Sprott Inc.

Report to Shareholders

March 31,

2010

Sprott INC.

May 12, 2010

Dear Shareholders,

In keeping with our growth plans for 2010, we successfully introduced two new funds in the first quarter of 2010: the Sprott 2010 Flow-Through Limited Partnership and the Sprott Physical Gold Trust. Together, the proceeds from these funds have increased our Assets Under Management ("AUM") by more than $400 million. The Sprott Physical Gold Trust, a unique product fully backed by physical gold, has generated substantial interest from investors, and is currently trading at a significant premium to its net asset value. In light of the high level of interest created by this fund, we will consider a follow-on offering later this year. Subsequent to the end of the first quarter, we continued our efforts to broaden our product lineup with the introduction of a third new fund, the Sprott Private Credit Fund, which will be sub-advised by Third Eye Capital Management, a leading investor in private asset-based loans.

Sprott Asset Management ("SAM") has been working diligently to build out our investment and senior management teams to drive the company's growth and to support our product development initiatives. During the quarter we further bolstered SAM's investment team with the addition of Scott Colbourne, a leading fixed-income manager. More recently, in April 2010, John Ciampaglia joined SAM as Chief Operating Officer. John is seasoned investment industry professional who will be responsible for both new product development and improving the overall effectiveness of our organization.

SAM's investment performance was mixed during the first quarter of 2010, with gains from some of our mutual funds offset by negative performance from most of our hedge funds. Both gains and losses during the quarter were generally modest, with the best performing fund being the Sprott Energy Fund which posted a gain of 9.5%, while the worst performing fund was the Sprott Global Equity Fund with a loss of 7.4%.

Our AUM was $5.2 billion at the end of March 2010, up from $4.7 billion at the end of March 2009, and $4.8 billion at the end of 2009. The increase in AUM was largely due to sales of the two new funds launched during the quarter, while net redemptions from all other funds totaled $75 million for the quarter.

In addition to the progress we have made at SAM, we continue to advance our growth initiatives at our other two business units: Sprott Consulting LP ("SCLP"); and Sprott Private Wealth LP ("SPW").

SCLP continues to grow and evolve through its focus on providing management services to other companies, including Sprott Resource Corp. In April, Sprott Resource Corp. announced an Initial Public Offering for one of its subsidiaries, Stonegate Agricom Ltd. The IPO was completed in late April of 2010 and will result in a dilution gain for Sprott Resource Corp. which may, in turn, generate a Performance Fee for SCLP. SCLP is currently exploring other opportunities in the resource and power sectors and we expect it to be quite active over the coming months.

During the quarter, Mike Ricafort joined Sprott Private Wealth as Director, National Sales with responsibility for developing a strategy to drive SPW's growth. The SPW management team is focused on increasing SPW's asset base through the introduction of new products and services. We are excited about the prospects of developing SPW into a truly national brand capable of meeting the complex wealth management needs of high-net worth individuals and families.

As always, we remain focused on delivering the superior investment performance on which we built our reputation. We are confident in the abilities of our investment team and many of our funds are well positioned to return to generating performance fees over the remainder of the year. We look forward to reporting to you on our progress.

Eric Sprott
Chief Executive Officer

Kevin Bambrough
President

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Management's Discussion & Analysis

This 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, 2010 compared with December 31, 2009, and the results of operations for the three month period ended March 31, 2010 compared with the corresponding period in 2009.

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. ("SAMI"). 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, 2010 and 2009 and the notes thereto and with the audited consolidated financial statements as at December 31, 2009 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.

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 30, 2010 (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 public mutual funds, hedge funds and bullion funds (the "Funds") and managed accounts ("Managed Accounts") 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 of fixed assets, amortization of deferred sales charges and stock-based non-cash 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 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 proprietary investments.

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

OVERVIEW

The Corporation operates through three wholly-owned subsidiaries, Sprott Asset Management LP ("SAM LP"), Sprott Private Wealth LP ("SPW LP") and Sprott Consulting LP ("SCLP"). Through these three partnerships, the Corporation is an independent asset management company dedicated to achieving superior returns for our clients over the long term. Our business model is based foremost on delivering excellence in investment management services to our clients.

On June 1, 2009 we completed a corporate reorganization of SAMI whereby SAMI was dissolved and its operations were separated into three business lines: discretionary portfolio management by SAM LP, broker-dealer services by SPW LP, and consulting services by SCLP. The reorganization had no impact on the consolidated financial statements. SAM LP is a portfolio manager ("PM") and exempt market dealer ("EMD"). SPW LP is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada ("IIROC"). SCLP provides management, administrative and consulting services to other companies. Currently SCLP provides these services to Sprott Resource Corp.

Subsequent to this corporate reorganization, the majority of the Corporation's revenues are earned through SAM LP in the form of Management Fees and Performance Fees earned through the management of the Funds and Managed Accounts; SPW LP earns most of its revenues via intercompany trailer fee payments from SAM LP (these intercompany fees are eliminated on consolidation). SPW LP provides us with a competitive advantage by providing a unique distribution channel for our Fund products; as well, it serves as a platform to brand and grow our wealth management business. SCLP enables us to benefit from our expertise in managing other companies, both public and private.

While we operate through three principal operating companies, all three are focused on growing the AUM of the Funds and Managed Accounts that we manage for the benefit of the unitholders, shareholders and partners of those entities and thus for the benefit of our shareholders.

Key Performance Drivers

Our key performance indicators are:

- AUM
- Investment performance of our Funds and Managed Accounts
- Net sales (sales less redemptions) of our Funds and Managed Accounts
- EBITDA and Base EBITDA

The most significant factor that drives our business results continues to be the investment performance of the assets that we manage. Absolute returns generate growth in AUM, and hence Management Fees while absolute and/or relative returns may result in the receipt of Performance Fees. 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 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. As at March 31, 2010, we managed approximately $5.2 billion in assets among our various 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; while bullion Funds have the lowest rate of Management Fees, therefore, the balance of AUM among our various Funds impacts Management Fees as a percentage of AUM.

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 LP as manager of the Funds ("Crystallized Performance Fees"). These Crystallized Performance Fees, as well as the related allocation to the employee bonus pool, are accrued for in the financial statements of SAM LP for the appropriate month.

Our most significant expenses include compensation and benefits and trailer fees. With respect to compensation and benefits, employees are paid a base salary and may be eligible to share in a bonus pool, with the size of such discretionary 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. Both the employee bonus pool component of compensation and trailer fees are correlated with Management Fees. 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. We do not pay trailer fees on certain series/classes of domestic mutual Funds and hedge Funds or our offshore hedge Funds.

Last year we introduced a low load sales charge option for some of our funds. Sales under this option have not been significant to date and the commissions have been financed from internal cash flow. Other expenses incurred by our business are general and administration costs, including sales and marketing costs, occupancy, regulatory and professional fees as well as charitable donations and amortization.

FINANCIAL HIGHLIGHTS

Financial highlights for the three months ended March 31, 2010 were:

- AUM at March 31, 2010 were approximately $5,155 million. This reflects an increase of $381 million from $4,774 million at December 31, 2009 and an increase of $430 million from the $4,725 million of AUM at March 31, 2009. Average AUM in the first quarter of 2010 was approximately $4.9 billion as compared to approximately $4.6 billion in the first quarter of 2009, an increase of 5.4%. In the first three months of 2010, market values decreased by $36 million, but positive net subscriptions of $417 million for the quarter drove an overall increase in AUM.

- Management Fees for the quarter ended March 31, 2010 were $23.2 million, representing an increase of approximately $0.7 million (2.9%) over the corresponding period in 2009.

- During the quarter, we successfully launched at Sprott Physical Gold Trust and the Sprott 2010 Flow-Through LP. SPW was a significant participant in both offerings, resulting in selling commissions to SPW of approximately $2.5 million.

- Base EBITDA for the quarter ended March 31, 2010 was $10.3 million, compared to $8.1 million in the quarter ending March 31, 2009.

- Net income for the first quarter of 2010 was $5.9 million, and represents earnings per share, basic and diluted, of $0.04. Net Income for the quarter ended March 31, 2009 was $7.4 million, representing earnings per share, basic and diluted, of $0.05.

SUMMARY BALANCE SHEET

(In $ 000's,)	**March 31, 2010**	December 31, 2009
Total Assets	**93,702**	97,694
Total Liabilities	**20,820**	21,554
Shareholders' Equity	**72,882**	76,140

SUMMARY INCOME STATEMENT

(In $ 000's, except per share amounts)	For the three months ended March 31, **2010**	For the three months ended March 31, 2009
Revenue		
Management fees	**23,248**	22,596
Crystallized performance fees	**–**	1,810
Unrealized and realized gains (losses) on proprietary investments	**(897)**	2,143
Other income	**2,911**	107
Total revenue	**25,262**	26,656
Expenses		
Compensation and benefits	**8,267**	7,699
Trailer fees	**5,070**	4,589
General and administration	**2,611**	3,040
Donations	**458**	284
Amortization	**172**	216
Total expenses	**16,578**	15,828
Income before income taxes	**8,684**	10,828
Provision for income taxes	**2,759**	3,407
Net income and comprehensive income for the period	**5,925**	7,421
Other expenses[1]	**759**	790
Provision for income taxes	**2,759**	3,407
EBITDA	**9,443**	11,618
Unrealized and realized (gains) losses on proprietary investments	**897**	(2,143)
Performance fees net of performance fee related bonus pool[2]	–	(1,357)
Base EBITDA	**10,340**	8,118
Net Income Per Share – basic	**.04**	.05
Net Income Per Share – fully diluted	**.04**	.05

[1] Includes amortization of fixed assets, amortization of deferred sales charges and non-cash stock-based compensation expense.
[2] Performance Fee related bonus pool is equal to 25% of Performance Fee Revenue.

RESULTS OF OPERATIONS

Three months ended March 31, 2010 compared to three months ended March 31, 2009

Overall Performance

At March 31, 2010, AUM were approximately $5,155 million as compared with $4,725 million at March 31, 2009 and $4,774 million at December 31, 2009. In the first quarter of 2010, net subscriptions in the Funds and Managed Accounts were $417 million, significantly offsetting market value decline of $36 million and resulting in the net $381 million increase in AUM.

Monthly average AUM for the quarter ended March 31, 2010 was $4.9 billion, approximately $300 million higher than the $4.6 billion in the comparative prior year period.

Management Fees for the quarter over quarter increased by approximately $0.7 million to $23.2 million, driven by higher average AUM. Other income has also increased significantly from approximately $100 thousand to $2.9 million, primarily due to commissions earned by SPW as a selling group member of the Sprott Physical Gold Trust and Sprott 2010 Flow – Through LP offerings.

Management's Discussion & Analysis

Despite these increases, due to an absence of any Crystallized Performance Fees in the current quarter as compared with $1.8 million in the first quarter of 2009, as well as a loss of approximately $900 thousand on proprietary investments (as compared to a $2.1 million gain last year), total revenues for the quarter decreased by $1.4 million or 5.2% as compared with the first quarter of 2009.

Expenses totaled $16.6 million for the quarter ended March 31, 2010, which is an increase of $0.8 million or 4.7%, as compared with the quarter ended March 31, 2009. The increase is mainly attributable to an increase in compensation and benefits and in trailer fees, as described in greater detail later in this MD&A.

Net income of $5.9 million for the quarter ended March 31, 2010 compares with net income of $7.4 million for the quarter ended March 31, 2009 a decrease of 20.2%. Both revenues and expenses showed positive trends – with Management Fee revenue increasing and lower general and administrative expenses; however, the absence of Crystallized Performance Fees and losses on proprietary investments were the main contributors to the decrease in net income for the quarter as compared with the corresponding quarter in the prior year.

Assets Under Management, Investment Performance and Net Sales

The breakdown of AUM by investment product type as at March 31, 2010 and March 31, 2009 was as follows:

	March 31, 2010		*March 31, 2009*	
Product Type	$ (in millions)	% of AUM	$ (in millions)	% of AUM
Mutual Funds	2,308	44.8%	1,841	39.0%
Domestic Hedge Funds	1,326	25.7%	1,752	37.1%
Offshore Funds	484	9.4%	692	14.6%
Bullion Funds	519	10.1%	46	1.0%
Managed Accounts	518	10.0%	394	8.3%
Total	5,155	100%	4,725	100%

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

$ millions	Three months ended March 31, 2010	Three months ended March 31, 2009
AUM, beginning of quarter	4,774	4,449
Net sales (redemptions)	417	(208)
Market value appreciation (depreciation) of portfolios	(36)	484
AUM, end of quarter	5,155	4,725

Performance of our Funds and Managed Accounts for the quarter resulted in AUM declining by only $36 million or less then 0.8% of opening AUM as gains in some of our mutual Funds were offset by negative performance from other mutual Funds and from most of our hedge Funds. Both gains and losses were generally modest, with the best performing fund being the Sprott Energy Fund with a 9.5% gain for the quarter and the worst performing fund being the Sprott Global Equity Fund with a loss of 7.4% for the quarter.

Net sales for the quarter were $417 million. The launch of two new funds added $492 million to sales (Sprott Physical Gold Trust – $441 million and Sprott 2010 Flow-Through LP – $51 million). Collectively, our other Funds and Managed Accounts experienced net redemptions of $75 million, mainly from our public mutual Funds and domestic hedge Funds. Some of our offshore Funds had net subscriptions while others experienced net redemptions, resulting in net outflows of $4 million or 0.9% of opening offshore AUM.

Management's Discussion & Analysis

Revenue

Despite the decrease in total revenues of $1.4 million (5.2%) from $26.7 million to $25.3 million in the first quarter of 2010 compared with the first quarter of 2009, there were several positive trends in our revenue stream.

Management Fees for the quarter increased by approximately $0.7 million or 2.9% to $23.2 million from $22.6 million in the first quarter of 2009, as monthly average AUM increased by approximately 5.4% over the same period. Management Fee margins (defined as Management Fees as a percentage of average AUM) fell to 1.91% from 1.96% in the first quarter of 2009. The slight decrease is mainly due to an increase of approximately $0.4 billion in the assets of bullion Funds, which have lower management fees than most of our other Funds.

There were no Crystallized Performance Fees for three months ending March 31, 2010 due to almost no Performance Fees accrued by the Funds resulting in a crystallization thereof when any of such Funds were redeemed. In the first quarter of 2009, Crystallized Performance Fees were $1.8 million resulting from higher redemptions and strong performance of the Funds in that three month period.

Proprietary investments at March 31, 2010 comprise of investments in various public and private equities, investments in various funds managed by SAM LP, gold bullion and an investment in a secured note receivable and equity purchase warrants.

The investment in a secured note receivable was made in the second quarter of 2009 through a wholly owned subsidiary of the Company. The note issued by a company in the gold sector, matures in 2014 and bears interest at 10% per annum. The investment was made in order to diversify the portfolio of proprietary investments held as well as to implement a tax planning strategy to utilize tax losses recognized by the Company as a future tax asset. It is the Company's intention to hold the note until maturity. The issuer of the note also issued non-exchange traded warrants to the purchasers of the note, including the Company. The warrants are classified as held for trading.

Losses from proprietary investments (realized and unrealized) in the quarter ended March 31, 2010 totaled $0.9 million, as compared with the gains of $2.1 million for the quarter ended March 31, 2010. The losses in the quarter ended March 31, 2010 were mainly driven by the decline in the value of the warrants referred to above whereas gains in the first quarter of 2009 was due to appreciation of the Company's investment in Cadomin Capital Corporation[1], gold bullion and certain other publicly traded equities in the gold sector.

Other income increased by $2.8 million to $2.9 million for the quarter ended March 31, 2010 compared with the corresponding period in 2009. The increase in the current quarter is mainly due to $2.5 million of commissions earned by SPW LP on the sale of units of the Sprott Flow-Through LP and the Sprott Physical Gold Trust to SPW LP clients.

Expenses

Total expenses for the three month period ended March 31, 2010 were $16.6 million, a increase of $0.8 million (4.7%) compared with $15.8 million for the corresponding period in 2009. The increase in the current quarter is mainly attributable to an increase in compensation and benefits of $0.6 million and an increase in trailer fees of $0.5 million as compared with the first quarter of 2009. Increase in trailer fees and compensation and benefits is partially offset by a decrease in general and administrative costs of $0.4 million.

Changes in specific categories are described in the following discussion:

Compensation & Benefits

Compensation and benefits expense for the quarter ended March 31, 2010 amounted to $8.3 million, including contributions to the discretionary employee bonus pool of $2.5 million. The same expense categories for the quarter ended March 31, 2009 were $7.7 million and $2.9 million, respectively. There was no change in total base salary expense in the first quarter of 2010 compared to the first quarter of 2009. The increase in compensation and benefits of $0.6 million (7.4%) for the quarter, is primarily due to variable employee compensation paid on the sale of the Sprott 2010 Flow-Through LP and the Sprott Physical Gold Trust units and severance and benefits expense despite a lower contribution to the employee bonus pool as a result of lower net operating income (Management Fees, net of operating expenses), and

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1 Formerly Sprott Molybdenum Participation Corporation. Refer to Note 5(a) in the unaudited interim financial statements for further details.

no Crystallized Performance Fees to date in 2010 as compared to 2009. Compensation costs also include stock option benefit costs that have remained consistent at approximately $0.6 million per quarter.

Trailer Fees

Trailer fees are correlated with AUM and with Management Fees. For the quarter ended March 31, 2010 trailer fees of $5.1 million were 10.5% higher than in the corresponding period of 2009. As a percentage of Management Fees, trailer fees increased to 21.8% from 20.3% in the three months ended March 31, 2010 as compared with the corresponding period in 2009. This increase is mainly due to a proportionate increase in the AUM of funds that pay trailer fees.

General & Administration

General and administration expenses overall were lower at $2.6 million for the quarter ended March 31, 2010 as compared with the first quarter of 2009, a decrease of 14.1%. The decrease in the expenses is primarily due to reduction in the artwork rental expense, lower fund startup costs, lower legal, professional and regulatory fees partially offset by an increase in marketing and fund absorption costs in the first quarter of 2010.

Charitable Donations

The Board of Directors of SAMI approved a charitable donations program which became effective in fiscal 2008. Under this program, the amount of charitable donations made each year is 1% 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 2008 than in 2009 and as a result, the accrual under the charitable donations program is lower in 2010 than in 2009. Despite the lower accrual, donation expense for the first quarter of 2010 was higher than the first quarter of 2009 due to a one time corporation donation of $0.3 million made by SAM LP to CanFund to support Canadian athletes.

Amortization

Amortization expense is slightly lower in the first quarter of 2010 as compared to the first quarter of 2009 due to lower net fixed assets in 2010 as no major fixed assets were purchased in the first quarter of 2010.

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, 2010, EBITDA was $9.4 million, compared with $11.6 million for the corresponding period in 2009. The decrease in EBITDA in the first quarter of 2010 as compared to the first quarter of 2009 is mainly a result of proprietary investments losses of $0.9 million in 2010 as compared to a gain of $2.1 million in the same 2009 period and absence of Crystallized Performance Fees.

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 proprietary investments. For the quarter ended March 31, 2010 Base EBITDA was $10.3 million as compared with $8.1 million in the first quarter of 2009, representing an increase of 27.4%. Base EBITDA increased mainly as a result of higher Management Fees and substantial sales commissions from the sale by SPW of the Sprott Physical Gold Trust and the Sprott 2010 Flow-Through LP, partially offset by higher expenses, including variable payments to Sprott employees related to the receipt of selling commissions described above.

Management's Discussion & Analysis

Income before taxes for the three months ended March 31, 2010 was $8.7 million compared with a pre-tax net income of $10.8 million for the quarter ended March 31, 2010. Effective tax rates remained approximately the same in the three months ended March 31, 2010 as compared to the same period in 2009.

Net income for the quarter ended March 31, 2010 was $5.9 million, as compared to a net income of $7.4 million for the corresponding period in 2009. Both revenues and expenses showed positive trends – with Management Fee revenue increasing and lower general and administrative expenses; however, the absence of Crystallized Performance Fees and losses on proprietary investments were the main contributors to the decrease in net income over the comparative quarters.

Balance Sheet

Total assets at March 31, 2010 of $93.7 million are $4.0 million less than at December 31, 2009. Cash and cash equivalents of $55.5 million were $6.5 million higher than at December 31, 2009 because cash inflows, including receipt of year end Performance Fees, sale of certain proprietary investments and collection of commissions by SPW LP, more than offset cash outflows in the form of year-end bonuses and dividends. Proprietary investments are discussed in more detail in the Revenue section of this MD&A. Fees receivable at March 31, 2010 were $2.5 million, which is $10.2 million lower than at December 31, 2009 as year-end fee receivables include some Performance Fees that were received in January 2010. Other assets increased by $0.5 million since December 31, 2009 mainly due to an increase in interest receivable due to timing of collection of interest payments on the secured note receivable. Other non current assets as at March 31, 2010 consist of an intangible asset with an indefinite useful life, relating to certain costs incurred to create a management services contract between SAM LP and a Fund managed by SAM LP.

DIVIDENDS

In the first quarter of 2010, the Company recorded a special dividend in the amount of $0.04 per common share. The special dividend related to performance fees received for 2009. A regular dividend of $0.025 per common share was paid to shareholders of record at the close of business on March 1, 2010.

In May 2010, a dividend of $0.025 per common share was declared for the quarter ended March 31, 2010.

SHARE CAPITAL

There has been no change in the share capital of the Company from that disclosed in the annual audited consolidated financial statements as at December 31, 2009.

Earnings per share as at March 31, 2010 and March 31, 2009 have been calculated using the weighted average number of shares outstanding during the respective periods. There has been no change in the number of issued and outstanding shares since the IPO (150 million common shares).

A total of 2,550,000 stock options have been issued pursuant to our incentive stock option plan. In the first quarter of 2010, 100,000 options were cancelled and 50,000 new options were granted by bringing the stock option balance to 2,500,000. As at March 31, 2010, 817,000 of those stock options were exercisable.

MANAGING RISK

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

We have processes and procedures in place to monitor and mitigate these risks to the extent reasonable and practicable within the framework of our overall strategic objectives of delivering excellence in investment performance. Certain key risks are managed as described below:

Market Risk

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

Internal Controls and Procedures

Both SAM LP and SPW LP operate in a regulated environment and are subject to business conduct rules and other rules and regulations. We have internal control policies related to our business conduct. They include controls required to ensure compliance with the rules and regulations of relevant regulatory bodies including the Ontario Securities Commission and the Investment Industry Regulatory Organization of Canada ("IIROC").

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 Corporation 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 GAAP.

As of December 31, 2009 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, 2009. 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.

Conflicts of Interest

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

Independent Review Committee

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

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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.

members, and is subject to requirements to conduct regular assessments and provide reports to us and to the holders of interests in our public mutual Funds in respect of its functions.

Confidentiality of Information

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

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, restrictions, portfolio composition and cash availability of each Fund and Managed Account.

Insurance

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

Risks related to our Funds

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 30, 2010.

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.

SPW LP is a member of IIROC and a registered investment dealer and SAM LP is an OSC registrant in the category of PM and EMD, and as such each of SPW LP and SAM LP is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of IIROC and of the OSC, respectively. During the quarter ended March 31, 2010, SAM LP and SPW LP were in compliance with the specified capital requirements.

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, stock options and the valuation of certain proprietary investments.

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

Stock-based compensation expense is estimated based on the value of the option on its grant date. Management adopted a fair value-based valuation methodology as required by 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 expected volatility and expected option life. Management reviews all inputs on a regular basis to ensure consistency of application and reasonableness.

Some of the Company's proprietary investments are classified as available for sale and/or loans and receivables. Such investments are generally not traded in an active market and are valued at cost less other than temporary impairment, if any, or at "fair value". Management monitors all proprietary investments on a regular basis and makes all reasonable efforts to obtain publicly available information related to such investments. However, since the amount of information for investments that are not publicly traded is often limited, fair value of certain available for sale and loans and receivables investments could subsequently prove to differ from amounts at which they are carried on the balance sheet.

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

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

FINANCIAL INSTRUMENTS

Our financial instruments consist of cash and cash equivalents, investments in private and public equities, an investment in a secured note as well as investments in mutual Funds and hedge Funds, fees receivable, accounts payable and accrued liabilities and compensation payable. 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, while the secured note has been classified under loans and receivables.

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.

CHANGES IN ACCOUNTING POLICIES

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

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

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. We engaged a major accounting firm to assist with the diagnostic review, which was completed in the third quarter of 2009. In the third quarter of 2009, we have drafted a set of IFRS-compliant accounting policies, which were reviewed and approved by senior management in the fourth quarter of 2009. Currently, we do not anticipate the transition to IFRS to have any material impacts on the financial statement of the Company and continue to closely monitor any accounting and reporting rule changes and evaluate the impact of such changes on our reporting and systems.

RELATED PARTY TRANSACTIONS

Most of the artwork displayed in our office area was rented from Eric Sprott, CEO of the Company as well as from Sprott Securities Ltd., a corporation wholly owned by Mr. Sprott. The rental rate was equal to 3% per annum of the original acquisition cost of such artwork. Mr. Sprott and Sprott Securities Ltd. terminated the artwork rental charges effective May 2009.

GROWTH INITIATIVES

The first quarter of 2010 was very active as we continue to execute on the growth and development initiatives in each of our operating entities:

SAM LP

In this quarter we successfully launched the Sprott Physical Gold Trust, trading on the NYSE Arca and on Toronto Stock Exchange under the symbols PHYS and PHY, respectively. We raised gross proceeds of USD 442.5 million. We also launched our first flow-through fund, the Sprott 2010 Flow-Through LP which raised gross proceeds of over $50 million. In April, we announced the Sprott Private Credit Fund, an income fund that will be sub-advised by Third Eye Capital Management Inc., a leading investor in privately-negotiated secured loans.

We also added Scott Colbourne, a leading fixed income manager, to our investment team. This will enable SAM LP to broaden its product offering while remaining committed to generating exceptional investment returns for the Funds and Managed Accounts that we manage.

In April, John Ciampaglia joined SAM LP as Chief Operating Officer to focus on product development and operational effectiveness for the organization.

The key priority for our business continues to be investment performance. While amongst our absolute return funds only the Sprott Small Cap Hedge Fund had positive performance for the quarter ended March 31, 2010, all the other domestic and offshore hedge Funds had very modest performance deficits. The Sprott Energy Fund and the Sprott Small Cap Equity Fund outperformed their benchmarks for the quarter.

Our sales force is working diligently to generate new sales but it continues to be a difficult sales environment. We are relentlessly pursuing strategies to continue the growth of our business through strong conviction in our investments themes, innovation and expansion of our product line up and business platforms as well as a continued determination to deliver superior fund performance to our clients.

SPW LP

During this quarter, Mike Ricafort joined SPW LP as Director, National Sales with responsibility for developing a strategy to drive SPW LP's growth. The SPW LP management team is focused on increasing SPW LP's asset base through the introduction of new products and services designed to meet the full range of investment needs of high net worth investors.

Management's Discussion & Analysis

SCLP

SCLP has continued to expand its infrastructure to enable it to continue its management of Sprott Resource Corp. (TSX: SCP), continue the development of One Earth Farms Corp., and to explore other investment opportunities, particularly in the resource and energy space. In April, Sprott Resource Corp. announced an Initial Public Offering ("IPO") for one of its subsidiaries, Stonegate Agricom Ltd. This IPO will result in a dilution gain for Sprott Resource Corp. which may, in turn, generate a Performance Fee for SCLP.

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,* 2010	*As at December 31,* 2009
	$	$
Assets		
Current		
Cash and cash equivalents	55,534	49,010
Fees receivable	2,539	12,751
Other assets	2,803	2,342
Total current assets	60,876	64,103
Proprietary investments *(Note 3)*	26,437	28,004
Future income tax asset *(Note 9)*	1,148	1,289
Fixed assets, net *(Note 6)*	4,154	4,298
Other assets *(Note 10)*	1,087	–
	32,826	33,591
Total assets	93,702	97,694
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	4,670	4,546
Compensation and employee bonuses payable	5,713	9,192
Income taxes payable	9,610	7,323
Total current liabilities	19,993	21,061
Future income tax liability *(Note 9)*	827	493
Total liabilities	20,820	21,554
Shareholders' equity		
Capital stock *(Note 4)*	40,105	40,105
Contributed surplus *(Note 4)*	4,387	3,820
Retained earnings	28,390	32,215
Total shareholders' equity	72,882	76,140
Total liabilities and shareholders' equity	93,702	97,694

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, 2010	For the three months ended March 31, 2009
	$	$
Revenue		
Management fees	23,248	22,596
Crystallized performance fees	–	1,810
Unrealized and realized gains (losses) on proprietary investments	(897)	2,143
Other income	2,911	107
Total revenue	25,262	26,656
Expenses		
Compensation and benefits	8,267	7,699
Trailer fees	5,070	4,589
General and administrative	2,611	3,040
Donations	458	284
Amortization	172	216
Total expenses	16,578	15,828
Income before income taxes for the period	8,684	10,828
Provision for income taxes *(Note 9)*	2,759	3,407
Net income and comprehensive income for the period	5,925	7,421
Retained earnings, beginning of the period	32,215	37,885
Dividends declared	(9,750)	(26,250)
Retained earnings, end of the period	28,390	19,056
Basic and diluted earnings per share *(Note 8)*	$0.04	$0.05

See accompanying notes

Sprott Inc.

Unaudited Interim Consolidated Statements of Cash Flows

($ in thousands)	For the three months ended March 31, 2010	For the three months ended March 31, 2009
OPERATING ACTIVITIES		
Net income for the period	5,925	7,421
Add (deduct) non-cash items:		
Unrealized and realized (gains) losses on proprietary investments	897	(2,143)
Stock-based compensation	567	574
Amortization	172	216
Future income taxes	475	281
Other items	(61)	–
	7,975	6,349
Other assets	(461)	(505)
Fees receivable	10,212	9,725
Income taxes payable	2,287	(1,939)
Accounts payable and accrued liabilities	124	(1,655)
Compensation and employee bonuses payable	(3,479)	(14,909)
Cash provided by (used in) operating activities	16,658	(2,934)
INVESTING ACTIVITIES		
Purchase of proprietary investments	–	(10,137)
Sale of proprietary investments	731	3,456
Purchase of fixed assets	(28)	(58)
Other assets - non current	(1,087)	–
Cash provided by (used in) investing activities	(384)	(6,739)
FINANCING ACTIVITIES		
Dividends paid	(9,750)	(3,750)
Cash used in financing activities	(9,750)	(3,750)
Net increase (decrease) in cash and cash equivalents during the period	6,524	(13,423)
Cash and cash equivalents, beginning of the period	49,010	89,888
Cash and cash equivalents, end of the period	55,534	76,465
Cash and cash equivalents:		
Cash	11,148	40,176
Short-term deposits	44,386	36,289
	55,534	76,465
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	–	5,065

See accompanying notes

Sprott Inc.
Notes to the Unaudited Interim Consolidated Financial Statements *For the three months ended March 31, 2010*

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. ("SAMI").

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 ("TSX") under the symbol SII.

On June 1, 2009, SAMI completed a corporate reorganization and transferred its discretionary portfolio management business to Sprott Asset Management LP ("SAM LP") and its broker dealer services to Sprott Private Wealth LP ("SPW LP"). After the reorganization, SAMI was wound up into the Company. As a result of the reorganization, the Company is now the sole limited partner of SAM LP, SPW LP and Sprott Consulting LP. The reorganization had no impact on the consolidated financial statements. SAM LP is a portfolio manager and exempt market dealer and SPW LP is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada ("IIROC"). SPW LP has a Type II introducing broker agreement with Cormark Securities Inc. ("Cormark"). Under the terms of the agreement, Cormark performs trading, clearing, segregation/safekeeping and recordkeeping services for SPW LP. Sprott Consulting LP provides management and administrative services to other companies.

2. Basis of Presentation and Significant Accounting Policies

Basis of presentation

The 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, its wholly owned subsidiaries as well as three limited partnerships in which the Company is the sole limited partner. The three limited partnerships are SAM LP, SPW LP and Sprott Consulting LP while the material wholly owned subsidiaries are Sprott Genpar Ltd. and SAMGENPAR Ltd. 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 consolidated financial statements and notes thereto for the year ended December 31, 2009. 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 consolidated financial statements. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year.

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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. 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.

Future changes in accounting policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has 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. In 2009, the Company evaluated the impact of IFRS on its financial statements and determined that a switchover to IFRS would not have a material impact on the financial statements of the Company. The Company continues to monitor new standards and amendments to existing IFRS standards and evaluate their impact.

3. Proprietary Investments

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

	March 31, 2010	*December 31,* 2009
PRECIOUS METAL BULLION		
Gold bullion	**6,344**	6,435
SECURITIES DESIGNATED AS HELD FOR TRADING		
Public equities and share purchase warrants	**3,173**	4,581
Mutual funds and hedge funds	**812**	831
	3,985	5,412
LOANS AND RECEIVABLES		
Secured note receivable	**14,375**	14,338
SECURITIES AVAILABLE FOR SALE		
Public equities	**25**	93
Private equities	**1,708**	1,726
	1,733	1,819
Total proprietary investments	**26,437**	28,004

Fair value disclosures

The table below sets forth information about the level within the fair value hierarchy prescribed by Section 3862 at which the Company's investments are measured at March 31, 2010 ($ in thousands):

	Quoted price in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Total
SECURITIES DESIGNATED AS HELD FOR TRADING			
Public equities	698	1,491	2,189
Common share purchase warrants	–	984	984
Mutual funds	494	–	494
Hedge funds	–	318	318
Subtotal	**1,192**	**2,793**	**3,985**
SECURITIES AVAILABLE FOR SALE			
Public equities	25	–	25
Total	**1,217**	**2,793**	**4,010**

Level 1 securities generally include securities traded on major exchanges, including the TSX and TSX Venture Exchange as well as investments in redeemable mutual funds. Level 2 securities include common shares traded in over – the-counter markets, warrants valued using observable inputs and investments in hedge funds. As at March 31, 2010, the Company does not have any financial instruments that are measured at fair value and are classified as Level 3; there were no transfers between levels during the quarter.

As at March 31, 2010, investments in public equities consisted primarily of investments in equities and share purchase warrants of companies in the gold and precious minerals sector.

Investments in mutual funds and hedge funds consisted entirely of investments in mutual funds and hedge funds managed by SAM LP.

Securities classified as loans and receivables consisted of a secured note receivable from a company in the gold sector paying 10% annual interest and maturing in 2014 and is recorded at amortized cost, less impairment, if any. As at March 31, 2010, the fair value of this secured note receivable approximated its carrying value.

Securities classified as available for sale consisted of investments in equities of public and private companies in the gold and precious minerals sector.

4. Shareholders' Equity

(a) Capital stock and contributed surplus

Capital stock consists of the following:

	Number of shares	Stated value (in thousands)
		$
AUTHORIZED		
Unlimited common shares, without par value		
ISSUED		
Balance, December 31, 2008	150,000,000	40,105
Issuance of common shares on exercise of stock options	–	–
Balance, December 31, 2009	150,000,000	40,105
Issuance of common shares on exercise of stock options	–	–
Balance, March 31, 2010	**150,000,000**	**40,105**

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

	Stated value (in thousands)
	$
Balance, December 31, 2008	**1,524**
Expensing of fair value of 2,550,000 Sprott Inc. stock options over the vesting period	**2,296**
Balance, December 31, 2009	**3,820**
Expensing of fair value of 2,500,000 Sprott Inc. stock options over the vesting period	**567**
Balance, March 31, 2010	**4,387**

(b) Stock option plans

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.

The details of option grants are as follows:

Date	Number of options	Fair market value	Exercise price	Expiry date	Inputs used to calculate fair value
Date of grant: May 6, 2008	2,450,000	$2.71	$10	May 6, 2018	Risk-free rate of 3.05%, expected life of 5 years, weighted average volatility of 28% and expected dividend yield of 1%
Date of grant: June 2, 2008	100,000	$2.49	$9.06	June 2, 2018	Risk-free rate of 3.27%, expected life of 5 years, weighted average volatility of 28% and expected dividend yield of 1%
Date of cancellation: January 8, 2010	(100,000)	$2.49	$9.06		
Date of grant: January 15, 2010	50,000	$3.27	$4.85	January 15, 2020	Risk-free rate of 2.35%, expected life of 5 years, weighted average volatility of 40% and expected dividend yield of 2.06%
As at March 31, 2010	2,500,000				

As at March 31, 2010, 817,000 options were exercisable.

During the three months ended March 31, 2010, the Company recorded a compensation expense of $0.6 million (2009 – $0.6 million), with a corresponding increase to contributed surplus.

(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 is the sole limited partner of three limited partnerships: SPW LP, SAM LP and Sprott Consulting LP. SPW LP is a member of IIROC and SAM LP is a registrant of the Ontario Securities Commission; as a result, both limited partnerships are required to maintain a minimum level of regulatory capital. To ensure compliance, senior management monitors regulatory and working capital on a regular basis. As at March 31, 2010, the Company's subsidiaries were in compliance with the capital requirements.

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.

5. Related Party Transactions

(a) Cadomin Capital Corporation (formerly Sprott Molybdenum Participation Corporation ("Sprott Moly"))

Prior to July 2009, Sprott Moly was a related party of the Company because SAM LP provided investment management services to it and the Company owned 3,976,000 or 10.08% of its issued and outstanding common shares. In July 2009, Sprott Moly underwent a corporate reorganization as a result of which it ceased to be a related party of the Company and was renamed Cadomin Capital Corporation. As a result of this reorganization, the Company exchanged 3,976,000 shares or 10.08% of Sprott Moly for 3,976,000 shares of Cadomin Capital Corporation (now an unrelated company) at approximately $1.76 per share in cash. The investment management contract between SAM LP and Sprott Moly was terminated immediately before the reorganization.

(b) Artwork rental

Historically, the Company rented artwork from Mr. Sprott, Chief Executive Officer of the Company, as well as from Sprott Securities Ltd., a corporation wholly owned by Mr. Sprott. The rental rate was equal to 3% per annum of the amount paid to acquire the artwork displayed in the office area of the Company.

Commencing in May 2009, Mr. Sprott terminated the artwork rental contract with himself as well as Sprott Securities Ltd. As a result, there were no artwork rental fees incurred in the three months ended March 31, 2010 (2009 – $0.3 million).

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

In January 2009, the Company purchased certain portfolio investments from 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 were purchased for $1.8 million, are classified as "available for sale" and are recorded at cost less any permanent impairment.

6. Fixed Assets

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

	March 31, 2010		
	Cost	Accumulated amortization	Net book value
	$	$	$
Artwork	1,691	–	1,691
Furniture and equipment	1,745	1,144	601
Computer hardware and software	1,041	1,012	29
Leasehold improvements	3,087	1,254	1,833
	7,564	3,410	4,154

	December 31, 2010		
	Cost	Accumulated amortization	Net book value
	$	$	$
Artwork	1,691	–	1,691
Furniture and equipment	1,739	1,077	662
Computer hardware and software	1,039	1,016	23
Leasehold improvements	3,068	1,146	1,922
	7,537	3,239	4,298

7. Lease Commitments

Future minimum annual rental payments under a non-cancellable lease which expires on December 31, 2013 for office premises, including operating costs, are as follows:

	$ (in thousands)
2010	1,188
2011	1,584
2012	1,584
2013	1,584
	5,940

8. Earnings Per Share

For the quarter ended March 31, 2010, basic and diluted earnings per common share were $0.04. For the quarter ended March 31, 2009, basic and diluted earnings per common share were $0.05. Earnings per share is calculated using the weighted average number of shares outstanding during the relevant periods. For both the quarter ended March 31, 2010 and March 31, 2009, the weighted average number of shares was 150,000,000.

9. Income Taxes

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

	Three months ended March 31, 2010
	$ (in thousands)
Income taxes at statutory tax rate (31.25%)	**2,714**
Increase in income taxes resulting from:	
Non-taxable portion of capital losses	**45**
Income tax provision as reported (effective tax rate of 31.8%)	**2,759**

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

As at March 31, 2010, the future tax asset in the amount of $1.1 million related entirely to foreign accrual property losses and capital losses. The future tax liability of $0.8 million relates to future taxes associated with unrealized gains as well as certain items which are deductible for income tax purposes, but capitalized for accounting purposes. As at March 31, 2010, the Company had approximately $6.8 million of unused capital losses realized on the disposition of a subsidiary by means of a dividend-in-kind.

10. Other Long Term Assets

As at March 31, 2010, other long term assets consist of an intangible asset with an indefinite useful life, which is tested for impairment at each reporting period. The intangible asset relates to certain costs incurred to create a management services contact between SAM LP and one of the funds managed by SAM LP.

11. Variable Interest Entities ("VIEs")

Certain hedge funds and offshore funds are structured as limited partnerships in which the Company, through its subsidiary entities, holds general partner interests in the partnerships, which entitle the Company to participate in a portion of the carried interest of the partnerships. Some of the offshore funds managed by the Company structured as corporations and public mutual funds managed by the Company have holders of the equity at risk that lacks the characteristics of a controlling financial interest. The Company has a direct investment in several such offshore funds, and in certain public mutual funds. Management has concluded that the Company is not the primary beneficiary of these funds and, thus, is not required to consolidate these entities. The Company has no other significant interests in VIEs. The Company's maximum exposure to loss as a result of its involvement with VIEs is a function of the amounts invested in the funds, management fees and performance fees.

12. 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 a decrease in the fair value of a financial instrument. The Company's financial instruments are classified as held for trading, available for sale or loans and receivables and measured either at fair value or cost less permanent impairment, if any. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments classified as held for trading and cost less permanent impairment, if any, for investments classified as available for sale or loans and receivables. The Company manages market risk by regular monitoring of its proprietary investments.

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

Price risk

Price risk arises from the possibility that changes in the price of the Company's proprietary investments will result in changes in carrying value. For a listing of the Company's proprietary investments, refer to Note 3.

If the market values of proprietary investments that are held for trading increased by 5%, with all other variables held constant and before tax, this would have increased income before income taxes by approximately $0.2 million (December 31, 2009 – $0.3 million); conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by the same amount.

If the market value of gold bullion increased by 5%, with all other variables held constant and before tax, this would have increased income before income taxes by approximately $0.3 million (December 31, 2009 – $0.3 million); conversely, if the value of gold bullion decreased by 5%, this would have decreased net income by the same amount.

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

In the second quarter of 2009, the Company, through its wholly owned subsidiary, SAMGENPAR Ltd., invested approximately $14 million in a secured note bearing an interest rate of 10% per annum and secured against the assets of the issuer. There is no interest rate risk that could immediately affect earnings associated with this investment as it is carried at amortized cost and management intends to hold the investment to maturity.

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds assets denominated in currencies other than the Canadian dollar. 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, 2010, approximately $8.0 million or 8.55% (December 31, 2009 – $8.0 million or 8.2%) of total assets was invested in proprietary investments held for trading and precious metal bullion priced in U.S. dollars ("USD"). Furthermore, a total of $0.4 million (December 31, 2009 – $0.5 million) of cash, $0.6 million of accounts receivable (December 31, 2009 – $7.6 million) and $0.2 million (December 31, 2009 – $0.2 million) of other assets were denominated in USD. As at March 31, 2010, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant and before tax, the increase or decrease, respectively, in income before income taxes would have amounted to approximately $0.5 million (December 31, 2009 – $0.8 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, 2010, the Company's most significant counterparty is Cormark, the carrying broker of SPW LP, which also acts as a custodian for 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 main exposure to credit risk relates to the secured note receivable, as disclosed in Note 3. The credit risk is managed by the terms of the agreement, in particular, the note is secured and the issuer is subject to a number of financial covenants, which are monitored on a regular basis.

Credit risk is also managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties. The majority of accounts receivable relate to management and performance fees receivable from the funds 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, 2010, the Company had $55.5 million or 59.3% of its total assets in cash and cash equivalents. The majority of current assets reflected on the consolidated balance sheet are highly liquid. Approximately $8 million or 31.7% of proprietary investments held by the Company are readily marketable and are recorded at their fair value. Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within 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.

13. 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.

14. Contingent Liabilities and Indemnities

In the normal course of operations, former employees may from time to time file claims for additional compensation. The Company is currently defending itself against such claims. The amount of losses, if any, are not determinable at this time.

In the first quarter of 2010, the Company provided an indemnification to certain offshore funds managed by SAM LP. The maximum exposure under the indemnification is approximately $10 million. The Company is of the view that the likelihood of loss in relation to such indemnities is very remote and, as such, no amount has been accrued in the Company's financial statements.

15. Subsequent Events

In May 2010, a dividend of $0.025 per common share was declared for the quarter ended March 31, 2010.

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