Sprott Inc. Annual Report 2013

Sprott INC.

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Sprott INC.

March 27, 2013

Dear Shareholders,

In 2013, our investment and financial performance were negatively impacted by continued weakness in the natural resource sector. Gold and silver prices fell dramatically during the year and precious metals equities traded at depressed valuations throughout most of 2013. As a result, our Assets Under Management ("AUM") declined from $9.9 billion to $7.0 billion as of December 31, 2013. Our financial results for the year were also negatively impacted by a non-cash goodwill impairment charge of $88.0 million associated with our acquisition of the Global Companies. This charge has no impact on our ongoing business, however it had a significant impact on the Company's financial results and was the main contributor to the $81.3 million loss recorded in 2013.

After a challenging two years for Sprott, I'm pleased to report that we have had an encouraging start to 2014. Our positioning has been rewarded in the early months of the year, as gold and silver prices have posted strong gains year-to-date. This has had a positive impact on our returns, with all of our funds delivering positive results in the first quarter of 2014, with our precious metals-focused strategies leading the way.

Going forward, we will work to advance our dual strategy of establishing Sprott as a global leader in precious metals and resource investing, while continuing to diversify and grow our Canadian asset management platform. We have built a platform that is capable of managing a substantial increase in AUM and, with approximately $350 million in investable capital, we have the financial strength necessary to seed and launch new products, while also selectively pursuing strategic acquisition opportunities.

As we seek to more efficiently leverage our platform, one of our key priorities is building our institutional client base. In 2013, we signed two significant mandates to manage investments for institutional investors in Asia. The first was a joint venture agreement to co-manage a global mining fund with Zijin Mining Group Company Limited, the largest gold miner in China. The second was a mandate to co-manage a 10-year US$750 million private equity fund for South Korea's National Pension Service and the state-owned Korean Electrical Power Company, the largest electric utility in Korea. While these two initiatives are in their early stages, we are encouraged by the headway we have made in the Asian market and will continue to pursue opportunities to expand our activities in the region.

We are also currently working on a number of new product initiatives, including the re-launch of our private resource lending strategy in an LP format structured for institutional investors.

In Canada, we have begun to see the results of our diversification efforts. The growth of our Enhanced Products line, managed by John Wilson, highlights our distribution capabilities and the strength of our sales team. In less than two years, these funds have grown from zero to more than $650 million in AUM and the Sprott Enhanced Equity Class is now our largest mutual fund.

In February of 2014, we entered an agreement to acquire three new real-assets focused funds. These funds will be managed by Capital Innovations LLC, led by Michael Underhill, a proven portfolio manager with a strong track record of managing investments for both retail and institutional investors.

We continue to move forward with the succession and transition planning process for Eric Sprott. Earlier this month, we announced that John Wilson has been named Chief Executive Officer of Sprott Asset Management ("SAM"), taking over from Eric who will continue in his roles as Senior Portfolio Manager at SAM and Chairman and Chief Investment Officer of Sprott.

While it was a difficult year, our view is that the fourth quarter of 2013 marked a bottom for the resource markets and we think the worst is now behind us. We expect a strong recovery in the resource sector and have positioned the business to benefit from it through multiple strategies and distribution systems. Looking ahead, we believe 2014 will be a transitional year for Sprott, as we move forward with a clear vision and strategy.

On behalf of our employees and the Board of Directors, I would like to thank you for your continued support and patience as we position the business for future performance gains. We look forward to reporting to you on our progress throughout 2014.

Sincerely,

Peter Grosskopf
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated March 25, 2014, presents an analysis of the financial condition of Sprott Inc. (the "Company") and its subsidiaries as of December 31, 2013 compared with December 31, 2012, and results of operations for the year ended December 31, 2013, compared with the year ended December 31, 2012. The Board of Directors approved this MD&A on March 25, 2014. All note references in this MD&A are to the notes to the Company's 2013 audited consolidated financial statements, unless otherwise noted.

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

FORWARD LOOKING STATEMENTS

This MD&A and, in particular, the "Outlook" section contains certain forward-looking information and statements (collectively referred to herein as "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the forgoing, this MD&A contains Forward-Looking Statements pertaining to: (i) the Company's expectation that the resource sector will recover and the opportunities related thereto; (ii) the Company's strategy as detailed in the "Outlook" section; (iii) continued positive sales momentum for the Company's Canadian investment funds; (iv) the Company building on the improved investment performance in many of its funds; (v) expectations relating to the Company's lending business; (vi) expectations relating to the redeployment of capital from maturing loans; (vii) the anticipated structure of loans provided by Sprott Resource Lending Corp.; (viii) expectations related to product and business line expansion; (ix) expectations related to recoverable amounts of both fund management contracts and carried interests; (x) the declaration, payment and designation of dividends; (xi) expectations relating to liquidity and capital resources; and (xii) expectations with respect to the recovery of legal costs.

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

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

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements for the year ended December 31, 2013, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Financial results, including related historical comparatives, contained in this MD&A, unless otherwise specified herein, are based on these audited consolidated financial statements. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's audited 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 (loss) or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Our key performance indicators include:

Assets Under Management

Assets Under Management or AUM refers to the total net assets of 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"), and Toscana Capital Corporation ("TCC") and Toscana Energy Corporation ("TEC") (collectively, "Sprott Toscana") on which management fees ("Management Fees"), performance fees ("Performance Fees") and/or carried interests ("Carried Interests") are calculated. 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 a relevant benchmark; (ii) the increase in net asset values of our Funds over a predetermined hurdle, if any; or (iii) the net profit in our Funds over the performance period. We monitor the level of our AUM because they drive our level of Management Fees. The amount of Performance Fees and Carried Interests we earn is related to both our investment performance and our AUM.

Assets Under Administration

Assets Under Administration or AUA refers to client assets held in accounts at Sprott Private Wealth LP ("SPW") or Sprott Global Resource Investments, Ltd. ("SGRIL"). AUA is a measure used by management to assess the performance of these 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 goodwill, gains and losses on our proprietary investments and loans (as if such gains and losses had not been incurred) and non-cash stock-based compensation. Stock-based compensation relating to the Company's Employee Profit Sharing Plan ("EPSP") is treated as a cash expense for the purposes of calculating EBITDA. EBITDA includes Performance Fees, Performance Fee related compensation and other Performance Fee related expenses. We believe that EBITDA is an important measure as it allows us to assess our ongoing business without the impact of interest expense, income taxes, amortization, gains and losses on proprietary investments and non-cash compensation, and is an indicator of our ability to pay dividends, invest in our business and continue operations. EBITDA is a measure commonly used in the industry by management, investors and investment analysts in understanding and comparing results by factoring out the impact of different financing methods, capital structures, the amortization of deferred sales charges and income tax rates between companies in the same industry. While other companies may not utilize the same method of calculating EBITDA as we do, we believe it enables a better comparison of the underlying operations of comparable companies and we believe that it is an important measure in assessing our ongoing business operations. As an indicator of cash generating ability, certain non-cash items such as impairment charges and recoveries, are excluded in the calculation of EBITDA.

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

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

OVERVIEW

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

On July 23, 2013, the Company completed its acquisition of SRLC which is a lender to companies in the mining and energy sectors with a concentration on later-stage resource property developers or early stage commodity or power producers. As a result, the Company now provides lending services in addition to its core business of asset management. It is management's intention to continue providing these services either as a part of the Company's invested capital and/or as professional services to new AUM expected to be raised in future lending vehicles to be managed by the Company. Management also expects to redeploy capital from maturing loans into other ventures of the Company, either for acquisitions, seeding of new products or organic expansion. Effective July 23, 2013, the accounts of SRLC have been consolidated with those of the Company.

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

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 and Sprott Toscana provide active management, consulting and administrative services to other companies. Currently, SC provides these services to Sprott Resource Corp. ("SRC") and Sprott Toscana offers these services to TFIT and TEIC.

SGRIL is a California-based limited partnership that operates as a securities broker-dealer and is registered with the Financial Industry Regulatory Authority ("FINRA"). SAM US is registered with the U.S. Securities and Exchange Commission and provides discretionary investment management services. RCIC is the general partner and discretionary asset manager to the Exploration Capital Partners and Resource Income Partners families of limited partnerships.

The majority of the Company's revenues are earned through SAM in the form of Management Fees and Performance Fees earned from the management of 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 and Sprott Toscana earn the majority of their revenues through the management of Managed Companies in the form of Management Fees and Performance Fees. RCIC earns revenue in the form of Management Fees and Carried Interests in Funds it manages; SGRIL earns commissions and other fees from the sale and purchase of stocks by its clients, new and follow-on offerings of limited partnerships managed by RCIC and from the sale of private placements to its clients. SAM US earns revenue in the form of Management Fees from the management of Managed Accounts.

SRLC earns revenue in the form of interest income and other fees on its lending activities ("Interest Income") as well as realizing on the upside potential of bonus arrangements with resource borrowers which are generally tied to the revenue or the value of the common shares of the borrower.

SPW provides the Company with a competitive advantage by providing a unique distribution channel for its Fund products and other investment opportunities that it is able to make available to its private clients. SPW also serves as a platform to brand and grow the Company's wealth management business. SC and Sprott Toscana enable the Company to benefit from its expertise in managing other companies, both public and private. SC in particular also provides the Company with a competitive advantage by providing SPW and SGRIL clients access to merchant banking and private equity-style investments.

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

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

The Company derives revenue primarily from Management Fees earned from the management of our Funds, Managed Accounts and Managed Companies and from Performance Fees earned from the investment of the AUM of Funds, Managed Accounts and Managed Companies. Management Fees are calculated as a percentage of AUM. Performance Fees are calculated as a percentage of the return earned by Funds, Managed Accounts and

Managed Companies. Carried Interests are calculated as a percentage of profits earned by monetizing events at Funds managed by RCIC. Accordingly, growth in fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by Funds, Managed Accounts and Managed Companies. Commission and other income is generated from the sale and purchase of stocks by SGRIL's clients, and to a lesser extent SPW, and from the sale of private placements to their clients. As at December 31, 2013, the Company managed approximately $7.0 billion in assets among various Funds, Managed Accounts and Managed Companies. AUA in client assets totaled to approximately $2.3 billion. Beginning in the third quarter of 2013, the Company's lending business acquired through its acquisition of SRLC generates Interest Income from its loan portfolio. Although expected to continue for the foreseeable future, it is anticipated that as the loan portfolio monetizes that this capital will be redeployed into other ventures of the Company, either for acquisitions, seeding of new products or organic expansion.

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

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

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

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

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

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

BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

Investment Performance

The majority of our Funds, Managed Accounts and Managed Companies experienced negative investment performance for the year. As a result, net market depreciation of all our AUM totaled to approximately $2.4 billion. In addition, we experienced net redemptions of $0.4 billion and removed approximately $0.2 billion of AUM relating to assets that were previously managed under a management services agreement with SRLC and instead are now included as net assets of the Company effective July 23, 2013. Overall, AUM decreased by approximately $3.0 billion (29.9%) to $7.0 billion at December 31, 2013 from $9.9 billion at December 31, 2012. This decrease in AUM translated into weak annual results with EBITDA falling by $22.4 million (39.1%) to $34.9 million ($0.17 per share) from $57.3 million ($0.34 per share) in 2012.

Nonetheless, during 2013 we executed on various growth and development initiatives across the organization:

Acquisition of Sprott Resource Lending Corp.

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

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

Product and Business Line Expansion

Significant developments with respect to the expansion of our product and business lines include:

Subsequent to year end in February 2014, the Company announced that it entered into an exclusive sub-advisory agreement with Capital Innovations, LLC to manage Exemplar Global Infrastructure Fund, Exemplar Timber Fund and Exemplar Agriculture Fund for the Company. The Company is currently finalizing arrangements to purchase the fund management contracts from the existing portfolio manager. Pending unit holder and regulatory approval, the "Exemplar" name will be changed to "Sprott" and the funds will be managed by SAM with Capital Innovations as the sub-advisor to those funds. This initiative will diversify our existing product line and improve our ability to offer Canadian investors a broad range of investment strategies.

In December 2013, the Company announced that SC was awarded the mandate to co-manage a 10 year US$375 million private equity fund by South Korea's National Pension Service with a matching US$375 million co-investment commitment to be provided by the state-owned Korea Electrical Power Company. SC will co-manage the fund with Woori Asset Management, the asset manager of Korea's largest bank, Woori Financial Group. The mandate will be to make private equity investments in the global natural resources and power sectors.

In March 2013, the Company entered into a joint venture agreement with Zijin Mining Group ("Zijin") of China, one of the largest gold and copper producers, to set up an offshore global mining fund. The fund focuses primarily on investment opportunities in equities and debt instruments of precious metals producers. It is co-managed by affiliates of the Company and of Zijin. In September 2013, the Company invested US$10 million in a new institutional focused Offshore Fund pursuant to its joint venture with Zijin.

In March 2013, the Company announced that its subsidiary, RCIC raised approximately US$34 million in a new fixed-term limited partnership for the purpose of participating in equity arrangements to both public and private companies through both secondary offerings and in the open market with an emphasis on natural resource equities and other securities.

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

OUTLOOK

While 2013 was a challenging year for the performance of many of our investment strategies, that experience has necessitated that we focus on our investment management processes. At the same time, in the cyclical business of resource investing, we believe that we have a great opportunity for outstanding investment performance as the resource sector recovers. The acquisition of SRLC in mid-2013 has added to our existing capital resources, such that we now have approximately $350 million in investable capital that we can use to launch new funds or for acquisitions.

Our strategy is clear and focused to:

- Build and expand our diversified Canadian asset management platform;

- Establish ourselves as leaders in global resource investing through the expansion of existing products, the launch of new products and through acquisitions;
- Allocate capital in a prudent manner to generate returns on capital, seed new funds and finance acquisitions.

We have positive sales momentum for our Canadian investment funds and we expect that to continue. Investment performance in many of our funds has improved and we intend to build on that success through 2014. We are working on some innovative new products as well as exploring some possible acquisitions and hope to be in a position to provide more information in the near future.

FINANCIAL HIGHLIGHTS

Financial highlights for the year ended December 31, 2013 are:

- AUM at December 31, 2013 were $7.0 billion. This reflects a decrease of approximately $3.0 billion (29.9%) from $9.9 billion of AUM at December 31, 2012. The decline in AUM was the result of: (i) a decrease in market values of $2.4 billion; (ii) net redemptions of $0.4 billion; and (iii) the removal of approximately $0.2 billion of AUM relating to assets that were previously managed under a management services agreement with SRLC and instead are now included as net assets of the Company effective July 23, 2013. Average AUM for the year ended December 31, 2013 were $8.1 billion compared to $9.6 billion for the year ended December 31, 2012, a decrease of 16.5%.
- Management Fees as a percentage of average AUM for the year ended December 31, 2013 were 1.1% , a decrease from 1.2% , for the year ended December 31, 2012. The decreases are due to the change in composition of the Company's AUM with lower fee products comprising a greater percentage of AUM for the year ended December 31, 2013.
- AUA at December 31, 2013 were $2.3 billion. This reflects a decrease of approximately $1.3 billion from $3.7 billion of AUA at December 31, 2012.
- Management Fees for the year ended December 31, 2013 were $84.7 million, representing a decrease of $33.8 million (28.5%) compared to the year ended December 31, 2012.
- Gross Performance Fees for the year ended December 31, 2013 were $9.0 million, representing a decrease of $1.0 million (9.7%) compared to the year ended December 31, 2012.
- Commissions for the year ended December 31, 2013 were $6.2 million, representing a decrease of $7.3 million (53.9%) compared to the year ended December 31, 2012.
- Interest income increased substantially for the year ended December 31, 2013 to $9.8 million from $2.7 million for the year ended December 31, 2012. This is a result of the acquisition of SRLC whose business is lending to companies in the mining and energy sectors, which generates monthly interest income for the Company.
- Unrealized and realized losses on proprietary investments and loans for the year ended December 31, 2013 were $14.5 million representing a decrease of approximately $16.7 million from unrealized and realized gains of $2.3 million for the year ended December 31, 2012.
- EBITDA for the year ended December 31, 2013 was $34.9 million, representing a decrease of $22.4 million (39.1%) compared with the year ended December 31, 2012.
- Excluding the impacts of Performance Fees and performance fee related expenses, EBITDA was $32.0 million for the year ended December 31, 2013, compared to $52.5 million for the year ended December 31, 2012.
- For the year ended December 31, 2013, goodwill resulting from the acquisition of Global Companies was assessed as being impaired and a charge against earnings in the amount of $88.0 million was taken. During the year ended December 31, 2012, a goodwill impairment charge in the amount of $8.9 million was taken against income relating to the Flatiron acquisition.
- Net loss for the year ended December 31, 2013 was $81.3 million (-$0.39 per share) compared to net income of $32.0 million ($0.19 per share) for the year ended December 31, 2012.

SUMMARY FINANCIAL INFORMATION

Key Performance Indicators	As at and for the year ended December 31,	
($ in thousands, except per share amounts)	**2013**	2012
Assets Under Management	**6,966,524**	9,931,151
Assets Under Administration	**2,344,545**	3,676,149
Net Sales (Redemptions)	**(386,905)**	1,308,033
EBITDA	**34,898**	57,346
EBITDA Per Share - basic and fully diluted	**0.17**	0.34

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

Summary Statements of Operations and Reconciliation to EBITDA	For the year ended December 31,	
($ in thousands, except per share amounts)	**2013**	2012
Total revenue	**114,372**	158,154
Total expenses	**200,434**	116,446
Income (loss) before income taxes	**(86,062)**	41,708
Provision (recovery) for income taxes	**(4,801)**	9,724
Net income / (loss)	**(81,261)**	31,984
Other expenses (1)	**106,704**	17,902
Unrealized and realized (gains) losses on proprietary investments and loans (2)	**14,256**	(2,266)
Provision (recovery) for income taxes	**(4,801)**	9,724
EBITDA	**34,898**	57,344
Earnings Per Share - basic	**(0.39)**	0.19
Earnings Per Share - fully diluted	**(0.39)**	0.19
EBITDA Per Share - basic and fully diluted	**0.17**	0.34

(1) Includes amortization of property and equipment, amortization and impairment of goodwill and intangibles and non-cash stock-based compensation expense other than stock-based compensation expense related to the EPSP offset by the bargain purchase gain related to the SRLC acquisition included in other income.

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

RESULTS OF OPERATIONS

Year ended December 31, 2013 vs. year ended December 31, 2012

Overall Performance

AUM at December 31, 2013 of $7.0 billion represents a decrease of 29.9% when compared with $9.9 billion of AUM at December 31, 2012. Net redemptions for the year ended December 31, 2013 were $0.4 billion and together with net market value depreciation of $2.4 billion and the removal of approximately $0.2 billion of AUM relating to the SRLC acquisition resulted in decreased AUM of approximately $3.0 billion for the year. The Company previously managed SRLC under a management services agreement and upon the acquisition of SRLC by the Company on July 23, 2013, the management services agreement was canceled and those managed assets that were previously counted as AUM are instead now included as net assets of the Company. Average AUM for the year ended December 31, 2013 were $8.1 billion, compared with $9.6 billion over the year ended December 31, 2012.

Total revenues for the year ended December 31, 2013 decreased by $43.8 million (27.7%) to $114.4 million when compared with the year ended December 31, 2012. Management Fees for the year ended December 31, 2013 were $84.7 million, representing a decrease of $33.8 million (28.5%) from the corresponding year ended December 31, 2012. Gross Performance Fees for the year ended December 31, 2013 were $9.0 million, compared to $10.0 million, in the year ended December 31, 2012. Commissions decreased by $7.3 million for the year ended December 31, 2013, when compared with the year ended December 31, 2012. Interest income increased by $7.2 million for the year ended December 31, 2013, over the corresponding year ended December 31, 2012. Unrealized and realized losses on proprietary investments and loans totaled $14.5 million for the year ended December 31, 2013, compared to unrealized and realized gains of $2.3 million for the year ended December 31, 2012. Other income increased by $7.9 million for the year ended December 31, 2013, when compared with the year ended December 31, 2012.

Expenses totaled $200.4 million for the year ended December 31, 2013, which is an increase of $84.0 million (72.1%), when compared with the year ended December 31, 2012. Excluding the impairment of goodwill, total expenses increased by $5.0 million (4.6%), when compared with the year ended December 31, 2012.

Net loss of $81.3 million for the year ended December 31, 2013, was a decline in net income of $113.2 million (354.1%), from net income of $32.0 million for the year ended December 31, 2012.

Assets Under Management, Investment Performance and Net Sales

The breakdown of AUM by investment product type as at December 31, 2013 and December 31, 2012 was as follows:

	December 31, 2013		December 31, 2012	
Product Type	**$ (in millions)**	**% of AUM**	$ (in millions)	% of AUM
Bullion Funds	**3,542**	**50.7%**	4,920	49.6%
Mutual Funds	**1,483**	**21.3%**	1,991	20.0%
Alternative Investment Strategies	**765**	**11.0%**	1,410	14.2%
Offshore Funds	**173**	**2.5%**	190	1.9%
Managed Companies	**521**	**7.6%**	802	8.1%
Managed Accounts	**122**	**1.7%**	190	1.9%
Fixed Term Limited Partnerships	**361**	**5.2%**	428	4.3%
Total	**6,967**	**100%**	9,931	100%

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

($ in millions)	For the year ended December 31, 2013	2012
AUM, beginning of period	**9,931**	9,137
Net sales (redemptions)	**(387)**	1,308
Business acquisition	**(188)**	428
Market value depreciation of portfolios	**(2,389)**	(942)
AUM, end of period	**6,967**	9,931

For the year ended December 31, 2013, the majority of our Funds and Managed Accounts experienced negative performance resulting in an overall market value depreciation of our AUM, partially offset by positive performance from a few Mutual Funds and alternative investment strategies.

Net redemptions for the year ended December 31, 2013 were $0.4 billion. Collectively, our Bullion Funds, Managed Accounts and Alternative Investment Strategies experienced net redemptions of approximately $0.5 billion, for the year ended December 31, 2013. This includes approximately $0.1 billion of Funds previously managed by Flatiron Capital Management Partners ("Flatiron"), a former subsidiary of the Company. Flatiron was terminated in January 2013. Sales in enhanced strategies more than offset redemptions from other Mutual funds. During the year, the Company launched two new Offshore Funds by seeding them with a total of $35 million and raising $103 million. Excluding the new seeded Offshore Funds, our Offshore Funds collectively, had redemptions for the year ended December 31, 2013 of approximately $84 million or 44.4% of offshore AUM at the beginning of the year.

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

Revenues

Total revenue decreased by $43.8 million or 27.7% from $158.2 million in the year ended December 31, 2012 to $114.4 million in the year ended December 31, 2013.

Management Fees decreased by $33.8 million or 28.5% from $118.5 million in the year ended December 31, 2012 to $84.7 million in the year ended December 31, 2013, and average AUM decreased by approximately 16.5% over the same period. Management Fees as a percentage of average AUM fell to 1.1% in the year ended December 31, 2013 from 1.2% in the year ended December 31, 2012. Decreases in Management Fees as a percentage of average AUM are mainly due to an increase in the value of AUM of our fixed income Funds and bullion Funds that have lower average Management Fees than most of our other Funds. Management Fees include fees earned from precious metal physical trusts in the amount of $15.1 million for the year ended December 31, 2013, compared to $13.9 million during the year ended December 31, 2012.

Gross Performance Fees were $9.0 million for the year ended December 31, 2013 versus $10.0 million for the year ended December 31, 2012. Lower Performance Fees were a result of greater than expected Performance Fees for the year ended December 31, 2012 received in the first quarter of 2013 from a Managed Company along with the inclusion of Performance Fees from SAM funds, Sprott Toscana, SRLC and Carried Interests from RCIC (presented as Performance Fees) for the year ended December 31, 2013.

Commission revenue for the year ended December 31, 2013 was $6.2 million, compared to $13.5 million for the year ended December 31, 2012. During the year ended December 31, 2013, SGRIL and SPW earned fewer commissions from the sale and purchase of stocks by its clients, particularly private placements as junior resource companies were not as active in the equity capital markets. Also there were no new issuance of bullion Funds to SGRIL and SPW clients during 2013.

Interest income for the year ended December 31, 2013, was $9.8 million, compared to $2.7 million, for the year ended December 31, 2012. The year ended December 31, 2013, include interest income from SRLC since its acquisition on July 23, 2013. The majority of interest income earned by the Company is generated by SRLC through resource-based loans.

Unrealized and realized losses from capital invested in proprietary investments and loans for the year ended December 31, 2013 totaled $14.5 million compared with gains of $2.3 million for the year ended December 31, 2012. During the year ended December 31, 2013, sales of proprietary investments resulted in net realized losses of $2.1 million and the market value of most of our remaining proprietary investments depreciated resulting in net unrealized losses of $12.4 million.

Other income increased by $7.9 million from $11.2 million in the year ended December 31, 2012 to $19.1 million in the year ended December 31, 2013. For the year ended December 31, 2013, Other income primarily included the following items: (i) a $5.5 million gain on bargain purchase recorded on the acquisition of SRLC; (ii) a break-fee of $7.5 million for the termination of the management services agreement with a Managed Company; and (iii) a $1.2 million income from the sale of a secured note receivable. We also received $4.9 million of Other income related to the early redemption of a loan receivable, other redemption fee revenue, expense recoveries from Managed Companies and Managed Accounts, dividend income and foreign exchange gains and losses.

Expenses

Total expenses for the year ended December 31, 2013 were $200.4 million, an increase of $84.0 million or 72.1% compared with $116.4 million for the year ended December 31, 2012.

Changes in specific categories are described below:

Compensation and Benefits

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

	For the year ended December 31,	
($ in millions)	**2013**	2012
Salaries and benefits	**26,057**	23,303
Discretionary bonus-cash component	**8,643**	7,488
Discretionary bonus-equity component (1)	**2,368**	3,507
Commissions	**3,116**	3,510
Transition expenses	**2,464**	2,555
One-time compensation expense (2)	**4,479**	—
	47,127	40,363

(1) Discretionary bonus-equity component is included in stock-based compensation on the consolidated statement of operations.

(2) One-time compensation expense is associated with the one-time break-fee received on termination of a management services agreement with a managed company

Total compensation and benefits for the year ended December 31, 2013 was $44.8 million, which was $7.9 million or 21.4% higher than the year ended December 31, 2012. The increase is primarily due to higher salaries and benefits and a one-time compensation expense. Salaries and benefits increased as a result of: (i) inclusion of full year of compensation and benefits for Sprott Toscana, including the compensation accrual of $0.7 million (2012- $nil) relating to the earn-out formula for the year ended December 31, 2013, whereas the year ended December 31, 2012 only included compensation and benefits from Sprott Toscana since the acquisition date of July 3, 2012; and (ii) inclusion of salaries and benefits for SRLC since its acquisition date of July 23, 2013. One-time compensation expense of $4.5 million related to the break-fee received on termination of a management services agreement with a managed company. The increase in total discretionary bonus (inclusive of both cash and equity portions) was nominal. Increases in the above noted items were partially offset by decreases in commissions and transition expenses.

Stock-based compensation

Stock-based compensation for the year ended December 31, 2013 was $10.3 million, a decrease of $0.8 million, compared to $11.1 million in the year ended December 31, 2012. The decline is mainly due to lower equity-based compensation accrued for employees in 2013 as compared to 2012 which is partially offset by the expensing of earn-out shares for Sprott Toscana. Stock-based compensation is composed of: (i) a portion of the discretionary employee bonus pool that is equity-based, (ii) the expensing of earn-out shares relating to Global Companies and Sprott Toscana, and (iii) other stock-based compensation relating to new hires.

Trailer Fees

Trailer fees are somewhat correlated with AUM and with Management Fees. For the year ended December 31, 2013 trailer fees were $11.9 million, versus $19.0 million for the year ended December 31, 2012, a decrease of 37.5%. This decrease is a result of the reduction in trailer fee paying AUM during 2013. Trailer fees as a percentage of Management Fees for the year ended December 31, 2013 have decreased to 14.0% from 16.1%, for the year ended December 31, 2012. This decline is a result of the reduction in trailer fee paying AUM relative to total AUM which comprises a higher proportion of AUM on which no or lower trailer fees are payable.

General and Administrative

General and administrative expenses increased by $0.6 million (2.1%) to $27.5 million for the year ended December 31, 2013 . General and administrative expenses consist primarily of rent, marketing, regulatory fees, sub-advisory fees, fund expenses absorbed by SAM on behalf of certain Funds that it manages, legal, insurance, trading costs, donations, directors fees and professional fees as well as miscellaneous costs such as quote and news services, printing and systems maintenance. The increase in general and administrative expenses for the year ended December 31, 2013 is primarily due to increases in sub-advisory fees (including $3.8 million in sub-advisory fees relating to gross Performance Fees earned for the year ended December 31, 2013), increase in professional fees as a result of the SRLC acquisition, higher regulatory fees, increases in rent as we took on additional leased space during the third quarter of 2012, increases in quote and news services costs partially offset by decreases in transaction charges resulting from the reduction in trading activities by SGRIL and SPW, decreases in Fund subsidies, decreases in donations and the reduction of several general and administrative expenses, particularly marketing and general office expenses reflecting our efforts to reduce discretionary spending.

Amortization of Intangibles

Amortization of intangibles consists of (i) the amortization of deferred sales commissions and (ii) the amortization of fund management contracts and carried interests. Amortization expense decreased by $1.0 million from $7.8 million for the year ended December 31, 2012 to $6.8 million for the year ended December 31, 2013, mainly due to lower amortization of carried interests in 2013 as compared to 2012.

Impairment of Intangibles

During the year, the recoverable amount of fund management contracts aligned with their carrying value, therefore no impairment charge or impairment charge reversal was recognized for the year ended December 31, 2013. In the prior year, the carrying value of fund management contracts were in excess of their recoverable amount, leading to impairment charges net of reversals of $1.0 million for the year ended December 31, 2012.

During the year, the carrying value of carried interests were in excess of their recoverable amount, thereby necessitating an impairment charge of $10.4 million for the year ended December 31, 2013. In the prior year, the carrying value of carried interests were in excess of their recoverable amount, leading to a total impairment charge net of reversals of $3.7 million for the year ended December 31, 2012.

As a result of the acquisition of Sprott Toscana, indefinite life fund management contracts totaling $12.8 million were identified. These fund management contracts are not amortized, but instead are tested for impairment at least annually. As at December 31, 2013, management determined that there was no impairment.

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 fund management contracts and carried interests may demonstrate significant fluctuations in value over the year. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record future impairment losses or reversals.

See Note 6 of the audited consolidated financial statements for further details.

Impairment of Goodwill

For the year ended December 31, 2013, goodwill resulting from the acquisition of Global Companies was assessed as being impaired and a charge against earnings in the amount of $88.0 million was taken. During the year ended December 31, 2012, a goodwill impairment charge in the amount of $8.9 million was taken against income relating to the Flatiron acquisition (see Note 6 of the audited consolidated financial statements for further details). The charge was determined in relation to the revenues of the acquired assets, which were reduced primarily due to the protracted decline in the junior resource sector between 2011 and the end of 2013. Management expects that a recovery in the natural resources sector will drive improving revenues for the Global Companies.

Amortization of Property and Equipment

Amortization expense of $0.9 million for the year ended December 31, 2013 was slightly lower than the $1.1 million for the year ended December 31, 2012.

EBITDA and Net Loss

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

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

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

For the year ended December 31, 2013, EBITDA was $34.9 million, compared with $57.3 million, for the year ended December 31, 2012. This was primarily due to lower Management Fees net of trailers. Basic and diluted EBITDA per share for the year ended December 31, 2013 was $0.17, compared to $0.34 for the year ended December 31, 2012. For further clarity, EBITDA is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

Loss before taxes for the year ended December 31, 2013 was $86.1 million compared with income before tax of $41.7 million for the year ended December 31, 2012. The effective tax rate for the year ended December 31, 2013 was lower compared to the year ended December 31, 2012 primarily as a result of the impairment of goodwill in the amount of $88.0 million (which is not deducible for tax purposes), the implementation of certain tax planning initiatives that resulted in the recognition of a deferred tax asset valued at $5.8 million, and losses in Global Companies that carry a higher corporate tax rate than the Canadian operations.

Net loss for the year ended December 31, 2013 was $81.3 million compared to net income of $32.0 million for the year ended December 31, 2012. The decrease in the year ended December 31, 2013 as compared with the year ended December 31, 2012 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, 2013 was negative $0.39, versus $0.19 for the year ended December 31, 2012.

Balance Sheet

Total assets at December 31, 2013 increased by $93.2 million to $455.7 million from $362.5 million at December 31, 2012 primarily as a result of the assets acquired of SRLC valued at $227.5 million on July 23, 2013.

Cash and cash equivalents were $115.7 million, an increase of $38.3 million from December 31, 2012 primarily due to net cash acquired on the acquisition of SRLC together with the issuance of shares from treasury for $24.5 million and offset partially by cash outflows relating to income tax payments, dividend payments and the purchase of proprietary investments.

Fees receivable at December 31, 2013 were $13.8 million, which is a decrease of $3.5 million since December 31, 2012 primarily reflecting the Company's reduced AUM.

Other assets consist primarily of proceeds receivable from the redemption of a Sprott fund, proceeds receivable on the sale of an investment by SRLC, prepaid expenses of the Company and receivables from our Funds and Managed Companies for which the Company has incurred expenses on their behalf.

Proprietary investments are comprised of investments in various Funds that we manage, including those managed by RCIC, fixed income securities, foreclosed properties, equities and warrants, royalty interests and gold bullion.

Loans receivable consist of the loan portfolio acquired through the Company's acquisition of SRLC on July 23, 2013. The Company had 18 loans outstanding as at December 31, 2013. The Company expects to continue making direct resource-based loans but at a declining rate as the monetization of expiring loans is expected to be used to seed and launch new initiatives that will continue to grow our private lending business through one or more new lending partnerships.

Intangible assets as at December 31, 2013 of $32.6 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 Sprott Toscana (see note 3 of the audited consolidated financial statements). Intangible assets with finite lives relate to: (i) the costs assigned to fund management contracts and carried interests as a result of the acquisition of the Global Companies and, (ii) deferred sales commissions the Company pays to brokers and dealers on the sale of mutual Fund securities. Intangible assets decreased by approximately $12.7 million during 2013 primarily as a result of the impairment of carried interests and the amortization of management contracts and carried interests, offset partially by the additional carried interest rights relating to two new limited partnerships launched by RCIC.

Goodwill as at December 31, 2013 was $46.4 million, which declined by $79.3 million from the $125.7 million balance as at December 31, 2012. During the year ended December 31, 2013, goodwill resulting from the acquisition of Global Companies was assessed as being impaired and a charge against earnings in the amount of $88.0 million was taken. However the strengthening of the U.S. dollar against the Canadian dollar resulted in an offsetting increase of $8.7 million in foreign exchange differences relating to the value of the Global Companies. During the year ended December 31, 2012, a goodwill impairment charge in the amount of $8.9 million was taken against income relating to the Flatiron acquisition (see Note 6 of the audited consolidated financial statements for further details).

Deferred income tax assets at December 31, 2013 are valued at $17.5 million and are predominantly made up of: (i) non-capital losses that the Company has instituted tax planning strategies to utilize, and (ii) unrealized losses in Global Companies that reflect taxable allocations of income for which the Company has paid cash taxes but has not yet received the cash distributions on which it has been taxed.

Accounts payable and accrued liabilities were $13.2 million at December 31, 2013, which is a decrease of $0.6 million from December 31, 2012. The decrease from December 31, 2012 is primarily a result of lower trailer fees payable, lower fund operating expenses payable by SAM on behalf of certain Funds that it manages and lower year-end harmonized sales tax payable partially offset by higher year-end performance fees payable to a sub-advisor of the Company.

Compensation and employee bonuses payable were $10.0 million at December 31, 2013 compared to $10.2 million at December 31, 2012. The slight decrease from December 31, 2012 is primarily the result of lower severance payable at the end of the year partially offset by higher bonus and cash based earn-out remuneration payable.

RESULTS OF OPERATIONS - REPORTABLE SEGMENTS

SAM Segment

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

Results of operations:

($ in thousands)	For the year ended December 31, 2013	December 31, 2012
Revenue		
Management fees	**66,537**	99,535
Performance fees	**6,446**	4,401
Interest income	**199**	315
Other	**(2,952)**	9,845
Total revenue	**70,230**	114,096
Expenses		
General and administrative	**38,864**	43,572
Trailer fees	**15,908**	27,134
Amortization and impairment of intangibles, property and equipment	**2,296**	5,051
Impairment of goodwill	**—**	8,935
Total expenses	**57,068**	84,692
Income before income taxes for the period	**13,162**	29,404
EBITDA	**20,001**	34,944

Year ended December 31, 2013 vs. year ended December 31, 2012

Revenues

During the year ended December 31, 2013, total revenues decreased by $43.9 million (38.4%) from $114.1 million in the year ended December 31, 2012 to $70.2 million in the year ended December 31, 2013.

Revenues from Management Fees were $66.5 million for the year ended December 31, 2013, a decrease of $33.0 million from the year ended December 31, 2012 mainly attributable to weaker AUM during the year, and to a lesser extent, the different composition of SAM's AUM year over year.

Revenues from Gross Performance Fees were $6.4 million for the year ended December 31, 2013 versus $4.4 million for the year ended December 31, 2012 reflecting Performance Fees generated primarily from an alternative strategy fund.

Interest income decreased by $0.1 million to $0.2 million for the year ended December 31, 2013 when compared to the year ended December 31, 2012. Interest income is primarily generated from treasury bills and cash deposits with banks and brokerages.

Other revenues were negative $3.0 million for the year ended December 31, 2013, a decrease of $12.8 million from the year ended December 31, 2012. The decrease in other revenues was primarily due to higher unrealized losses from proprietary investments in 2013 compared to 2012. Other income in 2012 also included approximately $9.1 million of mark-to-market adjustments relating to a portion of the acquisition consideration payable net of the related contingent returnable consideration asset pertaining to the 2012 Flatiron acquisition. The largest components of other revenue are unrealized gains and losses on proprietary investments, short term trading fees and early redemption fees.

Expenses

Total expenses for the year ended December 31, 2013 were $57.1 million, a decrease of approximately $27.6 million or 32.6%, compared with $84.7 million for the year ended December 31, 2012.

General and administrative expenses, which include compensation and benefits expenses for the year ended December 31, 2013 amounted to $38.9 million versus $43.6 million for the year ended December 31, 2012. The largest contributor to the decrease relates to lower stock-based compensation and a decline in compensation and benefits and fund subsidies, partially offset by an increase in sub-advisory fees.

Trailer fees for the year ended December 31, 2013 were $15.9 million versus $27.1 million, a decrease of $11.2 million (41.4%) compared to 2012. The decrease was attributable to the decline in 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 decreased by $2.8 million for the year ended December 31, 2013 when compared to the year ended December 31, 2012, primarily due to the fund management contract write offs of approximately $2.9 million relating to the Flatiron acquisition in 2012.

The decrease in goodwill impairment charges in the year is due to there being no goodwill impairment charges taken in SAM for the year ended December 31, 2013, compared to a goodwill impairment charge of $8.9 million relating to the Flatiron acquisition (fully written off).

EBITDA

For the year ended December 31, 2013, EBITDA was $20.0 million compared with $34.9 million for the year ended December 31, 2012. The decrease in EBITDA in 2013 when compared to 2012 is mainly a result of lower Management Fees earned in the current year, partially offset by lower trailer fees and lower general and administrative expenses in the current year.

Global Companies Segment

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

Results of operations:

	For the year ended	
(in $ thousands)	**December 31, 2013**	December 31, 2012
Revenue		
Management fees	**9,359**	9,552
Performance fees	**302**	—
Commissions	**5,081**	9,645
Interest income	**56**	88
Other	**(1,095)**	13
Total revenue	**13,703**	19,298
Expenses		
General and administrative	**14,533**	16,366
Amortization and impairment of intangibles, property and equipment	**15,674**	8,395
Impairment of goodwill	**87,960**	—
Total expenses	**118,167**	24,761
Income (loss) before income taxes for the period	**(104,464)**	(5,463)
EBITDA	**4,633**	7,248

Year ended December 31, 2013 vs. year ended December 31, 2012

Revenues

Total revenues decreased by $5.6 million (29.0%) from $19.3 million during the year ended December 31, 2012 to $13.7 million during the year ended December 31, 2013. The decrease is primarily due to a reduction in the volume of transactions that generate commission revenue (primarily private placements) and to realized and unrealized losses on proprietary investments in 2013 compared to small realized and unrealized gains during the prior year.

Revenue from Management Fees was $9.4 million for the year ended December 31, 2013 compared to $9.6 million for the year ended December 31, 2012. The slight decrease is due to lower Management Fees generated on a lower level of average AUM at RCIC.

During the year ended December 31, 2013, Carried Interests of $0.3 million were realized compared to $nil in the year ended December 31, 2012. This Carried Interest was realized on the extension of the term of one of the Fixed Term Limited Partnerships for a further five years. For financial statement presentation purposes, Carried Interests are included with Performance fees on the Company's annual consolidated financial statements.

Revenues from Commissions were $5.1 million for the year ended December 31, 2013, a decrease of approximately $4.6 million when compared to $9.6 million in the year ended December 31, 2012. These commissions were generated by SGRIL from the trading of securities by clients and from the sale to clients of new and follow-on offerings of products and through private placements of unrelated companies. The decrease is due to fewer transactions that generated commission revenue (primarily private placements) in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Interest income was $56 thousand for the year ended December 31, 2013 compared to $88 thousand for the corresponding period of 2012. Interest income is primarily generated from cash deposits with banks and brokerages.

Gains and losses from invested capital (realized and unrealized) make up the majority of the Other revenue category. For the year ended December 31, 2013, Other revenue was negative $1,095.0 thousand compared to income of $13.0 thousand for the year ended December 31, 2012.

Expenses

Total expenses were $118.2 million for the year ended December 31, 2013, which increased by $93.4 million (377.2%) from $24.8 million in the prior year. The increase is primarily due to impairment charges of $98.4 million taken on goodwill and carried interests.

General and administrative expenses, which include compensation and benefits expenses for the year ended December 31, 2013 were $14.5 million compared to $16.4 million for the year ended December 31, 2012, a decrease of approximately $1.8 million. The largest component of general and administrative expenses is compensation and benefits followed by stock-based compensation relating to earn-out shares (see note 9 of the audited consolidated financial statements) with other significant expenses consisting of rent, marketing, professional fees and expenses unique to Global Companies' brokerage business. Compensation and benefits (including stock-based compensation) decreased during 2013 primarily as a result of lower bonus accruals and lower variable compensation which is directly correlated to the lower commission revenue realized during the year ended December 31, 2013. The decrease in professional fees, marketing and other office expenses were offset partially by higher sub-advisor fees paid in 2013 versus the prior year. Sub-advisor fees in the amount of $0.3 million were paid to SRLC for advisory services relating to Resource Income Partners LP.

Amortization expense, excluding the effect of impairment related charges and reversals, decreased slightly. An impairment charge of $10.4 million and amortization of $5.2 million on intangibles and $0.1 million on property and equipment was recorded in the year ended December 31, 2013, compared to an impairment charge net of reversals of $1.9 million and amortization of $6.4 million on intangibles and $0.1 million on property and equipment in the prior year. This resulted in total amortization and impairment expense on intangibles, property and equipment of $15.7 million for the year ended December 31, 2013 compared to $8.4 million for the year ended December 31, 2012.

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 over the year. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, record future impairment losses or reversals.

As a result of the annual goodwill impairment test, it was determined that an impairment charge in the amount of $88.0 million (2012- $nil) was necessary. The charge was determined in relation to the revenues of the acquired assets, which were reduced primarily due to the protracted decline in the junior resource sector between 2011 and the end of 2013. Management expects that a recovery in the natural resources sector will drive improving revenues for the Global Companies.

EBITDA

For the year ended December 31, 2013, EBITDA was $4.6 million compared with $7.2 million for the year ended December 31, 2012. The decrease in EBITDA was mainly the result of a reduction in transaction volumes that generate commission revenue offset in part by a decrease in employee compensation.

SRLC

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

SRLC was acquired by the Company effective July 23, 2013 and as a result, its operations are presented for the period July 23, 2013 to December 31, 2013 without comparative information.

Results of operations:

	For the Period ended	
($ in thousands)	**December 31, 2013**	December 31, 2012
Revenue		
Interest income	**7,215**	—
Other	**5,978**	—
Total revenue	**13,193**	—
Expenses		
General and administrative	**2,552**	—
Amortization of property and equipment	**2**	—
Total expenses	**2,554**	—
Income before income taxes for the period	**10,639**	—
EBITDA	**6,466**	—

Period ended December 31, 2013

Revenues

Revenues from interest income were $7.2 million for the period ended December 31, 2013. Interest income was earned primarily from resource sector loans.

Other revenues were $6.0 million for the period ended December 31, 2013. The gain on bargain purchase of $5.5 million related to the SRLC acquisition made up the majority of the Other revenue category. Gains on bargain purchase are recognized when the purchase price of an acquisition target is below the fair value of the net identifiable assets of the acquisition target. Other income also includes gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) together with other loan-related revenues.

Expenses

General and administrative (including compensation and benefits) expenses for the period ended December 31, 2013 were $2.6 million. The largest component of general and administrative expenses is compensation and benefits followed by professional fees and other expense items.

EBITDA

For the period ended December 31, 2013, the acquisition of SRLC contributed $6.5 million to EBITDA.

Corporate and Other Segment

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

Results of operations:

	For the year ended	
($ in thousands)	**December 31, 2013**	December 31, 2012
Revenue		
Management fees	**170**	5
Commissions	**1,139**	3,861
Interest income	**2,344**	2,268
Other	**(568)**	11,723
Total revenue	**3,085**	17,857
Expenses		
General and administrative	**15,402**	11,294
Amortization of property and equipment	**65**	127
Total expenses	**15,467**	11,421
Income (loss) before income taxes for the period	**(12,382)**	6,436
EBITDA	**(5,759)**	3,784

Year ended December 31, 2013 vs. year ended December 31, 2012

Revenues

During the year ended December 31, 2013, total revenues decreased by $14.8 million from $17.9 million in the year ended December 31, 2012 to $3.1 million in the year ended December 31, 2013.

Revenues from Management Fees were $170.0 thousand for the year ended December 31, 2013 compared to $5.0 thousand in the year ended December 31, 2012. Management fees were earned by SPW on certain accounts it manages.

Commission revenue for the year ended December 31, 2013 was $1.1 million compared to $3.9 million during the year ended December 31, 2012. The decrease in Commissions was mainly due to 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 during the prior year. Commissions from similar sources were lower in 2013.

Interest income was $2.3 million for the year ended December 31, 2013 compared to $2.3 million for the corresponding period of 2012. The majority of this interest income was earned from the Corporate segment's loan portfolio that was previously presented as proprietary investments along with a lower amount of interest income generated from cash deposits with banks and brokerage.

Other income of negative $0.6 million declined by $12.3 million from $11.7 million in the prior year. Trailer fee income received from SAM is the most significant recurring component of other income and is generated primarily by SPW on an intercompany basis. Intercompany revenues are eliminated upon consolidation.The decline in other income was due to a significant decline in trailer fee income during the current period as a result of the decrease in the average trailer paying AUA of SPW along with realized and unrealized losses on proprietary investments.

Expenses

Total expenses for the year ended December 31, 2013 were $15.5 million, an increase of approximately $4.0 million from $11.4 million for the year ended December 31, 2012. General and administrative expenses increased mainly due to transition expenses associated with the departure of a senior executive of the Company and higher regulatory and professional fees resulting from the acquisition of SRLC.

EBITDA

For the year ended December 31, 2013, EBITDA was negative $5.8 million compared with $3.8 million for the year ended December 31, 2012. The decrease in EBITDA was mainly due to the decline in trailer fees and commissions offset partially by higher compensation and benefits expense.

Consulting Segment

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

Results of operations:

	For the year ended	
($ in thousands)	**December 31, 2013**	December 31, 2012
Revenue		
Management fees	**8,632**	9,422
Performance fees	**2,246**	5,554
Interest income	**30**	21
Other	**7,596**	199
Total revenue	**18,504**	15,196
Expenses		
General and administrative	**11,484**	3,826
Amortization of property and equipment	**37**	39
Total expenses	**11,521**	3,865
Income before income taxes for the period	**6,983**	11,331
EBITDA	**9,557**	11,370

Year ended December 31, 2013 vs. year ended December 31, 2012

Revenues

Total revenues were $18.5 million for the year ended December 31, 2013, an increase of $3.3 million (21.8%) from $15.2 million in the prior year.

Revenues from Management Fees were $8.6 million for the year ended December 31, 2013 compared to $9.4 million in the year ended December 31, 2012. The decrease is mainly attributable to lower Management Fees generated on lower average AUM at our Managed Companies, specifically as a result of the removal of approximately $0.2 billion of AUM relating to assets that were previously managed under a management services agreement with SRLC and instead are now included as net assets of the Company effective July 23, 2013.

Revenues from Performance Fees were $2.2 million for the year ended December 31, 2013 compared to $5.6 million in the year ended December 31, 2012. The majority of Performance Fees recognized during the year ended December 31, 2013 were a result of greater than expected Performance Fees for the year ended December 31, 2012 received in 2013 from a Managed Company and from the inclusion of Performance Fees from Sprott Toscana and SRLC upon its acquisitions.

Interest income was $30.0 thousand for the year ended December 31, 2013 compared to $21.0 thousand during the prior year. Interest income is primarily generated from cash deposits with banks and brokerages.

Included in Other income during the year was a one-time break-fee of $7.5 million received on termination of a management services agreement with a Managed Company.

Expenses

General and administrative expenses, which include compensation and benefits expenses for the year ended December 31, 2013 were $11.5 million, an increase of $7.7 million from the prior year of $3.8 million. The largest contributor to the increase relates to $4.5 million of compensation and benefits associated with the one-time break-fee received for the termination of the management services agreement with a Managed Company and a stock-based compensation accrual of $1.9 million (2012- $nil) relating to the earn-out formula for the Sprott Toscana acquisition.

EBITDA

For the year ended December 31, 2013, EBITDA was $9.6 million compared with $11.4 million for the year ended December 31, 2012. The decrease in EBITDA in 2013 when compared to 2012 is mainly due to the decline in performance fees previously described.

SUMMARY OF QUARTERLY RESULTS

($ in thousands)	As at 31-Mar-12	As at 30-Jun-12	As at 30-Sept-12	As at 31-Dec-12	As at 31-Mar-13	As at 30-Jun-13	As at 30-Sept-13	As at 31-Dec-13
Assets Under Management	9,683.283	8,485,400	10,302,652	9,931,151	9,109,951	7,146,770	7,335,625	**6,966,524**

($ in thousands, except per share amounts)	3 Months ended 31-Mar-12	3 Months ended 30-Jun-12	3 Months ended 30-Sept-12	3 Months ended 31-Dec-12	3 Months ended 31-Mar-13	3 Months ended 30-Jun-13	3 Months ended 30-Sept-13	3 Months ended 31-Dec-13
Income Statement Information								
Revenue								
Management fees	32,986	28,084	28,202	29,242	25,951	21,458	19,497	**17,792**
Performance fees	76	17	93	9,769	1,348	141	892	**6,613**
Commissions	5,722	2,057	2,424	3,303	1,936	1,616	1,477	**1,191**
Interest income	720	612	655	705	759	968	3,306	**4,815**
Unrealized and realized gains (losses) on proprietary investments and loans	4,241	(3,984)	3,798	(1,789)	(3,049)	(9,466)	1,323	**(3,286)**
Other income	645	655	602	9,319	616	1,854	13,697	**2,923**
Total revenue	44,390	27,441	35,774	50,549	27,561	16,571	40,192	**30,048**
Net income (loss)	16,943	736	11,008	3,297	2,090	(6,710)	13,470	**(90,111)**
EBITDA	16,159	10,409	10,504	20,274	10,399	8,120	5,881	**10,500**
Basic earnings (loss) per share	0.10	0.00	0.07	0.02	0.01	(0.04)	0.06	**(0.37)**
Diluted earnings (loss) per share	0.10	0.00	0.06	0.02	0.01	(0.04)	0.06	**(0.37)**
Basic and diluted EBITDA per share	0.10	0.06	0.06	0.12	0.06	0.05	0.03	**0.04**

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

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

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

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

SUMMARY OF SELECTED ANNUAL INFORMATION

($ in thousands, except per share amounts)	As at and for the year ended December 31, 2013	2012	2011
Total revenues	**114,372**	158,154	161,252
Net income (loss) for the year	**(81,261)**	31,984	33,038
Basic and fully diluted earnings (loss) per share	**(0.39)**	0.19	0.20
Total assets	**455,720**	362,492	400,536
Total long-term liabilities	**12,298**	12,661	16,989
Dividends declared per share	**0.12**	0.12	0.12
Special dividends declared per share	**—**	—	0.72

Dividends

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

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

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

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

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

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

As at December 31, 2013, capital stock issued and outstanding stood at 245.9 million common shares (2012 - 169.0 million) for total equity of $420.3 million (2012 - $317.7 million). The 76.9 million increase in common shares was primarily the result of the issuance of 69.0 million common shares related to the acquisition of SRLC (valued at $166.2 million).

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

Pursuant to the Share Purchase agreement relating to the Sprott Toscana 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 Sprott Toscana over a period not exceeding three years from the acquisition date.

Earnings per share as at December 31, 2013 and December 31, 2012 have been calculated using the weighted average number of shares outstanding during the respective periods. Basic and diluted earnings (loss) per share for the year ended December 31, 2013 was ($0.39) versus $0.19 for the year ended December 31, 2012. For the year ended December 31, 2013, diluted earnings per share reflects the dilutive effect of in-the-money stock options, shares held for the equity incentive plan, the remaining 0.2 million common shares relating to the additional purchase consideration to be provided to employees of the Global Companies and outstanding restricted stock units.

A total of 2,650,000 stock options have been issued pursuant to our stock option plan. As at December 31, 2013, 2,650,000 of those stock options were exercisable.

As at March 25, 2014, the Company had 248.1 million common shares outstanding.

Liquidity and Capital Resources

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

The Company does not have off-balance sheet contractual arrangements and no material contractual obligations other than our long-term lease agreement and loan commitments of $1.9 million. During the year ended December 31, 2013, the Company renewed its credit facility with a major Canadian chartered bank. The amount that may be borrowed under this facility is $35 million. Amounts may be borrowed under the facility through prime rate loans, which bear interest at the bank's prime rate, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 1.375%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 1.375%.

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

The credit facility is fully and unconditionally guaranteed by SAM and contains financial covenants that require the Company to meet certain financial ratio and financial condition tests. The Company has not drawn on the credit facility as at December 31, 2013. See Note 9 of the audited consolidated financial statements for further details.

SPW is a member of IIROC and a registered investment dealer, SAM is an OSC registrant in the category of IFM, PM and EMD, and as such, each of SPW and SAM is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of IIROC and of the OSC, respectively. In addition, SGRIL is registered with FINRA in the United States and is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of FINRA. During the year ended December 31, 2013, SAM, SPW and SGRIL were in compliance with specified capital requirements.

Contingency

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

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

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

The Company has incurred nominal expenses in relation to this claim as at December 31, 2013 and expects most legal costs will be recoverable under its insurance policies and other contractual arrangements.

Critical Accounting Judgments and Estimates

The audited consolidated financial statements were prepared in accordance with IFRS, using accounting policies the Company adopted in its audited consolidated financial statements as at and for the year ended December 31, 2013. 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, 2013.

The preparation of the audited consolidated financial statements in conformity with IFRS requires us to exercise judgment, make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary. Items that require the use of judgment, estimates and assumptions are described below.

Impairment of goodwill and intangible assets

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 11 of the audited consolidated financial statements.

Share-based payments

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

Deferred tax assets

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

Provisions, including provisions for loan losses

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

Investments in other entities

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

Valuation of foreclosed properties held for sale

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

Alternative and policy choices under IFRS

A summary of the Company's significant accounting policies under IFRS are provided in note 2 to the audited consolidated financial statements. These policies have been 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 financial markets; non-repayment by borrowers; failure to retain and attract qualified staff; poor investment performance; changes in the investment management industry; competitive pressures; rapid growth; regulatory compliance; public company reporting and other regulatory obligations; historical financial information not necessarily indicative of future performance; failure to execute our succession plan; conflicts of interest; litigation risk; employee errors or misconduct; effectiveness of information security policies, procedures and capabilities; failure to develop effective business continuity plans; entering new lines of business; fluctuations in Performance Fees and Carried Interests; rapid growth or decline in our AUM and AUA; insufficient insurance coverage; possible volatility of Company's the share price; and significant influence by a principal shareholder. A full description of the Company's risks are discussed in the Company's Annual Information Form and is available on SEDAR.

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

Market Risk

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

Interest Rate Risk

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

Credit Risk

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

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

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

Other Lending Risks

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

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

Internal Controls and Procedures

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

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

Management is responsible for the design and operational effectiveness of DC&P and ICFR in order to provide reasonable assurance regarding the disclosure of material information relating to the Company and information required to be disclosed in 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, 2013 and concluded that the controls have been properly designed and are operating effectively.

During the year ended December 31, 2013, the Company acquired SRLC which required the Company to analyze and implement additional internal controls over financial reporting to reflect the unique aspects associated with a lending business, including, but not limited to, loan portfolio valuation and real estate valuation methodologies. There were no other changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Conflicts of Interest

The Company established a number of policies with respect to employee personal trading. Employees may not trade any of the securities held or being considered for investment by any of the Company's Funds without prior approval. In addition, employees must receive prior approval before they are permitted to buy or sell securities. Speculative trading is strongly discouraged. While employees are permitted to have investments managed by third parties on a discretionary basis, they generally choose to invest in the Funds. All employees must comply with the Company's Code of Ethics. This Code establishes strict rules for professional conduct 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. The Company established an independent review committee for public mutual Funds and other Funds. As required by NI 81-107, The Company established written policies and procedures for dealing with conflict of interest matters, and maintains records in respect of these matters and provides assistance to the independent review committee in carrying out its functions. The independent review committee is comprised of three independent members, and is subject to requirements to conduct regular assessments and provide reports to the Company and to the holders of interests in public mutual Funds in respect of its functions.

Confidentiality of Information

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

Insurance

The Company maintains appropriate insurance coverage for general business and liability risks as well as insurance coverage required by regulation. Insurance coverage is reviewed periodically to ensure continued adequacy.

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

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, 2013. 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 27, 2014

INDEPENDENT AUDITORS' REPORT

To the shareholders of Sprott Inc.

We have audited the accompanying consolidated financial statements of Sprott Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 25, 2014

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at *($ in thousands of Canadian dollars)*		**December 31, 2013**	December 31, 2012
Assets			
Current			
Cash and cash equivalents		**115,670**	77,400
Fees receivable		**13,793**	17,301
Loans receivable	*(Note 7)*	**54,402**	—
Other assets	*(Note 8)*	**17,071**	3,919
Income taxes recoverable		**3,545**	—
Total current assets		**204,481**	98,620
Proprietary investments	*(Note 4)*	**93,420**	60,602
Loans receivable	*(Note 7)*	**50,698**	16,122
Other assets	*(Note 8)*	**3,613**	—
Property and equipment, net	*(Note 5)*	**7,010**	7,260
Intangible assets	*(Note 6)*	**32,597**	45,253
Goodwill	*(Note 6)*	**46,378**	125,740
Deferred income taxes	*(Note 10)*	**17,523**	8,895
		251,239	263,872
Total assets		**455,720**	362,492
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		**13,151**	13,712
Compensation and employee bonuses payable		**9,973**	10,242
Income taxes payable		**—**	8,168
Total current liabilities		**23,124**	32,122
Deferred income taxes	*(Note 10)*	**12,298**	12,661
Total liabilities		**35,422**	44,783
Shareholders' equity			
Capital stock	*(Note 9)*	**410,420**	215,474
Contributed surplus	*(Note 9)*	**45,664**	42,808
Retained earnings (deficit)		**(48,244)**	58,609
Accumulated other comprehensive income		**12,458**	818
Total shareholders' equity		**420,298**	317,709
Total liabilities and shareholders' equity		**455,720**	362,492

See accompanying notes

Events after the reporting period (Note 18)

Eric Sprott
Director, Chairman

James Roddy
Director, Chair of Audit Committee

CONSOLIDATED STATEMENTS OF OPERATIONS

($ in thousands of Canadian dollars, except for per share amounts)		***For the year ended*** **December 31, 2013**	*For the year ended* December 31, 2012
Revenue			
Management fees		**84,698**	118,514
Performance fees		**8,994**	9,955
Commissions		**6,220**	13,506
Interest income		**9,844**	2,691
Unrealized and realized gains (losses) on proprietary investments and loans		**(14,478)**	2,266
Other income	*(Note 8)*	**19,094**	11,222
Total revenue		**114,372**	158,154
Expenses			
Compensation and benefits		**44,759**	36,856
Stock-based compensation	*(Note 9)*	**10,264**	11,107
Trailer fees		**11,898**	19,030
General and administrative		**27,479**	26,906
Amortization of intangibles	*(Note 6)*	**6,788**	7,782
Impairment of intangibles	*(Note 6)*	**10,360**	4,726
Impairment of goodwill	*(Note 6)*	**87,960**	8,935
Amortization of property and equipment	*(Note 5)*	**926**	1,104
Total expenses		**200,434**	116,446
Income (loss) before income taxes for the year		**(86,062)**	41,708
Provision (recovery) for income taxes	*(Note 10)*	**(4,801)**	9,724
Net income (loss) for the year		**(81,261)**	31,984
Basic earnings (loss) per share	*(Note 9)*	**$ (0.39)**	$ 0.19
Diluted earnings (loss) per share	*(Note 9)*	**$ (0.39)**	$ 0.19

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

($ in thousands of Canadian dollars)	***For the year ended*** **December 31, 2013**	*For the year ended* December 31, 2012
Net income (loss) for the year	**(81,261)**	31,984
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain (loss) on foreign operations (taxes of nil)	**11,640**	(4,315)
Total other comprehensive income (loss)	**11,640**	(4,315)
Comprehensive income (loss)	**(69,621)**	27,669

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($ in thousands of Canadian dollars, other than number of shares)		Number of Shares Outstanding	Capital Stock	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Equity
At December 31, 2012		**169,049,677**	**215,474**	**42,808**	**58,609**	**818**	**317,709**
Business acquisition	*(Note 3)*	**68,962,896**	**166,201**	**—**	**—**	**—**	**166,201**
Shares acquired for equity incentive plan	*(Note 9)*	**(448,500)**	**(697)**	**(558)**	**—**	**—**	**(1,255)**
Shares released on vesting of equity incentive plan	*(Note 9)*	**627,125**	**3,714**	**(3,707)**	**—**	**—**	**7**
Foreign currency translation gain on foreign operations		**—**	**—**	**—**	**—**	**11,640**	**11,640**
Additional purchase consideration	*(Note 3)*	**177,500**	**1,090**	**(1,234)**	**—**	**—**	**(144)**
Stock-based compensation		**—**	**—**	**10,264**	**—**	**—**	**10,264**
Deferred tax asset on stock-based compensation		**—**	**—**	**(1,904)**	**—**	**—**	**(1,904)**
Shares issued from treasury		**7,577,159**	**24,638**	**(5)**	**—**	**—**	**24,633**
Regular dividends paid	*(Note 13)*	**—**	**—**	**—**	**(25,592)**	**—**	**(25,592)**
Net loss		**—**	**—**	**—**	**(81,261)**	**—**	**(81,261)**
Balance, December 31, 2013		**245,945,857**	**410,420**	**45,664**	**(48,244)**	**12,458**	**420,298**
At December 31, 2011		**169,082,077**	**208,413**	**40,857**	**47,038**	**5,133**	**301,441**
Business acquisition		1,564,500	7,698	—	—	—	7,698
Shares acquired for equity incentive plan		(1,774,400)	(2,188)	(7,821)	—	—	(10,009)
Foreign currency translation gain on foreign operations		—	—	—	—	(4,315)	(4,315)
Additional purchase consideration		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		—	—	—	(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**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 ($ in thousands of Canadian dollars)	**2013**	2012
Operating Activities		
Net income (loss) for the year	**(81,261)**	31,984
Add (deduct) non-cash items:		
Losses (gains) on proprietary investments and loans	**14,478**	(2,266)
Stock-based compensation	**10,264**	11,107
Amortization of property, equipment and intangible assets	**7,714**	8,886
Impairment of intangible assets	**10,360**	4,726
Impairment of goodwill	**87,960**	8,935
Gain on bargain purchase	**(5,457)**	—
Deferred income tax recovery	**(8,806)**	(8,860)
Other items	**(8,447)**	(326)
Income taxes	**4,005**	18,584
Income taxes paid	**(15,605)**	(47,252)
Changes in:		
Fees receivable and other assets	**(8,699)**	(6,574)
Loans receivable	**19,884**	—
Accounts payable, accrued liabilities, compensation and employee bonuses payable	**(22,731)**	(21,804)
Effect of foreign exchange on cash balances	**956**	(93)
Cash provided by (used in) operating activities	**4,615**	(2,953)
Investing Activities		
Purchase of proprietary investments	**(62,925)**	(36,598)
Sale of proprietary investments	**34,858**	45,604
Purchase of property and equipment	**(635)**	(3,127)
Deferred sales commissions paid	**(1,969)**	(1,208)
Cash paid for acquisitions	**(20,806)**	(13,030)
Cash acquired on acquisition	**88,307**	1,236
Purchase of intangible assets	**(828)**	(1,609)
Cash provided by (used in) investing activities	**36,002**	(8,732)
Financing Activities		
Acquisition of common shares for equity incentive plan	**(1,255)**	(10,008)
Shares issued from treasury	**24,500**	—
Dividends paid	**(25,592)**	(20,413)
Cash used in financing activities	**(2,347)**	(30,421)
Net increase (decrease) in cash and cash equivalents during the year	**38,270**	(42,106)
Cash and cash equivalents, beginning of the year	**77,400**	119,506
Cash and cash equivalents, end of the year	**115,670**	77,400
Cash and cash equivalents:		
Cash	**95,941**	25,818
Short-term deposits	**19,729**	51,582
	115,670	77,400

See accompanying notes

1. CORPORATE INFORMATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The audited consolidated financial statements of the Company for the year ended December 31, 2013 were authorized for issue by a resolution of the Board of Directors on March 25, 2014.

Basis of presentation

These audited consolidated financial statements have been prepared on a going concern basis and on a historical cost basis, except for financial assets and financial liabilities classified as held-for-trading or designated as fair value through profit or loss, both of which have been measured at fair value. These audited 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 audited consolidated financial statements comprise those of the Company and its subsidiaries as well as four limited partnerships in which the Company is the sole limited partner and general partner.

The four limited partnerships are Sprott Asset Management LP ("SAM"), Sprott Private Wealth LP ("SPW"), Sprott Consulting LP ("SC") and Sprott Asia LP ("Asia"). Material wholly-owned subsidiaries are Sprott U.S. Holdings Inc., Sprott Resource Lending Corp. ("SRLC"), Toscana Capital Corporation and Toscana Energy Corporation (Collectively, "Sprott Toscana"), Sprott Genpar Ltd. and SAMGENPAR Ltd. Sprott U.S. Holdings Inc. is the parent company of: Rule Investments, Inc. (the owner of Sprott Global Resource Investments, Ltd. ("SGRIL"), Sprott Asset Management USA Inc. ("SAM US") and Resource Capital Investment Corporation ("RCIC"). Collectively, these interests of Sprott U.S. Holdings Inc. are referred to as the "Global Companies". These are entities over which the Company has control. Control exists if the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns the Company receives. Generally, control is presumed to exist when the Company owns more than one half of the voting rights of an entity. The Company does not control entities for which it owns less than one half of the voting rights, other than the Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust"), which the Company is deemed to control.

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

Investments in funds ("Fund" or "Funds") managed by the Company and included in proprietary investments, are assessed to determine whether the Company has control, joint control or significant influence. This determination includes consideration of all facts and circumstances relevant to a Fund, including the extent of the Company's direct and indirect interests in a Fund, the level of compensation to be received from a Fund for management and other services provided to it, kick out rights available to other investors and other indicators of power the Company has over a Fund. If a Fund is determined to be controlled, it will be consolidated by the Company. If a Fund is determined to be subject to significant influence, the Company has designated the investment at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* as permitted by IAS 28 *Investments in Associates and Joint Ventures*.

The Company manages a range of public mutual funds, alternative investment strategies, offshore funds, bullion funds and physical trusts, which meet the definition of structured entities under IFRS. The principal place of business of the Funds is Toronto, Ontario, which is where the ultimate manager of all the funds resides. As at December 31, 2013, assets under management in public mutual funds was $1.5 billion (2012 - $2 billion); alternative investment strategies $765 million (2012 - $1.4 billion); offshore funds $173 million (2012 - $190 million); bullion funds $239 million (2012 - $445 million); and physical trusts $3.3 billion (2012 - $4.5 billion). The Company had investments in 37 Funds (2012 - 33) with an average ownership interest of 7.6% (2012 - 3.3%). The Company provides no guarantees against the risk of financial loss to the investors of these investment funds.

Recognition of income

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

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

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

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

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

Cash and cash equivalents

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

Proprietary investments

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

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

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

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

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

Loans receivable

Precious metal loans

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

Resource bridge loans and real estate loans

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

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

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

Impairment of resource bridge loans and real estate loans

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

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

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

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

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

Financial instruments

Financial instrument assets held by the Company are classified as held-for-trading (HFT), designated as FVTPL, HTM or as loans and receivables. Financial instrument liabilities may be classified as either HFT or other. The Company does not currently hold available-for-sale instruments (AFS). All financial instruments held by the Company are initially measured at fair value. After initial recognition, financial instruments classified as HFT or those designated as FVTPL are measured at fair value using quoted market prices in active markets where available or through the use of valuation techniques as appropriate. Precious metal loans are designated as FVTPL or classified as HTM. Changes in fair value of the Company's financial instruments are reflected in net income, with the exception of financial instruments classified as HTM, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Transaction costs related to financial assets classified as HFT or designated as FVTPL are expensed as incurred.

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

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

- Cash and cash equivalents and all proprietary investments are classified as HFT;
- Fees receivable, proceeds receivable (part of other assets) and loans receivable are classified as loans and receivables;
- Precious metal loans are designated as FVTPL or classified as HTM;

- Accounts payable and accrued liabilities and compensation and employee bonuses payable are classified as other financial liabilities.

Fair value option

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

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

Fair value hierarchy

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

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

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

Level 3: valuation techniques with significant unobservable market inputs.

The Company will transfer financial instruments into or out of levels in the fair value hierarchy to the extent the instrument no longer satisfies the criteria for inclusion in the category in question. See note 11.

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

Offsetting of financial instruments

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

Property and equipment

Property and equipment are recorded at cost and are amortized on a straight-line basis over the expected useful life which ranges from 1 to 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Artwork is not amortized since it does not have a determinable useful life.

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

Deferred sales commissions

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

Intangible assets

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

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

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

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

Business combinations, goodwill and gain on bargain purchase

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

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

Income taxes

Income tax is comprised of current and deferred tax.

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

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

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

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

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

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

Share-based payments

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

Earnings per share

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

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

Foreign currency translation

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management. 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 annual consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions and estimates as they occur.

Impairment of goodwill and intangible assets

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 11 of the audited consolidated financial statements.

Share-based payments

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

Deferred tax assets

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

Provisions, including provisions for loan losses

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

Investments in other entities

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

Valuation of foreclosed properties held for sale

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

Accounting policies adopted during the year

Amendment to IAS 1, *Presentation of Financial Statements (IAS 1)*

As part of the annual improvements 2009-2011 cycle (comparative information), the IASB amended IAS 1 to clarify requirements for comparative information. The amendments were effective for annual periods beginning on or after July 1, 2013. The adoption of this amended standard did not have a material impact on the Company's results of operations, financial position or disclosures.

Amendment to *IAS 36, Recoverable Amount Disclosures for Non-financial Assets (IAS 36)*

After IFRS 13 was issued, the IASB was made aware that one of the amendments to IAS 36 made in conjunction with the issuance of IFRS 13 resulted in disclosure requirements that were more broadly applicable than the IASB had intended. The May 2013 amendments to IAS 36 correct the disclosure requirements but the effective date of the amendment is for annual periods beginning on or after January 1, 2014 with early adoption permitted. The Company has early adopted the amendments with no significant impact to the Company's disclosures.

IFRS 10, Consolidated Financial Statements (IFRS 10)

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

IFRS 11, Joint Arrangements (IFRS 11)

IFRS 11 was effective for the Company on January 1, 2013. The adoption of IFRS 11 did not have a material impact on the Company's results of operations, financial positions and disclosures as the Company did not have any jointly controlled arrangements over the fiscal period.

IFRS 12, Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 was issued in May 2011 and was effective for the Company on January 1, 2013. IFRS 12 contains all disclosure requirements related to an entity's interests in subsidiaries, joint arrangements, associated and structured entities, including a number of new disclosures. The adoption of IFRS 12 did not have a material impact on the Company's disclosures.

IFRS 13, Fair Value Measurement (IFRS 13)

IFRS 13 was effective for the Company on January 1, 2013 and specifies how to measure fair value when fair value (and measures based on fair value) are required or permitted by another IFRS. The adoption of IFRS 13 did not have a material impact on the Company's results of operations and financial positions but did lead to changes to certain disclosures. See Note. 11.

Future changes in accounting policies

IFRS 9, Financial Instruments (IFRS 9)

IFRS 9 is expected to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). However, the IASB removed the previous mandatory effective date of January 1, 2015 and has not proposed a future effective date.

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

3. BUSINESS ACQUISITION

Toscana Companies

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

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

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

Flatiron Capital Management Partners ("Flatiron")

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

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

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

- the acquisition consideration payable of $8.4 million reflected the fair value of the legal obligation by the Company to pay the Flatiron vendors;
- the contingent returnable consideration asset of $8.4 million reflected the fair value of management's best estimate as to the amount the Company expects not to pay the Flatiron vendors;
- the contingent returnable consideration asset of $8.4 million was netted against the acquisition consideration payable of $8.4 million on the consolidated balance sheets;

- the effect of the fair value adjustments to the acquisition consideration payable and the contingent returnable consideration asset resulted in other income of $9.1 million and was included in other income on the consolidated statements of income (loss);
- management's estimate as to the value of the goodwill was written down to $nil with a charge of $8.9 million to the consolidated statements of operations; and,
- management's estimate of the value of finite life fund management contracts was written down to $nil with a charge of $3.0 million to the consolidated statements of operations.

There were nominal impacts to the consolidated statements of operations for the year ended December 31, 2013 as a result of the agreements entered into by the Company and the Flatiron vendors effective January 11, 2013.

Sprott Resource Lending Corp. ("SRLC")

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

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

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

	July 23, 2013
Net assets acquired	
Cash and cash equivalents	88,307
Fees receivable and other assets	4,568
Proprietary investments	23,573
Loans receivable	108,015
Property and equipment	40
Deferred tax assets	2,958
Accounts payable and accrued liabilities	(21,912)
Deferred tax liabilities	(1,145)
	204,404
Consideration paid	
Cash consideration	20,806
Common shares - newly issued	166,201
Common shares - prior ownership	11,940
	198,947
Gain on bargain purchase	5,457
Additional Disclosures	
Revenues earned since acquisition date	13,193
Income before taxes since acquisition date	10,639

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

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

Included in general and administrative expenses are approximately $1.2 million of costs relating to the acquisition of SRLC.

4. PROPRIETARY INVESTMENTS

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

	December 31, 2013	December 31, 2012
Gold bullion	**6,532**	8,548
Public equities and share purchase warrants	**4,097**	17,979
Mutual funds and alternative investment strategies	**70,215**	29,126
Fixed income securities	**7,223**	—
Private holdings	**5,353**	4,949
Total proprietary investments	**93,420**	60,602

Investments in mutual funds and alternative investment strategies are primarily managed by SAM or RCIC.

As at December 31, 2013, the underlying investments related to the Company's investments in mutual funds and alternative investment strategies primarily consisted of cash and short-term investments of $25 million (2012 - $2 million), equities of $23 million (2012 - $10 million), short equity positions of $3 million (2012 - $4 million), fixed income securities of $18 million (2012 - $16 million) and bullion $4 million (2012 - $6 million). The underlying securities of these funds are classified as held for trading and recognized at fair value through profit or loss.

5. PROPERTY AND EQUIPMENT

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

	Artwork	Furniture and fixtures	Computer hardware and software	Leasehold improvements	Total
Cost					
At December 31, 2011	1,691	2,557	1,773	4,739	10,760
Business acquisition	6	189	171	72	438
Additions, net of disposals	310	156	105	2,469	3,040
December 31, 2012	2,007	2,902	2,049	7,280	14,238
Business acquisitions	38	—	2	—	40
Additions	—	34	71	576	681
December 31, 2013	**2,045**	**2,936**	**2,122**	**7,856**	**14,959**
Accumulated amortization					
At December 31, 2011	—	(1,879)	(1,458)	(2,297)	(5,634)
Business acquisition	—	(120)	(161)	(45)	(326)
Disposals	—	—	—	72	72
Charge for the period	—	(291)	(311)	(502)	(1,104)
Net exchange differences	—	8	5	1	14
December 31, 2012	—	(2,282)	(1,925)	(2,771)	(6,978)
Charge for the period	—	(240)	(131)	(555)	(926)
Net exchange differences	—	(19)	(23)	(3)	(45)
December 31, 2013	**—**	**(2,541)**	**(2,079)**	**(3,329)**	**(7,949)**
Net Book Value at:					
December 31, 2012	2,007	620	124	4,509	7,260
December 31, 2013	**2,045**	**395**	**43**	**4,527**	**7,010**

6. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill	Fund management contracts - indefinite life	Fund management contracts - finite life	Carried interests	Deferred sales commissions	Total
Cost						
At December 31, 2011	125,730	1,370	21,001	29,671	3,133	180,905
Business acquisitions	12,140	12,817	2,997	—	—	27,954
Net additions	—	140	—	1,469	1,207	2,816
Net exchange differences	(3,195)	—	(534)	(754)	—	(4,483)
December 31, 2012	134,675	14,327	23,464	30,386	4,340	207,192
Net additions	—	—	—	828	1,970	2,798
Net exchange differences	8,474	—	1,415	2,130	—	12,019
At December 31, 2013	**143,149**	**14,327**	**24,879**	**33,344**	**6,310**	**222,009**
Accumulated amortization and impairment losses						
At 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
December 31, 2012	(8,935)	—	(8,632)	(16,418)	(2,214)	(36,199)
Amortization charge for the year	—	—	(3,025)	(2,198)	(1,565)	(6,788)
Net impairment charge for the year	(87,960)	—	—	(10,360)	—	(98,320)
Net exchange differences	124	—	(485)	(1,366)	—	(1,727)
At December 31, 2013	**(96,771)**	**—**	**(12,142)**	**(30,342)**	**(3,779)**	**(143,034)**
Net Book Value at:						
December 31, 2012	125,740	14,327	14,832	13,968	2,126	170,993
December 31, 2013	**46,378**	**14,327**	**12,737**	**3,002**	**2,531**	**78,975**

Net Book Value	**December 31, 2013**	December 31, 2012
Intangibles	**32,597**	45,253
Goodwill	**46,378**	125,740
	78,975	170,993

For the year ended December 31, 2013, the Company incurred an impairment charge of $88.0 million (December 31, 2012 - $8.9 million) relating to goodwill and a $10.4 million impairment charge on carried interests (both impairment charges discussed below). There were no impairment charges on finite or indefinite life fund management contracts for the year ended December 31, 2013 compared with a $3.7 million impairment charge on carried interests and an impairment charge of $1.0 million for finite life fund management contracts for the year ended December 31, 2012.

As a result of the acquisition of the Global Companies by the Company in 2011, intangible assets consisting of fund management contracts with a finite life and carried interests were identified. Amortization is computed on a straight-line basis over the estimated useful lives of these assets, which is 7 years for both fund management contracts and carried interests (4 years remaining).

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

Cash-generating units

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

i. *Impairment testing of goodwill*

As at December 31, 2013, the Company had goodwill allocated across its CGUs as follows ($ in thousands):

CGU	**Allocated Goodwill**	
	December 31, 2013	December 31, 2012
SAM	20,400	19,300
Global Companies	22,800	95,600
SRLC	—	—
Corporate	—	—
SC	3,200	3,200
SPW	—	7,600
	46,400	125,700

Goodwill is tested for impairment at least annually, which for the Company is in December of each year.

The recoverable amount of goodwill for each of the CGUs was calculated in the fourth quarter of fiscal 2013 at fair value less costs to sell, using a valuation multiple applied to a measure of earnings, other than the SPW and Global Companies CGUs which used a discounted cash flow valuation technique.

There was no impairment of goodwill for the SAM and SC CGUs upon completion of the annual impairment test. However, there was goodwill impairment for the Global Companies and SPW CGUs. As a result, an impairment charge of $88.0 million was calculated and included in the consolidated statements of operations for the year ended December 31, 2013. Of the total goodwill impaired, $80.1 million related to the Global Companies CGU and the remaining $7.9 million related to the SPW CGU. The recoverable amount of the Global Companies CGU and SPW CGU as at December 31, 2013 was $44.3 million and $5.4 million, respectively.

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

- creation of approximately $50 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;
- approximately 56% of existing finite life funds extend their respective terms for another 5 years. The Global Companies have been successful in extending 100% of historical expiring finite life funds for at least 5 years;
- annual rates of return for the finite life funds of 4.8% to 7.3%, consistent with recent historical returns of similar existing products;

- growth in assets under administration of approximately $45 million per year over the next 5 years with a terminal growth rate of 3% based on management's current forecast using recent experience and projections for the finite life funds mention above;
- annual rates of return (net of a historical redemption rate) of 2%, consistent with historical net returns of existing broker client accounts and discount rates ranging between 12% 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.

Goodwill identified as part of the 2012 Flatiron acquisition and included in the SAM CGU (see note 3) of $8.9 million was determined to be fully impaired and charged against income on the consolidated statements of operations for the year ended December 31, 2012.

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

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

The recoverable amount of indefinite life intangibles for the SAM CGU was calculated in the fourth quarter of fiscal 2013 using a value-in-use calculation, by discounting, at 10%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable exchange listed funds.

The recoverable amount of indefinite life intangibles for the SC CGU was calculated in the fourth quarter of fiscal 2013 using a value in use calculation, by discounting, at 11.5%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable underlying fee-producing products.

Upon completion of the annual impairment tests for indefinite life fund management contracts, there was no impairment as at December 31, 2013 and December 31, 2012.

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

As at December 31, 2013, the Company had finite life fund management contracts of $12.7 million within the Global Companies CGU (December 31, 2012 - $14.8 million). These are contracts for the management of funds that have a fixed termination date. Management completed its assessment of indicators of impairment for the Company's finite life fund management contracts and noted potential indicators of impairment, which necessitated a formal impairment test. The impairment test was used to determine a recoverable amount through a value in use technique. The value-in-use was determined by discounting at 13.5%, the most recent estimated net cash flows to the Company by these funds. Upon completion of the impairment test, no impairment was determined as the recoverable amount of the fund management contracts continued to exceed their carrying value.

In 2012, finite life fund management contracts of $3.0 million were identified as part of the Flatiron acquisition 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 of $3.0 million were determined to be fully impaired and charged against income on the consolidated statements of operations for the year ended December 31, 2012.

iv. *Impairment testing of carried interests*

As at December 31, 2013, the Company had carried interests of $3.0 million within the Global Companies CGU (December 31, 2012 - $14.0 million). These are rights to participate in the profits of the funds managed by the Global Companies that have a fixed termination date. The recoverable amount of these carried interests as at December 31, 2013 has been determined from a value-in-use calculation, by discounting, at 27.5%, the most recent estimated net cash flows to the Company by these funds.

The calculated recoverable amount of these finite life carried interests led to the recognition of an impairment charge of $10.4 million for the year ended December 31, 2013 (December 31, 2012 - $3.7 million) as the calculated recoverable amount resulted in a value greater than its carrying value. Management has assumed annual return rates of 4.8% to 7.3% for these funds to determine value-in-use.

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 year over year.

7. LOANS RECEIVABLE

i. *Components of loans receivable*

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

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

	December 31, 2013	December 31, 2012
Resource bridge loans		
Loan principal	**88,778**	12,000
Accrued interest	**62**	—
Deferred revenue	**(3,668)**	(284)
Amortized cost, before loan loss provisions	**85,172**	11,716
Loan loss provisions	**—**	—
Carrying value of resource bridge loans receivable	**85,172**	11,716
Less: current portion	**(45,890)**	—
Total non-current resource bridge loans receivable	**39,282**	11,716
Real estate loans		
Loan principal	**5,237**	—
Accrued interest	**222**	—
Amortized cost, before loan loss provision	**5,459**	—
Loan loss provision	**(222)**	—
Carrying value of real estate loans receivable	**5,237**	—
Less: current portion	**(4,389)**	—
Total non-current real estate loans receivable	**848**	—
Precious metal loans		
Precious metal loan - FVTPL	**11,658**	—
Precious metal loan - HTM	**3,033**	4,406
Carrying value of precious metal loans	**14,691**	4,406
Less: current portion	**(4,123)**	—
Total non-current precious metal loans	**10,568**	4,406
Total carrying value of loans receivable	**105,100**	16,122
Less: current portion	**(54,402)**	—
Total carrying value of non-current loans receivable	**50,698**	16,122

ii. *Past due loans that are not impaired*

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

iii. *Impaired loans and loan loss provisions*

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

As at December 31, 2013, the Company performed a comprehensive review of each loan measured at amortized cost in its loan portfolio to determine the requirement for specific loan loss provisions. The carrying values of the Company's impaired loans and specific loan loss provisions are as follows:

	December 31, 2013		December 31, 2012	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans				
Carrying value of impaired loans	—	—	—	—
Loan loss provisions	—	—	—	—
Total carrying value of impaired loans, net of loan loss provisions	—	—	—	—
Real estate loans				
Carrying value of impaired loan	1	4,611	—	—
Loan loss provision	—	(222)	—	—
Total carrying value of impaired loan, net of loan loss provision	1	4,389	—	—
Total carrying value of impaired loans, net of loan loss provisions	1	4,389	—	—

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

	For the year ended	
	December 31, 2013	December 31, 2012
Interest on impaired loans	222	—
Loan loss provision on real estate loans		
Balance, beginning of year	—	—
Loan loss expense on real estate loan	222	—
Balance, end of year	222	—

iv. *Loan commitments*

As at December 31, 2013, subject to certain funding conditions, the Company is committed to providing up to $1.9 million in credit facilities on resource loans (December 31, 2012 - $5.0 million).

v. *Property sector distribution of loan principal*

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

	December 31, 2013		December 31, 2012	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans				
Metals and mining	**9**	**76,419**	1	12,000
Energy and other	**5**	**12,359**	—	—
Total resource bridge loan principal	**14**	**88,778**	1	12,000
Precious metal loans				
Metals and mining *	**2**	**14,691**	1	4,406
Total precious metal loan principal	**2**	**14,691**	1	4,406
Real estate loans				
Land under development	**1**	**4,389**	—	—
Residential	**1**	**848**	—	—
Total real estate loan principal	**2**	**5,237**	—	—
Total loan principal	**18**	**108,706**	2	16,406

* $11.7 million of the precious metal loans as at December 31, 2013 were designated as FVTPL which includes principal and interest while the remaining $3.0 million were classified as HTM. As at December 31, 2012, $4.4 million of the precious metal loans were classified as HTM.

vi. *Geographic distribution of loan principal*

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

	December 31, 2013		December 31, 2012	
	Number of Loans	**($ in thousands)**	Number of Loans	($ in thousands)
Resource bridge loans				
Canada	**7**	**27,000**	1	12,000
United States of America	**3**	**24,831**	—	—
Mexico	**1**	**17,800**	—	—
Australia	**2**	**14,872**	—	—
Chile	**1**	**4,275**	—	—
Total resource bridge loan principal	**14**	**88,778**	1	12,000
Precious metal loans				
Canada *	**2**	**14,691**	1	4,406
Total precious metal loan principal	**2**	**14,691**	1	4,406
Real estate loans				
Canada	**2**	**5,237**	—	—
Total real estate loan principal	**2**	**5,237**	—	—
Total loan principal	**18**	**108,706**	2	16,406

* $11.7 million of the precious metal loans as at December 31, 2013 were designated as FVTPL which includes principal and interest while the remaining $3.0 million were classified as HTM. As at December 31, 2012, $4.4 million of the precious metal loans were classified as HTM.

vii. *Priority of security charges*

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

8. OTHER ASSETS AND OTHER INCOME

Other assets

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

	December 31, 2013	December 31, 2012
Prepaid expenses and other receivables	**3,710**	3,919
Due from broker	**13,478**	—
Proceeds receivable	**3,496**	—
Total other assets	**20,684**	3,919
Included in long-term other assets	**3,613**	—
	17,071	3,919

Other income

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

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

9. SHAREHOLDERS' EQUITY

a. Capital stock and contributed surplus

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

	Number of shares	Stated value ($ in thousands)
At December 31, 2011	169,082,077	208,413
Additional purchase consideration	177,500	1,551
Issuance of share capital on business acquisition (Note 3)	1,564,500	7,698
Acquired for equity incentive plan	(1,774,400)	(2,188)
At December 31, 2012	169,049,677	215,474
Additional purchase consideration	177,500	1,090
Issuance of share capital from private placement, net of costs and taxes	7,575,758	24,632
Issuance of share capital on conversion of RSU	1,401	6
Issuance of share capital on business acquisition (Note 3)	68,962,896	166,201
Acquired for equity incentive plan	(448,500)	(697)
Released on vesting of equity incentive plan	627,125	3,714
At December 31, 2013	**245,945,857**	**410,420**

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

	Stated value ($ in thousands)
At December 31, 2011	40,857
Expensing of Sprott Inc. stock options over the vesting period	98
Expensing of EPSP / EIP shares over the vesting period	6,667
Expensing of earn-out shares over the vesting period	4,342
Deferred tax asset on earn-out shares	336
Issuance of shares relating to additional purchase consideration	(1,671)
Excess on repurchase of common shares for equity incentive plan *	(7,821)
At December 31, 2012	42,808
Expensing of Sprott Inc. stock options over the vesting period	30
Expensing of EPSP / EIP shares over the vesting period	3,922
Expensing of earn-out shares over the vesting period	6,312
Write-down of deferred tax asset on earn-out shares	(1,904)
Issuance of shares relating to additional purchase consideration	(1,234)
Issuance of share capital on conversion of RSU	(5)
Excess on repurchase of common shares for equity incentive plan *	(558)
Released on vesting of common shares for equity incentive plan	(3,707)
At December 31, 2013	**45,664**

* 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, 2013 (nil - December 31, 2012).

For valuing share option grants, the fair value method of accounting is used. The fair value of option grants is determined using the Black-Scholes option-pricing model, which takes into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate, with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to capital stock.

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

	Number of options (in thousands)	Weighted average exercise price ($)
Options outstanding, December 31, 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, December 31, 2013	**2,650**	**9.71**
Options exercisable, December 31, 2013	**2,650**	**9.71**

Options outstanding and exercisable as at December 31, 2013 are as follows:

Exercise price ($)	Number of outstanding options (in thousands)	Weighted average remaining contractual life (years)	Number of options exercisable (in thousands)
10.00	2,450	4.3	2,450
4.85	50	6.0	50
6.60	150	6.9	150
4.85 to 10.00	**2,650**	**4.5**	**2,650**

Equity incentive plan

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

There were no RSUs issued during the year ended December 31, 2013 (4 thousand - during the year ended December 31, 2012). The Trust purchased 0.4 million common shares for the year ended December 31, 2013 (1.8 million - December 31, 2012).

	Number of common shares
Common shares held by the Trust, December 31, 2011	385,423
Acquired	1,774,400
Released on vesting	—
Unvested common shares held by the Trust, December 31, 2012	2,159,823
Acquired	448,500
Released on vesting	(627,125)
Unvested common shares held by the Trust, December 31, 2013	**1,981,198**

Earn-out shares

In connection with the acquisition of the Global Companies (see note 2), up to an additional 8 million common shares of the Company may be issued with the achievement of certain earnings targets by the Global Companies. In accordance with IFRS 2 *Share-based Payment*, this potential award carries a service condition without a performance condition of equal term. As a result, the accounting guidance under IFRS 2 required the Company to estimate the fair value of the potential share-based award on the business acquisition date. The fair value determined by the Company of $13.0 million was determined using an acceptable valuation model that utilized several significant assumptions including the probability of continued employment of a senior employee on or after February 4, 2014, the stock price of the Company on February 4, 2016 and the cumulative earnings of the Global Companies for the five year period ending February 4, 2016. The fair value of this share-based award is being charged to the consolidated statements of operations equally over the period of the service condition, being 3 years.

In connection with the acquisition of 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 operations over the period of the service condition, being 3 years and is adjusted each reporting period to reflect the best available estimate of the number of equity instruments expected to ultimately vest.

Additional purchase consideration

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

For the year ended December 31, 2013, the Company recorded share-based compensation expense of $10.3 million, (2012 - $11.1 million) with a corresponding increase to contributed surplus ($ in thousands).

	For the year ended	
	December 31, 2013	December 31, 2012
Earn-out shares	**6,312**	4,342
Stock option plan	**30**	98
EPSP / EIP	**3,922**	6,667
	10,264	11,107

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

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

		For the year ended	
		December 31, 2013	December 31, 2012
Numerator ($ in thousands):			
Net income (loss) - basic and diluted		**(81,261)**	31,984
Denominator (Number of shares in thousands):			
Weighted average number of common shares		**207,872**	170,402
Weighted average number of unvested shares purchased by the Trust		**(1,742)**	(1,683)
Weighted average number of common shares - basic		**206,130**	168,719
Weighted average number of dilutive stock options *		**—**	—
Weighted average number of additional purchase consideration		**—**	372
Weighted average number of unvested shares purchased by the Trust		**—**	1,683
Weighted average number of outstanding Restricted Stock Units		**—**	4
Weighted average number of common shares - diluted		**206,130**	170,778
Net income per common share			
Basic	**$**	**(0.39)**	$ 0.19
Diluted	**$**	**(0.39)**	$ 0.19

* The determination of the weighted average number of common shares - diluted excludes 2.7 million shares related to stock options that were anti-dilutive for the year ended December 31, 2013 (2.6 million for the year ended December 31, 2012).

c. **Capital management**

The Company's objectives when managing capital are:

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

The Company's capital is comprised of equity, including capital stock, contributed surplus, retained earnings (deficit) and accumulated other comprehensive income. SPW is a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), SAM is a registrant of the Ontario Securities Commission ("OSC") and the US Securities and Exchange Commission, SAM US is registered with the U.S. Securities and Exchange Commission and SGRIL is a member of the Financial Industry Regulatory Authority ("FINRA"); as a result, all of these entities are required to maintain a minimum level of regulatory capital. To ensure compliance, senior management monitors regulatory and working capital on a regular basis. For the year ended December 31, 2013, all entities were in compliance with their respective capital requirements.

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

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

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

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

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

The Company has not drawn on the credit facility as at December 31, 2013.

10. INCOME TAXES

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

For the year ended	**December 31, 2013**	December 31, 2012
Current income tax expense		
Based on taxable income of the current period	**5,196**	20,075
Adjustments in respect of previous years	**(1,191)**	(1,491)
	4,005	18,584
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(9,185)**	(9,105)
Impact of change in tax rates	**379**	245
	(8,806)	(8,860)
Income tax expense (recovery) reported in the statements of operations	**(4,801)**	9,724

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, 2013**	December 31, 2012
Income before income taxes	**(86,062)**	41,708
Tax calculated at domestic tax rates applicable to profits and (losses) in the respective countries	**(36,729)**	10,270
Tax effects of:		
Non-deductible stock-based compensation	**965**	1,144
Non-deductible capital gains or (losses) and unrealized gains or (losses)	**1,610**	(131)
Non-taxable foreign affiliate income	**—**	(446)
Goodwill impairment	**35,038**	—
Adjustments in respect of previous years	**(813)**	—
Write-down of deferred tax asset	**2,034**	—
Non-capital losses not previously benefited	**(7,259)**	—
Rate differences and other	**353**	(1,113)
Tax charge (recovery)	**(4,801)**	9,724

The weighted average applicable tax rate was 42.7% (2012 - 24.6%). The decrease is caused primarily due to the recognition of previously unrecognized deductible temporary differences and to a lesser extent by a change in the profitability of the Company's subsidiaries in the respective countries because of the addition of the Global Companies resident in the US.

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

For the year ended December 31, 2013

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

For the year ended December 31, 2012

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

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

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. At December 31, 2013, the Company recognized a deferred tax asset of $5.8 million reflecting management's tax strategy to utilize previously non-accessible tax losses. Management expects to monetize this deferred tax asset over the next two to three years.

11. FAIR VALUE MEASUREMENTS

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

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

December 31, 2012	Level 1	Level 2	Level 3	Total
Recurring measurements:				
Cash and cash equivalents	77,400	—	—	77,400
Gold bullion	8,548			8,548
Public equities	17,179	261	—	17,440
Private holdings	—	—	4,949	4,949
Common share purchase warrants	—	539	—	539
Mutual funds	16,009	—	—	16,009
Alternative investment strategies	—	13,117	—	13,117
Contingent returnable consideration *	3,918	4,456	—	8,374
Acquisition consideration payable *	(3,918)	(4,456)	—	(8,374)
Total recurring measurements:	**119,136**	**13,917**	**4,949**	**138,002**

* These amounts are netted on the consolidated balance sheets.

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

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

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

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

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

During the year ended December 31, 2013, $0.2 million of financial assets was transferred from Level 2 to Level 1. This transfer represented the expiry of the trading restriction on the common shares of certain proprietary investments.

Financial instruments not carried at fair value

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

Loans receivable (excluding precious metal loans) had a carrying value of $90.4 million and a fair value of $92.5 million. Loans receivable (excluding precious metal loans) lack an available trading market, are not typically exchanged, and have been recorded at amortized cost. The fair value of the Company's resource loans is measured based on changes in the market price of a comparable emerging markets benchmark bond since the average date that the loans were originated. The fair value of the Company's real estate loan is based on discounted expected future cash flows at current market rates for loans with similar terms and risks. The Company adjusts the fair value of loans to take into account any significant changes in credit risks using observable market inputs in determining the counterparty credit risks of loans, net of loan loss provisions on the loans. The fair value of loans are not necessarily representative of the amounts realizable upon immediate settlement of the loans. The valuation techniques used for these amortized cost loans for which a fair value has been disclosed would fall under Level 3 of the fair value hierarchy.

12. RELATED PARTY TRANSACTIONS

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

	For the year ended	
	December 31, 2013	December 31, 2012
Fixed salaries and benefits	**5,794**	3,597
Variable incentive-based compensation	**4,302**	10,179
Termination benefits	**2,700**	—
Share-based compensation	**925**	1,123
	13,721	14,899

On May 8, 2012, the Company adopted a deferred stock unit ("DSU") plan for the independent directors of the Company. The DSUs vest annually over a three-year period and may only be settled in cash upon retirement. There were no DSUs issued during the year ended December 31, 2013 (December 31, 2012 - 225,000 DSUs issued at a price of $4.64 per DSU). The resulting expense from the DSUs issued in the second quarter of 2012 is included in general and administrative costs and is recognized over the three-year vesting period with an offset to accrued liabilities.

13. DIVIDENDS

The following dividends were declared and paid by the Company during the year ended December 31, 2013:

Record date	Payment Date	Cash dividend per share ($) *	Total dividend amount ($ in thousands)
April 8, 2013 - regular dividend Q4 - 2012	April 23, 2013	0.03	5,361
May 16, 2013 - regular dividend Q1 - 2013	May 31, 2013	0.03	5,361
August 16, 2013 - regular dividend Q2 - 2013	August 30, 2013	0.03	7,429
November 21, 2013 - regular dividend Q3 - 2013	December 5, 2013	0.03	7,441
Dividends paid			25,592

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

14. COMMITMENTS

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

2014	3,955
2015	3,975
2016	4,231
2017	4,251
2018	4,231
Thereafter	19,480
	40,123

The Company's loan commitments are disclosed in note 7.

15. RISK MANAGEMENT ACTIVITIES

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

(a) Market risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of a financial instrument. The Company's financial instruments are classified as HFT, designated as FVTPL, HTM or as loans and receivables. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Company manages market risk through regular monitoring of its proprietary investments and loans receivable. The Company separates market risk into three categories: price risk, interest rate risk and foreign exchange risk.

Price risk

Price risk arises from the possibility that changes in the price of the Company's proprietary investments will result in changes in carrying value. If the market values of proprietary investments classified as HFT increased by 5%, with all other variables held constant, this would have increased net income by approximately $3.8 million for the year ended December 31, 2013 (December 31, 2012 - $2.3 million); conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by a similar amount. For more details about the Company's proprietary investments, refer to note 4.

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

Commodity price risk refers to uncertainty of the future market values and the amount of future income caused by the fluctuation in the price of specific commodities. The Company may, from time to time: (i) hold certain investments linked to the market prices of metals; and (ii) enter into certain precious metal loans, where the repayment is notionally tied to a specific commodity spot price at the time of the loan and downward changes to the price of the commodity can reduce the value of the loan and the amounts ultimately repaid to the Company.

At December 31, 2013, the Company held precious metal loans with a carrying value of $14.7 million (December 31, 2012 - $4.4 million). The fair value of the Company's loans is dependent on future gold prices. A 5% increase or decrease in the future price of gold, with all other variables held constant, would have resulted in an increase or decrease in net income of approximately $0.6 million for the year ended December 31, 2013 (December 31, 2012 - $0.2 million). As a mitigating factor, the Company may from time-to-time implement certain hedging strategies such as imposing a minimum internal rate of return on a precious metal loan or fixing the loan payments at a predetermined price of gold over the full term of the loan.

At December 31, 2013, the Company held gold bullion with a carrying value of $6.5 million (December 31, 2012 - $8.5 million). If the market value of gold bullion increased by 5%, with all other variables held constant, this would have increased net income by approximately $0.3 million for the year ended December 31, 2013 (December 31, 2012 - $0.4 million); conversely, if the value of gold bullion decreased by 5%, this would have decreased net income by a similar amount.

Interest rate risk

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

As at December 31, 2013, the Company had 14 fixed-rate resource-based loans and 2 fixed-rate real estate loans with an aggregate carrying value of $90.4 million (December 31, 2012 - $11.7 million). The Company's 14 fixed rate resource loans range in maturity dates from less than 6 months to 4 years and it has one real estate loan that is considered non-performing.

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

The carrying amounts of the Company's assets and liabilities in the following table are presented in the periods in which they next reprice to market rates or mature based on the earlier of contractual repricing and maturity dates, as at December 31, 2013 ($ in thousands):

December 31, 2013	Floating Rate	Within 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Non-Interest Sensitive	Total
Total assets	115,670	10,664	41,273	37,209	9,944	240,960	455,720
Total liabilities and equity	—	—	—	—	—	(455,720)	(455,720)
Difference	115,670	10,664	41,273	37,209	9,944	(214,760)	—
Cumulative difference	115,670	126,334	167,607	204,816	214,760	—	—
Cumulative difference as a percentage of total assets	25.4%	27.7%	36.8%	44.9%	47.1%	—	—

Foreign exchange risk

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

Excluding the impact of the Global Companies, as at December 31, 2013, approximately $46.8 million or 8.7% (December 31, 2012 - $16.1 million or 4.5%) of total Canadian assets were invested in proprietary investments priced in USD. Furthermore, a total of $17.4 million (December 31, 2012 - $2.1 million) of cash, $1.4 million (December 31, 2012 -$0.2 million) of accounts receivable, $5.8 million (December 31, 2012- $0.0 million) of loans receivable and $0.6 million (December 31, 2012 - $0.4 million) of other assets were denominated in USD. As at December 31, 2013, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income for the year ended December 31, 2013 would have amounted to approximately $2.7 million (December 31, 2012 - $0.8 million).

(b) Credit risk

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

Proprietary investments

The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2013, the Company's most significant counterparty is National Bank Correspondent Network Inc. ("NBCN"), the carrying broker of SPW, which also acts as a custodian for most of the Company's proprietary investments (other than foreclosed properties). NBCN is registered as an investment dealer subject to regulation by the IIROC; as a result, it is required to maintain minimum levels of regulatory capital at all times.

Loans receivable

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

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

These include:

- emphasis on first priority and/or secured financings;
- the investigation of the creditworthiness of all borrowers;
- the employment of qualified and experienced loan professionals;

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

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

At December 31, 2013, the Company's exposure to credit risk on the consolidated balance sheet as it relates to its loan receivables is the carrying value of its loans receivable of $105.1 million (December 31, 2012 - $16.1 million) and its loan commitments of $1.9 million (December 31, 2012 - $5.0 million). As at December 31, 2013, the largest loan in the Company's loan portfolio was a resource loan with a carrying value of $17.5 million or 16.6% of the Company's loans receivable (December 31, 2012 - $11.7 million or 72.7% of the Company's loan receivable). The Company will syndicate loans in certain circumstances if it wishes to reduce its exposure to a borrower or comply with loan exposure maximums. The Company reviews its policies regarding its lending limits on an ongoing basis. For precious metal loans, the Company performs the same due diligence procedures as it would for its resource bridge loans.

Other

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

The Global Companies incur credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2013, the Global Companies' most significant counterparty is RBC Capital Markets LLC ("RBCCM"), the carrying broker of SGRIL and custodian of the net assets of the funds managed by RCIC. RBCCM is registered as a broker dealer and registered investment advisor subject to regulation by the FINRA and the SEC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

(c) Liquidity risk

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

The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. As at December 31, 2013, the Company had $115.7 million or 25.4% of its total assets in cash and cash equivalents. The majority of current assets reflected on the consolidated balance sheets are highly liquid. In addition, approximately $45.6 million or 48.8% of proprietary investments held by the Company are readily marketable and are recorded at their fair value.

The Company's exposure to liquidity risk as it relates to loans receivable arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The Company manages its loan commitment liquidity risk by the ongoing monitoring of scheduled loan fundings and repayments. As at December 31, 2013, subject to certain funding conditions, the Company is committed to providing up to $1.9 million in resource loan advances (December 31, 2012 - $5.0 million). Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within a year.

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

(d) Concentration risk

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

16. SEGMENTED INFORMATION

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

- SAM, which provides asset management services to the Company's branded Funds and Managed Accounts.
- Global Companies, which provides asset management services to the Company's branded Funds and Managed Accounts in the US and also provides securities trading services to its clients.
- SRLC, which provides loans to companies in the mining and energy sectors.
- Corporate and Other. The Corporate segment provides treasury and shared services to the Company's business units and includes the operating results of Sprott Inc. without the effect of consolidating its subsidiaries. The Other segment includes the activities of SPW, the private wealth business of the Company.
- The Consulting segment includes the operations of SC and Sprott Toscana, the consulting businesses of the Company.

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

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

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

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

For the year ended	December 31, 2013						
	SAM	Global Companies	SRLC	Corporate and Other	Consulting	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	66,537	9,359	—	170	8,632	—	84,698
Performance fees	6,446	302	—	—	2,246	—	8,994
Commissions	—	5,081	—	1,139	—	—	6,220
Interest income	199	56	7,215	2,344	30	—	9,844
Other	(2,952)	(1,095)	5,978	(568)	7,596	(4,343)	4,616
Total revenue	**70,230**	**13,703**	**13,193**	**3,085**	**18,504**	**(4,343)**	**114,372**
Expenses							
General and administrative	38,864	14,533	2,552	15,402	11,484	(333)	82,502
Trailer fees	15,908	—	—	—	—	(4,010)	11,898
Amortization and impairment of intangibles, property and equipment	2,296	15,674	2	65	37	—	18,074
Impairment of goodwill	—	87,960	—	—	—	—	87,960
Total expenses	**57,068**	**118,167**	**2,554**	**15,467**	**11,521**	**(4,343)**	**200,434**
Income (loss) before income taxes for the year	**13,162**	**(104,464)**	**10,639**	**(12,382)**	**6,983**	**—**	**(86,062)**
Provision for income taxes							(4,801)
Net income for the year							**(81,261)**
Income (loss) before income taxes for the year, from above	**13,162**	**(104,464)**	**10,639**	**(12,382)**	**6,983**	**—**	**(86,062)**
EBITDA adjustments	6,839	109,097	(4,173)	6,623	2,574	—	120,960
EBITDA	**20,001**	**4,633**	**6,466**	**(5,759)**	**9,557**	**—**	**34,898**

For the year ended	December 31, 2012						
	SAM	Global Companies	SRLC	Corporate and Other	Consulting	Adjustments and Eliminations	Consolidated
Revenue							
Management fees	99,535	9,552	—	5	9,422	—	118,514
Performance fees	4,401	—	—	—	5,554	—	9,955
Commissions	—	9,645	—	3,861	—	—	13,506
Interest income	315	88	—	2,268	21	—	2,692
Other	9,845	13	—	11,723	199	(8,293)	13,487
Total revenue	**114,096**	**19,298**	**—**	**17,857**	**15,196**	**(8,293)**	**158,154**
Expenses							
General and administrative	43,572	16,366	—	11,294	3,826	(189)	74,869
Trailer fees	27,134	—	—	—	—	(8,104)	19,030
Amortization and impairment of intangibles, property and equipment	5,051	8,395	—	127	39	—	13,612
Impairment of goodwill	8,935	—	—	—	—	—	8,935
Total expenses	**84,692**	**24,761**	**—**	**11,421**	**3,865**	**(8,293)**	**116,446**
Income before income taxes for the period	**29,404**	**(5,463)**	**—**	**6,436**	**11,331**	**—**	**41,708**
Provision for income taxes							9,724
Net income for the period							**31,984**
Income before income taxes for the period, from above	**29,404**	**(5,463)**	**—**	**6,436**	**11,331**	**—**	**41,708**
EBITDA adjustments	5,540	12,711	—	(2,652)	39	—	15,638
EBITDA	**34,944**	**7,248**	**—**	**3,784**	**11,370**	**—**	**57,346**

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

Included in Other revenue is trailer fee income of $4.0 million for the year ended December 31, 2013, (December 31, 2012 - $8.1 million) which reflects substantially all of the Company's inter-segment revenue.

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

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

	For the year ended	
	December 31, 2013	December 31, 2012
Canada	**100,669**	138,856
United States	**13,703**	19,298
	114,372	158,154

17. 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.

18. EVENTS AFTER THE REPORTING PERIOD

On March 25, 2014, a dividend of $0.03 per common share was declared for the quarter ended December 31, 2013.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended December 31 ($ in thousands of Canadian dollars, except for per share amounts)		**2013**		2012
Revenue				
Management fees		**17,792**		29,242
Performance fees		**6,613**		9,769
Commissions		**1,191**		3,303
Interest income		**4,815**		245
Unrealized and realized losses on proprietary investments		**(3,286)**		(1,789)
Other income		**2,923**		9,779
Total revenue		**30,048**		50,549
Expenses				
Compensation and benefits		**9,322**		7,616
Stock-based compensation		**2,842**		2,807
Trailer fees		**2,781**		4,628
General and administrative		**9,851**		9,218
Amortization of intangibles		**1,617**		1,936
Impairment of goodwill and intangibles		**4,998**		10,687
Impairment of goodwill		**87,960**		8,935
Amortization of property and equipment		**214**		275
Total expenses		**119,585**		46,102
Income before income taxes for the period		**(89,537)**		4,447
Provision for (recovery of) income taxes		**574**		1,150
Net income for the period		**(90,111)**		3,297
Basic and diluted earnings per share	**$**	**(0.37)**	$	0.02

CORPORATE INFORMATION

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

Annual General Meeting
Wednesday, May 14, 2014, 4:00PM
Toronto Board of Trade
77 Adelaide Street West
First Canadian Place, Suite 350
Toronto, Ontario M5X 1C1

Sprott INC.

www.sprottinc.com