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March 26, 2013

Letter to Shareholders

Dear Shareholders,

2012 was a challenging year for Sprott Inc. ("Sprott"). Although our economic forecasts proved to be largely accurate, precious metals equities traded at increasingly depressed valuations over the year, while government stimulus pushed broader equity indices higher. As a result, several of our principal equity strategies posted losses, which negatively impacted our financial results.

On the year, we generated $10.0 million in gross performance fees and our net income fell by 3.2%. Base EBITDA per share was $0.31 compared to $0.41 in 2011. Our assets under management ("AUM") increased to $9.9 billion as of December 31, 2012 from $9.1 billion the prior year. Net sales for the year were $1.3 billion.

At Sprott, we have always been focused on delivering superior results to our investors over the long term. Despite our recent setbacks, we remain confident in our positioning and the expertise of our investment team, and we believe that our investors' patience will be rewarded over time. However, we are committed to driving immediate improvements in our results and have recently taken a number of steps towards this goal.

Earlier this year, we named John Wilson and Scott Colbourne co-Chief Investment Officers of Sprott Asset Management ("SAM"). Their mandate is to direct the investment management functions of SAM and includes oversight of all portfolio management activities. They are focused on improving our overall performance by optimizing idea sharing and risk management, while reinforcing our results-oriented culture. In addition to his roles as Chief Executive Officer and Senior Portfolio Manager of SAM, Eric Sprott became Chief Investment Officer of Sprott Inc., where he is responsible for guiding the overall positioning of the Sprott Group of Companies.

In our asset management business, we remain committed to the ongoing process of diversifying our investment capabilities and broadening our product offerings. We are pleased with the success of our fixed-income product line which, since launching in 2010, is now approaching $1 billion in assets. Our enhanced funds, managed by John Wilson, are performing well and we look forward to building their asset base further this year.

Strong investor demand for physical bullion drove the continued growth of our physical trusts in 2012, as we raised $1.6 billion through follow-on offerings of the Sprott Physical Gold Trust and Sprott Physical Silver Trust. In December, we expanded our bullion product franchise with the $280 million initial public offering of the Sprott Physical Platinum and Palladium Trust. Physical products now represent close to $4.5 billion of our total AUM and have played a significant role in increasing our brand recognition in the U.S. and internationally.

Another bright spot for the business in 2012 was the performance of our private equity and lending strategies, which accounted for the majority of our performance fees on the year. In September of 2012, Sprott Resource Corp. marked five years in operation with a track record that placed it near the top of all resource-focused private equity strategies over the same period. Sprott Resource Corp. now manages approximately $530 million in assets.

In its second full year in operation, Sprott Resource Lending Corp. continued to expand its lending activities and proved that it has the ability to provide strong counter-cyclical returns and is well positioned to continue growing its business in today's difficult resource markets.

During the year, we completed the acquisition of the Toscana Companies (now Sprott Toscana), a Calgary-based energy finance business that provides us with a team focused on yield products in the energy sector. We also brought on a convertible bond arbitrage team through the acquisition of Flatiron Capital Management Partners ("Flatiron"). Unfortunately, due to a number of factors, the transaction did not work out as we had expected and we were forced to part ways with Flatiron's principals and wind up one of their core strategies.

At the time of writing, global equity markets continue to rally and have reached record highs during the first quarter. Given the continued headwinds of slower than forecast economic growth and unsustainable levels of government debt, we remain skeptical that this rally will continue and are well-positioned for an oversold market pullback. The political will is not present to deal convincingly with growing debt and entitlement issues, and the central planners remain committed to printing money in an effort to stimulate the economy. In this environment, we continue to believe that a rebound in precious metals and their related equities is long overdue.

Looking ahead, we will be pursuing a number of key initiatives during the current year. Sprott has an extremely strong brand internationally and we will seek to capitalize on this by establishing partnerships to manage capital for international clients. We are pleased with the early results of our efforts in this area and recently signed agreements to launch new offshore products in partnership with two separate Chinese entities. We also recently announced that we will be launching our first institutionally-focused hedge fund, which will draw on the combined resources of our entire investment and technical teams and represents an important step in the evolution of our firm.

In closing, I would like to acknowledge that it has been a difficult period for our shareholders and clients and thank you for your loyalty and patience. We will continue to focus on providing excellent investment returns and service to our clients, while carefully managing our resources to maximize returns to our shareholders.

Sincerely,

Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Year ended December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated March 26, 2013, presents an analysis of the financial condition of Sprott Inc. (the "Company") and its subsidiaries as of December 31, 2012 compared with December 31, 2011, and results of operations for the year ended December 31, 2012, compared with the year ended December 31, 2011. The Board of Directors approved this MD&A on March 26, 2013. All note references in this MD&A are to the notes to the Company's 2012 consolidated financial statements.

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

FORWARD LOOKING STATEMENTS

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

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements for the year ended December 31, 2012, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

KEY PERFORMANCE INDICATORS (NON-IFRS FINANCIAL MEASURES)

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

Our key performance indicators include:

Assets Under Management

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

Assets Under Administration

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

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

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

Net Sales

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

EBITDA

Our method of calculating EBITDA is defined as earnings before interest expense, income taxes, amortization of property and equipment, amortization and impairment of intangible assets and non-cash stock-based compensation. Stock-based compensation relating to the Company's Employee Profit Sharing Plan ("EPSP") is treated as a cash expense for the purposes of calculating EBITDA. We believe that EBITDA is an important measure as it allows us to assess our ongoing business without the impact of interest expense, income taxes, amortization and non-cash compensation, and is an indicator of our ability to pay dividends, invest in our business and continue operations. EBITDA is a measure commonly used in the industry by management, investors and investment analysts in understanding and comparing results by factoring out the impact of different financing methods, capital structures, the amortization of deferred sales charges and income tax rates between companies in the same industry. While other companies may not utilize the same method of calculating EBITDA as we do, we believe it enables a better comparison of the underlying operations of comparable companies and we believe that it is an important measure in assessing our ongoing business operations.

Base EBITDA

Base EBITDA refers to EBITDA after adjusting for the exclusion of: (i) any gains (losses) on our proprietary investments including our initial contributions to our Funds on their inception, as if such gains (losses) had not been incurred and (ii) Performance Fees, Performance Fee related compensation and other Performance Fee related expenses. With the exception of Performance Fees attributable to redeemed units (termed as “Crystallized Performance Fees”), Performance Fees are earned on the last day of the fiscal year other than for the Funds that are managed by RCIC and certain accounts managed by SAM. Performance Fees are not as predictable and stable as Management Fees and therefore Base EBITDA enables us to evaluate the day-to-day results of operations throughout the year and is meaningful for the same reason.

RCIC manages a family of Funds whereby performance fees are earned by way of Carried Interests. Carried Interests are often realized towards the end of the life of these fixed term Funds which, as at December 31, 2012 have an average remaining life of approximately 5 years. The Carried Interests relating to these Funds will be earned once management is assured of their realization.

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

Cash Flow from Operations

Our method of calculating cash flow from operations is defined as cash provided by operating activities adjusted for the impact of the net change in non-cash balances relating to operations.

This is a relevant measure in the investment management business since it represents cash available for distribution to our shareholders and for general corporate purposes.

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

OVERVIEW

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

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

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

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

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

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

On August 1, 2012, the Company completed the acquisition of Flatiron Capital Management Partners ("Flatiron"), an alternative investment manager specializing in market-neutral strategies. Effective August 1, 2012, the accounts of Flatiron have been consolidated with those of the Company. However, effective January 11, 2013, the Company and the Flatiron vendors entered into agreements to release the Company from the remaining purchase price to be paid as contemplated by the acquisition on August 1, 2012 (see note 3, note 6, note 7 and note 17). For financial reporting purposes, as of December 31, 2012, the Company wrote off its entire investment in Flatiron resulting in a net charge to the statement of income of approximately $5.0 million before taxes ($3.6 million after taxes).

The majority of the Company's revenues are earned through SAM in the form of Management Fees and Performance Fees earned from the management of the Funds and Managed Accounts; SPW earns most of its revenues via intercompany trailer fee payments from SAM (these intercompany fees are eliminated on consolidation) and from commissions earned on new and follow-on offerings of Funds managed by SAM and through various private placements. SC earns the majority of its revenues through the management of its Managed Companies in the form of Management Fees and Performance Fees. RCIC earns revenue in the form of Management Fees and Carried Interests through the management of the Funds; GRIL earns commissions and other fees from the sale and purchase of stocks by its clients, new and follow-on offerings of Funds managed by SAM and from the sale of private placements to its clients. SAM US earns revenue in the form of Management Fees from the management of Managed Accounts.

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

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

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

The Company derives revenue primarily from Management Fees earned from the management of our Funds, Managed Accounts and Managed Companies and from Performance Fees earned from the investment of the AUM of our Funds, Managed Accounts and Managed Companies. Our Management Fees are calculated as a percentage of AUM. Our Performance Fees are calculated as a percentage of the return earned by our Funds, Managed Accounts and Managed Companies. Our Carried Interests are calculated as a percentage of profits earned by monetizing events at our Funds managed by RCIC. Accordingly, the growth in our fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by our Funds, Managed Accounts and Managed Companies. Commission and other income is generated from the sale and purchase of stocks by GRIL's clients, and to a lesser extent SPW, and from the sale of private placements to their clients. As at December 31, 2012, we managed approximately $9.9 billion in assets among our various Funds, Managed Accounts and Managed Companies. AUA in client assets totaled to approximately $3.7 billion.

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

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

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

Our most significant expenses include compensation and benefits and trailer fees. With respect to compensation and benefits, employees are paid either a base salary and/or commissions which are based on sales, trading revenues or other measurable activities. In addition, employees may be eligible to share in a bonus pool, with the size of such discretionary bonuses being tied to both individual performance and the overall financial performance of the Company. Beginning in 2012, a portion of the bonus pool may be paid in equity of the Company through the Company's EPSP and Equity Incentive Plan ("EIP") (see note 8). Trailer fees are paid to dealers that distribute units of a Fund. Such dealers may receive a trailer fee (annualized but paid monthly or quarterly) of up to 1% of the value of the assets held in the respective Fund by the dealer's clients. Both the employee bonus pool component of compensation and trailer fees are correlated with Management Fees whereas only the employee bonus pool component of compensation is correlated with realized Performance Fees and Carried Interests. Changes in levels of trailer fees are generally a reflection of changes in domestic Fund sales through the advisor and dealer channel as well as changes in Management Fees.

In 2009 we introduced a low load sales charge option for some of our Funds. The commissions for these sales have been financed from internal cash flow. Other expenses incurred by our business are general and administration costs, including sales and marketing costs, occupancy, regulatory and professional fees, expenses absorbed by SAM on behalf of certain Funds that it manages, as well as charitable donations and amortization.

BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

Investment Performance

Most of the Funds managed by SAM experienced negative investment performance for the year. As a result, overall, net market depreciation of all our AUM totaled to approximately $0.9 billion. However, strong net sales of our physical bullion funds totaled to nearly $1.9 billion, offset partially by redemptions of $0.6 billion, in aggregate, from our other Funds and Managed Accounts. Acquisitions added approximately $0.4 billion to our AUM.

Our Managed Companies performed well during 2012, attracting new AUM through acquisition and generating Performance Fees for 2012.

Overall, AUM increased by $0.8 billion (8.7%) to $9.9 billion at December 31, 2012 from $9.1 billion at December 31, 2011.

Product and Business Line Expansion

In 2012 and into 2013, we raised gross proceeds of $36 million in two new Funds; Sprott 2012 Flow-Through Limited Partnership and Sprott 2013 Flow-Through Limited Partnership. We also completed the tax-deferred transfer of the Sprott 2010 Flow-Through Limited Partnership's and Sprott Flow-Through 2011 Limited Partnership's assets into the Sprott Resource Class of Sprott Corporate Class Inc.

During 2012, we completed three follow-on offerings of the Sprott Physical Silver Trust units, raising gross proceeds of US$848 million.

During 2012, we completed two follow-on offerings of the Sprott Physical Gold Trust units, raising gross proceeds of US$742 million

In February 2012, we launched a unique equities fund, Sprott Silver Equities Class.

In April 2012, we launched two new funds, Sprott Enhanced Equity Class and Sprott Enhanced Balanced Fund. John Wilson serves as lead manager on both funds and Scott Colbourne and Michael Craig co-manage the Sprott Enhanced Balanced Fund.

In 2012 and into 2013, the Company announced that its subsidiary, Resource Capital Investment Corporation raised US$85 million in two new fixed-term limited partnership for the purpose of participating in lending and equity arrangements to both public and private companies through both secondary offerings and in the open market with emphasis on natural resource loans, equities and other securities.

In December 2012, we completed an initial public offering of the Sprott Physical Platinum and Palladium Trust units raising gross proceeds of US $280 million.

We continue to develop new products and investment vehicles that will be available in 2013. The addition of these products may require us to make investments in technology, infrastructure and resources in order to continue to be able to provide effective and efficient service to our clients and to the Funds, Managed Accounts and Managed Companies that we manage.

Hiring and Retention of Top Talent

In January 2012, John Wilson joined SAM as a Senior Portfolio Manager and is now managing the Sprott Opportunities Hedge Fund as well as the Sprott Enhanced Equity Class and Sprott Enhanced Balanced Fund.

Also in January 2012, Dr. Neil Adshead joined the Company as an Investment Strategist with specific responsibilities for the Exploration Capital Partners Limited Partnerships managed by RCIC. Dr. Adshead uses his skills and industry experience to identify, analyze and monitor public and private investment opportunities.

In November 2012, Jason Mayer joined SAM as a Portfolio Manager. Mr. Mayer, a Flow-Through Specialist, is co-managing Sprott Resource Class, a tax-advantaged mutual fund that serves as the rollover vehicle for SAM's Flow-Through offerings.

In order to motivate and retain key employees and to further align the interests of employees and those of our shareholders, the Company adopted an EPSP for Canadian employees and an EIP for U.S. employees. We are focused on rewarding the types of performance that increase long-term shareholder value, including growing our AUM and AUA, retaining investors in our Funds, developing new investor relationships, improving operational efficiency and managing risks. Pursuant to the EPSP and the EIP, a portion of the bonus allocated to certain employees is paid by way of the Company's common shares. The shares are available to the relevant employees over a specified vesting period.

Acquisition of the Toscana Companies

Effective July 3, 2012, the Company acquired all of the outstanding common shares of the Toscana Companies. The Company has acquired the Toscana Companies because it is expected to provide expertise in creating and managing yield generating opportunities in the oil and gas sector and in providing a presence in Western Canada. The Toscana Companies are a leader in providing growth capital to both public and private resource companies and has a wide network of relationships in the energy sector.

As consideration, the Company paid $5.2 million cash and issued 1,564,500 common shares from treasury valued at $7.7 million, excluding costs, for total consideration of $12.9 million. The common shares of the Company issued as consideration were valued at $4.92 per share using the closing price of the Company's common shares on the TSX on July 3, 2012. In addition, the sellers will be eligible to earn up to an additional $5.3

million in cash and common shares of the Company with the achievement of certain financial targets by the Toscana Companies over a period of up to 3 years.

Acquisition of Flatiron

Efective August 1, 2012, the Company acquired all of the outstanding common shares of Flatiron. The Company acquired Flatiron because it was expected to provide expertise in creating and managing convertible bond arbitrage strategies for retail investors in Canada.

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

Effective January 11, 2013, the Company and the Flatiron vendors entered into agreements to release the Company from the remaining purchase price to be paid as contemplated by the acquisition on August 1, 2012 (see note 3, note 6, note 7 and note 17). For financial reporting purposes, as of December 31, 2012, the Company wrote off its entire investment in Flatiron resulting in a net charge to the statement of income of approximately $5.0 million before taxes ($3.6 million after taxes).

OUTLOOK

2012 was a challenging year for the Company as precious metals equities traded lower while many broader equity indices pushed higher. As a result, several of our equity strategies recorded losses, negatively impacting our overall financial results. However, we believe that the growing and unsustainable levels of government debt and continued money printing by central banks in an effort to stimulate their economies, coupled with supply and demand fundamentals for gold and silver bullion, will lead to a long overdue rebound in the prices of precious metals and their related equities. Our resource-focused funds will thrive in such an environment.

Many of our Funds have large performance deficits that we need to earn back before those funds are in a position to accrue performance fees. We remain committed to our focus on delivering superior returns for our investors over time and to continue to diversify our investment capabilities and broadening our product offering. We expect good sales growth from our "enhanced" Funds and for our fixed income Funds.

The companies managed by SC as well as the Global Companies continue to execute on their business plans and we anticipate continued growth and profitability from all of those companies.

We are also seeing more opportunities to manage capital for global clients that involves investing our own capital alongside those clients. In order to secure such mandates, we may need to make larger co-investments in our managed funds and companies than has historically been the case.

We continue to be focused on prudent expense management. We are constantly striving to find ways to manage our business as efficiently as possible while remaining focused on delivering investment returns to our investors and providing high levels of client service.

FINANCIAL HIGHLIGHTS

Financial highlights for the year ended December 31, 2012 are:

- AUM at December 31, 2012 were $9.9 billion. This reflects an increase of approximately $0.8 billion from $9.1 billion of AUM at December 31, 2011. Average AUM for 2012 was $9.6 billion compared to $9.8 billion in 2011, a decrease of 1.3%. Increases in AUM from acquisitions of $0.4 billion combined with a decrease in the market value of $0.9 billion and net sales of $1.3 billion, resulted in an overall increase of $0.8 billion in AUM for the year.
- Management fees as a percentage of AUM for the year ended December 31, 2012 were 1.2%, a decrease from 1.5% for the year ended December 31, 2011 as the composition of the Company's AUM continued to change with lower fee products composing a greater percentage of AUM for the periods ended December 31, 2012.
- AUA at December 31, 2012 were $3.7 billion. This reflects a decrease of $0.7 billion from $4.4 billion of AUA at December 31, 2011.
- Management Fees for the year ended December 31, 2012 were $118.5 million, representing a decrease of $28.3 million (19.3%) over the year ended December 31, 2011.
- Gross Performance Fees for the year ended December 31, 2012 were $10.0 million, representing an increase of $4.7 million (87.7%) over the year ended December 31, 2011.
- Base EBITDA for the year ended December 31, 2012 was $52.5 million, representing a decrease of $16.9 million or (24.4%) over the year ended December 31, 2011.
- EBITDA for the year ended December 31, 2012 was $59.6 million, representing a decrease of $4.9 million (7.5%) over the year ended December 31, 2011.
- Cash flow from operations for the year ended December 31, 2012 was $25.5 million ($0.15 per share) representing a decrease of $22.4 million from $47.9 million ($0.29 per share) for the year ended December 31, 2011.
- Net income for the year ended December 31, 2012 decreased by 3.2% to $32.0 million ($0.19 per share) from net income of $33.0 million ($0.20 per share) for the year ended December 31, 2011.

SUMMARY FINANCIAL INFORMATION

Key Performance Indicators

	As at and for the year ended December 31,		
($ in thousands, except per share amounts)	**2012**	2011	2010
Assets Under Management	**9,931,151**	9,137,226	8,545,276
Assets Under Administration	**3,676,149**	4,398,554	3,584,115
Net Sales	**1,308,033**	1,418,045	1,448,419
EBITDA	**59,612**	64,473	202,437
Base EBITDA	**52,480**	69,387	43,384
Cash Flow from Operations	**25,518**	47,905	192,273
EBITDA Per Share - basic and fully diluted	**0.35**	0.38	1.35
Base EBITDA Per Share - basic and fully diluted	**0.31**	0.41	0.29
Cash Flow From Operations Per Share - basic and fully diluted	**0.15**	0.29	1.28

Summary Balance Sheet

	As at		
($ in thousands)	**December 31, 2012**	December 31, 2011	December 31, 2010
Total Assets	**375,250**	400,536	342,767
Total Liabilities	**57,541**	99,095	128,505
Shareholders' Equity	**317,709**	301,441	214,262

Summary Income Statement and Reconciliation to EBITDA and Base EBITDA

($ in thousands, except per share amounts)	For the year ended December 31, 2012	2011
Total revenue	**158,154**	161,252
Total expenses	**116,446**	117,283
Income before income taxes	**41,708**	43,969
Provision for income taxes	**9,724**	10,931
Net income	**31,984**	33,038
Other expenses [(1)]	**17,904**	20,504
Provision for income taxes	**9,724**	10,931
EBITDA	**59,612**	64,473
Unrealized and realized (gains) losses on proprietary investments	**(2,266)**	7,986
Performance fees net of performance fee related compensation and other performance fee related expenses [(2)]	**(4,866)**	(3,072)
Base EBITDA	**52,480**	69,387
Earnings Per Share - basic and fully diluted	**0.19**	0.20
EBITDA Per Share - basic and fully diluted	**0.35**	0.38
Base EBITDA Per Share - basic and fully diluted	**0.31**	0.41

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

(2) Performance Fee related compensation is equal to 25% of Performance Fee revenue.

Summary Cash Flow Statements and Reconciliation to Cash Flow from Operations

($ in thousands, except per share amounts)	For the year ended December 31, 2012	2011
Operating Activities		
Net income for the year	**31,984**	33,038
Non-cash items	**40,786**	36,589
Income taxes paid	**(47,252)**	(21,722)
Cash flow from operations	**25,518**	47,905
Non-cash balances relating to operations	**(28,471)**	154,683
Cash provided by (used in) operating activities	**(2,953)**	202,588
Cash used in investing activities	**(8,732)**	(33,866)
Cash used in financing activities	**(30,421)**	(130,425)
Net increase (decrease) in cash and cash equivalents during the year	**(42,106)**	38,297
Cash and cash equivalents, beginning of the year	**119,506**	81,209
Cash and cash equivalents, end of the year	**77,400**	119,506
Cash flow from operations per share - basic	**0.15**	0.29
Cash flow from operations per share - fully diluted	**0.15**	0.28

RESULTS OF OPERATIONS

Year ended December 31, 2012 compared to year ended December 31, 2011

Overall Performance

AUM at December 31, 2012 of $9.9 billion represents an increase of 8.7% when compared with $9.1 billion at December 31, 2011. Net sales for the year ended December 31, 2012 were $1.3 billion, together with the addition of acquired AUM of $0.4 billion and offset by a net market value depreciation of $0.9 billion, resulted in increased AUM of $0.8 billion for the year. Average AUM for the year ended December 31, 2012 was $9.6 billion, compared with $9.8 billion in 2011.

Total revenues for year ended December 31, 2012 decreased by $3.1 million (1.9%) to $158.2 million, when compared with the year ended December 31, 2011. Management Fees for the year ended December 31, 2012 were $118.5 million, representing a decrease of $28.3 million (19.3%) over the year ended December 31, 2011. Gross Performance Fees for the year ended December 31, 2012 were $10.0 million, compared to $5.3 million in the year ended December 31, 2011. Commissions decreased by $0.7 million for the year ended December 31, 2012, when compared with the year ended December 31, 2011. Unrealized and realized gains on proprietary investments totaled $2.3 million for the year ended December 31, 2012 compared to unrealized and realized losses of $8.0 million for the year ended December 31, 2011, an increase of $10.3 million. Other income increased by $11.0 million for the year ended December 31, 2012, when compared with the year ended December 31, 2011.

Expenses totaled $116.4 million for the year ended December 31, 2012, which is a decrease of $0.8 million (0.7%), when compared with the year ended December 31, 2011.

Net income of $32.0 million for the year ended December 31, 2012, decreased by $1.1 million (3.2%), when compared with net income of $33.0 million for the year ended December 31, 2011.

Assets Under Management, Investment Performance and Net Sales

The breakdown of AUM by investment product type as at December 31, 2012 and December 31, 2011 was as follows:

	December 31, 2012		December 31, 2011	
Product Type	**$ (in millions)**	**% of AUM**	$ (in millions)	% of AUM
Bullion Funds	**4,920**	**49.6%**	2,971	32.5%
Mutual Funds	**1,991**	**20.0%**	2,497	27.3%
Alternative Investment Strategies	**1,410**	**14.2%**	1,717	18.8%
Offshore Funds	**190**	**1.9%**	566	6.2%
Direct Management (Managed Companies)	**802**	**8.1%**	700	7.7%
Managed Accounts	**190**	**1.9%**	288	3.2%
Fixed Term Limited Partnerships	**428**	**4.3%**	398	4.3%
Total	**9,931**	**100%**	9,137	100%

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

	For the year ended December 31,	
($ in millions)	**2012**	2011
AUM, beginning of year	**9,137**	8,545
Net sales	**1,308**	1,418
Business acquisitions	**428**	695
Market value depreciation of portfolios	**(942)**	(1,521)
AUM, end of year	**9,931**	9,137

For the year ended December 31, 2012, the majority of our Mutual Funds, Alternative Investment Strategies, Fixed Term Limited Partnerships, Managed Companies and Managed Accounts experienced negative performance resulting in an overall market value depreciation of our AUM, partially offset by positive performance from our Bullion Funds.

Net sales for the year ended December 31, 2012 were $1.3 billion. The initial and follow-on offering of Sprott 2012 Flow-Through LP, the launch of the Sprott Silver Equities Class, the Sprott Enhanced Equity Class, the Sprott Enhanced Balanced Fund and follow-on offerings of Sprott Physical Gold Trust and Sprott Physical Silver Trust along with the initial public offering of Sprott Physical Platinum and Palladium Trust added approximately $1.9 billion to sales for the year ended December 31, 2012. Collectively, our other Mutual Funds, Managed Accounts and Alternative Investment Strategies experienced net redemptions of approximately $0.4 billion for the year ended December 31, 2012. Our Offshore Funds collectively, had redemptions for the year ended December 31, 2012 of approximately $0.2 billion or 39.9% of offshore AUM at the beginning of the year. The launch of Resource Income Partners Limited Partnership, our fixed term limited partnership, added $50 million to our AUM.

Acquisitions during the year added $0.4 billion to the Company's AUM.

Revenues

Total revenue decreased by $3.1 million or 1.9% from $161.3 million in the year ended December 31, 2011 to $158.2 million in the year ended December 31, 2012.

Management Fees decreased by $28.3 million or 19.3% from $146.8 million in the year ended December 31, 2011 to $118.5 million in the year ended December 31, 2012, even though average AUM decreased by approximately 1.3% over the same period. Management Fees as a percentage of average AUM fell to 1.2% in the year ended December 31, 2012 from 1.5% in the year ended December 31, 2011. This decrease is mainly due to the addition of fixed income Funds and bullion Funds that have lower average Management Fees than most of our other Funds. Average AUM for fixed income Funds and bullion Funds increased by approximately $1.5 billion to $4.9 billion for the year ended December 31, 2012, compared to $3.0 billion, for the year ended December 31, 2011. The year ended December 31, 2012 includes Management Fees from RCIC and SAM US for the full year along with additional management fees from Flatiron and Toscana Companies since their acquisition in the third quarter of 2012, whereas the year ended December 31, 2011 only include Management Fees from RCIC and SAM US since the acquisition date of February 4, 2011. In 2012, the fee structure for one of the Managed Companies was amended such that the compensation and benefits of certain employees would be paid directly by the Managed Company rather than by SC. This resulted in a reduction to the Management Fees received by the Company by the amount of compensation and benefits costs incurred by the Managed Company and an equivalent reduction to the compensation and benefits expense of the Company. There is no impact to the Company's net income as a result of this amendment.

Gross Performance Fees were $10.0 million for the year ended December 31, 2012 versus $5.3 million for the year ended December 31, 2011. The majority of the 2012 gross Performance Fees were generated by two Funds and two Managed Companies.

Commission revenue for the year ended December 31, 2012, was $13.5 million compared to $14.2 million for the year ended December 31, 2011. During the year ended December 31, 2012, GRIL and SPW earned commissions primarily from the sale and purchase of stocks by its clients, private placements and from sales of Sprott sponsored Funds and shares of Managed Companies to GRIL and SPW clients. During the year ended December 31, 2011, commission revenue was mainly due to commissions generated by GRIL and to a lesser extent, SPW. The year ended December 31, 2012 included Commission revenue from GRIL for the full period whereas the year ended December 31, 2011 only included Commission revenue since the acquisition date of February 4, 2011 (approximately eleven months).

Gains from our capital that is invested in our proprietary investments (realized and unrealized) for the year ended December 31, 2012 totaled $2.3 million, compared with losses of $8.0 million for the year ended December 31, 2011. During year ended December 31, 2012, sales of proprietary investments resulted in net realized gains of $7.2 million while the market value of most of our remaining proprietary investments depreciated resulting in a net unrealized loss of $4.9 million. During the year ended December 31, 2011, sales of proprietary investments resulted in a net realized gain of $0.2 million and depreciation in the value of most of our remaining proprietary investments resulted in a net unrealized loss of $8.2 million.

Other income increased by approximately $11.0 million from approximately $2.9 million in the year ended December 31, 2011 to $13.9 million in the year ended December 31, 2012. The main components of other income include interest income, redemption fee revenue, expense recovery from managed companies and managed accounts, dividend income and foreign exchange gains and losses. For 2012 only, other income also includes approximately $9.1 million mark-to-market adjustments relating to a portion of the acquisition consideration payable and to the contingent returnable consideration asset (see note 3, note 6 and note 17) related to the Flatiron acquisition. Excluding the $9.1 million exclusive to 2012, the main contributor to the increase in the year ended December 31, 2012 was the interest income generated by the secured notes receivable in our proprietary investments. The year ended December 31, 2012 included interest income generated for the full year whereas the year ended December 31, 2011 only included interest income for four months for a secured note receivable.

Expenses

Total expenses for the year ended December 31, 2012 were $116.4 million, a decrease of $0.8 million or 0.7% compared with $117.3 million for the year ended December 31, 2011.

Changes in specific categories are described in the following discussion:

Compensation and Benefits

Compensation and benefits expense for the year ended December 31, 2012 amounted to $36.9 million, including contributions to the discretionary employee bonus pool of $7.5 million. For the year ended December 31, 2012, a further $3.5 million relating to the equity component of the discretionary employee bonus pool is included in stock-based compensation. For the year ended December 31, 2011, compensation and benefits expense was $48.7 million, with contributions to the discretionary employee bonus pool amounting to $21.6 million. There was no equity component of the discretionary employee bonus pool in 2011. Excluding the discretionary employee bonus pool, compensation and benefits increased by $2.3 million from $27.1 million in 2011 to $29.4 million in 2012. This is primarily due to (i) the increase in headcount of the Company with the number of employees increasing from 164 at December 31, 2011 to 196 at December 31, 2012 largely as a result of the acquisitions in 2012 and (ii) the costs associated with terminating the employment agreements of the Flatiron vendors. The costs associated with the increase in headcount were partially offset by the amendment to the fee structure for one of the Managed Companies. In 2012, the fee structure for one of the Managed Companies was amended such that the compensation and benefits of certain employees would be paid directly by the Managed Company. This resulted in a reduction to the Management Fees received by the Company by the amount of compensation and benefits costs incurred by the Managed Company and an equivalent reduction to the compensation and benefits expense of the Company. There is no impact to the Company's net income as a result of this amendment. The discretionary employee bonus pool decreased in 2012 compared to 2011 reflecting reduced year end bonus payments to certain employees pursuant to our investment performance and overall corporate results for the year. Beginning in 2012, a portion of the discretionary employee bonus pool was paid in equity of the Company through the Company's EPSP and EIP (see note 8). The shares are either issued from treasury or purchased in the open market and are available to the relevant employees over a specified vesting period. The year ended December 31, 2012 included compensation and benefits from the Global Companies for the full year along with additional compensation and benefits from Flatiron and Toscana Companies since their acquisition in the third quarter of 2012, whereas the year ended December 31, 2011 only included compensation and benefits from Global Companies since the acquisition date of February 4, 2011 (approximately eleven months).

Stock-based compensation

Stock-based compensation for the year ended December 31, 2012 was $11.1 million, an increase of $6.7 million, compared to $4.4 million, for the year ended December 31, 2011. The increase in the stock-based compensation is due to (i) the inclusion of a portion of the discretionary employee bonus pool that is equity-based that was not applicable in 2011, (ii) the expensing of earn-out shares (see note 8) for the year ended December 31, 2012 that was only applicable for the period February 4, 2011 to December 31, 2011 in the comparable period, and (iii) other stock-based compensation relating to new hires in the year ended December 31, 2012 that was not applicable in the prior year.

Trailer Fees

Trailer fees are somewhat correlated with AUM and with Management Fees. For the year ended December 31, 2012 trailer fees were $19.0 million, versus $25.7 million for the year ended December 31, 2011, a decrease of 26.0%. This decrease is a result of the reduction in trailer fee paying AUM during 2012. Trailer fees as a percentage of Management Fees for the year ended December 31, 2012 have decreased to 16.1% from 17.5% from the year ended December 31, 2011. This decline is a result of the reduction in trailer fee paying AUM, and to a lesser extent, due to the addition of AUM of the Global Companies and Toscana Companies along with AUM of the Managed Companies and Managed Accounts which do not have an associated trailer fee obligation and the increase in the AUM of bullion Funds and our family of fixed income Funds, which pay no or lower trailer fees.

General and Administrative

General and administrative expenses increased by $4.9 million (23.0%) to $26.2 million for the year ended December 31, 2012 when compared to the the year ended December 31, 2011. General and administrative expenses consist primarily of rent, marketing, regulatory fees, sub-advisory fees, fund expenses absorbed by SAM on behalf of certain Funds that it manages, legal, insurance, trading costs, directors fees and professional fees as well as miscellaneous costs such as quote and news services, printing and systems maintenance. The increase in general and administrative expenses for the year ended December 31, 2012 is primarily due to increases in sub-advisory fees (including $2.6 million in sub-advisory fees relating to gross Performance Fees earned for the year ended December 31, 2012) and fund operating expenses absorbed by SAM on behalf of certain Funds that it manages, in particular, the Sprott Corporate Class Inc. along with increases in other professional fees as a result of acquisition related costs and increases in rent as we took on additional leased space in 2012. Offsetting these increases is a reduction in several general and administrative expenses, particularly marketing and general office expenses in the last two quarters of 2012 reflecting our efforts to reduce discretionary spending. The year ended December 31, 2012 include general and administrative expenses from the Global Companies for the full year along with additional general and administrative expenses from Flatiron and the Toscana Companies since their acquisition in the third quarter of 2012, whereas the year ended December 31, 2011 only include general and administrative expenses from Global Companies since the acquisition date of February 4, 2011 (approximately eleven months).

Charitable Donations

The Company has a charitable donations program whereby 1% of the current year's net income before tax, as may be adjusted from time to time based on profitability, cash flow and other similar measures, is donated to children's charities. In addition to donations under the program described above, we make other corporate donations to selected causes. The donation expense for the year ended December 31, 2012 decreased by $0.4 million from the corresponding year ended December 31, 2011 due to a combination of a decrease in the current year's pre-tax income and lower discretionary corporate donations.

Amortization of Intangibles

Amortization expense of intangibles is composed of (i) the amortization of deferred sales commissions and (ii) the amortization of fund management contracts and carried interests. Amortization expense increased by $0.6 million from $7.2 million for the year ended December 31, 2011 to $7.8 million for the year ended December 31, 2012, mainly due to increased amortization of deferred sales commissions in 2012.

Impairment of goodwill and Intangibles

Impairment of goodwill and intangibles is composed of (i) those amounts in excess of the recoverable amount when compared to the carrying value of fund management contracts and carried interests, net of any reversals and (ii) those amounts in excess of the recoverable amount when compared to the carrying value of goodwill. For the year ended December 31, 2012, an impairment charge, net of reversals, of $4.8 million relating to fund management contracts and carried interests was recognized compared to $7.7 million for the year ended December 31, 2011. In addition, goodwill in the amount of $8.9 million was charged to earnings as a result of management's assessment of the value of goodwill resulting from the Flatiron acquisition as at December 31, 2012 (see note 6) compared to $nil for the year ended December 31, 2011. The total impairment of goodwill and intangibles for the year ended December 31, 2012 was $13.7 million, an increase of $6.0 million (77.9%) from the prior year's figure.

As a result of the acquisition of the Toscana Companies, indefinite life fund management contracts totaling $12.8 million were identified. These fund management contracts are not amortized, but instead are reviewed for indicators of impairment. In the event that these fund management contracts are impaired, an impairment loss will be charged against earnings in the period in which the impairment occurs. For the year ended December 31, 2012, management concluded that the recoverable amount of these fund management contracts exceeded the carrying value and no impairment existed.

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

Amortization of property and equipment

Amortization expense of $1.1 million for the year ended December 31, 2012, was slightly lower than $1.2 million for the year ended December 31, 2011. This decrease was primarily a result of recent and prior leasehold improvements costs being amortized over a longer lease term as the Company finalized new lease terms in 2012 for its current premises that were previously expiring in 2013.

EBITDA, Base EBITDA, Cash Flow from Operations and Net Income

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

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

For the year ended December 31, 2012, EBITDA was $59.6 million compared with $64.5 million for the year ended December 31, 2011. EBITDA decreased for the year ended December 31, 2012 when compared to the year ended December 31, 2011 mainly as a result of lower Management Fees partially offset by higher realized and unrealized gains on proprietary investments. Basic and diluted EBITDA per share for the year ended December 31, 2012 was $0.35 compared to $0.38 for the year ended December 31, 2011. For further clarity, EBITDA is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

Base EBITDA, as previously defined in this MD&A, allows us to assess our ongoing business operations, with adjustments for non-recurring items as well as items that are not related to our core operations. For the year ended December 31, 2012 Base EBITDA was $52.5 million compared with $69.4 million in the year ended December 31, 2011, representing a decrease of $16.9 million (24.4%). Base EBITDA for 2012 decreased when compared to 2011 largely due to lower Management Fees. Base EBITDA excludes (i) unrealized and realized gains and losses on proprietary investments and (ii) Performance Fees net of Performance Fee related compensation and other expenses. In the year ended December 31, 2012, unrealized and realized gains on proprietary investments were $2.3 million, compared to unrealized and realized losses of $8.0 million in the year ended December 31, 2011. In the year ended December 31, 2012, gross Performance Fees net of Performance Fee related compensation and other Performance Fee related expenses were $4.9 million compared to $3.1 million in the year ended December 31, 2011. Base EBITDA per share for the year ended December 31, 2012 was $0.31 compared to $0.41 for the year ended December 31, 2011. For further clarity, Base EBITDA is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

The Company also assesses its performance using Cash Flow from Operations. Previously defined in this MD&A, this metric helps to assess the ability of the Company to generate cash to fund day-to-day operations, pay dividends, pay sales commissions and support any other capital requirements of the Company. Cash Flow from Operations for the year ended December 31, 2012 was $25.5 million, a decrease of $22.4 million from the $47.9 million reported in the year ended December 31, 2011. The primary contributor to this was the significant cash tax payment made by the Company in the current year relating primarily to the Performance Fees realized in December 2010. The major difference between this measure and EBITDA and Base EBITDA is that it takes into consideration the income taxes paid or payable by the Company. For the year ended December 31, 2011, income taxes of $21.7 million were paid and for the year ended December 31, 2012, income taxes of $47.3 million were paid. Cash Flow from Operations per share for the year ended December 31, 2012 was $0.15 versus $0.29 for the year ended December 31, 2011. For further clarity, Cash Flow from Operations is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

Income before taxes for the year ended December 31, 2012 was $41.7 million compared with a pre-tax income of $44.0 million for the year ended December 31, 2011. The effective tax rate of 23.3% for the year ended December 31, 2012 was lower compared to 24.9% for the year ended December 31, 2011, primarily as a result of the recognition of a $2.0 million tax refund received. The accounting for acquisitions has resulted in significant deferred income tax liabilities relating to the identified intangible assets which are being drawn down over the same period in which the associated intangible assets are being amortized. These deferred tax liabilities are not cash liabilities of the Company but are accounting items resulting from the accounting for the acquisitions.

Net income for the year ended December 31, 2012 was $32.0 million compared to net income of $33.0 million for the year ended December 31, 2011. The decrease in 2012 as compared to 2011 reflects the net effect of the changes previously discussed in this MD&A. Basic and diluted earnings per share for the year ended December 31, 2012 was $0.19 versus $0.20 for the year ended December 31, 2011.

Balance Sheet

Total assets at December 31, 2012 decreased by $25.3 million to $375.3 million. Cash and cash equivalents were $77.4 million, a decrease of $42.1 million from December 31, 2011 due to cash outflows primarily from income tax payments, funding of the EPSP, the payment of dividends, acquisitions and bonus payments.

Proprietary investments are comprised of investments in various Funds that we manage, including those managed by RCIC, secured notes receivable, equities and warrants, including an investment in SRLC and gold bullion. Proprietary investments are discussed in more detail in the Revenue section of this MD&A.

Fees receivable at December 31, 2012 were $17.3 million, which is an increase of $7.1 million since December 31, 2011. The increase primarily relates to outstanding Management Fees and Performance Fees relating to one Managed Company as this Managed Company is required to pay annual Management Fees in arrears and Performance Fees at year end.

Other assets consist primarily of prepaid expenses of the Company and receivables from our Funds and Managed Companies for which the Company has incurred expenses on their behalf.

Intangible assets as at December 31, 2012 of $45.3 million consist of finite and indefinite life intangible assets. Intangible assets with indefinite useful lives relate to (i) costs incurred to create fund management contracts between SAM and certain Funds managed by SAM and (ii) fund management contracts identified as a result of the acquisition of the Toscana Companies (see note 3). Intangible assets with finite lives relate to (i) the costs assigned to management contracts and carried interests as a result of the acquisition of the Global Companies and, (ii) deferred sales commissions the Company pays to brokers and dealers on the sale of mutual Fund securities. Intangible assets increased by $5.3 million during 2012 primarily as a result of the intangibles identified in the Toscana acquisition.

At December 31, 2012, we determined that the carrying value of carried interests was in excess of its recoverable value. As a result, an impairment charge for the carried interests was recorded and together with previous impairment losses and impairment loss reversals, the net result was an impairment charge of $3.7 million to the intangible assets for the year ended December 31, 2012 (2011 - $5.7 million). At December 31, 2012, we also determined that the recoverable amount of the management contracts was in excess of its carrying value. As a result, an impairment charge reversal for the management contracts was recorded and together with previous impairment losses and impairment loss reversals, the net result was an impairment charge reversal of $1.8 million to the intangible assets for the year ended December 31, 2012 (2011 - $2.0 million).

As a result of the acquisition of the Toscana Companies during the year, indefinite life fund management contracts totaling $12.8 million were identified. These fund management contracts are not amortized, but instead are reviewed for indicators of impairment. In the event that these fund management contracts are impaired, an impairment loss will be charged against earnings in the period in which the impairment occurs. For the year ended December 31, 2012, management concluded that the recoverable amount of these fund management contracts exceeded the carrying value and no impairment existed.

As a result of the acquisition of Flatiron during the year, finite life fund management contracts totaling $3.0 million were identified. Management concluded that as at December 31, 2012 these fund management contracts were fully impaired and the full amount was charged against earnings (see note 6).

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

Deferred sales commissions are recorded at cost and amortized on a straight line basis over a maximum of three years. Deferred sales commissions at December 31, 2012 of $2.1 million were mostly unchanged from December 31, 2011. During the year ended December 31, 2012, $1.2 million in commissions were paid for low load funds and were offset by amortization of $1.2 million.

The acquisition of the Global Companies in the first quarter of 2011 resulted in goodwill of $122.5 million at December 31, 2012. Included in goodwill is $0.4 million million of foreign exchange differences which form part of other comprehensive income. The Company had not recorded any goodwill prior to the acquisition of the Global Companies. The acquisition of the Toscana Companies in the third quarter of 2012 resulted in goodwill of $3.2 million at December 31, 2012. Goodwill is not amortized, but is subject to impairment tests on at least an annual basis. Management performed its impairment test of goodwill during the fourth quarter of 2012 and concluded that the goodwill associated with the Flatiron acquisition was fully impaired. As a result, $8.9 million was charged to earnings in 2012 (see note 6).

Accounts payable and accrued liabilities were $13.7 million at December 31, 2012, which is an increase of $3.3 million from December 31, 2011. The increase is mainly a result of higher performance fees payable to a sub-advisor of the Company and higher fund operating expenses payable by SAM on behalf of certain Funds that it manages at December 31, 2012 as compared to December 31, 2011.

Compensation and employee bonuses payable were $10.2 million at December 31, 2012 compared to $24.2 million at December 31, 2011. The decrease from December 31, 2011 primarily reflects reduced year end bonus amounts payable to certain employees pursuant to our investment performance and overall corporate results for the year. In addition, as previously noted in the "Compensation and Benefits" section earlier in this MD&A, a portion of the discretionary employee bonus pool for 2012 was paid as equity of the Company and is not included in compensation and employee bonuses payable and instead is recorded as an increase in contributed surplus.

As a result of the Flatiron acquisition, the Company recorded acquisition consideration payable which represents amounts payable to the Flatiron vendors in August 2015. As at December 31, 2012, the acquisition consideration payable was $8.4 million which is composed of two parts. The first part is an amount payable in the Company's common shares and the second part is an amount payable in the units of a Fund managed by the Company. Both portions are marked-to-market with any adjustments relating to the Company's common shares charged to earnings and any adjustments relating to the units of the Fund reflected in proprietary investments. As a result of the agreements entered into between the Company and the Flatiron vendors on January 11, 2013, the Company will not be required to pay out the acquisition consideration payable. For accounting purposes, the contingent returnable consideration asset has been marked-to-market to reflect this ($8.4 million) and has been netted against the acquisition consideration payable on the consolidated balance sheets (see note 3 note 6, note 7 and note 17).

RESULTS OF OPERATIONS - REPORTABLE SEGMENTS

SAM Segment

The SAM segment provides asset management services to the Company's branded Funds and Managed Accounts and includes the operating results of SAM. The results for the acquisition of Flatiron are included in the SAM segment.

Results of operations

	For the year ended	
($ in thousands)	**December 31, 2012**	December 31, 2011
Revenue		
Management fees	**99,535**	125,838
Performance fees	**4,401**	5,303
Other	**10,160**	1,762
Total revenue	**114,096**	132,903
Expenses		
General and administrative	**43,572**	41,979
Trailer fees	**27,134**	37,058
Amortization and impairment of intangibles, property and equipment	**13,986**	1,813
Total expenses	**84,692**	80,850
Income before income taxes for the period	**29,404**	52,053
EBITDA	**34,289**	54,100
Base EBITDA	**34,243**	51,168

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenues

During the year ended December 31, 2012, total revenues decreased by $18.8 million (14.2%) from $132.9 million in the year ended December 31, 2011 to $114.1 million in the year ended December 31, 2012.

Revenues from Management Fees were $99.5 million for the year ended December 31, 2012, a decrease of 20.9% from the year ended December 31, 2011 mainly attributable to the the different composition of SAM's AUM and to the lower level of average AUM.

Revenues from gross Performance Fees were $4.4 million for the year ended December 31, 2012 versus $5.3 million for the year ended December 31, 2011.

Other revenues were $10.2 million for the year ended December 31, 2012, an increase of $8.4 million from the year ended December 31, 2011. The largest components of other revenue are interest income, short term trading fees and early redemption fees. For 2012 only, other income also includes approximately $9.1 million mark-to-market adjustments relating to a portion of the acquisition consideration payable and to the contingent returnable consideration asset (see note 3, note 6, note 7 and note 17). Excluding the $9.1 million relating to 2012, other revenues decreased by $0.7 million reflecting higher unrealized losses on proprietary investments in 2012 compared to 2011.

Expenses

Total expenses for the year ended December 31, 2012 were $84.7 million, an increase of $3.8 million or 4.8%, compared with $80.9 million for the year ended December 31, 2011.

General and administrative (including compensation and benefits) expense for the year ended December 31, 2012 amounted to $43.6 million versus $42.0 million for the year ended December 31, 2011. The largest components of the increase from the prior year relate to increases in sub-advisory fees and fund operating expenses absorbed on behalf of certain Funds that SAM manages, in particular, the Sprott Corporate Class Inc. Funds. A lower bonus pool accrual was offset by increases in salaries and stock-based compensation as a result of the hiring of two senior employees who received common stock of the Company through the EPSP that vests over a three year period. For accounting purposes, although one third of the common shares vest after the first year, nearly two thirds of the full three year expense is expensed in the first year.

Trailer fees for the year ended December 31, 2012 were $27.1 million versus $37.1 million, a decrease of 26.8% over 2011. The decrease was attributable to the decrease in the average AUM of our mutual Funds and Alternative Investment Strategies which are the primary products to which trailer fees relate.

Amortization of intangibles, property and equipment increased by $12.2 million for the year ended December 31, 2012 when compared to the year ended December 31, 2011, primarily due to the goodwill and fund management contract write offs of approximately $11.8 million relating to the Flatiron acquisition (see note 3, note 6 and note 17).

EBITDA and Base EBITDA

For the year ended December 31, 2012, EBITDA was $34.3 million compared with $54.1 million for the year ended December 31, 2011. The decrease in EBITDA in 2012 when compared to 2011 is mainly a result of lower Management Fees earned in the current year.

For the year ended December 31, 2012, Base EBITDA was $34.2 million compared with $51.2 million in the year ended December 31, 2011. Base EBITDA for 2012 decreased when compared to 2011 mainly due to lower Management Fees earned in the current year, and to a lesser extent, lower net Performance Fees that were mostly offset by higher unrealized losses on proprietary investments.

Global Companies Segment

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

Results of operations

	For the year ended	
(in $ thousands)	**December 31, 2012**	December 31, 2011*
Revenue		
Management fees	**9,552**	9,676
Commissions	**9,645**	12,649
Other	**101**	(2,288)
Total revenue	**19,298**	20,037
Expenses		
General and administrative	**16,366**	16,394
Amortization of intangibles, property and equipment	**8,395**	14,199
Total expenses	**24,761**	30,593
Loss before income taxes for the period	**(5,463)**	(10,556)
EBITDA	**7,291**	7,559
Base EBITDA	**7,248**	9,808

* for the period February 4, 2011 to December 31, 2011

Year ended December 31, 2012 compared to the period February 4, 2011 to December 31, 2011 (the "Period")

Revenues

Total revenues decreased by $0.7 million (3.7%) from $20.0 million in the Period to $19.3 million in the year ended December 31, 2012. The decrease is due primarily to a reduction in the volume of transactions that generate commission revenue partially offset by the absence of unrealized losses on proprietary investments in 2012 compared to 2011.

Revenue from Management Fees was $9.6 million for the year ended December 31, 2012 compared to $9.7 million for the Period. The decrease is due to lower Management Fees generated on a slightly lower level of average AUM at RCIC and SAM US.

Revenue from Commissions was $9.6 million for the year ended December 31, 2012, a decrease of $3.0 million when compared to $12.6 million in the Period. These commissions were generated by GRIL from the trading of securities by clients and from the sale to clients of new and follow-on offerings of products or shares of companies managed by SAM, or SC, and through private placements of unrelated companies. The decrease is due to fewer transactions that generated commission revenue (primarily private placements) in the year ended December 31, 2012 compared to the Period.

Gains from our capital that is invested in proprietary investments (realized and unrealized) make up the majority of the Other revenue category of $0.1 million for the year ended December 31, 2012 compared to a loss of $2.3 million for the year ended December 31, 2011.

Expenses

Total expenses decreased by $5.8 million (19.1%) to $24.8 million in the year ended December 31, 2012 from $30.6 million in the corresponding comparative period. The decrease is due primarily to a lower level of amortization and impairment losses in 2012 compared to eleven months of expense reporting in the corresponding comparative period.

General and administrative (including compensation and benefits) expenses for the year ended December 31, 2012 were relatively unchanged at $16.4 million. The largest component of general and administrative is compensation and benefits followed by stock-based compensation relating to earn-out shares (see note 8) with other significant expenses consisting of rent, professional fees and expenses unique to its brokerage business. Compensation and benefits (including stock-based compensation) decreased during 2012 primarily as a result of a lower bonus accrual and lower variable compensation which is directly correlated to the lower commission revenue realized in the year ended December 31, 2012. This was mostly offset by increases in marketing expenses and rent as the Global Companies moved to new premises in 2012.

Amortization expense, excluding the effect of impairment related losses and reversals, remained relatively unchanged at $6.4 million. However, the current year also reflects impairment losses of fund management contracts and carried interests of $1.9 million compared to impairment losses of $7.7 million for the year ended December 31, 2011. Total amortization and impairment expense is $8.4 million for the year ended December 31, 2012 compared to $14.2 million for the year ended December 31, 2011. This reflects a net change of $5.8 million (40.9%) from the prior year's comparative figure. The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests for the Global Companies are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of any previously recorded impairment losses in future periods.

EBITDA and Base EBITDA

For the year ended December 31, 2012, EBITDA was $7.3 million compared with $7.6 million for the Period. The decrease in EBITDA in 2012 when compared to 2011 is mainly a result of a reduction in the volume of transactions that generate commission revenue offset in large part by an increase in unrealized gains on proprietary investments.

For the year ended December 31, 2012, Base EBITDA was $7.2 million compared with $9.8 million in the Period. Base EBITDA for 2012 decreased when compared to 2011 mostly due to a reduction in the volume of transactions that generate commission revenue.

Corporate Segment

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

Results of operations

	For the year ended	
($ in thousands)	**December 31, 2012**	December 31, 2011
Revenue		
Other	**5,367**	(4,732)
Total revenue	**5,367**	(4,732)
Expenses		
General and administrative	**4,941**	3,710
Amortization of property and equipment	**116**	70
Total expenses	**5,057**	3,780
Income (loss) before income taxes for the period	**310**	(8,512)
EBITDA	**525**	(8,200)
Base EBITDA	**(2,230)**	(2,317)

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenues

During the year ended December 31, 2012, total revenues increased by $10.1 million from negative $4.7 million in the year ended December 31, 2011 to $5.4 million in the year ended December 31, 2012.

Gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) and interest income make up the majority of Other revenue. For the year ended December 31, 2012, the Corporate segment recorded net realized and unrealized gains on proprietary investments compared to net realized and unrealized losses recorded for the year ended December 31, 2011. In addition, the year ended December 31, 2012 included interest income generated for the full period whereas the year ended December 31, 2011 included interest income for four months for secured notes receivable.

Expenses

Total expenses for the year ended December 31, 2012 were $5.1 million, an increase of $1.3 million (33.8%), compared with $3.8 million for the year ended December 31, 2011.

General and administrative (including compensation and benefits) expenses increased by $1.2 million to $4.9 million for the year ended December 31, 2012 when compared to the year ended December 31, 2011. General and administrative expenses increased mostly due to the introduction of stock-based compensation in 2012 and increased professional fees relating to the acquisitions.

EBITDA and Base EBITDA

For the year ended December 31, 2012, EBITDA was $0.5 million compared with negative $8.2 million for the year ended December 31, 2011. EBITDA increased for the year ended December 31, 2012 when compared to the year ended December 31, 2011, mainly as a result of realized and unrealized gains and interest income previously discussed.

Base EBITDA was negative $2.2 million for the year ended December 31, 2012 compared with negative $2.3 million in the year ended December 31, 2011, predominately as a result of higher other income in 2012 offset by an increase in acquisition related professional fees, and to a lesser extent, compensation.

Other Segment

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

Results of operations

	For the year ended	
($ in thousands)	**December 31, 2012**	December 31, 2011
Revenue		
Management fees	**9,427**	11,311
Performance fees	**5,554**	—
Commissions	**3,861**	1,530
Other	**8,844**	11,786
Total revenue	**27,686**	24,627
Expenses		
General and administrative	**10,179**	13,595
Amortization of property and equipment	**50**	30
Total expenses	**10,229**	13,625
Income before income taxes for the period	**17,457**	11,002
EBITDA	**17,507**	11,032
Base EBITDA	**13,219**	10,746

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenues

During the year ended December 31, 2012, total revenues increased by $3.1 million (12.4%) from $24.6 million in the year ended December 31, 2011 to $27.7 million in the year ended December 31, 2012.

Revenues from Management Fees were $9.4 million for the year ended December 31, 2012 compared to $11.3 million in the year ended December 31, 2011. The decrease was mainly attributable to a change in the fee structure for one of the Managed Companies which was amended such that the compensation and benefits of certain employees would be paid directly by the Managed Company rather than by SC. This resulted in a reduction to the Management Fees received by the Company by the amount of compensation and benefits costs incurred by the Managed Company and an equivalent reduction to the compensation and benefits expense of the Company (approximately $4.5 million in 2012). There is no impact to the Company's net income as a result of this amendment.

Revenues from Performance Fees were $5.6 million for the year ended December 31, 2012 compared to $nil in the year ended December 31, 2011. Performance Fees were generated by the Managed Companies for the year ended December 31, 2012.

Commission revenue for the year ended December 31, 2012, was $3.9 million compared to $1.5 million during the year ended December 31, 2011. The increase in Commissions was mainly due to substantial commissions earned by SPW on the sale of units of Sprott Physical Silver Trust, Sprott 2012 Flow-Through Fund and other various private placements to its clients in the year ended December 31, 2012.

Trailer fee income received from SAM is the most significant component of Other revenue and decreased during the current year as a result of the decrease in the average trailer paying AUA of SPW. This inter-company revenue received is eliminated upon consolidation.

Expenses

General and administrative (including compensation and benefits) expenses for the year ended December 31, 2012 were $10.2 million, a decrease of $3.4 million from the prior year of $13.6 million. The largest components of the decrease from the prior year's comparative quarter relates to compensation expense due to a change in the fee structure discussed above.

EBITDA and Base EBITDA

For the year ended December 31, 2012, EBITDA was $17.5 million compared with $11.0 million for the year ended December 31, 2011. The increase in EBITDA in 2012 when compared to 2011 is mainly due to Performance Fees realized in 2012 combined with higher commission revenue offset slightly by lower other income as compared to 2011.

For the year ended December 31, 2012, Base EBITDA was $13.2 million compared with $10.7 million for the year ended December 31, 2011. Base EBITDA for 2012 increased when compared to 2011 primarily due to higher commission revenue in 2012 as compared to 2011 and to the incremental contributions by the Toscana Companies in 2012.

SUMMARY OF QUARTERLY RESULTS

($ in thousands)	As at 31-Mar-11	As at 30-Jun-11	As at 30-Sep-11	As at 31-Dec-11	As at 31-Mar-12	As at 30-Jun-12	As at 30-Sept-12	As at 31-Dec-12
Assets Under Management	9,677,558	9,292,186	9,881,291	9,137,084	9,683.283	8,485,400	10,302,652	**9,931,151**

($ in thousands, except per share amounts)	3 Months ended 31-Mar-11	3 Months ended 30-Jun-11	3 Months ended 30-Sep-11	3 Months ended 31-Dec-11	3 Months ended 31-Mar-12	3 Months ended 31-Mar-12	3 Months ended 30-Sept-12	3 Months ended 31-Dec-12
Income Statement Information								
Revenue								
Management fees	35,547	37,228	40,350	33,700	32,986	28,084	28,202	**29,242**
Performance fees	170	615	1,990	2,528	76	17	93	**9,769**
Commissions	3,027	4,864	3,427	2,861	5,722	2,057	2,424	**3,303**
Unrealized and realized gain (loss) on proprietary investments	362	(3,996)	(2,389)	(1,963)	4,241	(3,984)	3,798	**(1,789)**
Other income	409	582	953	987	1,365	1,267	1,257	**10,024**
Total revenue	39,515	39,293	44,331	38,113	44,390	27,441	35,774	**50,549**
Net income	10,566	7,489	10,358	4,625	16,943	736	11,008	**3,297**
EBITDA	17,400	14,606	17,389	15,078	20,400	6,424	14,301	**18,486**
Base EBITDA	16,911	18,141	18,285	16,050	16,121	10,407	10,435	**15,553**
Basic earnings per share	0.07	0.04	0.06	0.03	0.10	0.00	0.07	**0.02**
Diluted earnings per share	0.07	0.04	0.06	0.03	0.10	0.00	0.06	**0.02**

Performance Fees are typically earned on the last day of the fiscal year other than for the Funds that are managed by RCIC and a Managed Account. As a result, quarters ending December 31 are significantly more variable than other quarters during the year.

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

At December 31, 2012, management determined that the carrying value of the carried interests was in excess of its recoverable amount. As a result, an impairment charge for the carried interests was recorded in the amount of $7.7 million ($4.6 million after tax). The underlying inputs and assumptions that determine the recoverable amounts of the carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of this and other intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of previously recorded impairment losses in future periods.

During the fourth quarter of 2012, management determined that the fund management contracts and goodwill associated with the Flatiron acquisition were fully impaired. As a result, fund management contracts of $2.8 million ($2.1 million after tax) and goodwill of $8.9 million ($8.9 million after tax) were charged against earnings in the fourth quarter of 2012.

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

Dividends

On March 27, 2012, a dividend of $0.03 per common share was declared for the quarter ended December 31, 2011. This dividend was paid on April 20, 2012 to shareholders of record at the close of business on April 5, 2012.

On May 8, 2012, a dividend of $0.03 per common share was declared for the quarter ended March 31, 2012. This dividend was paid on June 1, 2012 to shareholders of record at the close of business on May 18, 2012.

On August 8, 2012, a dividend of $0.03 per common share was declared for the quarter ended June 30, 2012. This dividend was paid on September 4, 2012 to shareholders of record at the close of business on August 17, 2012.

On November 13, 2012, a dividend of $0.03 per common share was declared for the quarter ended September 30, 2012. This dividend was paid on December 4, 2012 to shareholders of record at the close of business on November 22, 2012.

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

Capital Stock

Capital stock at the end of 2011 was $208.4 million with 169.5 million common shares issued and outstanding. As at December 31, 2012, capital stock had increased by $7.1 million to $215.5 million primarily as a result of the acquisition of the Toscana Companies which resulted in the issuance of 1.6 million common shares from treasury valued at $7.7 million. This was partially offset by the purchase of 1.8 million common shares for the EPSP. The common shares held for the EPSP are treated as if the Company repurchased the shares for retirement. As at December 31, 2012, the Company had 171.3 million common shares issued and outstanding.

Pursuant to the Share Purchase agreement relating to the Global Companies acquisition, an additional 532,500 common shares of the Company are to be provided to employees of the Global Companies. In the first quarter of 2012, 177,500 of those common shares were issued. In addition, the seller and certain current and future employees will be eligible to earn up to an additional 8 million common shares of the Company with the achievement of certain earnings targets by the Global Companies over a period not exceeding five years from the date of the acquisition of the Global Companies.

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

Earnings per share as at December 31, 2012 and December 31, 2011 have been calculated using the weighted average number of shares outstanding during the respective periods. Basic and diluted earnings per share for the year ended December 31, 2012 was $0.19 versus $0.20 for the year ended December 31, 2011. For the current year, diluted earnings per share reflects the dilutive effect of in-the-money stock options, shares held for the equity incentive plan, the remaining 0.4 million common shares relating to the additional purchase consideration to be provided to employees of the Global Companies and outstanding restricted stock units.

A total of 2,650,000 stock options have been issued pursuant to our incentive stock option plan. As at December 31, 2012, 2,583,333 of those stock options were exercisable.

Subsequent to December 31, 2012, the Company issued 177,500 common shares pursuant to the Share Purchase agreement relating to the Global Companies acquisition. In March 2013, the Company announced a private placement of 7.6 million common shares of the Company for net proceeds of $24.5 million.

As at March 26, 2013, the Company had 179.0 million common shares outstanding.

Liquidity and Capital Resources

Management Fees can be projected and forecasted with a higher degree of certainty than Performance Fees and Carried Interests, and are therefore used as a base for budgeting and planning in our business. Management Fees are collected monthly or quarterly, which assists our ability to manage cash flow. We believe that Management Fees will continue to be sufficient to satisfy our ongoing operational needs, including expenditure on our corporate infrastructure, business development and information systems. The nature of our operations ensures that the largest outflows, such as trailer fees and monthly compensation, are correlated with cash inflows, in the form of Management Fees. Fixed costs, such as rent, base payroll and general and administrative expenses are managed to comprise a relatively low percentage of monthly Management Fees.

We do not have off-balance sheet contractual arrangements and no material contractual obligations other than our long-term lease agreement. During the quarter ended March 31, 2012 our previous revolving term credit facility with a Canadian chartered bank expired. However, during the quarter ended September 30, 2012 we completed the negotiation of a similar credit facility with another Canadian chartered bank. The amount that may be borrowed under this facility is $50 million. Amounts may be borrowed under the facility through prime rate loans, which bear interest at the bank's prime rate, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 1.375%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 1.375%.

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

The credit facility is fully and unconditionally guaranteed by SAM, a wholly-owned subsidiary of the Company. The credit facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. The Company is within its financial covenants with respect to its credit facility, which require that the funded debt to EBITDA ratio remain below 2:1, the funded debt to SAM EBITDA ratio remain below 1.5:1 and that the Company's AUM not fall below $7 billion, calculated on the last day of each calendar month. The Company has not drawn on the credit facility as at December 31, 2012.

SPW is a member of IIROC and a registered investment dealer, SAM is an OSC registrant in the category of IFM, PM and EMD and as such each of SPW and SAM is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of IIROC and of the OSC, respectively. In addition, GRIL is registered with FINRA in the United States and is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of FINRA. During the year ended December 31, 2012, SAM, SPW and GRIL were in compliance with specified capital requirements.

Critical Accounting Estimates

These audited consolidated financial statements were prepared in accordance with IFRS, using the accounting policies the Company adopted in its audited consolidated financial statements as at and for the year ended December 31, 2012. In preparing the Company's audited consolidated financial statements under IFRS, the Company is required to use the standards in effect as at December 31, 2012.

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

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

Stock-based compensation expense is estimated based on the value of the option on its grant date. Management adopted a fair value-based valuation methodology as required by IFRS that will best determine the value of options and the cost over the vesting period of the option. The valuation model utilizes multiple observable market inputs including interest rates, however the model requires judgment and assumptions be applied in determining certain inputs including expected volatility and expected option life. Management reviews all inputs on a regular basis to ensure consistency of application and reasonableness. Details regarding stock options granted, including key inputs and assumptions are contained in note 8 to the Company's unaudited interim condensed consolidated financial statements.

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

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

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

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

Alternative and policy choices under IFRS

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

Managing Risk

There are certain risks inherent in the activities of the Company, including risks related to general market conditions; changes in the financial markets; failure to retain and attract qualified staff; poor investment performance; changes in the investment management industry; competitive pressures; failure to manage risks; rapid growth; regulatory compliance; public company reporting and other regulatory obligations; historical financial information not necessarily indicative of future performance; failure to execute our succession plan; conflicts of interest; litigation risk; employee errors or misconduct; effectiveness of information security policies, procedures and capabilities; failure to develop effective business continuity plans; entering new lines of business; fluctuations in Performance Fees and Carried Interests; rapid growth or decline in our AUM and AUA; insufficient insurance coverage; possible volatility of the share price; and control by a principal shareholder. A full description of the Company's risks are discussed in the Company's Annual Information Form dated March 26, 2013 and is available on SEDAR.

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

Certain key risks are managed as described below:

Market Risk

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

Internal Controls and Procedures

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

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

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

Consistent with *National Instrument 52-109*, the Company's CEO and CFO have evaluated the DC&P and ICFR as of December 31, 2012 and concluded that the controls have been properly designed and are operating effectively.

During the year ended December 31, 2012, the Company acquired the Flatiron and Toscana Companies which required the Company to develop and implement additional internal controls over financial reporting to reflect (i) the fact that the Toscana Companies are located in Calgary, Alberta and (ii) the goodwill and intangible assets identified as a result of the acquisitions. There were no other changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Conflicts of Interest

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

Independent Review Committee

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

Confidentiality of Information

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

Insurance

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

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

Consolidated Financial Statements

Year ended December 31, 2012

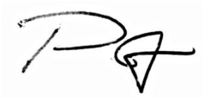
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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, 2012. 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.

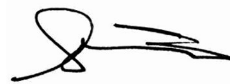
In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in note 2 of the consolidated financial statements. Management maintains a system of internal controls 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 26, 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of Sprott Inc.

We have audited the accompanying consolidated financial statements of Sprott Inc. ("Sprott"), which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, comprehensive income, 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.

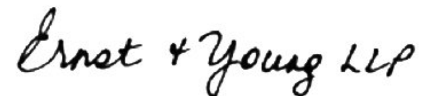
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 Sprott as at December 31, 2012 and 2011 , and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 26, 2013



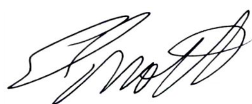
Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at *($ in thousands of Canadian dollars)*		**December 31, 2012**	December 31, 2011
Assets			
Current			
Cash and cash equivalents		**77,400**	119,506
Fees receivable		**17,301**	10,199
Other assets	*(Note 7)*	**3,919**	2,800
Total current assets		**98,620**	132,505
Proprietary investments	*(Note 4)*	**76,724**	78,484
Property and equipment, net	*(Note 5)*	**7,260**	5,126
Intangible assets	*(Note 6)*	**45,253**	39,925
Goodwill	*(Note 6)*	**125,740**	125,730
Deferred income taxes	*(Note 9)*	**21,653**	18,766
		276,630	268,031
Total assets		**375,250**	400,536
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		**13,712**	10,404
Compensation and employee bonuses payable		**10,242**	24,199
Income taxes payable		**8,168**	47,503
Total current liabilities		**32,122**	82,106
Deferred income taxes	*(Note 9)*	**25,419**	16,989
Total liabilities		**57,541**	99,095
Shareholders' equity			
Capital stock	*(Note 8)*	**215,474**	208,413
Contributed surplus	*(Note 8)*	**42,808**	40,857
Retained earnings		**58,609**	47,038
Accumulated other comprehensive income		**818**	5,133
Total shareholders' equity		**317,709**	301,441
Total liabilities and shareholders' equity		**375,250**	400,536

See accompanying notes

Events after the reporting period (Note 17)



Eric Sprott
Director,
Chairman

James Roddy
Director,
Chair of Audit Committee

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 ($ in thousands of Canadian dollars, except for per share amounts)			**2012**		2011
Revenue					
Management fees			**118,514**		146,825
Performance fees			**9,955**		5,303
Commissions			**13,506**		14,179
Unrealized and realized gains (losses) on proprietary investments			**2,266**		(7,986)
Other income	*(Note 7)*		**13,913**		2,931
Total revenue			**158,154**		161,252
Expenses					
Compensation and benefits			**36,856**		48,711
Stock-based compensation			**11,107**		4,391
Trailer fees			**19,030**		25,716
General and administrative			**26,237**		21,326
Donations			**669**		1,027
Amortization of intangibles	*(Note 6)*		**7,782**		7,219
Impairment of goodwill and intangibles	*(Note 6)*		**13,661**		7,681
Amortization of property and equipment	*(Note 5)*		**1,104**		1,212
Total expenses			**116,446**		117,283
Income before income taxes for the year			**41,708**		43,969
Provision for income taxes	*(Note 9)*		**9,724**		10,931
Net income for the year			**31,984**		33,038
Basic and diluted earnings per share	*(Note 8)*	**$**	**0.19**	$	0.20

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 ($ in thousands of Canadian dollars)	**2012**	2011
Net income for the year	**31,984**	33,038
Other comprehensive income (loss)		
Foreign currency translation gain (loss) on foreign operations, before taxes	**(4,315)**	5,133
Total other comprehensive income (loss)	**(4,315)**	5,133
Comprehensive income	**27,669**	38,171

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	Accumulated Other Comprehensive Income (Loss)	Total Equity
At December 31, 2011		**169,082,077**	**208,413**	**40,857**	**47,038**	**5,133**	**301,441**
Business acquisition	*(Note 3)*	**1,564,500**	**7,698**	**—**	**—**	**—**	**7,698**
Shares acquired for equity incentive plan	*(Note 8)*	**(1,774,400)**	**(2,188)**	**(7,821)**	**—**	**—**	**(10,009)**
Foreign currency translation loss on foreign operations		**—**	**—**	**—**	**—**	**(4,315)**	**(4,315)**
Additional purchase consideration	*(Note 3)*	**177,500**	**1,551**	**(1,671)**	**—**	**—**	**(120)**
Stock-based compensation		**—**	**—**	**11,107**	**—**	**—**	**11,107**
Deferred tax asset on stock-based compensation		**—**	**—**	**336**	**—**	**—**	**336**
Regular dividends paid	*(Note 12)*	**—**	**—**	**—**	**(20,413)**	**—**	**(20,413)**
Net income		**—**	**—**	**—**	**31,984**	**—**	**31,984**
Balance, December 31, 2012		**169,049,677**	**215,474**	**42,808**	**58,609**	**818**	**317,709**
At December 31, 2010		**150,000,000**	**40,105**	**32,406**	**141,751**	**—**	**214,262**
Business acquisition		19,467,500	168,783	—	—	—	168,783
Shares acquired for equity incentive plan		(385,423)	(475)	(2,199)	—	—	(2,674)
Foreign currency translation gain on foreign operations		—	—	—	—	5,133	5,133
Additional purchase consideration		—	—	4,753	—	—	4,753
Stock-based compensation		—	—	4,391	—	—	4,391
Deferred tax asset on stock-based compensation		—	—	1,506	—	—	1,506
Regular dividends paid		—	—	—	(19,751)	—	(19,751)
Special dividend paid		—	—	—	(108,000)	—	(108,000)
Net income		—	—	—	33,038	—	33,038
Balance, December 31, 2011		**169,082,077**	**208,413**	**40,857**	**47,038**	**5,133**	**301,441**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 ($ in thousands of Canadian dollars)	**2012**	2011
Operating Activities		
Net income for the year	**31,984**	33,038
Add (deduct) non-cash items:		
Unrealized and realized losses (gains) on proprietary investments	**(2,266)**	7,986
Stock-based compensation	**11,107**	4,391
Amortization of property and equipment	**1,104**	1,212
Amortization of intangible assets	**7,782**	7,219
Impairment of goodwill and intangible assets	**13,661**	7,681
Income taxes	**18,584**	21,068
Deferred income tax recovery	**(8,860)**	(10,137)
Other items	**(326)**	(2,831)
Income taxes paid	**(47,252)**	(21,722)
Changes in:		
Fees receivable	**(6,675)**	201,630
Other assets	**101**	(1,322)
Accounts payable and accrued liabilities	**(7,848)**	(8,077)
Compensation and employee bonuses payable	**(13,956)**	(37,912)
Effect of foreign exchange on cash balances	**(93)**	364
Cash provided by (used in) operating activities	**(2,953)**	202,588
Investing Activities		
Purchase of proprietary investments	**(36,598)**	(38,377)
Sale of proprietary investments	**45,604**	2,785
Purchase of property and equipment	**(3,127)**	(2,569)
Deferred sales commissions paid	**(1,208)**	(2,122)
Cash paid for the acquisition of Flatiron and Toscana Companies	**(13,030)**	—
Purchase of intangible assets	**(1,609)**	—
Cash acquired on acquisition	**1,236**	6,417
Cash used in investing activities	**(8,732)**	(33,866)
Financing Activities		
Acquisition of common shares for equity incentive plan	**(10,008)**	(2,674)
Dividends paid	**(20,413)**	(127,751)
Cash used in financing activities	**(30,421)**	(130,425)
Net increase (decrease) in cash and cash equivalents during the year	**(42,106)**	38,297
Cash and cash equivalents, beginning of the year	**119,506**	81,209
Cash and cash equivalents, end of the year	**77,400**	119,506
Cash and cash equivalents:		
Cash	**25,818**	26,038
Short-term deposits	**51,582**	93,468
	77,400	119,506

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.

On February 4, 2011, the Company completed an acquisition, through its wholly-owned subsidiary Sprott U.S. Holdings Inc., of all of the outstanding stock of Rule Investments, Inc. (the owner of Sprott Global Resource Investments, Ltd. ("GRIL") (formerly Global Resource Investments, Ltd.), Sprott Asset Management USA Inc. ("SAM US") (formerly Terra Resource Investment Management, Inc.) and Resource Capital Investment Corporation ("RCIC") (collectively, the "Global Companies")). GRIL is a California limited partnership that operates as a securities broker-dealer and SAM US provides discretionary investment management services. RCIC is the general partner and discretionary asset manager to the Exploration Capital Partners family of limited partnerships.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of annual financial statements.

The consolidated financial statements of the Company for the year ended December 31, 2012 were authorized for issue by a resolution of the Board of Directors on March 26, 2013.

Basis of presentation

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

Principles of consolidation

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

The three limited partnerships are Sprott Asset Management LP ("SAM"), Sprott Private Wealth LP ("SPW") and Sprott Consulting LP ("SC") while material wholly-owned subsidiaries are Sprott U.S. Holdings Inc., Sprott Genpar Ltd. and SAMGENPAR Ltd. In addition, the acquisitions of both Flatiron Capital Management Partners ("Flatiron") and the Toscana Companies completed in the third quarter of 2012 resulted in both being wholly-owned subsidiaries of the Company. These are entities over which the Company has control, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain significant benefits from its activities. Generally, control is presumed to exist when the Company owns more than one half of the voting rights of an entity. The Company does not control any entities for which it owns less than one half of the voting rights of an entity, other than the Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust"), which the Company is deemed to control.

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

Recognition of income

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

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

Fees arising from carried interest entitlements are recorded on an accrual basis following disposition of underlying portfolio investments.

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

Cash and cash equivalents

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

Proprietary investments

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

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

Mutual funds and hedge funds are fair valued using the net asset value per unit of each fund.

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

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

Financial instruments

Financial assets may be classified as held-for-trading ("HFT"), designated at fair value through income or loss, held-to-maturity ("HTM") or loans and receivables. Financial liabilities may be classified as either HFT or other. All financial instruments are initially measured at fair value. After initial recognition, financial instruments classified as HFT or those designated as fair value through income or loss are measured at fair value using quoted market prices in an active market. Changes in fair value of financial instruments are reflected in net income. All other financial instruments, which include those classified as HTM investments, loans and receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method. Transaction costs related to financial assets at fair value through profit or loss are expensed as incurred.

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

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

- Cash and cash equivalents and all proprietary investments (excluding notes receivable, gold and silver bullion) are classified as HFT or designated fair value through income or loss.
- Fees receivable are classified as loans and receivables.
- Notes receivable are classified as HTM.
- Contingent returnable consideration is classified as fair value through income or loss
- Accounts payable and accrued liabilities, provisions and compensation and employee bonuses payable are classified as other financial liabilities.
- Acquisition consideration payable is classified as fair value through income or loss.

Fair value hierarchy

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

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

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

Level 3: valuation techniques with significant unobservable market inputs.

Offsetting of financial instruments

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

Property and equipment

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

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

Deferred sales commissions

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

Intangible assets

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

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

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

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

Business combinations and goodwill

The purchase price of an acquisition accounted for under the acquisition method is allocated based on the fair values of the net identifiable assets acquired. The excess of the purchase price over the values of such assets, including identifiable intangible assets, is recorded as goodwill. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

Income taxes

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

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

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

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Taxable temporary differences related to investments in subsidiaries, associates or joint to the extent they are controlled by the Company and they will not reverse in the foreseeable future; and
- 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 payable to tax authorities upon their examination of a tax position. This provision is measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses they are no longer required or determined by statute.

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

Share-based payments

The Company uses the fair value method to account for equity settled share-based payments with employees and directors. Compensation expense is determined using the Black‑Scholes option valuation model for stock options. Compensation expense for the share incentive program is determined based on the fair value of the benefit conferred on the employee (see note 8). Compensation expense for deferred stock units ("DSU") is determined based on the value of the Company's common shares at the time of grant. Compensation expense for the earn-out shares is determined using appropriate valuation models (see note 8). Compensation expense for the Company's Employee Profit Sharing Plan (the "Trust") is determined based on the value of the Company's common shares purchased by the Trust (see note 8). The amount of compensation expense is recognized over the vesting period with a corresponding increase to contributed surplus other than for the Company's DSUs where the corresponding increase is to liabilities. Stock options and common shares held by the Trust vest in installments which require a graded vesting methodology to account for these share-based awards. On the exercise of stock options for shares, the contributed surplus previously recorded with respect to the exercised options and the consideration paid is credited to capital stock. On the issuance of the earn-out shares, the contributed surplus previously recorded with respect to the issued earn-out shares is credited to capital stock. On the withdrawal of vested common shares from the Trust, the contributed surplus previously recorded is credited to cash. On the exercise of DSUs, the liability previously recorded is credited to cash.

Earnings per share

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

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

Foreign currency translation

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

Segment reporting

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

Significant accounting judgments and estimates

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

i. Impairment of goodwill and intangible assets

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

ii. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 10.

iii. Share-based payments

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

iv. Deferred tax assets

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

v. Provisions

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

Future changes in accounting policies

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

International Accounting Standard	*Issue Date / Amendment Date*	*Effective Date*
IFRS 10 - Consolidated Financial Statements	May 12, 2011	January 1, 2013
IFRS 12 - Disclosures of Interests in Other Entities	May 12, 2011	January 1, 2013
IFRS 13 - Fair Value Measurement	May 12, 2011	January 1, 2013
IFRS 9 - Financial Instruments	November 12, 2009	January 1, 2015

IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements.* IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12, *Disclosures of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

IFRS 13, *Fair Value Measurements,* establishes the definition of fair value and sets out a single IFRS framework for measuring fair value and the required disclosures.

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

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

3. BUSINESS ACQUISITION

Toscana Companies

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

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

Flatiron Capital Management Partners

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

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

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

	Toscana Companies	**Flatiron**	
	July 3, 2012	**August 1, 2012**	**Total**
Net assets acquired			
Cash and cash equivalents	339	997	**1,336**
Fees receivable and other assets	193	583	**776**
Finite life fund management contracts	—	2,997	**2,997**
Indefinite life fund management contracts	12,817	—	**12,817**
Contingent returnable consideration	—	200	**200**
Accounts payable and accrued liabilities	(476)	(1,488)	**(1,964)**
Deferred tax liabilities	(3,204)	(794)	**(3,998)**
Goodwill on acquisition	3,204	8,935	**12,139**
	12,873	**11,430**	**24,303**
Consideration paid and payable			
Cash consideration	5,175	1,740	**6,915**
Common shares	7,698	—	**7,698**
Acquisition consideration payable	—	9,690	**9,690**
	12,873	**11,430**	**24,303**
Additional Disclosures			
Revenues earned since acquisition date	1,774	421	**2,195**
Net income (loss) since acquisition date	578	(3,603)	**(3,025)**

The common shares of the Company issued for the Toscana Companies acquisition are held in escrow and will be released to the Toscana Companies vendors between July 3, 2012 and July 3, 2015.

Fund management contracts were acquired as part of these business acquisitions and are recognized as intangible assets with finite and indefinite lives. The goodwill acquired of $12.1 million, which is not tax deductible, relates to the expected synergies and/or intangible assets that do not qualify for separate recognition. The acquisitions are expected to provide benefits across the organization through the sharing of intellectual capital and the development of new products. Both acquisitions provide further diversification to the Company's product line by introducing specialty income strategies to investors.

The acquisition consideration payable for the Flatiron acquisition included $4.9 million of units of the Sprott Strategic Yield Trust ("Trust") which were purchased by the Company and are payable to the vendors on August 1, 2015, subject to a minimum AUM test relating to the finite life fund management contracts acquired and future fund management contracts developed. The units of the Trust are included in the Company's proprietary investments at fair value (see note 4).

The acquisition consideration payable for the Flatiron acquisition also reflects the Company's obligation to issue common shares of the Company on August 1, 2015, subject to a minimum Assets Under Management ("AUM") test relating to the finite life fund management contracts acquired and future fund management contracts developed.

The obligation by the Company to transfer the units of the Trust and to issue common shares of the Company to the Flatiron vendors is reflected as acquisition consideration payable and is stated at fair value. Management has concluded that the Company will not be required to (i) transfer the units of the Trust and (ii) issue common shares of the Company to the Flatiron vendors as it relates to the acquisition consideration payable in connection with the acquisition of Flatiron (see below and see note 6, note 7 and note 17).

The contingent returnable consideration asset of $0.2 million that forms part of the acquisition price of Flatiron provides the Company with the ability to reduce a portion of the remaining acquisition price (i.e. acquisition consideration payable) based on the expected AUM of Flatiron on August 1, 2015. The fair value of the contingent returnable consideration asset can change to reflect the most recent information available to management as it relates to the projected AUM of Flatiron with any changes to the value of the contingent returnable consideration asset being reflected in other income on the consolidated statements of income.

In late 2012, management concluded that the finite life fund management contracts and goodwill associated with the Flatiron acquisition were impaired. As a result, the Company recorded a full impairment for the value of both the finite life fund management contracts and goodwill at that time. In addition, management concluded that the AUM of Flatiron at August 1, 2015 would be nominal and reflected this conclusion by revaluing the contingent returnable consideration asset to equal the value of the acquisition consideration payable as at December 31, 2012 and netted the contingent returnable consideration asset with the acquisition consideration payable (see note 6, note 7 and note 17).

Transaction costs associated with the acquisitions totaling approximately $0.4 million are included in general and administrative expenses for the year.

For the periods of operations up to the acquisition dates for Flatiron and the Toscana Companies, both of Flatiron and the Toscana Companies were private companies and as a result had transactions that were not representative of their current operations as wholly-owned subsidiaries of the Company. As a result, it is not practical or meaningful to report what the Company's net income would have been if the acquisitions of Flatiron and the Toscana Companies occurred on January 1, 2012.

Global Companies

On February 4, 2011, the Company acquired all of the outstanding stock of Rule Investments, Inc. (the owner of GRIL), SAM US and RCIC. The purchase price was satisfied by the issue of 19,467,500 common shares of the Company with a value of $8.67 per share, being the closing price of the Company's shares on the TSX on February 4, 2011 and a commitment to issue an additional 532,500 common shares of the Company which will be provided to employees of the Global Companies. On February 6, 2012, 177,500 of the committed additional common shares were issued to employees of the Global Companies. In addition, the seller and certain current and future employees will be eligible to earn up to an additional 8 million common shares of the Company with the achievement of certain earnings targets by the Global Companies.

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

Fund management contracts and carried interests were acquired as part of this business acquisition and are recognized as intangible assets with a finite life. Amortization is computed on a straight-line basis over the estimated useful lives of these assets, which is 7 years for both fund management contracts and carried interests (approximately 5 years remaining). The goodwill acquired of $122.1 million, which is not tax deductible, relates to the expected synergies and/or intangible assets that do not qualify for separate recognition.

4. PROPRIETARY INVESTMENTS

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

	December 31, 2012	December 31, 2011
Gold bullion	**8,548**	13,305
Silver bullion	**—**	9,776
Public equities and share purchase warrants	**17,979**	22,101
Mutual funds and hedge funds	**29,126**	14,936
Private equities	**4,949**	2,400
Secured notes receivable	**16,122**	15,966
Total proprietary investments	**76,724**	78,484

As at December 31, 2012, investments in public equities and share purchase warrants consisted primarily of companies in the resource sector. These investments include $13.6 million (December 31, 2011 - $12.6 million) in common shares of Sprott Resource Lending Corp., a public company listed on the TSX and NYSE Amex that is managed by a subsidiary of SC under a management services agreement.

Investments in mutual funds and hedge funds consist mostly of investments in mutual funds and hedge funds managed by SAM or RCIC. Investments in mutual funds and hedge funds include $4.5 million that may be payable to the Flatiron vendors as a result of the Flatiron acquisition. Management does not expect to pay any of the $4.5 million in connection with the acquisition of Flatiron (see note 3, note 6 and note 17).

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, 2010	1,691	1,751	1,155	3,104	7,701
Business acquisition	—	291	169	15	475
Additions	—	506	444	1,619	2,569
Net exchange differences	—	9	5	1	15
December 31, 2011	1,691	2,557	1,773	4,739	10,760
Business acquisitions	6	189	171	72	438
Additions, net of disposals	310	156	105	2,469	3,040
December 31, 2012	**2,007**	**2,902**	**2,049**	**7,280**	**14,238**
Accumulated amortization					
At December 31, 2010	—	(1,346)	(1,061)	(1,589)	(3,996)
Business acquisition	—	(250)	(150)	(12)	(412)
Charge for the period	—	(280)	(237)	(695)	(1,212)
Net exchange differences	—	(3)	(10)	(1)	(14)
December 31, 2011	—	(1,879)	(1,458)	(2,297)	(5,634)
Business acquisitions	—	(120)	(161)	(45)	(326)
Disposals	—	—	—	72	72
Charge for the period	—	(291)	(311)	(502)	(1,104)
Net exchange differences	—	8	5	1	14
December 31, 2012	**—**	**(2,282)**	**(1,925)**	**(2,771)**	**(6,978)**
Net Book Value at:					
December 31, 2011	1,691	678	315	2,442	5,126
December 31, 2012	**2,007**	**620**	**124**	**4,509**	**7,260**

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, 2010	—	1,370	—	—	1,011	2,381
Business acquisitions	122,129	—	20,399	28,821	—	171,349
Additions	—	—	—	—	2,122	2,122
Net exchange differences	3,601	—	602	850	—	5,053
December 31, 2011	125,730	1,370	21,001	29,671	3,133	180,905
Business acquisitions	12,140	12,817	2,997	—	—	27,954
Net additions	—	140	—	1,469	1,207	2,816
Net exchange differences	(3,195)	—	(534)	(754)	—	(4,483)
At December 31, 2012	**134,675**	**14,327**	**23,464**	**30,386**	**4,340**	**207,192**
Accumulated amortization and impairment losses						
At December 31, 2010	—	—	—	—	(180)	(180)
Amortization charge for the year	—	—	(2,665)	(3,765)	(789)	(7,219)
Impairment charge for the year	—	—	(2,048)	(5,633)	—	(7,681)
Net exchange differences	—	—	(76)	(94)	—	(170)
December 31, 2011	—	—	(4,789)	(9,492)	(969)	(15,250)
Amortization charge for the year	—	—	(2,922)	(3,615)	(1,245)	(7,782)
Net impairment charge for the year	(8,935)	—	(999)	(3,727)	—	(13,661)
Net exchange differences	—	—	78	416	—	494
At December 31, 2012	**(8,935)**	**—**	**(8,632)**	**(16,418)**	**(2,214)**	**(36,199)**
Net Book Value at:						
December 31, 2011	125,730	1,370	16,212	20,179	2,164	165,655
December 31, 2012	**125,740**	**14,327**	**14,832**	**13,968**	**2,126**	**170,993**

Net Book Value	**December 31, 2012**	December 31, 2011
Intangibles	**45,253**	39,925
Goodwill	**125,740**	125,730
	170,993	165,655

Included in net impairment charge for the year are impairment charge reversals of $1.8 million for finite life fund management contracts (2011 - $nil) and $7.8 million for carried interests (2011 - $nil).

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

As a result of the acquisitions of Flatiron and the Toscana Companies in 2012, intangible assets consisting of fund management contracts with finite and indefinite lives were identified. Amortization on the finite life fund management contracts is computed on a straight-line basis based on the estimated useful lives of these assets, which is approximately 8 years.

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

Cash-generating units

The Company has five cash-generating units ("CGU") for the purpose of assessing the carrying value of the allocated goodwill, being SAM, Global Companies, Corporate and Other (includes two CGUs) operating segments as described in note 15.

i. *Impairment testing of goodwill*

As at December 31, 2012, the Company had goodwill allocated across its CGUs as follows ($ in millions):

CGU	**Allocated Goodwill**
SAM	19.3
Global Companies	95.6
Corporate	—
SC	3.2
SPW	7.6
	125.7

During fiscal 2012, $12.1 million of goodwill was identified as a result of the Flatiron and Toscana Companies acquisitions. Of this amount, $3.2 million was allocated to the SC CGU and the remainder to the SAM CGU.

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

These methodologies are commonly used in the marketplace by independent equity research analysts.

The Global Companies' recoverable amount is valued at $111.2 million (2011 - $162.1 million) which is $15.6 million greater (2011 - $18.9 million greater) than its carrying value.

The key assumptions adopted by management in its cash flows for determining the recoverable amount of the Global Companies' goodwill are as follows:

i. creation of approximately $100 million per year over the next 10 years of finite life funds, each with a fixed 10-year term without the possibility of asset redemptions, consistent with current and historical asset raises and terms;

ii. approximately 56% of existing finite life funds extend their respective terms for another 10 years;

iii. annual rates of return for the finite life funds of 15.8%, consistent with historical returns of similar existing products;

iv. growth in assets under administration of approximately $65 million per year over the next 5 years with a terminal growth rate of 6%;

v. annual rates of return of 10%, consistent with historical returns of existing broker client accounts, offset by a historical redemption rate of 8%;

vi. discount rates ranging between 12.0% and 27.5%

Cash flow projections for the broker business use approved 3-year internal forecasts and extrapolate the next 2 years before determining a terminal value. For the finite life funds, a 20-year cash flow projection is necessary as each fund launched has a 10-year life and a calculated terminal value under this set of facts would be misleading.

A decrease in the annual rate of return for the finite life funds by 3.9% to 12.9% would result in the Global Companies' recoverable amount equaling its carrying value. It is not determinable the effect that this change would have on the other key assumptions, if any.

The calculation of the recoverable amounts exceeded the carrying amount of goodwill for each of the identified CGUs. Subsequent to the assessment during the fourth quarter of fiscal 2012, management concluded that there were indicators of impairment that required management to reassess the recoverable amount of goodwill allocated to the SAM CGU. As a result, the goodwill identified as part of the Flatiron acquisition (see note 3) of $8.9 million was determined to be fully impaired and charged against income on the consolidated statements of income for the year ended December 31, 2012 (see note 3, note 7 and note 17).

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

As at December 31, 2012 the Company had indefinite life fund management contracts within the SAM CGU of $1.5 million (December 31, 2011 - $1.4 million) and within the SC CGU of $12.8 million (December 31, 2011 - $nil). These are contracts for the management of exchange listed funds which have no expiry or termination provisions and for the fund management contracts identified as a result of the acquisition of the Toscana Companies.

The recoverable amount of indefinite life intangibles for the SAM operating segment as at December 31, 2012 and December 31, 2011 has been determined from a value in use calculation, by discounting, at 10%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable exchange listed funds.

The recoverable amount of indefinite life intangibles for the Other operating segment as at December 31, 2012 and December 31, 2011 has been determined from a value in use calculation, by discounting, at 11.5% to 12.5%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable underlying fee-producing products.

The calculation of the recoverable amounts exceeds the carrying amount of indefinite life fund management contracts as at December 31, 2012 and December 31, 2011.

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

As at December 31, 2012, the Company had finite life fund management contracts of $14.8 million within the Global Companies CGU (December 31, 2011 - $16.2 million). These are contracts for the management of funds that have a fixed termination date. The recoverable amount of these finite life fund management contracts as at December 31, 2012 has been determined from a value in use calculation, by discounting, at 13.5%, the most recent estimated net cash flows to the Company by these funds.

The calculated recoverable amount of these fund management contracts exceeds its carrying value, however under IFRS, no upward adjustment has been made to the carrying value as to do so would value the fund management contracts in excess of what the carrying value would have been in the absence of prior impairment losses. Management has assumed an annual return rate of 15.8% for these funds to fair value these cash flows. A decrease in this rate of return by 5.4% to 10.4% would result in the recoverable amount of these finite life fund management contracts equaling the carrying amount.

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

The calculation of the recoverable amounts exceeds the carrying amount of finite life fund management contracts by approximately $2.7 million as at December 31, 2012 (December 31, 2011 - nominal).

In 2012, finite life fund management contracts of $3.0 million were identified as part of the Flatiron acquisition (see note 3) and allocated to the SAM CGU. Subsequent to the acquisition, management concluded that there were indicators of impairment that required management to reassess the recoverable amount of finite life fund management contracts allocated to the SAM CGU. As a result, the finite life fund management contracts identified as part of the Flatiron acquisition (see note 3) of $3.0 million were determined to be fully impaired and charged against income on the consolidated statements of income for the year ended December 31, 2012 (see note 3, note 7 and note 17).

iv. *Impairment testing of finite life carried interests*

As at December 31, 2012, the Company had carried interests of $14.0 million within the Global Companies CGU (December 31, 2011 - $20.2 million). These are rights to participate in the profits of the funds managed by the Global Companies that have a fixed termination date. The recoverable amount of these carried interests as at December 31, 2012 has been determined from a value in use calculation, by discounting, at 27.5%, the most recent estimated net cash flows to the Company by these funds.

The calculated recoverable amount of these carried interests led to a recognition of an impairment loss of $3.7 million for the year ended December 31, 2012 (December 31, 2011 - $5.7 million) as the calculated recoverable amount resulted in a value greater than its carrying value. Management has assumed an annual return rate of 15.8% for these funds to fair value these cash flows.

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

The calculation of the recoverable amount exceeds the carrying value of carried interests by approximately $1.2 million as at December 31, 2012 (December 31, 2011 - nominal).

7. OTHER ASSETS AND OTHER INCOME

Other assets consist of the following ($ in thousands):

Other assets consist primarily of prepaid expenses of the Company and receivables from our funds and managed companies for which the Company has incurred expenses on their behalf.

Other income consists primarily of interest income on cash and cash equivalent balances, income generated by our secured notes receivable, foreign exchange gains and losses, dividend income and redemption fee revenue. For 2012 only, other income also includes approximately $9.1 million mark-to-market adjustments relating to a portion of the acquisition consideration payable and to the contingent returnable consideration asset as part of the Flatiron acquisition (see note 3, note 6 and note 17).

8. SHAREHOLDERS' EQUITY

a. Capital stock and contributed surplus

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

	Number of shares	Stated value ($ in thousands)
At December 31, 2010	150,000,000	40,105
Issuance of share capital on business acquisition (Note 3)	19,467,500	168,783
Acquired for equity incentive plan	(385,423)	(475)
At December 31, 2011	169,082,077	208,413
Additional purchase consideration (Note 3)	177,500	1,551
Issuance of share capital on business acquisition (Note 3)	1,564,500	7,698
Acquired for equity incentive plan	(1,774,400)	(2,188)
At December 31, 2012	**169,049,677**	**215,474**

Contributed surplus consists of the following:

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

	Stated value ($ in thousands)
At December 31, 2010	32,406
Expensing of 2,650,000 Sprott Inc. stock options over the vesting period	476
Expensing of earn-out shares over the vesting period	3,915
Deferred tax asset on earn-out shares	1,506
Additional purchase consideration	4,753
Excess on repurchase of common shares for equity incentive plan *	(2,199)
At December 31, 2011	40,857
Expensing of 2,650,000 Sprott Inc. stock options over the vesting period	98
Expensing of EPSP / EIP shares over the vesting period	6,667
Expensing of earn-out shares over the vesting period	4,342
Deferred tax asset on earn-out shares	336
Issuance of shares relating to additional purchase consideration	(1,671)
Excess on repurchase of common shares for equity incentive plan *	(7,821)
At December 31, 2012	**42,808**

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

Stock option plan and share incentive program

Stock option plan

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

There were no stock options issued during the year ended December 31, 2012 (nil - December 31, 2011).

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

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

	Number of options (in thousands)	Weighted average exercise price ($)
Options outstanding, December 31, 2010	2,650	9.71
Options exercisable, December 31, 2010	1,633	10.00
Options outstanding, December 31, 2011	2,650	9.71
Options exercisable, December 31, 2011	2,517	9.90
Options outstanding, December 31, 2012	**2,650**	**9.71**
Options exercisable, December 31, 2012	**2,583**	**9.80**

Options outstanding and exercisable as at December 31, 2012 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	5.3	2,450
4.85	50	7.0	33
6.60	150	7.9	100
4.85 to 10.00	**2,650**	**5.5**	**2,583**

Equity incentive plan

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

There were 4 thousand RSUs issued during the year ended December 31, 2012 (nil - December 31, 2011). The Trust purchased 1.8 million common shares for the year ended December 31, 2012 (0.4 million - December 31, 2011).

	Number of common shares
Common shares held by the Trust, December 31, 2010	—
Acquired	385,423
Released on vesting	—
Common shares held by the Trust, December 31, 2011	385,423
Acquired	1,774,400
Released on vesting	—
Common shares held by the Trust, December 31, 2012	**2,159,823**

Earn-out shares

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

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

In connection with the acquisition of Flatiron (see note 3), up to an additional 1.2 million common shares of the Company may be issued with the achievement of certain earnings targets by Flatiron. In accordance with IFRS 2 *Share-based Payment*, this potential award carries a service condition with a market performance condition of equal term. As a result, the accounting guidance under IFRS 2 required the Company to initially estimate the number of equity instruments expected to ultimately vest and to assess the fair value of the equity instrument on the grant date. The fair value for each equity instrument was determined to be $3.82 using an acceptable valuation model that utilized several significant assumptions including the probability of future dividends, options pricing and discounts for lock-up restrictions. In addition, the valuation model contemplated cash flow assumptions related to future AUM levels and cumulative earnings. The fair value of this share-based award is being charged to the consolidated statements of income 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.

Management does not expect to issue any of the additional 1.2 million common shares in connection with the acquisition of Flatiron (see note 3, note 6 and note 17).

Additional purchase consideration

In connection with the acquisition of the Global Companies (see note 3), 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, 177,500 common shares of the Company were issued to employees of the Global Companies.

For the year ended December 31, 2012, the Company recorded share-based compensation expense of $11.1 million (2011 - $4.4 million) with a corresponding increase to contributed surplus ($ in thousands).

	For the year ended	
	December 31, 2012	December 31, 2011
Earn-out shares	**4,342**	3,915
Stock option plan	**98**	476
EPSP / EIP	**6,667**	—
	11,107	4,391

b. **Basic and diluted earnings per share**

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

		For the year ended		
		December 31, 2012		December 31, 2011
Numerator ($ in thousands):				
Net income - basic and diluted		**31,984**		33,038
Denominator (Number of shares in thousands):				
Weighted average number of common shares		**170,402**		167,601
Weighted average number of unvested shares purchased by the Trust		**(1,683)**		(36)
Weighted average number of common shares - basic		**168,719**		167,565
Weighted average number of dilutive stock options *		**—**		48
Weighted average number of additional purchase consideration		**372**		464
Weighted average number of unvested shares purchased by the Trust		**1,683**		36
Weighted average number of outstanding Restricted Stock Units		**4**		—
Weighted average number of common shares - diluted		**170,778**		168,113
Net income per common share				
Basic	**$**	**0.19**	$	0.20
Diluted	**$**	**0.19**	$	0.20

* The determination of the weighted average number of common shares - diluted excludes 2.6 million shares related to stock options that were anti-dilutive for the year ended December 31, 2012 respectively (2.45 million for the year ended December 31, 2011)

c. Maximum share dilution

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

Shares outstanding at March 26, 2013 *	178,964
Additional purchase consideration	178
Options to purchase shares	2,650
Earn-out shares **	8,936
Restricted Stock Units	3
	190,730

* 178 thousand shares of additional purchase consideration and 1 thousand shares on the conversion of RSUs were issued on February 4, 2013. On March 13, 2013, a further 7.6 million shares were issued pursuant to a private placement.

** Includes shares issuable as a result of the Global Companies and Toscana Companies acquisitions. No shares have been provided for as a result of the Flatiron acquisition (see note 3, note 6 and note 17).

d. Capital management

The Company's objectives when managing capital are:

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

The Company's capital is comprised of equity, including capital stock, contributed surplus, retained earnings and accumulated other comprehensive income (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 US Securities and Exchange Commission, Flatiron is a registrant of the OSC and GRIL is a member of the Financial Industry Regulatory Authority (“FINRA”); as a result, all of these entities are required to maintain a minimum level of regulatory capital. To ensure compliance, senior management monitors regulatory and working capital on a regular basis. For the year ended December 31, 2012, all entities were in compliance with their respective capital requirements.

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

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

The Company may adjust its capital levels in light of changes in business-specific circumstances as well as overall economic conditions.

Effective September 24, 2012, the Company entered into a new revolving credit facility with a Canadian chartered bank. The amount that may be borrowed under this facility is $50 million. Amounts may be borrowed under the facility through prime rate loans, which bear interest at the bank's prime rate, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 1.375%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 1.375%.

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

The credit facility is fully and unconditionally guaranteed by SAM, a wholly-owned subsidiary of the Company. The credit facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. The Company is within its financial covenants with respect to its credit facility, which require that the funded debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio remain below 2:1, the funded debt to SAM EBITDA ratio remain below 1.5:1 and that the Company's AUM not fall below $7 billion, calculated on the last day of each calendar month. There can be no assurance that future borrowings or equity financing will be available to the Company or available on acceptable terms.

The Company has not drawn on the credit facility as at December 31, 2012.

9. INCOME TAXES

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

For the year ended	**December 31, 2012**	December 31, 2011
Current income tax expense		
Based on taxable income of the current year	**20,075**	21,980
Adjustments in respect of previous years	**(1,491)**	(912)
	18,584	21,068
Deferred income tax expense		
Origination and reversal of temporary differences	**(9,105)**	(10,098)
Impact of change in tax rates	**245**	(39)
	(8,860)	(10,137)
Income tax expense reported in the statements of income	**9,724**	10,931

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

For the year ended	**December 31, 2012**	December 31, 2011
Income before income taxes	**41,708**	43,969
Tax calculated at domestic tax rates applicable to profits in the respective countries	**10,270**	10,105
Tax effects of:		
Non-taxable stock-based compensation	**1,144**	1,130
Non-taxable portion of capital gains and unrealized gains	**(131)**	786
Non-taxable foreign affiliate (income) loss	**(446)**	(170)
Rate differences and other	**(1,113)**	(920)
Tax charge	**9,724**	10,931

During the year ended December 31, 2012, the Company recognized a tax refund relating to a prior year of approximately $2.0 million.

The weighted average applicable tax rate was 24.6% (2011 - 23.0%). The increase is caused by a change in the profitability of the Company's subsidiaries in the respective countries because of the addition of the Global Companies resident in the US.

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

For the year ended December 31, 2012

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

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

For the year ended December 31, 2011

	At December 31, 2010	Recognized in income	Recognized in other comprehensive income	Recognized in contributed surplus	Business acquisition	December 31, 2011
Deferred income tax liabilities						
Fund management contracts	342	(1,921)	214	—	8,312	6,947
Carried interests	—	(3,829)	309	—	11,743	8,223
Deferred sales commissions	210	352	—	—	—	562
Unrealized gains	1,308	(51)	—	—	—	1,257
Total deferred income tax liabilities	**1,860**	**(5,449)**	**523**	**—**	**20,055**	**16,989**
Deferred income tax assets						
Unrealized losses	1,935	4,089	460	—	8,200	14,684
Additional purchase consideration	—	—	55	—	1,881	1,936
Earn-out shares	—	—	22	1,506	—	1,528
Other	—	599	19	—	—	618
Total deferred income tax assets	**1,935**	**4,688**	**556**	**1,506**	**10,081**	**18,766**
Net deferred income tax assets (liabilities)	**75**	**10,137**	**33**	**1,506**	**(9,974)**	**1,777**

The Company has unused foreign accrual property losses of approximately $13.8 million (2011 - $19.1 million) which have not been recognized and expire in 2015, as it is not probable that taxable profits will be available against which they can be utilized.

As at December 31, 2012, the Company had approximately $5.4 million of unused capital losses realized on the disposition of a subsidiary by means of a dividend-in-kind and do not expire.

10. FINANCIAL INSTRUMENTS

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

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

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

	Financial instruments at fair value			
December 31, 2011	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	119,506	—	—	119,506
Public equities	17,149	259	—	17,408
Private equities	—	—	2,400	2,400
Common share purchase warrants	—	4,693	—	4,693
Mutual funds	6,061	—	—	6,061
Hedge funds	—	8,875	—	8,875
Total	**142,716**	**13,827**	**2,400**	**158,943**

* these amounts are netted on the consolidated balance sheets

The following tables provides a summary of changes in the fair value of Level 3 financial assets for the years ended December 31, 2012 and 2011 ($ in thousands):

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

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

Changes in the fair value of Level 3 financial instruments - 2011

	December 31, 2010	Purchases	Settlements	Net unrealized gains included in net income	Net realized gains and losses included in net income	December 31, 2011
Private equities	1,881	49	—	470	—	2,400

During the year ended December 31, 2012, $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.

Secured notes receivable are classified as held to maturity and carried at amortized cost as management has no intention of disposing these financial instruments before maturity.

11. 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, 2012	December 31, 2011
Fixed salaries and benefits	**3,597**	4,511
Variable incentive-based compensation	**10,179**	15,587
Share-based compensation	**1,123**	243
	14,899	20,341

On May 8, 2012, the Company adopted a deferred stock unit ("DSU") plan for the independent directors of the Company. The DSUs vest annually over a three-year period and may only be settled in cash upon retirement. There were 225,000 DSUs issued at a price of $4.64 per DSU during the year ended December 31, 2012 (nil - December 31, 2011). The resulting expense is included in general and administrative costs and is recognized over the three-year vesting period with an offset to accrued liabilities.

12. DIVIDENDS

The following dividends were declared and payable by the Company during the year ended December 31, 2012:

Record date	Payment Date	Cash dividend per share ($) *	Total dividend amount ($ in thousands)
April 5, 2012 - regular dividend Q4 - 2011	April 20, 2012	0.03	5,073
May 18, 2012 - regular dividend Q1 - 2012	June 1, 2012	0.03	5,082
August 17, 2012 - regular dividend Q2 - 2012	September 4, 2012	0.03	5,129
November 22, 2012 - regular dividend Q3 - 2012	December 4, 2012	0.03	5,129
Dividends paid			20,413

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

13. COMMITMENTS

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

2013	3,673
2014	3,753
2015	3,767
2016	4,021
2017	4,036
Thereafter	23,771
	43,021

14. RISK MANAGEMENT ACTIVITIES

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

(a) Market risk

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

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

Price risk

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

If the market values of proprietary investments that are held for trading increased by 5%, with all other variables held constant, this would have increased net income by approximately $2.3 million for the year ended December 31, 2012 (December 31, 2011 - $1.7 million); conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by the same amount.

If the market value of gold and silver bullion increased by 5%, with all other variables held constant, this would have increased net income by approximately $0.4 million for the year ended December 31, 2012 (December 31, 2011 - $1.0 million); conversely, if the value of gold and silver bullion decreased by 5%, this would have decreased net income by the same amount.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not hedge its exposure to interest rate risk as such risk is minimal. 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, through its wholly-owned subsidiary, SAMGENPAR Ltd., has invested approximately $15.8 million in secured notes bearing a weighted average interest rate of 9.45% per annum and secured against the assets of the issuers. There is no interest rate risk that could immediately affect earnings associated with these investments as they are carried at HTM and management intends and has the ability to hold these investments to maturity.

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds assets denominated in currencies other than the Canadian dollar. The Global Companies' assets are all denominated in USD. The Company is therefore exposed to currency risk, as the value of investments denominated in other currencies and its net investment in the Global Companies will fluctuate due to changes in exchange rates. The Company does not enter into currency hedging transactions.

Excluding the impact of the Global Companies, as at December 31, 2012, approximately $16.1 million or 4.5% (December 31, 2011 - $26.7 million or 7.1%) of total assets were invested in proprietary investments priced in U.S. dollars ("USD"). Furthermore, a total of $2.1 million (December 31, 2011 - $1.0 million) of cash, $0.2 million (December 31, 2011 -$0.5 million) of accounts receivable and $0.4 million (December 31, 2011 - $0.2 million) of other assets were denominated in USD. As at December 31, 2012, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5% (relative to the Canadian dollar), with all other variables held constant, the increase or decrease, respectively, in net income for the year ended December 31, 2012 would have amounted to approximately $0.8 million (December 31, 2011 - $1.2 million).

As it relates to the Global Companies impact on the Company, had the exchange rate as at December 31, 2012 between the USD and the Canadian dollar increased or decreased by 5% (relative to the Canadian dollar), with all other variables held constant, the increase or decrease, respectively, in net income and other comprehensive income would have amounted to a nominal amount and approximately $8.2 million, respectively.

(b) Credit risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2012, the Company's most significant counterparty is National Bank Correspondent Network Inc. ("NBCN"), the carrying broker of SPW, which also acts as a custodian for most of the Company's proprietary investments. NBCN is registered as an investment dealer subject to regulation by the IIROC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

The Company's main exposure to credit risk relates to the secured notes receivable, as disclosed in note 4. The credit risk is managed by the terms of agreement, in particular, the notes are secured and the issuer is subject to a number of financial covenants, which are monitored on a regular basis.

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

The Global Companies incur credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2012, the Global Companies' most significant counterparty is RBC Capital Markets ("RBC Capital"), the carrying broker of GRIL and custodian of the net assets of the funds managed by RCIC. RBC Capital is registered as a broker dealer and registered investment advisor subject to regulation by the FINRA and the SEC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

(c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. As at December 31, 2012, the Company had $77.4 million or 20.6% of its total assets in cash and cash equivalents. The majority of current assets reflected on the consolidated balance sheets are highly liquid. Approximately $46.3 million or 60.3% of proprietary investments held by the Company are readily marketable and are recorded at their fair value. Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within a year. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis.

15. SEGMENTED INFORMATION

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

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

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

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

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

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on (i) earnings before interest expense, income taxes, amortization and stock-based non-cash compensation ("EBITDA") and (ii) Base EBITDA which refers to EBITDA after adjusting for the exclusion of (i) gains (losses) on our proprietary investments as if such gains (losses) had not been incurred and (ii) performance fees, performance fee related compensation and other performance fee related expenses. Income taxes are managed on a consolidated basis and are not allocated to operating segments.

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

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

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

For the year ended	December 31, 2012					
	SAM	Global Companies	Corporate	Other	Adjustments and Eliminations	Consolidated
Revenue						
Management fees	99,535	9,552	—	9,427	—	118,514
Performance fees	4,401	—	—	5,554	—	9,955
Commissions	—	9,645	—	3,861	—	13,506
Other	10,160	101	5,367	8,844	(8,293)	16,179
Total revenue	**114,096**	**19,298**	**5,367**	**27,686**	**(8,293)**	**158,154**
Expenses						
General and administrative	43,572	16,366	4,941	10,179	(189)	74,869
Trailer fees	27,134	—	—	—	(8,104)	19,030
Amortization and impairment of intangibles, property and equipment	13,986	8,395	116	50	—	22,547
Total expenses	**84,692**	**24,761**	**5,057**	**10,229**	**(8,293)**	**116,446**
Income (loss) before income taxes for the period	**29,404**	**(5,463)**	**310**	**17,457**	**—**	**41,708**
Provision for income taxes						9,724
Net income for the year						**31,984**
Income (loss) before income taxes for the year, from above	**29,404**	**(5,463)**	**310**	**17,457**	**—**	**41,708**
EBITDA adjustments	4,885	12,754	215	50	—	17,904
EBITDA	**34,289**	**7,291**	**525**	**17,507**	**—**	**59,612**
Base EBITDA adjustments	(46)	(43)	(2,755)	(4,288)	—	(7,132)
Base EBITDA	**34,243**	**7,248**	**(2,230)**	**13,219**	**—**	**52,480**

For the year ended	December 31, 2011					
	SAM	Global Companies	Corporate	Other	Adjustments and Eliminations	Consolidated
Revenue						
Management fees	125,838	9,676	—	11,311	—	146,825
Performance fees	5,303	—	—	—	—	5,303
Commissions	—	12,649	—	1,530	—	14,179
Other	1,762	(2,288)	(4,732)	11,786	(11,583)	(5,055)
Total revenue	**132,903**	**20,037**	**(4,732)**	**24,627**	**(11,583)**	**161,252**
Expenses						
General and administrative	41,979	16,394	3,710	13,595	(223)	75,455
Trailer fees	37,058	—	—	—	(11,342)	25,716
Amortization and impairment of intangibles, property and equipment	1,813	14,199	70	30	—	16,112
Total expenses	**80,850**	**30,593**	**3,780**	**13,625**	**(11,565)**	**117,283**
Income (loss) before income taxes for the year	**52,053**	**(10,556)**	**(8,512)**	**11,002**	**(18)**	**43,969**
Provision for income taxes						10,931
Net income for the year						**33,038**
Income (loss) before income taxes for the year, from above	**52,053**	**(10,556)**	**(8,512)**	**11,002**	**(18)**	**43,969**
EBITDA adjustments	2,047	18,115	312	30	—	20,504
EBITDA	**54,100**	**7,559**	**(8,200)**	**11,032**	**(18)**	**64,473**
Base EBITDA adjustments	(2,932)	2,249	5,883	(286)	—	4,914
Base EBITDA	**51,168**	**9,808**	**(2,317)**	**10,746**	**(18)**	**69,387**

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

Included in Other revenue is trailer fee income of $8.1 million for the year ended December 31, 2012 (December 31, 2011 - $11.3 million) which reflects substantially all of the Company's inter-segment revenue.

Included in Amortization and impairment of intangibles, property and equipment for the Global Companies segment are impairment losses of $1.9 million on finite life intangible and carried interest assets for the year ended December 31, 2012 (December 31, 2011 - $7.7 million).

Included in Amortization and impairment of intangibles, property and equipment for the SAM segment are impairment losses of $11.8 million on finite life intangible and goodwill assets for the year ended December 31, 2012 (December 31, 2011 - $nil).

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

For the year ended	**December 31, 2012**	December 31, 2011
Canada	**138,856**	141,215
United States	**19,298**	20,037
	158,154	161,252

16. PROVISIONS

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

17. EVENTS AFTER THE REPORTING PERIOD

(a) Flatiron

Effective January 11, 2013, the Company and the Flatiron vendors entered into agreements to release the Company from the remaining purchase price to be paid as contemplated by the acquisition on August 1, 2012. The remaining purchase price is $8.4 million as at December 31, 2012. The effect of these agreements along with management's assessment of the Flatiron business as at December 31, 2012 are as follows:

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

There are no expected impacts to the consolidated statements of income for the three months ended March 31, 2013 as a result of the agreements entered into by the Company and the Flatiron vendors effective January 11, 2013 (see note 3, note 6 and note 7).

(b) Cancellation of Management Services Agreement ("MSA")

On January 29, 2013, the Company announced that it had received notice by Sprott Power Corp. ("SPC") that effective July 31, 2013 the MSA between SPC and Sprott Power Consulting Limited Partnership, a subsidiary of the Company, will be terminated. The loss of the ongoing revenue from these operations is not material to the Company. The Company expects to receive a break fee of approximately $8.5 million of which the Company is expected to retain approximately $2.8 million.

(c) Private Placement

On March 13, 2013, the Company completed a private placement of 7.6 million common shares at $3.30 per common share raising net proceeds of $24.5 million for the Company. The common shares were issued to an institutional investor.

(b) Dividend

On March 26, 2013, a dividend of $0.03 per common share was declared for the quarter ended December 31, 2012.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

For the three months ended December 31 ($ in thousands of Canadian dollars, except for per share amounts)	**2012**	2011
Revenue		
Management fees	**29,242**	33,700
Performance fees	**9,769**	2,528
Commissions	**3,303**	2,861
Unrealized and realized losses on proprietary investments	**(1,789)**	(1,963)
Other income	**10,024**	987
Total revenue	**50,549**	38,113
Expenses		
Compensation and benefits	**7,616**	10,774
Stock-based compensation	**2,807**	1,135
Trailer fees	**4,628**	5,816
General and administrative	**9,044**	6,203
Donations	**174**	243
Amortization of intangibles	**1,936**	2,070
Impairment of goodwill and intangibles	**19,622**	7,681
Amortization of property and equipment	**275**	364
Total expenses	**46,102**	34,286
Income before income taxes for the period	**4,447**	3,827
Provision for (recovery of) income taxes	**1,150**	(798)
Net income for the period	**3,297**	4,625
Basic and diluted earnings per share	**$ 0.02**	$ 0.03