing Risk - Financial

Market risk

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. The Company's revenues are also exposed to price risk since management fees, performance fees and carried interests are correlated with AUM, which fluctuates with changes in the market values of the assets in the Funds and Managed Accounts managed by the Company. Commodity price risk refers to uncertainty of future market values caused by fluctuation in the price of commodity. The Company may, from time to time: (i) hold certain investments linked to the market prices of precious metals or energy assets; 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.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will adversely affect the value of, or cash flows from, financial instrument assets. The Company's earnings, particularly through its SRLC segment are exposed to volatility as a result of sudden changes in interest rates.

Foreign currency risk

Foreign currency risk arises from foreign exchange rate movements that could negatively impact either the carrying value of financial assets and liabilities or the related cash flows 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.

Credit risk

Credit risk is the risk that a borrower will not honor its commitments and a loss to the Company may result. Credit risk generally arises in the Company's loans receivable, proprietary investments and other areas.

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 Company's security. Additionally, the value of the Company's underlying security in a resource loan and resource debenture 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 and resource debenture 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 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 on business plans;
- the engagement of qualified independent advisors (e.g. lawyers, engineers and geologists) to protect Company interests; and
- legal reviews that are performed to ensure that all due diligence requirements are met prior to funding.

Proprietary investments

The Company incurs credit risk when entering into, settling and financing various proprietary transactions.

Other

The majority of accounts receivable relate to management and performance fees receivable from the Funds, Managed Accounts and Managed Companies managed by the Company. Credit risk is managed in this regard by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties.

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.

The Company's exposure to liquidity risk as it relates to loans receivable arise 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.

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 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.

Concentration risk

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

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. The 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. As at December 31, 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

Several of the Company's subsidiaries 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.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, which consolidate the financial results of Sprott Inc. (the "Company"), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2014. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in Note 2 of the consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the consolidated financial statements.

The board of directors (the "Board of Directors") of the Company appoints the Company's audit committee (the "Audit Committee") annually. Among other things, the mandate of the Audit Committee includes the review of the consolidated financial statements of the Company on a quarterly basis and the recommendation to the Board of Directors for approval. The Audit Committee has access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

Ernst & Young LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. Ernst & Young LLP had, and has, full and unrestricted access to management of the Company, the Audit Committee and the Board of Directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

Peter Grosskopf
Chief Executive Officer

Steven Rostowsky
Chief Financial Officer

March 4, 2015

INDEPENDENT AUDITORS' REPORT

To the shareholders of Sprott Inc.

We have audited the accompanying consolidated financial statements of Sprott Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 4, 2015

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at *($ in thousands of Canadian dollars)*		**December 31 2014**	December 31 2013
Assets			
Current			
Cash and cash equivalents		**120,774**	115,670
Fees receivable		**13,176**	13,793
Loans receivable	*(Note 7)*	**51,317**	54,402
Other assets	*(Notes 3 & 8)*	**6,975**	17,071
Income taxes recoverable		**6,133**	3,545
Total current assets		**198,375**	204,481
Proprietary investments	*(Note 4)*	**112,592**	94,268
Loans receivable	*(Note 7)*	**70,592**	49,850
Other assets	*(Note 8)*	**4,108**	3,613
Property and equipment, net	*(Note 5)*	**6,270**	7,010
Intangible assets	*(Note 6)*	**32,190**	32,597
Goodwill	*(Note 6)*	**50,427**	46,378
Deferred income taxes	*(Note 11)*	**6,723**	17,523
		282,902	251,239
Total assets		**481,277**	455,720
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		**28,340**	13,151
Compensation and employee bonuses payable		**9,324**	9,973
Loan payable	*(Note 9)*	**15,000**	—
Total current liabilities		**52,664**	23,124
Deferred income taxes	*(Note 11)*	**10,001**	12,298
Total liabilities		**62,665**	35,422
Shareholders' equity			
Capital stock	*(Note 10)*	**414,668**	410,420
Contributed surplus	*(Note 10)*	**42,199**	45,664
Retained earnings (deficit)		**(58,655)**	(48,244)
Accumulated other comprehensive income		**20,400**	12,458
Total shareholders' equity		**418,612**	420,298
Total liabilities and shareholders' equity		**481,277**	455,720
Commitments	*(Note 17)*		

See accompanying notes

Eric Sprott
Director

James Roddy
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

($ in thousands of Canadian dollars, except for per share amounts)			*For the year ended* **December 31 2014**	December 31 2013
Revenue				
Management fees			**78,435**	84,698
Performance fees			**10,693**	8,994
Commissions			**7,837**	6,220
Interest income			**20,184**	9,844
Unrealized and realized gains (losses) on proprietary investments and loans			**(4,583)**	(14,478)
Other income	*(Notes 3 & 8)*		**11,416**	19,094
Total revenue			**123,982**	114,372
Expenses				
Compensation and benefits	*(Note 13)*		**38,881**	44,759
Stock-based compensation	*(Notes 10 & 13)*		**3,373**	10,264
Trailer fees			**12,520**	11,898
General and administrative	*(Note 13)*		**32,606**	27,479
Amortization of intangibles	*(Note 6)*		**5,455**	6,788
Impairment of intangibles	*(Note 6)*		**2,308**	10,360
Impairment of goodwill	*(Note 6)*		**—**	87,960
Amortization of property and equipment	*(Note 5)*		**778**	926
Total expenses			**95,921**	200,434
Income (loss) before income taxes for the year			**28,061**	(86,062)
Provision (recovery) for income taxes	*(Note 11)*		**8,672**	(4,801)
Net income (loss) for the year			**19,389**	(81,261)
Basic and diluted earnings (loss) per share	*(Note 10)*	**$**	**0.08**	$ (0.39)

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

($ in thousands of Canadian dollars)	*For the year ended* **December 31 2014**	December 31 2013
Net income (loss) for the year	**19,389**	(81,261)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain (loss) on foreign operations (taxes of $Nil)	**7,942**	11,640
Total other comprehensive income	**7,942**	11,640
Comprehensive income (loss)	**27,331**	(69,621)

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($ 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 acquired for equity incentive plan	*(Note 10)*	**(1,000,000)**	**(1,686)**	**(1,315)**	**—**	**—**	**(3,001)**
Shares released on vesting of equity incentive plan	*(Note 10)*	**672,205**	**3,915**	**(3,908)**	**—**	**—**	**7**
Foreign currency translation gain on foreign operations		**—**	**—**	**—**	**—**	**7,942**	**7,942**
Net unrealized gain on available for sale securities		**—**	**—**	**—**	**—**	**—**	**—**
Additional purchase consideration	*(Note 10)*	**177,500**	**1,223**	**(1,613)**	**—**	**—**	**(390)**
Stock-based compensation		**—**	**—**	**3,373**	**—**	**—**	**3,373**
Shares issued from treasury	*(Note 10)*	**225,764**	**796**	**(2)**	**—**	**—**	**794**
Dividends declared	*(Note 14)*	**—**	**—**	**—**	**(29,800)**	**—**	**(29,800)**
Net income		**—**	**—**	**—**	**19,389**	**—**	**19,389**
Balance, December 31, 2014		**246,021,326**	**414,668**	**42,199**	**(58,655)**	**20,400**	**418,612**
At December 31, 2012		169,049,677	215,474	42,808	58,609	818	317,709
Business acquisition		68,962,896	166,201	—	—	—	166,201
Shares acquired for equity incentive plan		(448,500)	(697)	(558)	—	—	(1,255)
Shares released on vesting of equity incentive plan		627,125	3,714	(3,707)	—	—	7
Foreign currency translation gain on foreign operations		—	—	—	—	11,640	11,640
Additional purchase consideration		177,500	1,090	(1,234)	—	—	(144)
Stock-based compensation		—	—	10,264	—	—	10,264
Deferred tax asset on stock-based compensation		—	—	(1,904)	—	—	(1,904)
Shares issued from treasury		7,577,159	24,638	(5)	—	—	24,633
Dividends declared		—	—	—	(25,592)	—	(25,592)
Net loss		—	—	—	(81,261)	—	(81,261)
Balance, December 31, 2013		245,945,857	410,420	45,664	(48,244)	12,458	420,298

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31 ($ in thousands of Canadian dollars)	**2014**	2013
Operating Activities		
Net income (loss) for the year	**19,389**	(81,261)
Add (deduct) non-cash items:		
Losses on proprietary investments and loans receivable	**4,583**	14,478
Stock-based compensation	**3,373**	10,264
Amortization of property, equipment and intangible assets	**6,233**	7,714
Impairment of intangible assets	**2,308**	10,360
Impairment of goodwill	**—**	87,960
Gain on bargain purchase	**—**	(5,457)
Deferred income taxes (recovery)	**8,674**	(8,806)
Current income tax expense (recovery)	**(132)**	4,005
Other items	**(9,155)**	(8,447)
Income taxes paid	**(2,060)**	(15,605)
Changes in:		
Fees receivable and other assets	**10,062**	(8,699)
Loans receivable	**(20,397)**	19,884
Accounts payable, accrued liabilities, compensation and employee bonuses payable	**14,693**	(22,731)
Cash provided by operating activities	**37,571**	3,659
Investing Activities		
Purchase of proprietary investments	**(62,924)**	(62,925)
Sale of proprietary investments	**51,928**	34,858
Purchase of property and equipment	**(13)**	(635)
Deferred sales commissions paid	**(1,716)**	(1,969)
Cash paid for acquisitions	**—**	(20,806)
Cash acquired on acquisition	**—**	88,307
Purchase of intangible assets	**(3,544)**	(828)
Cash provided by (used in) investing activities	**(16,269)**	36,002
Financing Activities		
Acquisition of common shares for equity incentive plan	**(3,001)**	(1,255)
Shares issued from treasury	**—**	24,500
Loan payable	**15,000**	—
Dividends paid	**(29,800)**	(25,592)
Cash used in financing activities	**(17,801)**	(2,347)
Effect of foreign exchange on cash balances	**1,603**	956
Net increase in cash and cash equivalents during the year	**5,104**	38,270
Cash and cash equivalents, beginning of the year	**115,670**	77,400
Cash and cash equivalents, end of the year	**120,774**	115,670
Cash and cash equivalents:		
Cash	**115,028**	95,941
Short-term deposits	**5,746**	19,729
	120,774	115,670

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 audited consolidated financial statements for the years ended December 31, 2014 and 2013 ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by a resolution of the Board of Directors of the Company on March 4, 2015.

Basis of presentation

The 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 ("HFT"), designated as fair value through profit or loss ("FVTPL"), or available-for-sale ("AFS"), all 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 indicated otherwise.

Principles of consolidation

The 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's 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 parent 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 financial statements;
- Sprott Resource Lending Corp. ("SRLC");
- Toscana Energy Corporation ("TEC") and Toscana Capital Corporation ("TCC") (Collectively, "Sprott Toscana");
- Sprott Genpar Ltd.;
- SAMGENPAR Ltd.; and
- 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, bullion funds and fixed-term limited partnerships, 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 December 31, 2014, assets under management in public mutual funds was $1.8 billion (December 31, 2013 - $1.5 billion); alternative investment strategies was $0.8 billion (December 31, 2013 - $0.9 billion); bullion funds was $3.2 billion (December 31, 2013 - $3.5 billion); and fixed-term limited partnerships was $0.3 billion (December 31, 2013 - $0.4 billion). The Company had investments in 22 Funds (December 31, 2013 - 37) with an average ownership interest of 8.95% (December 31, 2013 - 7.6%). The Company provides no guarantees against the risk of financial loss to the investors of these investment funds.

Recognition of income

Management fees are recognized on an accrual basis over the period during which the related services are rendered and are collected monthly, quarterly or annually.

Performance fee revenue is recognized when earned, according to agreements in the underlying funds, managed accounts and managed companies which is predominantly on the last day of the fiscal year. Fees arising from carried interest entitlements, and presented as performance fees, are recorded on an accrual basis following the disposition of underlying portfolio investments.

Trailer fee income and commission income are recognized on an accrual basis over the period during which the related service is rendered.

Interest income is recognized on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated rate in the loan or debenture documents. The effective interest rate is the rate required to discount the future value of all loan or debenture cash flows to their present value and is adjusted for the receipt of cash and non-cash items in connection with the loan.

Cash and cash equivalents

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

Proprietary investments

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

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

Mutual fund and alternative investment strategy investments are valued using the net asset value per unit of the fund, which represents the underlying net assets at fair values determined using closing market prices. These investments are generally made in the process of launching a new fund and are redeemed (if open-end) or sold (if closed-end) as third party investors subscribe. The balance represents the Company's maximum exposure to loss associated with the investments.

Private holdings include the following:

Private company investments

Private company investments are classified as HFT and carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the private companies, which may include operating results, subsequent rounds of financing and other appropriate information. Any change in fair value is recognized on the consolidated statement of operations.

Energy sector investments

The Company has investments in override royalties and working interest properties. Interests in override royalties are accounted for as AFS investments, and thus, are fair valued through other comprehensive income, which is based on estimated future cash flows and expected return from future royalty payments. Working interest properties are accounted for in accordance with IAS 16 *Property, Plant and Equipment*. The initial cost of working interest assets consist of purchase price or construction costs, any costs directly attributable to bringing the asset into operation, including directly attributable general and administrative expenses, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs. All of these costs are initially capitalized as part of proprietary investments on the Company's balance sheets and are net of accumulated depletion and impairment charges, if any. When a development project moves into the production stage, the capitalization of certain construction/development costs ceases and costs are regarded as part of inventory or expensed, except for costs that qualify for capitalization relating to energy property asset additions, improvements, or new developments. Working interests at the development and production stage are depleted on a units-of-production basis over total proved developed and undeveloped energy reserves, as appropriate. The Company does not have oil and gas working interests in the exploration and evaluation stage.

Foreclosed properties

Foreclosed properties held for sale include properties for which the Company is entitled, through court order, to take title or to enforce the sale, unconditionally. In accordance with IFRS 5 *Non-current Assets held For Sale and Discontinued Operations*, foreclosed properties held for sale that are in saleable condition and for which a sale is considered probable are classified as held for sale and are initially measured at the lower of carrying value or fair value less estimated costs to sell. Subsequent changes in carrying values of foreclosed properties are reported within unrealized and realized gains (losses) on proprietary investments and loans receivable. Amortization is not recorded on foreclosed properties held for sale. An extension of the period required to complete the sale would not preclude the properties from being classified as held for sale when the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the asset. The Company uses management's best estimate to determine the fair value of foreclosed properties, which involves engaging realtors, valuation experts and other professionals as deemed necessary to obtain independent property appraisals and assessments of market conditions. Costs to sell include property taxes and realtor commissions.

Loans receivable

Precious metal loans

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

Resource loans and debentures

Resource loans and debentures are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value. After initial measurement, they are subsequently measured at amortized cost using the effective interest method, less impairment, if any.

Fees received for originating loans are considered an integral part of the yield earned on the loan and are recognized in interest income over the term of the loan using the effective interest method. Fees received may include cash payments and/or securities in the borrower.

Impairment of resource loans and debentures

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

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

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

Financial instruments

Financial instrument assets held by the Company are classified as HFT, designated as FVTPL, AFS, HTM or as loans and receivables. Financial instrument liabilities may be classified as either HFT or other. All financial instruments held by the Company are initially measured at fair value. After initial recognition, financial instruments classified as HFT, AFS or those designated as FVTPL are measured at fair value using quoted market prices in active markets where available or through the use of valuation techniques as appropriate. Precious metal loans are designated as FVTPL or classified as HTM. Changes in fair value of the Company's financial instruments are reflected in net income, with the exception of: (i) financial instruments classified as HTM, loans and receivables and other financial liabilities, which are all measured at amortized cost using the effective interest rate method; and (ii) AFS investments that have their changes in fair value recorded in other comprehensive income. Transaction costs related to financial assets classified as HFT or designated as FVTPL are expensed as incurred.

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

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

- Cash and cash equivalents are classified as HFT;
- Fees receivable, proceeds receivable (part of other assets) and loans receivable (other than precious metal loans) are classified as loans and receivables;
- Precious metal loans are designated as FVTPL or classified as HTM;
- Proprietary investments in financial instruments are classified as follows: (i) public equities and share purchase warrants are classified as HFT; (ii) mutual funds and alternative investment strategies are classified as HFT; (iii) fixed income securities are classified as HFT; (iv) private holdings are classified as HFT or AFS; and
- Accounts payable and accrued liabilities, loan payable and compensation and employee bonuses payable are classified as other financial liabilities.

Fair value option

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

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

Fair value hierarchy

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

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

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

Level 3: valuation techniques with significant unobservable market inputs.

The Company will transfer financial instruments into or out of levels in the fair value hierarchy to the extent the instrument no longer satisfies the criteria for inclusion in the category in question. Level 3 valuations are prepared by the Company and reviewed and approved by management at each reporting date. Valuation results, including the appropriateness of model inputs, are compared to actual market transactions to the extent readily available. Valuations of level 3 assets are also discussed with the Audit Committee as deemed necessary by the Company.

Available-for-sale investments

AFS investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in other comprehensive income. When an AFS investment is sold, the cumulative gain or loss recorded in other comprehensive income is recycled into net income. At each reporting date, and more frequently when conditions warrant, the Company evaluates AFS investments to determine whether there is any objective evidence of impairment. If an AFS investment is impaired, the cumulative unrealized loss previously recognized in other comprehensive income is removed from equity and recognized in net income. Subsequent to impairment, further declines in fair value are recorded in net income, while increases in fair value are recognized in other comprehensive income until the AFS investment is sold.

Offsetting of financial instruments

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

Property and equipment

Property and equipment are recorded at cost and are amortized on a declining balance basis over the expected useful life which ranges from 1 to 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Artwork is not amortized since it does not have a determinable useful life. The residual values, useful life and methods of amortization for property and equipment are reviewed at each reporting date and adjusted prospectively, if necessary.

Deferred sales commissions

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

Intangible assets

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. Intangible assets with finite lives are only tested for impairment if indicators of impairment exist at the time of an impairment assessment. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense and any impairment losses on intangible assets with finite lives are recognized in the consolidated statements of operations.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. In addition to impairment indicator assessments, indefinite life intangibles must be tested annually for impairment. The indefinite life of an intangible asset is reviewed annually to determine whether the indefinite life continues to be supportable. If no longer supportable, changes in useful life from indefinite to finite are made prospectively.

Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified. Any gain resulting from an impairment reversal of intangible assets is recognized in the period the impairment reversal is identified but cannot exceed the carrying amount that would have been determined (net of amortization and impairment) had no impairment loss been recognized for the intangible asset in prior periods.

Business combinations, goodwill and gain on bargain purchase

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

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

Income taxes

Income tax is comprised of current and deferred tax.

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

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

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

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

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

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

Share-based payments

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

Earnings per share

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

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

Foreign currency translation

Accounts in the financial statements of the Company's subsidiaries are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is the functional currency of the Company. The Canadian dollar is also the functional currency of all its subsidiaries, with the exception of Global Companies, which uses the U.S. dollar as its functional currency. Accordingly, the assets and liabilities of Global Companies are translated into Canadian dollars using the rate in effect on the date of the consolidated balance sheets.

Revenue and expenses are translated at the average rate over the reporting period. Foreign currency translation gains and losses arising from the Company's translation of its net investment in Global Companies, including goodwill and the identified intangible assets, are included in accumulated other comprehensive income or loss as a separate component within shareholders' equity until there has been a realized reduction in the value of the underlying investment.

Segment reporting

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

Significant accounting judgments and estimates

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

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment. Finite life intangibles are only tested for impairment to the extent indications of impairment exist at time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, asset lives and the future stock price of the Company. These estimates require significant judgment regarding market growth rates, fund flow assumptions, expected margins and costs which could affect the Company's future results if estimates of future performance and fair value change.

Impairment of energy sector assets

By their nature, estimates of discovered and probable energy reserves, as they pertain to royalties and working interests, including the estimates of future prices, costs, related future cash flows and the selection of a post-tax discount rate relevant to the assets in question are all subject to measurement uncertainty.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using valuation techniques and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments.

Share-based payments

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

Deferred tax assets

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

Provisions, including provisions for loan losses and debentures

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, including assumptions concerning the likelihood of future events occurring. The actual outcome of these uncertain events may be materially different from the initial provision in the Company's financial statements. With regard to loan losses and debenture impairments, management exercises judgment to determine whether indicators of loan or debenture impairment exist, and if so, management must estimate the timing and amount of future cash flows from loans receivable and debentures.

Investments in other entities

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

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 were applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. The adoption of amendments to IAS 32 did not have a material impact on the Company's financial statements.

IFRIC 21, *Levies* ("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 was effective for annual periods beginning on or after January 1, 2014 and was applied retrospectively. The adoption of IFRIC 21 did not have a material impact on the Company's financial statements.

Future changes in accounting policies

IFRS 9, *Financial Instruments* (“IFRS 9”)

IFRS 9 was issued by the IASB on July 24, 2014 and will replace IAS 39 *Financial instruments: Recognition and Measurement*. IFRS 9 requires financial instrument classification and related measurement practices to be based primarily on an entity’s business model objectives when managing those financial assets and on the extent to which contractual cash flows exist within the financial assets. The standard also introduces a new expected loss impairment model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the potential impact of this new standard on the financial statements.

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. IFRS 15 will also apply to the recognition and measurement of gains and losses on the sale of certain non-financial assets that are not an output of the entity’s ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is evaluating the potential impact of this new standard on the financial statements.

3. BUSINESS ACQUISITION

SRLC

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

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

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

A gain on bargain purchase of $5.5 million was recognized upon acquisition as a result of the consideration paid being less than the fair value of net identifiable assets acquired. The gain on bargain purchase was included in other income in the consolidated statements of operations for the year ended December 31, 2013.

The Company's revenues and net loss would have been approximately $102.1 million and $94.8 million for the year ended December 31, 2013, should the acquisition have happened on January 1, 2013.

Included in general and administrative expenses for the year ended December 31, 2013, was $1.2 million of costs relating to the acquisition of SRLC

4. PROPRIETARY INVESTMENTS

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

	December 31, 2014	December 31, 2013
Gold bullion	**4,843**	6,532
Public equities and share purchase warrants	**10,705**	4,097
Mutual funds and alternative investment strategies*	**71,858**	69,429
Fixed income securities	**8,590**	7,223
Private holdings**	**16,596**	6,987
Total proprietary investments	**112,592**	94,268

*Investments in mutual funds and alternative investment strategies are primarily managed by SAM or RCIC. As at December 31, 2014, the underlying investments related to the Company's investments in mutual funds and alternative investment strategies primarily consisted of cash and short-term investments of $13.5 million (December 31, 2013 - $25.6 million), equities of $32.1 million (December 31, 2013 - $23.0 million), short equity positions of $111.4 million (December 31, 2013 - $70.0 million), fixed income securities of $125.6 million (December 31, 2013 - $86.4 million), bullion of $3.8 million (December 31, 2013 - $4.0 million), loans of $3.3 million (December 31, 2013 - $Nil) and derivatives of $4.4 million (December 31, 2013 - $Nil).

**Private holdings consist of the following investments: (i) private company investments classified as HFT, which have their changes in fair value recorded on the statements of operations; (ii) energy royalties of $6.1 million (December 31, 2013 - $Nil) classified as AFS investments, which have their changes in fair value recorded as part of other comprehensive income, which is based on the estimated future cash flows and expected return from future royalty payments; (iii) working interests in energy properties of $7.3 million (December 31, 2013 - $Nil) which are recorded at cost, net of depletion and/or impairment charges. At December 31, 2014, the Company assessed the carrying amount of its working interest in energy properties by considering changes in future prices, future costs and reserves. The Company determined none were impaired as at year end; and (iv) foreclosed properties, which are recorded at the lower of carrying value or fair value less estimated costs to sell on the consolidated statements of operations. As at December 13, 2014, all foreclosed property investments have been sold.

5. PROPERTY AND EQUIPMENT

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

	Artwork	Furniture and fixtures	Computer hardware and software	Leasehold improvements	Total
Cost					
At December 31, 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	—	13	—	—	13
Net exchange differences	—	40	34	26	100
December 31, 2014	**2,045**	**2,989**	**2,156**	**7,882**	**15,072**
Accumulated amortization					
At December 31, 2012	—	(2,282)	(1,925)	(2,771)	(6,978)
Charge for the year	—	(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 year	—	(150)	(38)	(590)	(778)
Net exchange differences	—	(34)	(34)	(7)	(75)
December 31, 2014	**—**	**(2,725)**	**(2,151)**	**(3,926)**	**(8,802)**
Net book value at:					
December 31, 2013	2,045	395	43	4,527	7,010
December 31, 2014	**2,045**	**264**	**5**	**3,956**	**6,270**

6. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill	Fund management contracts - indefinite life	Fund management contracts - finite life	Carried interests	Deferred sales commissions	Total
Cost						
At December 31, 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	—	2,660	—	1,676	1,716	6,052
Net exchange differences	12,286	—	2,052	3,164	—	17,502
At December 31, 2014	**155,435**	**16,987**	**26,931**	**38,184**	**8,026**	**245,563**
Accumulated amortization and impairment losses						
At December 31, 2012	(8,935)	—	(8,632)	(16,418)	(2,214)	(36,199)
Amortization charge for the year	—	—	(3,025)	(2,198)	(1,565)	(6,788)
Net impairment charge for the year	(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 year	—	—	(3,245)	(530)	(1,680)	(5,455)
Net impairment charge for the year	—	—	—	(2,308)	—	(2,308)
Net exchange differences	(8,237)	—	(1,024)	(2,888)	—	(12,149)
At December 31, 2014	**(105,008)**	**—**	**(16,411)**	**(36,068)**	**(5,459)**	**(162,946)**
Net book value at:						
December 31, 2013	46,378	14,327	12,737	3,002	2,531	78,975
December 31, 2014	**50,427**	**16,987**	**10,520**	**2,116**	**2,567**	**82,617**

Impairment assessment of goodwill

The Company identified six CGUs for goodwill impairment assessment and testing purposes: SAM; Global Companies; SRLC; Corporate; SC; and SPW. Operating segments of the Company are a separate but related concept under IFRS and are described in Note 16.

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

CGU	**Allocated Goodwill**	
	December 31, 2014	December 31, 2013
SAM	**22,300**	20,400
Global Companies	**24,927**	22,778
SRLC	**—**	—
Corporate	**—**	—
SC	**3,200**	3,200
SPW	**—**	—
	50,427	46,378

The recoverable amount of the Global companies CGU was determined using a discounted cash flow (DCF) technique. Key inputs and assumptions included: (i) steady top-up and replacement of expiring limited partnership contracts; (ii) internal growth rate assumptions on AUM/AUA, as appropriate, ranging from 3% to 7.5% depending on the business; (iii) discount rates ranging from 13.5% to 20% (pre-tax) depending on the business and income stream; (iv) terminal return of 3.63%. The recoverable amounts of the SAM and SC CGUs were calculated at fair value less cost to sell using a valuation multiple applied to a measure of earnings.

Goodwill is tested for impairment at least annually, which for the Company is during the fourth quarter of each year. None of the CGUs were determined to be impaired in 2014. For the year ended December 31, 2013, an impairment charge of $88.0 million was recognized.

Impairment assessment of indefinite life fund management contracts

The recoverable amount of indefinite life fund management contracts within the SAM CGU was determined using a DCF value-in-use technique ("VIU") calculation by discounting at 13.3% (pre-tax), a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable exchange listed funds. The recoverable amount of indefinite life fund management contracts within the SC CGU was calculated using a DCF model by discounting at 13.3% (pre-tax), the estimated pre-tax cash flows to the Company.

As at December 31, 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). The Company determined none were impaired in both years.

Impairment assessment of finite life fund management contracts

The recoverable amount of finite life fund management contracts within the Global companies CGU was determined using a VIU calculation by discounting at 13.5% (pre-tax), the most recent pre-tax net cash flows to the Company by these funds.

As at December 31, 2014, the Company had finite life fund management contracts of $10.5 million within the Global Companies CGU (December 31, 2013 - $12.7 million). The Company determined none were impaired in both years.

Impairment assessment of carried interests

The recoverable amount of carried interests within the Global companies CGU was determined using a VIU calculation by discounting at 20% (pre-tax), the most recent expected future net cash flows (pre-tax) to the Company from fixed-term limited partnerships. At the time of testing, the Company determined that the recoverable amount of carried interests was lower than the carrying value. Consequently, for the year ended December 31, 2014, an impairment charge of $2.3 million (December 31, 2013 - $10.4 million) was recognized.

As at December 31, 2014, the Company had carried interests (net of impairment described above) of $2.1 million within the Global Companies CGU (December 31, 2013 - $3.0 million).

Impairment assessment of deferred sales commissions

As at December 31, 2014, the Company had deferred sales commissions of $2.6 million within the SAM CGU (December 31, 2013 - $2.5 million). There were no indicators of impairment for the period.

7. LOANS RECEIVABLE

Components of loans receivable

Loans receivable are reported along with debentures 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 and included in resource loans. The total carrying value consists of the following ($ in thousands):

	December 31, 2014	December 31, 2013
Resource loans *		
Loan principal	**118,079**	96,423
Accrued interest	**132**	50
Deferred revenue	**(6,711)**	(3,919)
Mark-to-market	**608**	1,035
Amortized cost, before loan loss provisions	**112,108**	93,589
Loan loss provisions	**—**	—
Carrying value of resource loans receivable	**112,108**	93,589
Less: current portion	**(46,928)**	(50,013)
Total non-current resource loans receivable	**65,180**	43,576
Resource debentures		
Debenture principal	**7,500**	6,500
Accrued interest	**259**	12
Deferred revenue	**(100)**	(238)
Amortized cost, before impairments	**7,659**	6,274
Impairments	**(2,247)**	—
Carrying value of resource debentures receivable	**5,412**	6,274
Less: current portion	**—**	—
Total non-current resource debentures receivable	**5,412**	6,274
Real estate loans		
Loan principal	**4,389**	4,389
Accrued interest	**754**	222
Amortized cost, before loan loss provision	**5,143**	4,611
Loan loss provision	**(754)**	(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	**121,909**	104,252
Less: current portion	**(51,317)**	(54,402)
Total carrying value of non-current loans receivable	**70,592**	49,850

*As at December 31, 2014, $4.8 million (December 31, 2013 - $11.7 million) of precious metal loan principal was designated as FVTPL while the remaining $0.8 million (December, 31, 2013 - $3.0 million) was classified as HTM.

Impaired loans, debentures and loan loss provisions

When a loan or debenture is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the net realizable value of the loan or debenture. 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 losses, or the reversal of previous losses, which would also impact the amount of subsequent interest income recognized.

As at December 31, 2014, the Company performed a comprehensive review of each loan and debenture measured at amortized cost in its portfolio to determine the requirement for specific loan loss provisions and debenture impairment charges. The carrying values of the Company's impaired loan and debenture are as follows:

	December 31, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource debenture				
Amortized cost, before impairments	**1**	**5,400**	—	—
Impairments	—	**(2,247)**	—	—
Total carrying value of impaired debenture	**1**	**3,153**	—	—
Real estate loan				
Amortized cost, before loan loss provision	**1**	**5,143**	1	4,611
Loan loss provision	—	**(754)**	—	(222)
Total carrying value of real estate loan, net of loan loss provision	**1**	**4,389**	1	4,389
Total carrying value of impaired debenture and real estate loan, net of loan loss provisions	**2**	**7,542**	1	4,389

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

	For the year ended	
	December 31, 2014	December 31, 2013
Interest on impaired loan and debenture	**1,000**	222
Loan loss provision on real estate loan and impairment on resource debenture		
Balance, beginning of year	**222**	—
Loan loss provision on real estate loan	**532**	222
Impairment on resource debenture	**2,247**	—
Balance, end of year	**3,001**	222

Sector distribution of loan principal

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

	December 31, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource loans				
Metals and mining *	**9**	**71,957**	11	90,564
Energy and other	**5**	**46,122**	3	5,859
Total resource loans principal	**14**	**118,079**	14	96,423
Resource debentures				
Energy and other	**2**	**7,500**	2	6,500
Total resource debentures principal	**2**	**7,500**	2	6,500
Real estate loan				
Land under development	**1**	**4,389**	1	4,389
Total real estate loan principal	**1**	**4,389**	1	4,389
Total loan principal	**17**	**129,968**	17	107,312

*As at December 31, 2014, $4.8 million (December 31, 2013 - $11.7 million) of precious metal loan principal was designated as FVTPL while the remaining $0.8 million (December, 31, 2013 - $3.0 million) was 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:

	December 31, 2014		December 31, 2013	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource loans				
Canada *	**8**	**80,496**	8	40,145
United States of America	**1**	**4,066**	2	19,331
Mexico	**1**	**13,000**	1	17,800
Australia	**1**	**7,083**	2	14,872
Chile *	**2**	**8,845**	1	4,275
Brazil	**1**	**4,589**	—	—
Total resource loan principal	**14**	**118,079**	14	96,423
Resource debentures				
Canada	**1**	**2,000**	1	1,000
United States of America	**1**	**5,500**	1	5,500
Total resource debenture principal	**2**	**7,500**	2	6,500
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**	**129,968**	17	107,312

*As at December 31, 2014, $4.8 million (December 31, 2013 - $11.7 million) of precious metal loan principal was designated as FVTPL while the remaining $0.8 million (December, 31, 2013 - $3.0 million) was classified as HTM.

Priority of security charges

All of the Company's loans and debentures are senior secured with the exception of two resource loans, which have a carrying value of $15.4 million and 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 December 31, 2014 and 2013 all past due loans were considered impaired.

Loan commitments

As at December 31, 2014, the Company had $46.0 million in loan commitments (December 31, 2013 - $1.9 million).

8. OTHER ASSETS AND OTHER INCOME

Other assets

Other assets consist primarily of proceeds receivable from the sale of a Sprott fund in 2013, a receivable from a related party (see Note 13), proceeds receivable on the sale of an investment by SRLC, prepaid expenses of the Company and receivables from the Funds and managed companies managed by the Company for which the Company has incurred expenses on their behalf ($ in thousands).

	December 31, 2014	December 31, 2013
Prepaid expenses and other receivables	**7,092**	3,710
Due from broker	**—**	13,478
Proceeds receivable	**3,991**	3,496
Total other assets	**11,083**	20,684
Included in long-term other assets	**4,108**	3,613
Included in current other assets	**6,975**	17,071

Other income

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

For the year ended December 31, 2014, other income primarily included the one-time inclusion of a $1.5 million break-fee on the termination of a management services agreement with a managed company. For the year ended December 31, 2013, other income primarily includes the one-time inclusions of: (i) the gain on bargain purchase of $5.5 million resulting from the acquisition of SRLC; and (ii) a break-fee of $7.5 million for the termination of the management services agreement with a managed company.

9. LOAN PAYABLE

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 continues to be in compliance with all financial covenants of the credit facility, which require that the funded debt-to-Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ratio be less than or equal to 2:1, the funded debt-to-SAM EBITDA ratio be less than or equal to 1.5:1 and that the Company's AUM not fall below $5.5 billion, calculated on the last day of each fiscal quarter.

The Company drew $15 million on the credit facility as at December 31, 2014 (December, 31, 2013 - $Nil), which is due in March 2015.

10. 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
Acquired for equity incentive plan	(1,000,000)	(1,686)
Released on vesting of equity incentive plan	672,205	3,915
At December 31, 2014	**246,021,326**	**414,668**

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	3,262
Expensing of earn-out shares over the vesting period	111
Issuance of shares relating to additional purchase consideration	(1,613)
Issuance of share capital on conversion of RSU	(2)
Excess on repurchase of common shares for equity incentive plan *	(1,315)
Released on vesting of common shares for equity incentive plan	(3,908)
At December 31, 2014	**42,199**

* 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") cannot exceed 10% of the issued and outstanding shares of the Company as at the date of 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 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 year ended December 31, 2014 (December 31, 2013 - $Nil).

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, December 31, 2014	**2,650**	**9.71**
Options exercisable, December 31, 2014	**2,650**	**9.71**

Options outstanding and exercisable as at December 31, 2014 are as follows:

Exercise price ($)	Number of outstanding options (in thousands)	Weighted average remaining contractual life (years)	Number of options exercisable (in thousands)
10.00	2,450	3.3	2,450
4.85	50	5.0	50
6.60	150	5.9	150
4.85 to 10.00	**2,650**	**3.5**	**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 employees. 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 year ended December 31, 2014 (December 31, 2013 - $Nil). The Trust purchased 1.0 million common shares for the year ended December 31, 2014 (December 31, 2013 - 0.4 million).

	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
Acquired	1,000,000
Released on vesting	(672,205)
Unvested common shares held by the Trust, December 31, 2014	**2,308,993**

Earn-out shares

In connection with the acquisition of the Global Companies in 2011, 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* ("IFRS 2"), 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 has been charged to the consolidated statements of operations equally over the period of the service condition, being 3 years, which ended February 4, 2014.

In connection with the acquisition of Sprott Toscana in 2012, 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 in 2011, 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 year ended December 31, 2014, the Company recorded share-based compensation expense of $3.4 million, respectively, (December 31, 2013 - $10.3 million) with a corresponding increase to contributed surplus ($ in thousands).

	For the year ended	
	December 31, 2014	December 31, 2013
Earn-out shares	**111**	6,312
Stock option plan	**—**	30
EPSP / EIP	**3,262**	3,922
	3,373	10,264

Basic and diluted earnings (loss) per share

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

	For the year ended	
	December 31, 2014	December 31, 2013
Numerator ($ in thousands):		
Net income - basic and diluted	**19,389**	(81,261)
Denominator (Number of shares in thousands):		
Weighted average number of common shares	**248,265**	207,872
Weighted average number of unvested shares purchased by the Trust	**(1,757)**	(1,742)
Weighted average number of common shares - basic	**246,508**	206,130
Weighted average number of additional purchase consideration	**17**	—
Weighted average number of unvested shares purchased by the Trust	**1,757**	—
Weighted average number of outstanding RSU	**2**	—
Weighted average number of shares issuable under acquisition consideration payable	**515**	—
Weighted average number of common shares - diluted	**248,799**	206,130
Net income (loss) per common share		
Basic	**$ 0.08**	$ (0.39)
Diluted	**$ 0.08**	$ (0.39)

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 (loss). 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 year ended December 31, 2014 and 2013, 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.

11. INCOME TAXES

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

For the year ended	**December 31, 2014**	December 31, 2013
Current income tax expense (recovery)		
Based on taxable income of the current year	**380**	5,196
Adjustments in respect of previous years	**(512)**	(1,191)
	(132)	4,005
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**9,089**	(9,185)
Adjustments in respect of tax rate change and previous years	**(285)**	379
	8,804	(8,806)
Income tax expense (recovery) reported in the statements of operations	**8,672**	(4,801)

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

For the year ended	**December 31, 2014**	December 31, 2013
Income before income taxes	**28,061**	(86,062)
Tax calculated at domestic tax rates applicable to profits and (losses) in the respective countries	**6,850**	(36,729)
Tax effects of:		
Non-deductible stock-based compensation	**104**	965
Non-taxable capital (gains) and losses	**(520)**	1,610
Capital losses not benefited	**3,068**	—
Goodwill impairment	**—**	35,038
Other temporary differences not benefited	**1,264**	2,034
Non-capital losses not previously benefited	**(1,461)**	(7,259)
Rate differences and other	**(633)**	(460)
Tax charge (recovery)	**8,672**	(4,801)

The weighted average applicable tax rate was 24.4% (2013 - 42.7%). The change was caused primarily by an increase in the profitability of subsidiaries resident in Canada that are taxable at lower rates than the Company's U.S. subsidiaries.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. The movement in significant components of the Company's deferred income tax assets and liabilities is as follows ($ in thousands):

For the year ended December 31, 2014

	At December 31, 2013	Recognized in income	Recognized in other comprehensive income	Recognized in equity	Business acquisition	At December 31, 2014
Deferred income tax assets						
Prepaid taxes and unrealized losses	14,537	(7,294)	1,592	—	—	8,835
Additional purchase consideration	672	—	28	(700)	—	—
Other stock-based compensation	2,802	865	(4)	—	—	3,663
Non-capital losses	7,709	(6,502)	(33)	—	—	1,174
Other	449	1,219	(8)	(27)	—	1,633
Total deferred income tax assets	**26,169**	**(11,712)**	**1,575**	**(727)**	**—**	**15,305**
Deferred income tax liabilities						
Fund management contracts	8,793	(1,322)	419	—	—	7,890
Carried interests	335	(349)	14	—	—	—
Deferred sales commissions	671	9	—	—	—	680
Unrealized gains	(241)	878	(12)	—	—	625
Transitional partnership income	9,645	(3,021)	—	—	—	6,624
Proceeds receivable	1,223	173	—	—	—	1,396
Other	518	724	126	—	—	1,368
Total deferred income tax liabilities	**20,944**	**(2,908)**	**547**	**—**	**—**	**18,583**
Net deferred income tax assets (liabilities)	**5,225**	**(8,804)**	**1,028**	**(727)**	**—**	**(3,278)**

For the year ended December 31, 2013

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

12. 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 December 31, 2014 and 2013 ($ in thousands).

December 31, 2014	Level 1	Level 2	Level 3	Total
Recurring measurements:				
Cash and cash equivalents	120,774	—	—	120,774
Precious metal loans	—	—	5,662	5,662
Gold bullion	4,843	—	—	4,843
Public equities and share purchase warrants	8,363	2,342	—	10,705
Mutual funds and alternative investment strategies	18,324	53,534	—	71,858
Fixed income securities	—	7,609	981	8,590
Private holdings*	—	—	9,280	9,280
Total recurring fair value measurements	**152,304**	**63,485**	**15,923**	**231,712**

December 31, 2013	Level 1	Level 2	Level 3	Total
Recurring measurements:				
Cash and cash equivalents	115,670	—	—	115,670
Precious metal loans	—	—	11,658	11,658
Gold bullion	6,532	—	—	6,532
Public equities and share purchase warrants	3,503	594	—	4,097
Mutual funds and alternative investment strategies	16,132	53,296	—	69,428
Fixed income securities	—	7,223	—	7,223
Private holdings*	—	—	5,353	5,353
Total recurring fair value measurements:	**141,837**	**61,113**	**17,011**	**219,961**

*Private holdings measured using fair value techniques include: (i) private company investments classified as HFT, which have their changes in fair value recorded on the statements of operations; and (ii) energy royalties classified as AFS investments, which have their changes in fair value recorded as part of other comprehensive income.

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 - December 31, 2014

	December 31, 2013	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Net unrealized gains included in OCI	Net realized gains (losses) included in net income	Net realized gains (losses) included in other income	Net realized gains (losses) included in interest income	December 31, 2014
Private holdings	5,353	8,996	(7,768)	(120)	—	2,812	7	—	9,280
Precious metal loans	11,658	3,435	(11,854)	126	—	(119)	515	1,901	5,662
	17,011	**12,431**	**(19,622)**	**6**	**—**	**2,693**	**522**	**1,901**	**14,942**

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

	December 31, 2012	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Net unrealized gains included in OCI	Net realized gains (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 year ended December 31, 2014, $0.1 million (December 31, 2013, $0.2 million) of financial assets was transferred from Level 2 to Level 1. This transfer represented the expiry of the trading restriction on the common shares of certain proprietary investments.

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 and debentures (excluding precious metal loans that were designated as FVTPL) had a carrying value of $116.2 million and a fair value of $120.0 million. Loans receivable and debentures lack an available trading market, are not typically exchanged, and have been recorded at amortized cost. The fair value of resource loans and debentures are measured based on changes in the market price of comparable bonds since the average date that the loans were originated. The Company adjusts the fair value to take into account any significant changes in credit risks using observable market inputs in determining counterparty credit risk. The fair value of loans are not necessarily representative of the amounts realizable upon immediate settlement. The valuation techniques used for amortized cost loans and debentures for which a fair value has been disclosed would fall under Level 3 of the fair value hierarchy.

13. RELATED PARTY TRANSACTIONS

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

	For the year ended	
	December 31, 2014	December 31, 2013
Fixed salaries and benefits	**4,445**	5,794
Variable incentive-based compensation	**4,700**	4,302
Termination benefits	**—**	2,700
Share-based compensation	**1,255**	925
	10,400	13,721

The deferred stock unit ("DSU") plan for independent directors of the Company vests annually over a three-year period and may only be settled in cash upon retirement. There were 287,681 DSUs issued during the year (December 31, 2013 - $Nil). DSU expense is included in general and administrative costs and is recognized over the three-year vesting period with an offset to accrued liabilities.

Included in other assets is a receivable of $3.5 million (December 31, 2013- $Nil) from a related party pertaining to the receipt of shares under the terms and conditions of a subscription receipt.

On November 11, 2014, the Company entered into an agreement to provide a loan facility to Sprott Resource Corp ("SRC") in the amount of $20 million at 7% for the first year and at 8% interest thereafter. SRC drew $10 million on the credit facility as at December 31, 2014 (December, 31, 2014 - $Nil). The loan is to be repaid on May 11, 2016. The Company has a management services agreement with SRC through SC whereby SC provides its consulting services to SRC and earns revenue through management fees and performance fees from SRC.

14. DIVIDENDS

The following dividends were declared and paid by the Company during the year ended December 31, 2014:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount ($ in thousands)
November 21, 2014 - regular dividend Q3 - 2014	December 8, 2014	0.03	7,450
August 18, 2014 - regular dividend Q2 - 2014	September 3, 2014	0.03	7,450
May 23, 2014 - regular dividend Q1 - 2014	June 6, 2014	0.03	7,450
April 8, 2014 - regular dividend Q4 - 2013	April 23, 2014	0.03	7,450
Dividends paid			29,800

15. RISK MANAGEMENT ACTIVITIES

The Company's exposure to market, credit, liquidity and concentration risk is described 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 an asset. The Company's financial instruments are classified as HFT, designated as FVTPL, HTM, AFS, or as loans and receivables. Therefore, certain 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 $4.7 million for the year (December 31, 2013 - $3.8 million). For more details about the Company's proprietary investments, refer to Note 4.

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 future market values caused by a fluctuation in the price of a commodity. The Company may, from time to time: (i) hold certain investments linked to the market prices of precious metals or energy assets; 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 December 31, 2014, the Company held precious metal loans with a carrying value of $5.7 million (December 31, 2013 - $11.7 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 $0.2 million for the year (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 December 31, 2014, the Company held gold bullion with a carrying value of $4.8 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 $0.2 million for the year (December 31, 2013 - $0.3 million).

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will adversely affect the value of, or cash flows from, financial instrument assets. 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 December 31, 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 December 31, 2014, the Company had 14 fixed-rate resource-based loans, 2 fixed-rate resource-based debentures and 1 fixed rate real estate loan with an aggregate carrying value of $121.9 million (December 31, 2013 - $104.3 million). The Company's 14 resource loans and 2 fixed-rate resource debentures range in maturity dates from less than 6 months to 4 years and the Company has one real estate loan that is considered non-performing and one debenture that is partially impaired.

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 December 31, 2014 ($ in thousands):

December 31, 2014	Floating Rate	Within 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Non-Interest Sensitive	Total
Total assets	120,774	29,066	13,930	40,318	42,796	234,393	481,277
Total liabilities and equity	(15,000)	—	—	—	—	(466,277)	(481,277)
Difference	105,774	29,066	13,930	40,318	42,796	(231,884)	—
Cumulative difference	105,774	134,840	148,770	189,088	231,884	—	—
Cumulative difference as a percentage of total assets	22.0%	28.0%	30.9%	39.3%	48.2%	—	—

Foreign currency risk

Foreign currency risk arises from foreign exchange rate movements that could negatively impact either the carrying value of financial assets and liabilities or the related cash flows 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 translation impact being reported as part of other comprehensive income in the financial statements. Excluding the impact of the Global Companies, as at December 31, 2014, approximately $38.9 million (December 31, 2013 - $46.8 million) of total Canadian assets were invested in proprietary investments priced in USD. A total of $55.5 million (December 31, 2013 - $17.4 million) of cash, $1.6 million (December 31, 2013 -$1.4 million) of accounts receivable, $36.5 million (December 31, 2013 - $5.8 million) of loans receivable and $0.7 million (December 31, 2013 - $0.6 million) of other assets were denominated in USD. As at December 31, 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 $5.4 million for the year (December 31, 2013 - $3.0 million).

(b) Credit risk

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

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. A decrease in real estate values or commodity or energy prices may delay the development of the underlying security or business plans of the borrower and will adversely affect the value of the Company's security. Additionally, the value of the Company's underlying security in a resource loan and resource debenture 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 and resource debenture 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 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 business plans;
- engagement of qualified independent advisors (e.g. lawyers, engineers and geologists) to protect Company interests;

legal reviews that are performed to ensure that all due diligence requirements are met prior to funding.

As at December 31, 2014, the Company's net exposure to on-balance sheet credit risk (net loans receivable) was $121.9 million (December 31, 2013 - $104.3 million) and the Company had a $46.0 million exposure to off-balance sheet credit risk (loan commitments) (December 31, 2013 - $1.9 million). As at December 31, 2014, the largest loan in the Company's loan portfolio was a resource loan with a carrying value of $19.9 million or 16.3% 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 loans and resource debentures.

Proprietary investments

The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 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.

Other

The majority of accounts receivable relate to management and performance fees receivable from the Funds, managed accounts and managed companies managed by the Company. Credit risk is managed in this regard 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 Global Companies incur credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 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 December 31, 2014, the Company had $120.8 million or 25.1% (December 31, 2013 - 115.7 million or 25.4%) of its total assets in cash and cash equivalents. In addition, approximately $81.3 million or 72.2% (December 31, 2013 - $45.6 million or 48.8%) 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 December 31, 2014, the Company had $46.0 million in 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 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 receivables are focused on the natural resource sector.

16. SEGMENTED INFORMATION

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

- 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 occurred), 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 year ended	December 31, 2014						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	61,470	8,632	—	8,103	230	—	78,435
Performance fees	9,726	—	—	967	—	—	10,693
Commissions	—	6,342	—	—	1,495	—	7,837
Interest income	70	66	17,830	43	2,223	(48)	20,184
Trailer fee income	—	—	—	—	2,472	(2,128)	344
Other	3,149	(1,836)	249	2,162	3,053	(288)	6,489
Total revenue	**74,415**	**13,204**	**18,079**	**11,275**	**9,473**	**(2,464)**	**123,982**
Expenses							
General and administrative	42,395	11,327	5,250	4,699	11,525	(336)	74,860
Trailer fees	14,541	—	—	107	—	(2,128)	12,520
Amortization and impairment of intangibles, property and equipment	2,335	6,136	—	43	27	—	8,541
Total expenses	**59,271**	**17,463**	**5,250**	**4,849**	**11,552**	**(2,464)**	**95,921**
Income (loss) before income taxes for the year	**15,144**	**(4,259)**	**12,829**	**6,426**	**(2,079)**	**—**	**28,061**
Provision for income taxes	—	—	—	—	—	—	8,672
Net income (loss) for the year							**19,389**
Adjustments:							
Interest expense	—	—	—	—	51	—	51
Provision (recovery) for income taxes	—	—	—	—	—	—	8,672
Depreciation and amortization	2,335	3,828	—	43	27	—	6,233
EBITDA	**17,479**	**(431)**	**12,829**	**6,469**	**(2,001)**	**—**	**34,345**
Other adjustments:							
Impairment (reversal) of intangible assets	—	2,308	—	—	—	—	2,308
Impairment of goodwill	—	—	—	—	—	—	—
(Gains) and losses on proprietary investments and loans	(1,430)	1,971	4,220	—	(246)	—	4,515
Non-cash stock based compensation	—	403	—	(292)	—	—	111
Other	—	—	—	—	451	—	451
Adjusted EBITDA	**16,049**	**4,251**	**17,049**	**6,177**	**(1,796)**	**—**	**41,730**
Less:							
Performance fees	(9,726)	—	—	(967)	—	—	(10,693)
Performance fee related expenses	6,783	—	—	242	—	—	7,025
Adjusted base EBITDA	**13,106**	**4,251**	**17,049**	**5,452**	**(1,796)**	**—**	**38,062**

For the year ended	December 31, 2013						
	SAM	Global Companies	SRLC	Consulting	Corporate and Other	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	66,537	9,359	—	8,632	170	—	84,698
Performance fees	6,446	302	—	2,246	—	—	8,994
Commissions	—	5,081	—	—	1,139	—	6,220
Interest income	199	56	7,215	30	2,344	—	9,844
Trailer fee income	—	—	—	—	4,223	(4,010)	213
Other	(2,952)	(1,095)	5,978	7,596	(4,791)	(333)	4,403
Total revenue	**70,230**	**13,703**	**13,193**	**18,504**	**3,085**	**(4,343)**	**114,372**
Expenses							
General and administrative	38,864	14,533	2,552	11,484	15,402	(333)	82,502
Trailer fees	15,908	—	—	—	—	(4,010)	11,898
Amortization and impairment of intangibles, property and equipment	2,296	15,674	2	37	65	—	18,074
Impairment of goodwill	—	87,960	—	—	—	—	87,960
Total expenses	**57,068**	**118,167**	**2,554**	**11,521**	**15,467**	**(4,343)**	**200,434**
Income (loss) before income taxes for the year	**13,162**	**(104,464)**	**10,639**	**6,983**	**(12,382)**	**—**	**(86,062)**
Provision for income taxes	—	—	—	—	—	—	(4,801)
Net income (loss) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(81,261)**
Adjustments:							
Interest expense	—	—	—	—	—	—	—
Provision (recovery) for income taxes	—	—	—	—	—	—	(4,801)
Depreciation and amortization	2,296	5,314	2	37	65	—	7,714
EBITDA	**15,458**	**(99,150)**	**10,641**	**7,020**	**(12,317)**	**—**	**(78,348)**
Other adjustments:							
Impairment (reversal) of intangible assets	—	10,360	—	—	—	—	10,360
Impairment of goodwill	—	87,960	—	—	—	—	87,960
(Gains) and losses on proprietary investments and loans	4,543	1,124	1,505	556	6,528	—	14,256
Non-cash stock based compensation	—	4,330	—	1,981	30	—	6,341
Other	—	—	(5,457)	—	—	—	(5,457)
Adjusted EBITDA	**20,001**	**4,624**	**6,689**	**9,557**	**(5,759)**	**—**	**35,112**
Less:							
Performance fees	(6,446)	(302)	—	(2,246)	—	—	(8,994)
Performance fee related expenses	5,444	75	—	562	—	—	6,081
Adjusted base EBITDA	**18,999**	**4,397**	**6,689**	**7,873**	**(5,759)**	**—**	**32,199**

Inter-segment revenues and expenses are eliminated on 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 underlying subsidiary's country of domicile that generates the revenue. The following table presents the revenue of the Company by geographic location ($ in thousands):

	For the year ended	
	December 31, 2014	December 31, 2013
Canada	**110,778**	100,669
United States	**13,204**	13,703
	123,982	114,372

17. COMMITMENTS

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 commitments to provide loans arising from the SRLC business segment or commitments to make investments in the proprietary investments portfolio of the Company. As at December 31, 2014, the Company had $46.0 million of such loan commitments (December 31, 2013 - $1.9 million) and $0.8 million of purchase commitments in the proprietary investments portfolio (December 31, 2013 - $Nil).

Future minimum annual payments under non-cancellable leases, including operating costs, are as follows ($ in thousands):

2015	4,021
2016	4,278
2017	4,300
2018	4,277
2019	4,299
Thereafter	15,331
	36,506

18. EVENTS AFTER THE REPORTING PERIOD

On March 4, 2015, a dividend of $0.03 per common share was declared for the three months ended December 31, 2014.

CORPORATE INFORMATION

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

Annual General Meeting
Wednesday, May 13, 2015, 11:00AM
Baker & McKenzie LLP
Brookfield Place, Bay / Wellington Tower
181 Bay Street, Suite 2100
Toronto, Ontario

Sprott INC.

www.sprottinc.com