Sprott Inc.

Report to Shareholders

March 31,

2009

May 7, 2009

Dear Shareholders,

Overall, our Funds performed well in the first quarter of 2009, particularly over January and February, as we were rewarded for our position on the markets and large weighting in precious metals. For example, our largest fund, the Sprott Canadian Equity Fund, increased by 11% in the first three months of the year compared to the −2% return of the S&P/TSX Composite Total Return Index.

Our research confirms that we are still in a bear market and we continue to position our portfolios for a slow recovery. Global fundamentals continue to deteriorate and governments around the world attempt to prop up the financial sector instead of investing directly into the economy. As our January 2009 Markets at a Glance reads, *"For as bad as 2008 was, 2009 promises to be a whole lot worse."*

Our assets under management (AUM) were $4.7 billion at the end of March 2009, which is down by $2.1 billion compared to March 2008 but up by $0.3 billion compared to December 2008. The change in assets during the quarter reflects market appreciation of $0.5 billion, offset by net redemptions of $0.2 billion. We are pleased to report that the rate of redemptions slowed significantly over the quarter. The first quarter also saw sales increase due to our strong performance in the first two months of 2009 and the March 2009 launch of the Sprott Gold Bullion Fund, which has raised over $50 million to date. As a result, we posted positive net sales in March 2009.

The year-over-year AUM decline affected our financial results. Average monthly AUM decreased by 29% in the first quarter of 2009 compared to the first quarter of 2008. This led to a 31% decline in management fees, which represent the bulk of our revenue during the first three quarters of the year. While the performance of some of our Funds deteriorated in March 2009, we believe that we are positioned to earn performance fees in 2009. At various times during the first quarter, Sprott Funds accounting for nearly 90% of our AUM (excluding Managed Accounts and the Sprott Gold Bullion Fund) had accrued performance fees.

In response to changing investor sentiment and evolving investment themes, we continue to introduce new investment products, while making sure they mirror our investment expertise. In addition to the introduction of the Sprott Gold Bullion Fund, we launched the FNSSC[1] Multi-Manager Fund, a Fund composed of five Sprott mutual funds, which is exclusively available to FNSSC members. We will work alongside FNSSC to attract assets to this Fund. We also review our product line continuously for ongoing viability, and due to its small size and sales outlook, we are closing the Sprott Global Market Neutral Fund.

On April 7, 2009, Sprott Asset Management (SAM) hosted a "Night with the Bears", during which four renowned "bears" provided their current views on the economy and the markets to 1,500 clients, prospects and media. The four bears were Nouriel Roubini, Meredith Whitney, Ian Gordon, and yours truly. The event was moderated by Kim Parlee of BNN and garnered significant publicity for SAM, in both the print and broadcast media. I encourage you to view the webcast of the event and read the media articles at www.sprott.com/night_with_the_bears.php.

Sprott Consulting LP (SCLP) remains another growth area for Sprott Inc. Through its management of Sprott Resource Corp., the launch of One Earth Farms Corp. (OEF) was announced on March 26, 2009. OEF is a large scale corporate farming entity which intends to have operations on one million acres of First Nations' farmland in the Prairie Provinces. Agriculture is one of the investment themes at SAM and we are leveraging that knowledge base for the OEF venture.

[1] Federation of National Specialty Societies of Canada

At the end of March 2009, Sprott Inc. remains financially strong. Our cost structure ensures that the largest expenses, compensation and trailer fees, are correlated with revenues. As a result, we are able to generate strong cash flows to fund operations and pay dividends. We also have a strong balance sheet with a cash position of $76 million and no debt.

We continue to pursue our key growth initiatives in order to grow our business across Canada and internationally. These initiatives are as follows: i) leverage our deep and broad investment team; ii) increase sales and marketing efforts; iii) introduce new products; and iv) provide management and administrative services to other companies through Sprott Consulting LP However, our priority remains investment performance, as that ultimately drives up our AUM, Fund sales, revenue and brand name recognition.

We remain positive on the long-term growth outlook for Sprott Inc. We have an award-winning investment team with a track record of surviving market downturns and benefiting from subsequent recoveries. We continue to appreciate the support of our clients and shareholders, and look forward to updating you on our progress at the end of the second quarter.

Yours sincerely,

Eric Sprott
President and Chief Executive Officer
Sprott Inc.

Management's Discussion & Analysis

This interim Management's Discussion & Analysis ("MD&A") of Financial Condition and Results of Operations presents an analysis of the financial condition of Sprott Inc. (the "Company") and its subsidiaries as of March 31, 2009 compared with December 31, 2008, and the results of operations for the three months ended March 31, 2009 compared with the corresponding period in 2008.

The Company was incorporated under the *Business Corporations Act* (Ontario) on February 13, 2008. The Company was incorporated to acquire, through an exchange of shares, all of the shares of Sprott Asset Management Inc. ("SAM"). On May 8, 2008, the Company filed a prospectus in each of the provinces and territories of Canada in respect of an initial public offering of 20,000,000 common shares to be effected via a secondary offering by certain shareholders of the Company ("the Offering").

This MD&A should be read in conjunction with the accompanying unaudited interim consolidated financial statements for the three months ended March 31, 2009 and 2008 and the notes thereto and with the audited consolidated financial statements as at December 31, 2008 and for the year then ended, including the notes thereto and the related MD&A.

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") requiring estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of these statements and the amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates as a result of various factors. For the purposes of the unaudited interim consolidated financial statements, the acquisition of SAM for the three months ended March 31, 2008 has been accounted for using the continuity of interests method of accounting. Under this method, financial statements of the combined Company presented for prior periods are restated to reflect the financial position and results of operations as if the companies had been combined since their inception. The MD&A has been prepared on the same basis.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those listed in the "Risk Factors" section of the Company's annual information form dated March 24, 2009 (the "AIF"). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of the date of this MD&A and will not be updated or revised except as required by applicable securities law.

NON-GAAP FINANCIAL MEASURES

We measure the success of our business using a number of key performance indicators that are not measurements in accordance with GAAP and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP financial measures do not have a standardized meaning prescribed by GAAP 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 assets of our Funds and Managed Accounts (as both such terms are hereinafter defined) less total liabilities, on which management fees ("Management Fees") or performance fees ("Performance Fees") 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, calculated as a percentage of: (i) our Funds' and Managed Accounts' excess performance over the relevant benchmark; (ii) the increase in net asset values of our Funds over a predetermined hurdle, if any; or (iii) the net profit in our Funds over the performance period. We monitor the level of our AUM because they drive our level of Management Fees. The amount of Performance Fees we earn is related to both the level of our investment performance and our AUM.

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

Investment performance is a key driver of AUM and is the very core of what we do. 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 and Fund expenses, determine the level of AUM which, as discussed above, is the basis on which Management Fees are charged and to which Performance Fees may be applied.

EBITDA

Our method of calculating EBITDA is defined as earnings before interest expense, income taxes, amortization and non-cash stock-based compensation. We believe that this is an important measure as it allows us to assess our ongoing business without the impact of interest expense, income taxes, amortization and non-cash stock based 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 each company may not utilize the same method of calculating EBITDA as we do, we believe it enables a better comparison of the underlying operations of comparable companies and we believe that it is an important measure in assessing our ongoing business operations.

Base EBITDA

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

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

We believe that these adjustments are necessary for a more meaningful presentation of our results of operations.

OVERVIEW

The Company, through its wholly-owned subsidiaries, is an independent asset management company dedicated to achieving superior returns for our clients over the long term. Our business model is based foremost on delivering excellence in investment management to our clients. As at March 31, 2009, we had approximately 90,000 client accounts comprised primarily of retail, high net worth and, to a lesser extent, institutional investors who subscribe to our investing strategy and process. As at March 31, 2009, we managed approximately $4.7 billion in assets among our various Funds and Managed Accounts.

As at March 31, 2009, domestic hedge Funds accounted for 37.1% of AUM compared with 23.6% at March 31, 2008 while mutual Funds accounted for 39.9% of AUM compared with 52.2% at March 31, 2008. Offshore Funds at March 31, 2009 totaled 14.6% of AUM as compared with 17.8% at March 31, 2008 and Managed Accounts at March 31, 2009 accounted for 8.4% of AUM compared with 6.4% in the prior year.

We derive our revenue primarily from Management Fees earned from the management of our Funds and Managed Accounts and from Performance Fees earned from the investment of the AUM of our Funds and Managed Accounts. Our Management Fees are calculated as a percentage of AUM. Our Performance Fees are calculated as a percentage of the return earned by our Funds and Managed Accounts. Accordingly, the growth in our fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by our Funds and Managed Accounts.

Our most significant expenses include compensation and benefits and trailer fees. With respect to compensation and benefits, employees are paid a base salary and could be entitled to share in a bonus pool, with the size of such bonuses being tied directly to individual performance and the overall financial performance of the Company. 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. Other expenses incurred by our business are general and administration costs, including sales and marketing costs, occupancy, artwork rental, regulatory and professional fees as well as charitable donations and amortization.

Metrics of Our Business

The vast majority of our AUM has a fee structure that consists of both a Management Fee component and a Performance Fee component. Management Fees are calculated as a percentage of AUM, varying from 1.0% to 2.5% per annum among series of units of the respective Fund's and Managed Account's average net assets. Management Fees accrue daily or monthly, depending on how frequently a particular Fund is valued, and are payable monthly or quarterly for certain Managed Accounts. Performance Fees are calculated as a percentage of: (i) the relevant Fund's or Managed Account's excess performance over the relevant benchmark; (ii) the increase in net asset values over a predetermined hurdle; or (iii) the net profit in the relevant Fund over the performance period. Performance Fees for our Funds are calculated on a cumulative basis at the end of each fiscal year.

AUM fluctuates as a result of two factors: net sales (Funds and Managed Accounts sales less redemptions) and the changes in the market values of the assets in the Funds and Managed Accounts.

Management Fees are less variable and more predictable than Performance Fees. Management Fees are generally closely correlated with changes in AUM. However, the rate of change in our Management Fees may not exactly 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, mutual funds have the highest rate of Management Fees, followed by hedge fund and offshore fund Management Fees; therefore, the balance of AUM among our various Funds impacts Management Fees as a percentage of AUM.

An investment in our Funds is intended to be a long term investment. While unit holders may request a redemption of their units of a Fund, any domestic Fund units held for less than a prescribed period of time, may be surrendered for redemption, subject to an early redemption fee of up to 3% of the aggregate net asset value of the units being surrendered, which is payable to SAM.

Performance Fees for most of our Funds and Managed Accounts are determined as of December 31 each year. However, Performance Fees are accrued in the relevant Funds and Managed Accounts, as applicable, to properly reflect the Performance Fee that would be payable, if any, based on the Net Asset Value of that Fund or Managed Account. Where an investor redeems a domestic hedge Fund or an offshore Fund, any Performance Fee attributable to those units redeemed is paid to SAM as manager of the Funds. These 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.

The employee bonus pool component of compensation and trailer fees are correlated with average AUM. 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 average AUM. We do not pay trailer fees on certain series/classes of domestic mutual Funds and hedge Funds or our offshore hedge Funds.

General and administration expenses have also increased over time as a result of the addition of employees, office space, rental of artwork, technology, and other related infrastructure required to support the growth of our business.

Management's Discussion & Analysis

We provide seed capital for our Funds and may make other proprietary investments in the future, as appropriate. These investments are recorded at fair value with the associated gains and losses recorded in the statement of income. In January, 2009 the Company purchased certain portfolio investments from the Sprott Strategic Gold Master Fund Ltd. pursuant to the compulsory redemption of all the holders of that fund. Some of those investments are investments in private companies for which there is no active market. Those investments are classified as "available for sale" and are recorded at cost less any impairment.

HIGHLIGHTS

Financial highlights for the three months ended March 31, 2009 were:

- Assets Under Management at March 31, 2009 were $4.7 billion. This reflects a decrease of $2.1 billion from $6.8 billion at March 31, 2008 or 30.5%. Monthly average assets under management in the first quarter of 2009 were approximately $4.6 billion as compared to approximately $6.5 billion in the first quarter of 2008. Net redemptions for the quarter were $0.2 billion but investment performance resulted in AUM increasing by approximately $0.5 billion.
- Management Fees for the three months ended March 31, 2009 were $22.6 million, representing a decrease of $10.2 million or 31.0% as compared with the corresponding period in 2008.
- Base EBITDA for the three months ended March 31, 2009 was $8.1 million compared to $16.6 million in the quarter ending March 31, 2008.
- Net income for the first quarter of 2009 was $7.4 million, and represents earnings per share, basic and diluted, of $0.05. Net Income for the quarter ended March 31, 2008 was $16.7 million, representing earnings per share, basic and diluted, of $0.12. Had the 150 million issued and outstanding shares been outstanding for the full quarter ended March 31, 2008, earnings per share, basic and diluted, would have been $0.11.

SELECTED ANNUAL FINANCIAL INFORMATION

	As at March 31		
(In $000's)	**2009**	2008	2007
	Assets Under Management		
Assets Under Management	**4,724,653**	6,800,601	4,648,224
	Balance Sheet Information		
Total Assets	**109,172**	84,572	163,895
Total Liabilities	**47,913**	24,732	29,372
Shareholders' Equity	**61,259**	59,840	134,523
	Income Statement Information		
Total Revenue	**26,656**	43,129	39,054
Net Income	**7,421**	16,710	18,787
Net Income Per Share – basic	**.05**	.12	.14
Net Income Per Share – fully diluted	**.05**	.12	.14

Management's Discussion & Analysis

SUMMARY INCOME STATEMENT

	For the three months ended March 31, 2009	For the three months ended March 31, 2008
Revenue		
Management fees	**$22,596**	$32,763
Crystallized performance fees	**1,810**	305
Unrealized and realized gain on proprietary investments	**2,143**	8,150
Other income	**107**	1,911
Total revenue	**26,656**	43,129
Expenses		
Compensation and benefits	**7,699**	8,496
Trailer fees	**4,589**	7,108
General and administration	**3,040**	2,251
Donations	**284**	325
Amortization	**216**	(59)
Total expenses	**15,828**	18,121
Income before income taxes	**10,828**	25,008
Provision for income taxes	**3,407**	8,298
Net income and comprehensive income for the period	**7,421**	16,710
Other expenses[1]	**790**	(59)
Provision for income taxes	**3,407**	8,298
EBITDA	**11,618**	24,949
Unrealized and realized (gain) loss on proprietary investments	**(2,143)**	(8,150)
Performance fees net of performance fee related bonus pool[2]	**(1,357)**	(229)
Base EBITDA	**8,118**	16,570

[1] Includes interest, amortization and non-cash stock-based compensation expense.

[2] Performance Fee related bonus pool is equal to 25% of Performance Fee Revenue.

RESULTS OF OPERATIONS

Overall Performance

At March 31, 2009, assets under management were $4.7 billion as compared with $6.8 billion at March 31, 2008 and $4.4 billion at December 31, 2008. In the first quarter of 2009, net redemption were $0.2 billion, but market values appreciated by $0.5 billion resulting in the net $0.3 billion increase in AUM. The majority of the Company's first quarter redemptions related to offshore hedge funds. The rate of redemptions slowed significantly towards the end of the quarter while sales increased. As a result, March 2009 was the first positive net sales month since August 2008. This reflected the tailing off of the de-leveraging process from our institutional clients, the launch of the Sprott Gold Bullion Fund, and strong performance of our Funds in the first two months of 2009.

Monthly average AUM for the quarter ended March 31, 2009 was $4.6 billion compared with $6.5 billion in the prior year period.

Revenues for three months ended March 31, 2009 totaled $26.7 million, a decrease of $16.5 million or 38.2% compared to $43.1 million for the comparable period in 2008. Management fees fell by $10.2 million and realized and unrealized gains on proprietary investments were $6 million less than in the first quarter of 2008.

Management's Discussion & Analysis

Expenses totaled $15.8 million for the quarter ended March 31, 2009, which is a decrease of $2.3 million or 12.7% as compared with the quarter ended March 31, 2008. The decrease is mainly attributable to a decrease in trailer fees of $2.5 million and compensation and benefits were $0.8 million lower than in the first quarter of 2008, partially offset by higher general and administrative costs.

Net income of $7.4 million for the quarter ended March 31, 2009 compares with net income of $16.7 million for the quarter ended March 31, 2008. Lower expenses and lower income taxes only partially offset the impact of lower management fees and smaller gains on proprietary investments.

Assets Under Management

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

$ millions	Three months ended March 31, 2009	Three months ended March 31, 2008
AUM, beginning of quarter	4,449	6,215
Net sales (redemptions)	(208)	298
Market value appreciation of portfolios	484	287
AUM, end of quarter	4,725	6,800

Revenue

In the first quarter of 2009, total revenues decreased by $16.5 million or 38.2% to $26.7 million from $43.1 million in the three months ended March 31, 2008.

Management fees for the quarter decreased by $10.2 million or 31.0% to $22.6 million from $32.8 million in the first quarter of 2008, as monthly average AUM decreased by approximately 29.2% over the same period. Management Fee margins (defined as Management Fees as a percentage of AUM) fell to 1.96% from 2.01% in the first quarter of 2008. The decline in management fee margins is due to the fact that hedge funds, which charge lower Management Fees relative to mutual funds, have increased as a percentage of total AUM.

Crystallized performance fees were $1.8 million for the three months ended March 31, 2009, which is $1.5 million higher than the $0.3 million received for the first quarter of 2008. This is a result of higher redemptions and strong performance of the funds in the first three months of 2009 as compared to the prior year period.

Gains from proprietary investments in the first quarter of 2009 totaled $2.1 million, as compared with $8.1 million for the quarter ended March 31, 2008. In the first quarter of 2008, in anticipation of the Offering, SAM sold a substantial portion of its proprietary investments. Nonetheless, during the first three months of 2008, the level of proprietary investments was higher than in the first three months of 2009. Proprietary investments are comprised of an investment in Sprott Molybdenum Participation Corporation, investments in various funds managed by SAM, investments purchased pursuant to the liquidation of the Sprott Strategic Gold Master Fund Ltd. and gold bullion. On a mark-to-market basis the investments classified as held for trading increased in value during the quarter.

Other income fell by $1.8 million to $0.1 million for the quarter ended March 31, 2009 compared with the corresponding period in 2008. In the first quarter of 2008, SAM earned a foreign exchange gain on the receipt of fees from offshore funds as well as higher early redemption fees; in the first quarter of 2009, foreign exchange income was nominal and early redemptions fees were lower, resulting in a decrease in other revenue.

Expenses

Total expenses for the three months ended March 31, 2009 were $15.8 million, a decrease of $2.3 million, or 12.7%, compared with $18.1 million for the first quarter of 2008. The decline is mainly attributable to a decrease in trailer fees of $2.5 million, a decrease in compensation and benefits of $0.8 million, partially offset by an increase in general and administrative costs of $0.8 million. Although higher year over year, general and administrative expenses have decreased by 5.3% as compared to the fourth quarter of 2008.

Changes in specific categories are described in the following discussion:

Compensation & Benefits

Compensation and benefits expense for the quarter ended March 31, 2009 amounted to $7.7 million, including contributions to the discretionary employee bonus pool of $2.9 million. The same expense category for the quarter ended March 31, 2008 was $8.5 million. The decrease in compensation and benefits of $0.8 million or 9.4%, reflects a lower contribution to the employee bonus pool as Management Fees, net of expenses, were higher in 2008 than in 2009. This decrease was somewhat mitigated by a larger contribution to the Performance Fee-related bonus pool as crystallized performance fees in the first quarter of 2009 were higher than in the corresponding period in 2008. In addition, first quarter 2009 compensation costs reflect a higher headcount than in the first quarter of 2008. Compensation costs also include stock option benefit costs that are higher in the three months ended March 31, 2009 as the fair value at the time of grant of the stock options in the Company has increased since going public in May 2008.

Trailer Fees

Trailer fees are correlated with AUM and Management Fees. For the quarter ended March 31, 2009 trailer fees of $4.6 million were 35.4% lower than in the first quarter of 2008. As a percentage of management fees, trailer fees decreased slightly to 20.3% from 21.7% in the three months ended March 31, 2008. This change is due to some of the same factors that account for the reduction in Management Fees as a percentage of AUM – the increased sales of classes of Funds that do not attract trailer fees and have a lower management fee and a proportionate increase in offshore Fund and Managed Account assets that also do not attract trailer fees.

General & Administration

General and administration expenses increased by $0.8 million, or 35.0%, to $3.0 million for the quarter to March 31, 2009 as compared with the first quarter of 2008. Although higher year over year, general and administrative expenses have decreased by 5.3% as compared to the fourth quarter of 2008.

We intend to effect a restructuring of our subsidiaries, effective June 1, 2009, in order to separate our operations into three business lines: asset management, broker-dealer activities and consulting services. This restructuring will provide us with the opportunity to separately brand and market the three areas of our operations. It will also create tax efficiencies for the Company. The intended restructuring is subject to obtaining all necessary regulatory approvals. We are working with our legal and tax advisors to finalize and implement the restructuring plan. This work has resulted in higher legal and other professional fees. We also incurred legal and other professional fees as well as other costs relating to the start-up of two new Funds – the Sprott Gold Bullion Fund and the FNSSC[1] Multi-Manager Fund.

Charitable Donations

In 2007, the Board of Directors of SAM approved a charitable donations program which became effective in fiscal 2008. Under this program, the amount of charitable donations made each year is 1.0% of the previous year's net income before tax, as may be adjusted from time to time based on profitability, cash flow and other similar measures. In addition to donations under the program that are directed specifically to children's charities, we make other corporate donations to selected causes. Net income before income tax was higher in 2007 than in 2008 and as a result, the accrual under the charitable donations program is lower in 2009 than in 2008. As noted above, we also support other charitable organizations and certain recurring contributions are being accrued through 2009 that were expensed when paid in 2008.

Amortization

In 2007, SAM changed its policy for amortizing artwork since the artwork does not have a determinable useful life. In January 2008, all previously accumulated amortization on artwork, totaling $0.2 million was reversed. Thus, amortization expense was negative in the first three months of 2008, while 2009 reflects a normal amortization expense.

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1 Federation of National Specialty Societies of Canada

EBITDA, Base EBITDA and Net Income

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

EBITDA allows us to assess our ongoing business without the impact of interest expense, income taxes and certain non-cash expenses, such as amortization and stock based compensation. EBITDA is an indicator of our ability to pay dividends, invest in our business and continue operations. For the quarter ended March 31, 2009, EBITDA was $11.6 million compared with $24.9 million for the prior year period. Net income of $7.4 million in 2009 is $9.3 million lower than in the first quarter of 2008 and the provision for income taxes in 2009 is $4.9 million lower than in first quarter of 2008, resulting in EBITDA being $13.3 million lower in the first quarter of 2009 than in the first quarter of 2008. For further clarity, EBITDA is reconciled to Net Income in the Summary Income Statement table contained elsewhere in this MD&A.

Base EBITDA, as previously defined in this MD&A, allows us to assess our ongoing business operations, with adjustments for non-recurring items as well as items that are not related to our core operations, such as income or loss relating to investments in certain proprietary investments. For the quarter ended March 31, 2009 Base EBITDA was $8.1 million as compared with $16.6 million in the first quarter of 2008, representing a decrease of 51.0%. Gains on proprietary investments for the first three months of 2008 of $8.1 million were $6.0 million higher than in the first quarter of 2009, while Performance Fees, net of Performance Fee-related bonus pool contributions, were $1.1 million higher in the first three months of 2009 than in the corresponding period in 2008. As a result, Base EBITDA fell by 51.0% year-over-year while EBITDA declined by 53.4% over the same period.

Income before taxes was $10.8 million for the quarter to March 31, 2009 compared with a pre-tax net income of $25.0 million for the quarter ended March 31, 2008.

Net income for the quarter ended March 31, 2009 was $7.4 million as compared to a net income of $16.7 million for the corresponding period in 2008.

Balance Sheet

Total assets at March 31, 2009 of $109.2 million are $14.3 million less than at December 31, 2008. Cash and cash equivalents of $76.5 million were $13.4 million lower than at December 31, 2008 primarily due to the payment of year-end bonuses and the purchase of proprietary investments, including gold bullion, during the quarter. Fees receivable at March 31, 2009 of $3.8 million were $9.7 million lower than at December 31, 2008 as year-end fee receivables include some Performance Fees that were received in January 2009. A special dividend of $0.15 per share, declared in March 2009, payable in April 2009, is reflected as a current liability and as a reduction of retained earnings at March 31, 2009.

DIVIDENDS

In the first quarter of 2009, the Company recorded a regular dividend and a special dividend in the amount of $0.025 and $0.15 per common share, respectively. Both dividends related to the 2008 fiscal year.

Furthermore, in May 2009, a dividend of $0.025 per common share was declared for the quarter ended March 31, 2009.

OUTSTANDING SHARE DATA

Effective May 15, 2008, the Company acquired all the outstanding shares of SAM pursuant to terms of a share exchange agreement among SAM, the shareholders of SAM and the Company. Each common share of SAM was exchanged for common shares of the Company on a one for 27.5062984 basis. The Company issued an aggregate of 150,000,000 common shares to the shareholders of SAM.

Earnings per share as at March 31, 2009 and March 31, 2008 have been calculated using the weighted average number of shares outstanding by applying the exchange ratio above to SAM shares outstanding prior to May 15, 2008 and the 150 million shares of the Company issued on May 15, 2008 pursuant to the Offering. There has been no change in the number of issued and outstanding shares since the IPO.

A total of 2,550,000 stock options have been issued pursuant to our incentive stock option plan. None are currently exercisable.

MANAGING RISK

Market Risk

We monitor, evaluate and manage the principal risks associated with the conduct of our business. These risks include external market risks to which all investors are subject and internal risk resulting from the nature of our business. We approach investment risk management for our clients on two levels: on the asset allocation level and on the investment product level. At the asset allocation level, we focus on mitigating risk through the appropriate selection and weighting of portfolio models for each client to reflect their suitability and risk tolerance. At the investment product level, we manage risk through the selection, weighting and monitoring of individual investments based on stated investment objectives and strategies.

Internal Controls and Procedures

We have internal control policies related to our business conduct. They are intended to ensure conformity with the rules and regulations of a number of regulatory bodies including the Ontario Securities Commission and the Investment Industry Regulatory Organization of Canada ("IIROC"). IIROC related policies focus on five areas: capital adequacy, insurance, segregation of clients' securities, safeguarding of securities and cash, and pricing of securities. Each policy has a defined control objective and applicable procedures to ensure adherence to sound business practices and high ethical standards.

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 Canadian generally accepted accounting principles.

As of December 31, 2008 an evaluation was carried out, using the COSO[2] internal control framework, under the supervision of and with the participation of management, including the CEO and the CFO, of the effectiveness of our DC&P and our ICFR as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these DC&P's and ICFR were effective as of December 31, 2008. No material weaknesses relating to the design or operation of the DC&P or the ICFR were identified based on the evaluation referred to above.

As at March 31, 2009, there were no material changes to the Company's disclosure controls and procedures or internal controls over financial reporting.

Conflicts of Interest

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

Confidentiality of Information

We believe that confidentiality is essential to the success of our business, and we strive to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties. We keep the

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2 Committee of Sponsoring Organizations of the Treadway Commission. This model has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

affairs of our clients confidential and do not disclose the identities of our clients (absent express client consent to do so). If a prospective client requests a reference, we will not furnish the name of an existing client before receiving permission from that client to reveal their business relationship with us.

Insurance

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

Fair Allocation

We believe that our investors have the right to be assured that Fund and Managed Accounts interests will take precedence over the personal trading activities of investment professionals and other access persons. We strive to ensure the fair treatment of our Funds through the highest standards of integrity and ethical business conduct. The principle of fair treatment is recognized by all of our employees, officers and directors. In order to ensure fairness in the allocation of investment opportunities among our Funds and Managed Accounts, we will allocate investment opportunities with consideration of the suitability of such investments to each Fund's or Managed Account's objective and strategy, portfolio composition, Fund or Managed Account restrictions and cash availability (even though the investment objectives and strategies are substantially the same for some of our Funds and Managed Accounts, cash flows of each of our Funds and Managed Accounts can be substantially different given daily/monthly subscriptions and redemptions). If an investment opportunity is suitable for more than one Fund or Managed Account, we will allocate such investment opportunities equitably in order to ensure that our Funds have equal access to the same quality and quantity of investment opportunities. We consistently seek to negotiate the best possible price through a broker, and when allocating block trades, allocations are made on a pro-rata basis, with consideration given to the objective, strategy, restriction, portfolio composition and cash availability of each Fund and Managed Account.

Independent Review Committee

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

RISKS AND UNCERTAINTIES

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

Risks related to our Funds include: external market conditions; changes in investment strategies and portfolios; inability for one class or series to pay expenses of a Fund; fluctuation in frequency and size of redemptions; qualifying as mutual fund trusts; expenses; indemnification obligations; the success of our management strategies; reliance on key personnel; recognition of limited liability of limited partners or unitholders; valuation; fluctuation in commodity prices; foreign exchange and currency risk; interest rate risk; litigation risk; fluctuations in small cap companies; illiquidity; indebtedness secured by assets of a Fund; securities lending losses; special investment techniques; due diligence process; investments in companies we do not control; and ineffective risk management systems. For further details, please refer to the Annual Information Form dated March 24, 2009.

LIQUIDITY AND CAPITAL RESOURCES

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

We do not have off-balance sheet contractual arrangements and no material contractual obligations other than our long-term lease agreement expiring on December 31, 2013.

As a member of IIROC and a registered investment dealer, we are required to maintain a minimum amount of risk-adjusted capital calculated in accordance with the rules of IIROC at all times. The amount of such capital required is prescribed by regulation. Our credit facility of $35 million also provides a source of funding for short-term cash flow requirements. During the quarter ended March 31, 2009, SAM was in compliance with the capital requirements of IIROC and in compliance with the covenants under the credit facility. No amount was drawn under the credit facility at March 31, 2009.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. Items that require use of estimates and assumptions include income taxes and stock options.

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

Stock-based compensation expense is estimated based on the value of the option on its grant date. Management adopted a fair value-based valuation methodology as required by GAAP that will best determine the value of options and the cost over the vesting period of the option. The valuation model utilizes multiple observable market inputs including interest rates, however the model requires judgment and assumptions be applied in determining certain inputs including fair value of common shares, expected volatility and expected option life. Management reviews all inputs on a regular basis to ensure consistency of application and reasonableness. Details regarding stock options granted, including key inputs and assumptions are contained in note 6(b) to the Company's audited consolidated financial statements.

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

FINANCIAL INSTRUMENTS

Our financial instruments consist of cash and cash equivalents, investments in private and public equities as well as investments in mutual funds and hedge funds, fees receivable, accounts payable and accrued liabilities and compensation payable. In all cases, the carrying values approximate the relevant fair values due to their short-term nature. Investments in public equities, mutual funds and hedge funds are recorded on the balance sheet at their fair values; investments in private equities are recorded at cost less any impairment.

The maximum loss that the Company can incur in respect of proprietary investments is the carrying value thereof. The market value of our proprietary investments varies daily based on general market conditions and the values of securities in the relevant Funds.

RELATED PARTY TRANSACTIONS

Most of the artwork displayed in our office area is rented from Mr. Sprott, President and CEO of the Company as well as from Sprott Securities Ltd., a corporation wholly owned by Mr. Sprott. The rental rate is equal to 3% per annum of the original acquisition cost of such artwork.

CHANGES IN ACCOUNTING POLICIES

There were no accounting policy changes adopted by the Company during the quarter.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended December 31, 2011 and will be required to provide information that conforms with IFRS for the comparative periods presented. The Company is currently evaluating the impact of adopting IFRS. We have engaged a major accounting firm to assist with the diagnostic review. The primary objective of the diagnostic review in the planning phase of the IFRS conversion project is to understand, identify and assess the overall effort required to produce financial information under IFRS.

OUTLOOK

As global economic fundamentals continued to deteriorate into 2009, and as many governments around the world took increasing roles in markets and economies, we continued to position many of our Funds' investment portfolios to benefit from the implications of these activities. We anticipated that the printing of money by governments to stimulate their economies would result in lower confidence in paper currencies and a move into precious metals, while economic weakness would impact corporate earnings and the prices of the related stocks. The price of gold rallied in the first two months of 2009 and most stock markets declined but this trend reversed as markets rallied in March.

At various times during the quarter ended March 31, 2009, Funds accounting for nearly 90% of our AUM (excluding Managed Accounts and the Sprott Gold Bullion Fund) had accrued performance fees. While the performance of some of our Funds deteriorated in March 2009, we continue to believe that we are positioned to earn performance fees in 2009.

We continue to introduce investment products in response to changing investor sentiment and evolving investment themes. In early March 2009 we launched the Sprott Gold Bullion Fund. The investment objective of this fund is to seek to provide a secure, convenient alternative for investors seeking to hold gold. The fund will invest primarily in unencumbered, fully allocated gold bullion, permitted gold certificates, and/or closed-end funds the underlying interest of which is gold. The fund may also invest a portion of its assets in cash, money market instruments and/or treasury bills. We also introduced the FNSSC[3] Multi-Manager Fund, a fund composed of five Sprott mutual funds, which will be exclusively available to FNSSC members. We will work alongside FNSSC to attract assets to this fund. We also review our product line for on-going viability. We are closing the Sprott Global Market Neutral Fund. Due to its small size and limited sales outlook, we determined that it was uneconomical to manage and have effected a liquidation of the fund.

Through Sprott Consulting LP ("SCLP"), we have introduced into our business operations the concept of providing management and administrative services to other companies. SCLP has proven to be a valuable addition to our business, generating significant Performance Fees in 2008 and is positioned to be an avenue for revenue growth and business expansion. Currently, SCLP manages Sprott Resources

3 Federation of National Specialty Societies of Canada

Corp. (TSX:SCP), which invests in early stage corporate investments in the resource sector. Sprott Resource Corp. recently announced an investment in One Earth Farms Corp. ("OEF"), a proposed corporate farm operation in western Canada.

On April 7, 2009 we hosted a "Night With the Bears", an event that drew over 1,500 clients, prospects and others to the Elgin Theatre to hear Eric Sprott, Ian Gordon, Meredith Whitney and Nouriel Roubini provide their insights into and outlook for economies and markets. This event garnered significant publicity for SAM and provided a positive profile for the Company and our investing activities.

We anticipate that the proposed restructuring of our subsidiaries referred to earlier in this MD&A will become effective on June 1, 2009. This will enable us to better brand and focus the different components of our business, in particular Sprott Private Wealth LP, which will provide investment management services to high net worth individuals.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Unaudited Interim Consolidated Balance Sheets

($ in thousands)	As at March 31, 2009	As at December 31, 2008
	$	$
Assets		
Current		
Cash and cash equivalents	**76,465**	89,888
Proprietary investments *(Notes 2 and 4)*	**21,832**	13,008
Fees receivable	**3,832**	13,557
Other assets	**1,305**	800
Total current assets	**103,434**	117,253
Future tax asset	**1,200**	1,481
Fixed assets, net *(Note 7)*	**4,538**	4,696
	5,738	6,177
Total assets	**109,172**	123,430
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**3,970**	5,625
Compensation and employee bonuses payable	**6,902**	21,811
Dividends payable	**22,500**	–
Income taxes payable	**14,541**	16,480
Total current liabilities	**47,913**	43,916
Total liabilities	**47,913**	43,916
Shareholders' equity		
Capital stock *(Note 5(a))*	**40,105**	40,105
Contributed surplus *(Note 5(a))*	**2,098**	1,524
Retained earnings	**19,056**	37,885
Total shareholders' equity	**61,259**	79,514
Total liabilities and shareholders' equity	**109,172**	123,430

See accompanying notes

Unaudited Interim Consolidated Statements of Income, Comprehensive Income and Retained Earnings

($ in thousands, except for per share amounts)	*For the three months ended* **March 31, 2009**	*For the three months ended* March 31, 2008
	$	$
Revenue		
Management fees	**22,596**	32,763
Crystallized performance fees	**1,810**	305
Unrealized and realized gain on proprietary investments	**2,143**	8,150
Other income	**107**	1,911
Total revenue	**26,656**	43,129
Expenses		
Compensation and benefits	**7,699**	8,496
Trailer fees	**4,589**	7,108
General and administrative	**3,040**	2,251
Donations	**284**	325
Amortization	**216**	(59)
Total expenses	**15,828**	18,121
Income before income taxes for the period	**10,828**	25,008
Provision for income taxes *(Note 10)*	**3,407**	8,298
Net income and comprehensive income for the period	**7,421**	16,710
Retained earnings, beginning of the period	**37,885**	123,173
Dividends declared	**(26,250)**	(107,500)
Dividend tax refund	**–**	4,726
Retained earnings, end of the period	**19,056**	37,109
Basic and diluted earnings per share *(Note 9)*	**$0.05**	$0.12

See accompanying notes

Unaudited Interim Consolidated Statements of Cash Flows

($ in thousands)	For the three months ended March 31, 2009	For the three months ended March 31, 2008
	$	$
OPERATING ACTIVITIES		
Net income and comprehensive income for the period	**7,421**	16,710
Add (deduct) non-cash items:		
Unrealized and realized gains on proprietary investments	**(2,143)**	(8,150)
Stock-based compensation	**574**	–
Amortization	**216**	(59)
Future income taxes	**281**	–
	6,349	8,501
Changes in non-cash working capital balances related to operations:		
Other assets	**(505)**	(767)
Fees receivable	**9,725**	43,251
Income taxes payable	**(1,939)**	3,572
Accounts payable and accrued liabilities	**(1,655)**	(2,601)
Compensation and employee bonuses payable	**(14,909)**	(119,024)
Proprietary investments	**–**	86,005
Cash provided by (used in) operating activities	**(2,934)**	18,937
INVESTING ACTIVITIES		
Purchase of proprietary investments	**(10,137)**	–
Sale of proprietary investments	**3,456**	–
Purchase of fixed assets	**(58)**	(633)
Long-term investments	**–**	(131)
Cash used in investing activities	**(6,739)**	(764)
FINANCING ACTIVITIES		
Issuance of common shares	**–**	7,817
Dividend tax refund	**–**	4,726
Dividends paid	**(3,750)**	(107,500)
Cash used in financing activities	**(3,750)**	(94,957)
Net increase (decrease) in cash and cash equivalents during the period	**(13,423)**	(76,784)
Cash and cash equivalents, beginning of the period	**89,888**	94,293
Cash and cash equivalents, end of the period	**76,465**	17,509
Cash and cash equivalents:		
Cash	**9,610**	740
Cash at carrying broker	**30,566**	2,781
Short-term deposits	**36,289**	13,989
	76,465	17,509
SUPPLEMENTAL CASH FLOW INFORMATION		
Taxes paid	**5,065**	–
Interest paid	**–**	–

See accompanying notes

Sprott Inc.
Notes to the Unaudited Interim Consolidated Financial Statements *For the three months ended March 31, 2009*

1. Corporate Activities

Sprott Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on February 13, 2008. The Company was incorporated to acquire, through an exchange of shares, all of the shares of Sprott Asset Management Inc. ("SAM").

SAM was incorporated under the Ontario Business Corporations Act on August 31, 2000. SAM's principal business is the investment management of public mutual funds, hedge funds and managed accounts. SAM is a member of the Investment Industry Regulatory Organization of Canada ("IIROC", formerly the Investment Dealers Association of Canada). SAM has entered into a Type II introducing broker agreement with Cormark Securities Inc. ("Cormark"). Under the terms of this agreement Cormark performs trading, clearing, segregation/safekeeping and recordkeeping services for SAM.

On May 8, 2008, the Company filed a prospectus ("Prospectus") in each of the provinces and territories of Canada in respect of the initial public offering of 20 million common shares to be effected via a secondary offering by certain shareholders of the Company (the "Offering" or "IPO"). Common shares of the Company are traded on the Toronto Stock Exchange under the symbol SII.

2. Reorganization

In anticipation of, and prior to the completion of the Offering on May 15, 2008, SAM and its shareholders undertook certain corporate transactions, which took place in the first and second quarters of 2008. These transactions (referred to as the "Reorganization") are described below:

(a) Sale of proprietary investments

SAM redeemed or sold various proprietary investments comprising mutual funds, hedge funds, public equities, gold and silver certificates, gold and silver bullion and gold coins. See Note 4 for a detailed listing of proprietary investments at December 31, 2008 and March 31, 2009.

Total proceeds from the sale of proprietary investments prior to completion of the Offering were approximately $98 million.

(b) Divestiture of long-term investments

In April 2008, SAM distributed the long-term investments by way of a dividend-in-kind to shareholders of record as of January 30, 2008, with the amount of the dividend being equal to approximately $10.1 million.

(c) Payment of dividends

As a result of the Reorganization, SAM paid a total of $134.6 million in dividends, of which $124.5 million was paid in cash and $10.1 million was paid as a dividend-in-kind (see Note 2(b)). All such payments were made prior to the IPO. All subsequent dividends paid after the completion of the IPO are not related to the Reorganization.

(d) Option grants and exercise by option holders

As a result of the Reorganization, certain amendments were made to SAM's stock option plan and new options were granted. Immediately prior to the completion of the Offering, option holders exercised all of their stock options to acquire common shares of SAM. Refer to Note 5(b) for further details.

(e) Share exchange

Immediately prior to the completion of the Offering, the shareholders of SAM exchanged their common shares of SAM for common shares of the Company using a conversion factor of 27.5042984 Company shares for each SAM share, all in accordance with a share exchange agreement entered into prior to closing of the Offering by SAM, the Company and each of the shareholders of SAM.

3. Significant Accounting Policies

Basis of presentation

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries: SAM, Sprott Genpar Ltd., SAMGENPAR Ltd. and Sprott Consulting LP. All intercompany accounts are eliminated on consolidation.

Certain information and note disclosures normally included in the annual financial statements have been condensed or excluded. As a result, these unaudited interim consolidated financial statements do not contain all disclosures required for annual financial statements and should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2008. All material adjustments which, in the opinion of management, are necessary for fair presentation of the results of the interim periods have been reflected in these financial statements. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year.

For the purposes of unaudited interim consolidated financial statements, the acquisition of SAM in the fiscal year ended December 31, 2008 has been accounted for using the continuity of interest method because the acquisition did not result in a substantive change in the owners' interests. Under this method, financial statements of the combined company presented for prior periods are restated to reflect the financial position and results of operations as if the companies had been combined since their inception.

These unaudited interim consolidated financial statements have been prepared on a basis consistent with policies outlined in the notes to the audited financial statements for the fiscal year ended December 31, 2008.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. Management reviews these estimates periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

4. Proprietary Investments

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

	March 31, 2009	December 31, 2008
	$	$
PRECIOUS METAL BULLION		
Gold bullion	6,484	
	6,484	–
SECURITIES DESIGNATED AS HELD FOR TRADING		
Public equities	8,788	5,050
Mutual funds and hedge funds	4,730	7,958
	13,518	13,008
SECURITIES AVAILABLE FOR SALE		
Private equities (*Note 6(d)*)	1,830	–
Total proprietary investments	21,832	13,008

As at March 31, 2009, investments in public equities consisted of an investment in Sprott Molybdenum Participation Corporation ("Sprott Moly") as well as investments in equities of companies in the gold and precious minerals sector. As at March 31, 2009, investments in mutual funds and hedge funds consisted entirely of investments in mutual funds and hedge funds managed by SAM and investments in private equities consisted of investments in equities of private companies in the gold and precious minerals sector.

As at December 31, 2008, investments in public equities consisted of an investment in Sprott Moly. As at December 31, 2008, investments in mutual funds and hedge funds consisted entirely of investments in mutual funds and hedge funds managed by SAM.

5. Shareholders' Equity

(a) Capital stock and contributed surplus

Due to the application of continuity of interest accounting, all SAM share transactions in the comparative reporting periods were restated using the IPO conversion factor of 27.5042984 Company shares for each SAM share (see Note 2(e)).

Capital stock consists of the following:

	Number of shares (pre-IPO conversion factor)	Number of shares (post-IPO conversion factor)	Stated value (in thousands)
			$
AUTHORIZED			
Unlimited common shares, without par value			
ISSUED			
Balance, December 31, 2007	4,852,476	133,463,948	14,802
Issuance of common shares on exercise of stock options	601,217	16,536,052	25,303
Balance, December 31, 2008	5,453,693	150,000,000	40,105
Balance, March 31, 2009	5,453,693	150,000,000	40,105

Contributed surplus relates to stock options expense and consists of the following:

	Stated value (in thousands)
	$
Balance, December 31, 2007	113
Exercise of 601,217 SAM stock options	(113)
Contributed surplus related to SAM stock options immediately prior the completion of the IPO	–
Expensing of fair value of 2,550,000 Sprott Inc. stock options over the vesting period	1,524
Balance, December 31, 2008	1,524
Expensing of fair value of 2,550,000 Sprott Inc. stock options over the vesting period	574
	2,098

(b)Stock option plans and IPO conversion

(i) SAM

On March 17, 2008, 109,128 SAM options were granted, with an exercise price of $81.39, vesting in equal portions over three years with a fair value of nil. By resolution of the Board of Directors of the Company in April 2008, exercise prices were amended as follows: (i) from $48.3715 to $17.41 for 185,953 options granted in January 2006; (ii) from $76.9335 to $45.98 for 120,550 options granted in August 2007; (iii) from $78.30 to $47.34 for 33,966 options granted in November 2007 and (iv) from $81.39 to $64.00 for 109,128 options granted in March 2008. The revaluation of stock options did not result in an increase in their fair value.

During the fiscal year ended December 31, 2008, a total of 601,217 SAM options were exercised for proceeds of $25.2 million; as a result of the exercise, $0.1 million previously recorded in contributed surplus was credited to capital stock.

Immediately prior to the completion of the Offering, option holders exercised all of their stock options to acquire common shares of SAM. Also, immediately prior to the completion of the Offering, shareholders of SAM transferred their shares to the Company in exchange for an aggregate of 150,000,000 common shares of the Company.

Immediately prior to the completion of the Offering, the SAM stock option plan was terminated.

(ii) Sprott Inc.

On April 3, 2008, the Company adopted an 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 shall not exceed 10% of the issued and outstanding shares of the Company as at the date of grant of each option under the Plan. 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.

In the second quarter of 2008, the board of directors of the Company granted options to its directors and certain key employees. On May 6, 2008, 2,450,000 options were granted, with fair market value of $2.71 and an exercise price of $10, expiring on May 6, 2018. On June 2, 2008, 100,000 options were granted, with fair market value of $2.49 and an exercise price of $9.06, expiring on June 2, 2018. The fair value of the options granted in the second quarter of 2008 was determined using a weighted average risk free rate of 3.05% to 3.27%, an expected life of five years, weighted average expected volatility of 28% and an expected dividend yield of 1%.

For the three months ended March 31, 2009, the Company recorded a compensation expense of $0.6 million (2008 – nil) with a corresponding increase to contributed surplus. During the year ended December 31, 2008, the Company recorded a compensation expense of $1.5 million with a corresponding increase to contributed surplus, with respect to these options; the entire 2008 expense was incurred after the first quarter of 2008.

There were no stock options granted in the first quarter of 2009.

(c) Objectives of managing capital

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; and
- To provide an adequate return to shareholders through the growth in assets under management and growth in management fees and incentive fees that will result in higher dividend payments to shareholders.

The Company's capital is comprised of equity, including capital stock, contributed surplus and retained earnings. The Company's wholly-owned subsidiary, SAM, is a registrant of IIROC and is therefore required to maintain a minimum level of regulatory capital. To ensure compliance, senior management of SAM monitors regulatory capital on a daily basis. SAM also has a credit facility from a major Canadian chartered bank. One of the covenants related to this facility requires SAM to maintain minimum tangible net worth of $40 million (see Note 8(b)). As at March 31, 2009, SAM's tangible net worth, as defined in the agreement, is approximately $52.5 million.

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

The Company may adjust its capital levels in light of changes in business specific circumstances as well as overall economic conditions. In anticipation of the proposed Offering (see Note 2 for further details), the Company determined that it had accumulated shareholders' equity in excess of expected ongoing requirements, and through the Reorganization (described in greater detail in Note 2), reduced its shareholders' equity to approximately $50 million immediately before the completion of the Offering.

6. Related Party Transactions

(a) Sprott Molybdenum Participation Corporation

As at March 31, 2009, the Company owned 3,976,000 shares or 10.08% of Sprott Moly (March 31, 2008 – 3,976,000 shares or 9.38%) (see Note 4), which is also managed by SAM.

(b) Artwork rental

The Company rents artwork from Mr. Sprott, CEO and President, as well as from Sprott Securities Ltd., a corporation wholly-owned by Mr. Sprott. The rental rate is equal to 3% per annum of the amount paid to acquire the artwork displayed in the office area of the Company. For the quarter ended March 31, 2009, SAM incurred an expense of $0.3 million (2008 – $0.2 million), in artwork rental fees to Mr. Sprott and Sprott Securities Ltd. No amount remained payable as at March 31, 2009.

(c) Sale of certain proprietary investments

Certain proprietary investments sold as part of the Reorganization (see Note 2(a)) were sold by SAM to Mr. Sprott, at fair market value. The total value of proprietary investments sold to Mr. Sprott during the year ended December 31, 2008 amounted to approximately $8 million, $4 million of which was sold during the first quarter of 2008. Fair market value was determined by reference to publicly available price quotations and, for investments in private equities, by reference to recent arm's-length transactions in the stock.

(d) Purchase of proprietary investments from Sprott Strategic Gold Master Fund Ltd.

In January, 2009 the Company purchased certain portfolio investments totaling $3.6 million from the Sprott Strategic Gold Master Fund Ltd. pursuant to the compulsory redemption of all the holders of that fund. Of that amount, $1.8 million are investments in private companies for which there is no active market. Those investments are classified as "available for sale" and are recorded at cost less any impairment.

7. Fixed Assets

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

	March 31, 2009		
	Cost	Accumulated amortization	Net book value
	$	$	$
Artwork	1,512	–	1,512
Furniture and equipment	1,688	863	825
Computer hardware and software	915	760	155
Leasehold improvements	2,891	845	2,046
	7,006	2,468	4,538

	December 31, 2008		
	Cost	Accumulated amortization	Net book value
	$	$	$
Artwork	1,512	–	1,512
Furniture and equipment	1,684	793	891
Computer hardware and software	871	710	161
Leasehold improvements	2,880	748	2,132
	6,947	2,251	4,696

8. Lease Commitments And Other Obligations

(a) Lease commitments

Future minimum annual rental payments under a non-cancellable lease for office premises, including operating costs, are as follows:

	$ (in thousands)
2009	1,555
2010	1,555
2011	1,555
2012	1,555
2013	1,555
	7,775

(b) Credit facility

SAM has a credit facility provided by a major Canadian chartered bank for a maximum of $35 million. SAM may obtain credit under the credit facility by way of bankers' acceptances and prime rate loans. The credit facility has the following covenants:

(i) Assets under management must be greater than or equal to $3 billion. Assets under management refers to the total assets of Sprott funds and managed accounts less total liabilities, on which management fees or performance fees are calculated;

(ii) Total debt taken under the credit facility divided by EBITDA of SAM, as defined in the credit facility agreement, has to be less than or equal to 1.25; and

(iii) Minimum tangible net worth of SAM, as defined in the agreement, must be greater than $40 million.

As at March 31, 2009, there were no funds drawn under this credit facility.

9. Earnings Per Share

For the quarter ended March 31, 2009, basic and diluted earnings per common share was $0.05. For the quarter ended March 31, 2008, basic and diluted earnings per common share was $0.12.

10. Income Taxes

The reconciliation of the Company's effective tax rate to the statutory tax rate is as follows:

	Three months ended March 31, **2009**
	$ (in thousands)
Income taxes at statutory tax rate (33%)	**3,573**
Increase (decrease) in income taxes resulting from:	
Rate differences and other	**(166)**
Income tax provision as reported (effective tax rate of 31.5%)	**3,407**

	Three months ended March 31, **2008**
	$ (in thousands)
Income taxes at statutory tax rate (33.5%)	**8,378**
Increase (decrease) in income taxes resulting from:	
Rate differences and other	**(80)**
Income tax provision as reported (effective tax rate of 33%)	**8,298**

As at March 31, 2009, the future tax asset in the amount of $1.2 million related entirely to foreign accrual property losses and capital losses. As at December 31, 2008, the Company had approximately $7.2 million of unused capital losses realized on the disposition of a subsidiary by means of a dividend-in-kind; a future tax asset generated by these losses has been reduced by a valuation allowance to reflect the net amount of an entitlement to an asset that more likely than not will be realized

11. Risk Management Activities

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 losses. As many of the Company's financial instruments are recognized at fair value and classified as held for trading or net recoverable amount with impairment, if any, these changes 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 by daily monitoring of its proprietary investments.

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

Price risk

Price risk arises from the possibility that changes in the price of the Company's investments will result in changes in carrying value. For a listing of the Company's proprietary investments, refer to Note 4. As at March 31, 2009, investments in funds and managed accounts managed by SAM amounted to $11.2 million or 10.3% of total assets.

If the market values of proprietary investments that are held for trading increased by 5%, with all other variables held constant and net of tax, this would have increased net income by approximately $0.7 million; conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by the same amount.

The Company's revenues are also exposed to price risk since both management fees and performance fees 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 and Sprott Consulting LP. Assets under management refers to the total assets of Sprott funds and managed accounts less total liabilities, on which management fees or performance fees are calculated.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not hedge its exposure to interest rate risk as such risk is minimal. As part of its cash management program the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months.

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. It is therefore exposed to currency risk, as the value of investments denominated in other currencies will fluctuate due to changes in exchange rates. The Company does not enter into currency hedging transactions.

As at March 31, 2009, approximately $7.9 million or 7.2% of total assets was invested in proprietary investments held for trading and priced in U.S. dollars ("USD"). Furthermore, a total of $0.7 million of cash, $1.4 million of accounts receivable and $0.4 million of other assets were denominated in USD. As at March 31, 2009, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant and net of tax, the increase or decrease, respectively, in net income would have amounted to approximately $0.3 million.

(b) Credit risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at March 31, 2009, the Company's most significant counterparty is Cormark, the carrying broker of SAM, which also acts as a custodian on most of the Company's proprietary investments. Cormark is registered as an investment dealer subject to regulation by the IIROC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

The Company's exposure to credit risk is minimal. Credit risk is managed by dealing with counterparties 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 and managed accounts managed by the Company.

(c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. As at March 31, 2009, the Company also has $76.5 million or 70% of its total assets in cash and cash equivalents. The majority of current assets reflected on the consolidated balance sheets are highly liquid. The majority of investments held by the Company are readily marketable and are recorded at their market value. Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within several months. 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 and maintaining a credit facility (see Note 8(b)).

12. Segmented Information

Management has determined that the Company's dominant industry segment is investment management services in Canada. Substantially all of the Company's assets are located in Canada.

13. Comparative Unaudited Interim Consolidated Financial Statements

The comparative unaudited interim consolidated financial statements have been reclassified from statements previously presented to conform to the current year's presentation.

14. Subsequent Event

In May, 2009 a dividend of $0.025 per common share was declared for the quarter ended March 31, 2009.

Corporate Information

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