Sprott Inc.

Report to Shareholders

June 30,

2012

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August 8, 2012

Dear Shareholders,

The first half of 2012 was a challenging period for our company. Despite the accuracy of our well-researched view that the imbalances in the global financial system and prevalent weakness in the global economies would prove to be a toxic brew, our investments did not provide the gains we anticipated. Precious metal and energy shares declined while the broader U.S. markets rallied, hurting both our long and our short positions. As a result, our investment performance suffered, with the majority of our funds finishing the second quarter in negative territory which adversely impacted our financial results.

As always, our primary focus continues to be delivering long-term outperformance to our clients. While it has yet to manifest itself in improved investment results, we believe that our macro-economic assessment and current positioning will eventually provide protection and outsized gains for our portfolios. The sovereign debt crisis in Europe continues to worsen and the global economies have failed to show convincing signs of recovery. It appears likely that central banks will again be mandated to intervene in the markets in an effort to stimulate growth. In this environment of monetary easing, we remain confident that our heavy weightings in precious metals and their related equities, and our short positioning in economically sensitive and over-leveraged equities, will provide the basis for outperformance in the second half of the year.

One of the key strengths of our business is the diversified alternative asset management platform that we have built. During the second quarter of 2012, we continued to build our business with the acquisitions of the Toscana Companies and Flatiron Capital Management Partners. These transactions further diversify our investment capabilities through the addition of top convertible arbitrage and energy yield specialists. We now manage, on a firm-wide basis, over $1.1 billion in specialty yield strategies, all of which are performing well, and we believe that we can generate significant future growth from this area.

Investor demand for our physical bullion products remains strong and we recently completed a successful $220 million follow-on offering of Sprott Physical Silver Trust Units. We expect to expand this business before the end of 2012 with the launch of the Sprott Physical Platinum and Palladium Trust.

Sprott Consulting, the division managing our private equity businesses, has established an excellent track record of creating value in its managed companies and our private equity and private debt businesses continue to grow. Sprott Resource Lending Corp.'s strategy performed well in its first full year of operation and is positioned to generate performance fees this year, while Sprott Resource Corp. has earned embedded performance fees that could potentially be realized upon the monetization of certain existing investments. In addition, Sprott Power Corp. has successfully executed on its plans to increase its portfolio of renewable energy assets.

In closing, I would like to thank you for your continued support. We look forward to reporting to you on our progress in the quarters to come.

Sincerely,

Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Three and six months ended June 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations, dated August 8, 2012, presents an analysis of the financial condition of Sprott Inc. (the "Company") and its subsidiaries as of June 30, 2012 compared with December 31, 2011, and results of operations for the three and six months ended June 30, 2012, compared with the three and six months ended June 30, 2011. The Board of Directors approved this MD&A on August 8, 2012.

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

This MD&A and unaudited interim condensed consolidated financial statements should be read in conjunction with the MD&A and annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 27, 2012 (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 August 8, 2012 and will not be updated or revised except as required by applicable securities law. For a more complete discussion of the risk factors that impact actual results, please refer to the "Risk Factors" section of the Company's most recent Annual Information Form which is available at www.sedar.com.

PRESENTATION OF FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2012, including the required comparative information, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

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

KEY PERFORMANCE INDICATORS (NON-IFRS FINANCIAL MEASURES)

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

Our key performance indicators include:

Assets Under Management

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

Assets Under Administration

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

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

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

Net Sales

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

EBITDA

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

Base EBITDA

Base EBITDA refers to EBITDA after adjusting for: (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, Performance Fee related compensation and other Performance Fee related expenses. With the exception of Performance Fees attributable to redeemed units (termed as "Crystallized Performance Fees"), Performance Fees are earned on the last day of the fiscal year other than for the Funds that are managed by RCIC and certain accounts managed by SAM. Performance Fees are not as predictable and stable as Management Fees and therefore Base EBITDA enables us to evaluate the day-to-day results of operations throughout the year and is meaningful for the same reason.

RCIC manages a family of Funds whereby performance fees are earned by way of Carried Interests. Carried Interests are often realized towards the end of the life of these fixed term Funds which, as at June 30, 2012 have an average remaining life of approximately 6 years. The Carried Interests relating to these Funds will be earned once management is assured of their realization.

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

Cash Flow from Operations

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

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

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

OVERVIEW

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

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

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

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

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

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

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

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

The Company derives revenue primarily from Management Fees earned from the management of our Funds, Managed Accounts and Managed Companies and from Performance Fees earned from the investment of the AUM of our Funds, Managed Accounts and Managed Companies. Our Management Fees are calculated as a percentage of AUM. Our Performance Fees are calculated as a percentage of the return earned by our Funds, Managed Accounts and Managed Companies. Our Carried Interests are calculated as a percentage of profits earned by monetizing events at our Funds managed by RCIC. Accordingly, the growth in our fees is based on both the growth in AUM and the absolute or relative return, as applicable, earned by our Funds, Managed Accounts and Managed Companies. With the addition of GRIL, the Company now derives additional revenue from fees associated with its AUA. Commission and other income is generated from the sale and purchase of stocks by GRIL's clients, and to a lesser extent SPW, and from the sale of private placements to their clients. As at June 30, 2012, we managed approximately $8.5 billion in assets among our various Funds, Managed Accounts and Managed Companies. AUA in client assets totaled to approximately $3.8 billion.

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

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

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

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

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

BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

Investment Performance

The uncertainty in financial markets over the past quarter produced a difficult environment for the Company resulting in our AUM declining for the quarter by 12.4%. AUM at June 30, 2012 decreased $1.2 billion to $8.5 billion; market values decreased by $1.0 billion and Funds experienced net redemptions of $0.2 billion.

This difficult environment translated into weak quarterly results with Base EBITDA falling by $7.7 million (42.6%) to $10.4 million ($0.06 per share)from $18.1 million ($0.11 per share) in 2011.

Despite the performance of the majority of our Funds, Managed Accounts and Managed Companies, the second quarter of 2012 continued to be active as we executed on various growth and development initiatives across the organization:

Product and Business Line Expansion

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

In July 2012, we launched our newest specialty income product, Sprott Flatiron Yield Trust. The Trust will be co-managed by Steve Duenkler and Parm Kalirai, co-founders of Flatiron, which will act as a sub-advisor to the Trust.

In July 2012, we completed a follow-on offering of the Sprott Physical Silver Trust units raising gross proceeds of US$220 million.

We continue to develop new products and investment vehicles that will be available in 2012. The addition of these products will require us to make investments in technology, infrastructure and resources in order to continue to be able to provide effective and efficient service to our clients and to the Funds, Managed Accounts and Managed Companies that we manage.

Acquisition of the Toscana Companies

Subsequent to the quarter end, effective July 3, 2012, the Company acquired all of the outstanding common shares of Toscana Capital Corporation and Toscana Energy Corporation (collectively, the "Toscana Companies"). The Company has acquired the Toscana Companies because it is expected to provide expertise in creating and managing yield generating opportunities in the oil and gas sector in Western Canada.

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

The allocation of the purchase price will be completed in fiscal 2012 after the Company finalizes its valuation of the acquired identifiable intangible assets.

Acquisition of Flatiron

Subsequent to the quarter end, effective August 1, 2012, the Company acquired all of the outstanding common shares of Flatiron Capital Management Partners ("Flatiron"). The Company has acquired Flatiron because it is expected to provide expertise in creating and managing convertible bond arbitrage strategies for retail investors in Canada.

As consideration, the Company paid $6.0 million cash and has an obligation to issue common shares from treasury valued at $4.8 million, excluding costs, for total consideration of $10.8 million. In addition, the seller will be eligible to earn up to an additional $4.5 million in common shares of the Company with the achievement of certain financial targets by Flatiron over a period of up to 3 years.

The allocation of the purchase price will be completed in fiscal 2012 after the Company finalizes its valuation of the acquired identifiable intangible assets.

FINANCIAL HIGHLIGHTS

Financial highlights for the three and six months ended June 30, 2012 are:

- AUM at June 30, 2012 were $8.5 billion. This reflects a decrease of $1.2 billion from $9.7 billion at March 31, 2012 and a decrease of approximately $0.8 billion from $9.3 billion of AUM at June 30, 2011. Average AUM in the second quarter of 2012 was $9.0 billion compared to $9.9 billion in the second quarter of 2011, a decrease of 9.3%. During the second quarter of 2012, market values decreased by $1.0 billion and funds experienced net redemptions of $0.2 billion, resulting in an overall decrease of $1.2 billion in AUM for the current quarter.
- AUA at June 30, 2012 were $3.8 billion. This reflects a decrease of $0.8 billion from $4.6 billion at March 31, 2012 and a decrease of $1.5 billion from $5.3 billion of AUA at June 30, 2011.
- Management Fees for the three and six months ended June 30, 2012 were $28.1 million and $61.1 million, respectively, representing a decrease of $9.1 million (24.6%) and $11.7 million (16.1%) over the corresponding periods in 2011.
- Crystallized Performance Fees for the three and six months ended June 30, 2012 were $17 thousand and $93 thousand, respectively, representing a decrease of $598 thousand (97.2%) and $692 thousand (88.2%) over the corresponding periods in 2011.
- Base EBITDA for the three and six months ended June 30, 2012 was $10.4 million and $26.5 million respectively, representing a decrease of $7.7 million or 42.6% and $8.5 million or 24.3% over the corresponding periods in 2011.
- EBITDA for the three and six months ended June 30, 2012 was $6.4 million and $26.8 million, respectively, representing a decrease of $8.2 million (56.0%) and $5.2 million (16.2%) over the corresponding periods in 2011.
- Cash flow from operations for the six months ended June 30, 2012 was negative $15.1 million ($(0.09) per share) representing a decrease of $36.7 million from $21.6 million ($0.13 per share) for the six months ended June 30, 2011.
- Net income for the three months ended June 30, 2012 decreased by 90.2% to $0.7 million ($0.00 per share) from net income of $7.5 million ($0.04 per share) for the corresponding period in 2011. Net income for the six months ended June 30, 2012 decreased by 2.1% to $17.7 million ($0.10 per share) from net income of $18.1 million ($0.11 per share) for the six months ended June 30, 2011.

SUMMARY FINANCIAL INFORMATION

Key Performance Indicators

($ in thousands, except per share amounts)	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Assets Under Management	**8,485,400**	9,292,145	**8,485,400**	9,292,145
Assets Under Administration	**3,788,070**	5,258,923	**3,788,070**	5,258,923
Net Sales (Redemptions)	**(158,244)**	564,920	**387,377**	824,628
EBITDA	**6,424**	14,606	**26,824**	32,006
Base EBITDA	**10,407**	18,141	**26,528**	35,052
Cash Flow from Operations	**5,697**	10,082	**(15,148)**	21,595
EBITDA Per Share - basic and fully diluted	**0.04**	0.09	**0.16**	0.19
Base EBITDA Per Share - basic and fully diluted	**0.06**	0.11	**0.16**	0.21
Cash Flow From Operations Per Share - basic and fully diluted	**0.03**	0.06	**(0.09)**	0.13

Summary Balance Sheet

($ in thousands)	As at June 30, 2012	As at December 31, 2011
Total Assets	**344,622**	400,536
Total Liabilities	**40,197**	99,095
Shareholders' Equity	**304,425**	301,441

Summary Income Statement and Reconciliation to EBITDA and Base EBITDA

($ in thousands, except per share amounts)	For the three months ended June 30, **2012**	2011	For the six months ended June 30, **2012**	2011
Total revenue	**27,441**	39,293	**71,831**	78,808
Total expenses	**26,241**	28,095	**49,425**	52,653
Income before income taxes	**1,200**	11,198	**22,406**	26,155
Provision for income taxes	**464**	3,709	**4,727**	8,100
Net income	**736**	7,489	**17,679**	18,055
Other expenses [(1)]	**5,224**	3,408	**4,419**	5,851
Provision for income taxes	**464**	3,709	**4,727**	8,100
EBITDA	**6,424**	14,606	**26,825**	32,006
Unrealized and realized losses (gains) on proprietary investments	**3,984**	3,996	**(257)**	3,634
Performance fees net of performance fee related compensation and other performance fee related expenses [(2)]	**(1)**	(461)	**(40)**	(588)
Base EBITDA	**10,407**	18,141	**26,528**	35,052
Earnings Per Share - basic and fully diluted	**0.00**	0.04	**0.10**	0.11
EBITDA Per Share - basic and fully diluted	**0.04**	0.09	**0.16**	0.19
Base EBITDA Per Share - basic and fully diluted	**0.06**	0.11	**0.16**	0.21

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

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

Summary Cash Flow Statements and Reconciliation to Cash Flow from Operations

($ in thousands, except per share amounts)	For the six months ended June 30, 2012	2011
Operating Activities		
Net income for the period	**17,679**	18,055
Non-cash items	**11,815**	16,170
Income taxes paid	**(44,642)**	(12,630)
Cash flow from operations	**(15,148)**	21,595
Non-cash balances relating to operations	**(23,872)**	136,819
Cash provided by (used in) operating activities	**(39,020)**	158,414
Cash provided by investing activities	**5,492**	678
Cash used in financing activities	**(20,163)**	(117,584)
Net increase (decrease) in cash and cash equivalents during the period	**(53,691)**	41,508
Cash and cash equivalents, beginning of the period	**119,506**	81,209
Cash and cash equivalents, end of the period	**65,815**	122,717
Cash flow from operations per share - basic	**(0.09)**	0.13
Cash flow from operations per share - fully diluted	**(0.09)**	0.13

RESULTS OF OPERATIONS

Three and six months ended June 30, 2012 compared to three and six months ended June 30, 2011

Overall Performance

AUM at June 30, 2012 of $8.5 billion represents a decrease of 8.7% when compared with $9.3 billion at June 30, 2011. When compared to the AUM of $9.7 billion at March 31, 2012, AUM at June 30, 2012 decreased by 12.4%. Net redemptions for the quarter ended June 30, 2012 were $0.2 billion, combined with market value depreciation of $1.0 billion resulted in a $1.2 billion decrease in AUM for the quarter. Average AUM for the three and six months ended June 30, 2012 were $9.0 billion and $9.6 billion, respectively, compared with $9.9 billion and $9.4 billion in the corresponding periods of 2011.

Total revenues for three and six months ended June 30, 2012 decreased by $11.9 million (30.2%) to $27.4 million and $7.0 million (8.9%) to $71.8 million, respectively, when compared with the corresponding three and six months ended June 30, 2011. Management Fees for the three and six months ended June 30, 2012 were $28.1 million and $61.1 million, respectively, representing a decrease of $9.1 million (24.6%) and $11.7 million (16.1%) over the corresponding three and six months ended June 30, 2011. Gross Crystallized Performance Fees for the three and six months ended June 30, 2012 were $17 thousand and $93 thousand, respectively, compared to $615 thousand and $785 thousand in the three and six months ended June 30, 2011. Commissions decreased by $2.8 million and $0.1 million for the three and six months ended June 30, 2012, respectively, when compared with the three and six months ended June 30, 2011. Unrealized and realized losses on proprietary investments at $4.0 million for the three months ended June 30, 2012 were of a similar magnitude to such losses for the three months ended June 30, 2011. Unrealized and realized gains on proprietary investments totaled $0.3 million for the six months ended June 30, 2012 compared to unrealized and realized losses of $3.6 million for the six months ended June 30, 2011. Other income increased by $0.7 million and $1.6 million for the three and six months ended June 30, 2012, respectively, when compared with the three and six months ended June 30, 2011.

Expenses totaled $26.2 million and $49.4 million for the three and six months ended June 30, 2012, which is a decrease of $1.9 million (6.6%) and $3.2 million (6.1%), respectively, when compared with the three and six months ended June 30, 2011.

Net income of $0.7 million and $17.7 million for the three and six months ended June 30, 2012, decreased by $6.8 million (90.2%) and $0.4 million (2.1%), respectively, when compared with net income of $7.5 million and $18.1 million for the three and six months ended June 30, 2011.

Assets Under Management, Investment Performance and Net Sales

The breakdown of AUM by investment product type as at June 30, 2012 and June 30, 2011 was as follows:

	June 30, 2012		June 30, 2011	
Product Type	**$ (in millions)**	**% of AUM**	$ (in millions)	% of AUM
Bullion Funds	**3,648**	**43.0%**	2,490	26.9%
Mutual Funds	**1,950**	**23.0%**	3,053	32.9%
Domestic Hedge Funds	**1,397**	**16.5%**	1,647	17.7%
Offshore Hedge Funds	**307**	**3.6%**	681	7.3%
Direct Management (Managed Companies)	**627**	**7.4%**	644	6.9%
Managed Accounts	**182**	**2.1%**	320	3.4%
Fixed Term Limited Partnerships	**374**	**4.4%**	457	4.9%
Total	**8,485**	**100%**	9,292	100%

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2012**	2011	**2012**	2011
AUM, beginning of period	**9,683**	9,678	**9,137**	8,545
Net sales (redemptions)	**(158)**	565	**387**	825
Business acquisition	**—**	—	**—**	695
Market value depreciation of portfolios	**(1,040)**	(951)	**(1,039)**	(773)
AUM, end of period	**8,485**	9,292	**8,485**	9,292

For the quarter ended June 30, 2012, the majority of our Funds and Managed Accounts experienced negative performance resulting in a substantial overall market value depreciation of our AUM. AUM of our Fixed Term Limited Partnerships and Managed Companies also declined at June 30, 2012 compared to March 31, 2012.

Net redemptions for the second quarter were $158 million and net sales for the six months ended June 30, 2012 were $387 million. The initial and follow-on offering of Sprott 2012 Flow-Through LP, the launch of Sprott Silver Equities Class, the launch of Sprott Enhanced Equity Class and Sprott Enhanced Balanced Fund, follow-on offerings of Sprott Physical Gold Trust and Sprott Physical Silver Trust, added approximately $7 million and $717 million to sales for the three and six months ended June 30, 2012. Collectively, our other Mutual Funds, Managed Accounts and Domestic Hedge Funds experienced net redemptions of approximately $96 million and $201 million for the three and six months ended June 30, 2012. Similarly our Offshore Hedge Funds collectively, had net redemptions resulting in net outflows of approximately $62 million or 14.6% and $129 million or 22.8% for the three and six months ended June 30, 2012, respectively, of offshore AUM at the beginning of the year.

Revenues

Total revenue decreased by $11.9 million (30.2%) from $39.3 million in the three months ended June 30, 2011 to $27.4 million in the three months ended June 30, 2012 and decreased by $7.0 million (8.9%) from $78.8 million in the six months ended June 30, 2011 to $71.8 million in the six months ended June 30, 2012.

Management Fees decreased by $9.1 million or 24.6% from $37.2 million in the three months ended June 30, 2011 to $28.1 million in the three months ended June 30, 2012. Average AUM decreased by approximately 9.3% over the same period. Management Fee margins (defined as Management Fees as a percentage of average AUM) fell to 1.2% in the three months ended June 30, 2012 from 1.5% in the three months ended June 30, 2011. Management Fees decreased by $11.7 million or 16.1% from $72.8 million in the six months ended June 30, 2011 to $61.1 million in the six months ended June 30, 2012, even though average AUM increased by approximately 2.1% over the same period. Management Fee margins (defined as Management Fees as a percentage of average AUM) fell to 1.3% in the six months ended June 30, 2012 from 1.6% in the six months ended June 30, 2011. The decrease in Management Fee margins is mainly due to the addition of fixed income Funds and bullion Funds that have lower average Management Fees than most of our other Funds. Average AUM for fixed income Funds and bullion Funds increased by approximately $1.4 billion to $4.1 billion for the three months ended June 30, 2012 and by approximately $1.8 billion to $4.2 billion for the six months ended June 30, 2012, compared to $2.7 billion and $2.4 billion, respectively, for the corresponding periods in 2011.The six months ended June 30, 2012 include Management Fees from RCIC and SAM US for the full period whereas the six months ended June 30, 2011 only include Management Fees from RCIC and SAM US since the acquisition date of February 4, 2011. In 2012, the fee structure for one of the Managed Companies was amended such that the compensation and benefits of certain employees would be paid directly by the Managed Company rather than by SC. This resulted in a reduction to the Management Fees received by the Company by the amount of compensation and benefits costs incurred by the Managed Company and an equivalent reduction to the compensation and benefits expense of the Company. There is no impact to the Company's net income as a result of this amendment.

Gross Crystallized Performance Fees were $17 thousand and $93 thousand for the three and six months ended June 30, 2012 versus $615 thousand and $785 thousand for the three and six months ended June 30, 2011. Virtually all of the gross Crystallized Performance Fees were generated by two Funds in the three and six months ended June 30, 2012 .

Commission revenue for the three and six months ended June 30, 2012, was $2.1 million and $7.8 million, respectively, compared to $4.9 million and $7.9 million, for the corresponding periods of 2011. During the three and six months ended June 30, 2012, GRIL and SPW earned commissions primarily from private placements and from sales of Sprott sponsored Funds and shares of Managed Companies to GRIL and SPW clients. During the three and six months ended June 30, 2011, commission revenue was mainly due to commissions generated by GRIL and to a lesser extent, SPW. The six months ended June 30, 2012 included Commission revenue from GRIL for the full period whereas the six months ended June 30, 2011 only included Commission revenue since the acquisition date of February 4, 2011 (approximately five months).

Losses from our capital that is invested in our proprietary investments (realized and unrealized) remained was similar at $4.0 million for the three months ended June 30, 2012 as compared with the three months ended June 30, 2011. The losses in the three months ended June 30, 2012 were driven by a decline in the market value of most of our proprietary investments, resulting in net unrealized losses of $4.0 million. Gains (realized and unrealized) for the six months ended June 30, 2012 totaled $0.3 million, compared with losses of $3.6 million for the six months ended June 30, 2011. During six months ended June 30, 2012, sales of proprietary investments resulted in net realized gains of $2.7 million and the market value of most of our proprietary investments depreciated resulting in a net unrealized loss of $2.4 million. The losses in 2011 were mostly unrealized and were driven predominantly by declines in the market value of most of our proprietary investments.

Other income increased by $0.7 million from $0.6 million in the three months ended June 30, 2011 to $1.3 million in the three months ended June 30, 2012 and increased by approximately $1.6 million from approximately $1.0 million in the six months ended June 30, 2011 to $2.6 million in the six months ended June 30, 2012. The main components of other income include interest income, redemption fee revenue, dividend income and foreign exchange. The primary contributor to the increase in both the three and six months ended June 30, 2012 was the interest income generated by the secured notes receivable in our proprietary investments. These secured notes receivable were not held by the Company in the first six months of 2011.

Expenses

Total expenses for the three and six months ended June 30, 2012 were $26.2 million and $49.4 million, respectively, a decrease of $1.9 million (6.6%) and $3.2 million (6.1%) compared with $28.1 million and $52.7 million for the corresponding periods of 2011.

Changes in specific categories are described in the following discussion:

Compensation and Benefits

Compensation and benefits expense for the three and six months ended June 30, 2012 amounted to $8.6 million and $19.7 million, respectively, including contributions to the discretionary employee bonus pool of $2.2 million and $6.1 million respectively. For the three and six months ended June 30, 2012, a further $0.9 million and $1.7 million, respectively, relating to the equity component of the discretionary employee bonus pool is included in stock-based compensation. For the three and six months ended June 30, 2011, compensation and benefits expense was $13.5 million and $24.2 million, respectively, with contributions to the discretionary employee bonus pool amounting to $7.0 million and $11.5 million, respectively. There was no equity component of the discretionary employee bonus pool in 2011. Excluding the discretionary employee bonus pool, compensation and benefits for the three months ended June 30, 2012 decreased by $0.1 million from $6.5 million in 2011 to $6.4 million in 2012. This is primarily due to lower commissions expense despite an increase in the headcount of the Company in the second quarter of 2012 as compared with the second quarter of 2011. For the six months ended June 30, 2012, compensation and benefits excluding the discretionary employee bonus pool increased by $0.9 million (7.1%) from $12.7 million, in 2011 to $13.6 million in 2012. This is primarily due to the increase in headcount of the Company with the number of employees increasing from 161 at June 30, 2011 to 199 at June 30, 2012. In 2012, the fee structure for one of the Managed Companies was amended such that the compensation and benefits of certain employees would be paid directly by the Managed Company. This resulted in a reduction to the Management Fees received by the Company by the amount of compensation and benefits costs incurred by the Managed Company and an equivalent reduction to the compensation and benefits expense of the Company. There is no impact to the Company's net income as a result of this amendment. The discretionary employee bonus pool decreased in 2012 as a result of lower reported Base EBITDA when compared to 2011. Beginning in 2012, a portion of the discretionary employee bonus pool was paid in equity of the Company through the Company's EPSP and EIP (see note 8). The shares are either issued from treasury or purchased in the open market and are available to the relevant employees over a specified vesting period. The six months ended June 30, 2012 included compensation and benefits from the Global Companies for the full period whereas the six months ended June 30, 2011 only included compensation and benefits since the acquisition date of February 4, 2011 (approximately five months).

Stock-based compensation

Stock-based compensation for the three and six months ended June 30, 2012 was $2.9 million and $5.5 million, respectively, an increase of $1.7 million and $3.4 million, respectively, compared to $1.2 million and $2.1 million, respectively, in the comparative periods of 2011. The increase in the stock-based compensation is due to (i) the portion of the discretionary employee bonus pool that is equity-based that was not applicable in 2011, (ii) the expensing of earn-out shares (see note 8) for the six months ended June 30, 2012 that was only applicable for the period February 4, 2011 to June 30, 2011 in the comparable period, and (iii) other stock-based compensation relating to new hires in the three and six months ended June 30, 2012 that was not applicable in the comparable periods.

Trailer Fees

Trailer fees are somewhat correlated with AUM and with Management Fees. For the three and six months ended June 30, 2012 trailer fees were $4.5 million and $10.1 million, respectively, versus $6.7 million and $13.3 million for the three months ended June 30, 2011, respectively, a decrease of 31.7% and 24.0%, respectively. Trailer fees as a percentage of Management Fees for the three and six months ended June 30, 2012 have decreased to 16.2% from 17.9% and decreased to 16.6% from 18.3% from the corresponding periods of 2011. This decline is due to the addition of AUM of the Global Companies along with AUM of the Managed Companies which do not have an associated trailer fee obligation and the increase in the AUM of bullion Funds and our family of fixed income Funds, which pay no or lower trailer fees.

General and Administrative

General and administrative expenses increased by $1.8 million, (43.4%) to $6.1 million for the three months ended June 30, 2012 and increased by $2.8 million, (32.2%) to $11.5 million for the six months ended June 30, 2012 when compared to the comparable periods of the prior year. General and administrative expenses consist primarily of rent, marketing, regulatory fees, sub-advisory fees, fund expenses absorbed by SAM on behalf of certain Funds that it manages, legal, insurance, trading costs and professional fees as well as miscellaneous costs such as quote and news services, printing and systems maintenance. The increase in general and administrative expenses in 2012 is primarily due to increases in professional fees in connection with the acquisitions of the Toscana Companies and Flatiron and fund operating expenses absorbed by SAM on behalf of certain Funds that it manages, in particular, the Sprott Corporate Class Inc. Funds. We experienced slight increases in most of the other expense categories listed above as a result of an increase in the level of business activity including more employees, additional space, new funds and new streams of expenses resulting from the brokerage activities at GRIL and SPW. The six months ended June 30, 2012 include general and administrative expenses from the Global Companies for the full period whereas the six months ended June 30, 2011 only include general and administrative expenses since the acquisition date of February 4, 2011 (approximately five months).

Charitable Donations

The Company has a charitable donations program whereby 1% of the current year's net income before tax, as may be adjusted from time to time based on profitability, cash flow and other similar measures, is donated to children's charities. In addition to donations under the program described above, we make other corporate donations to selected causes. The donation expense for the three and six months ended June 30, 2012 decreased by $0.2 million from the corresponding three and six months ended June 30, 2011 due to a decrease in the current periods' pre-tax income.

Amortization of Intangibles

Amortization expense of intangibles is composed of (i) the amortization of deferred sales commissions and (ii) the amortization of fund management contracts and carried interests, the latter of which was the result of the acquisition of the Global Companies. Amortization expense also includes impairment losses and any reversals of impairment losses of the intangible assets. Amortization expense increased by $2.0 million, (104.9%) to $3.9 million for the quarter and decreased by $1.5 million, (47.6%) to $1.7 million for the six months ended June 30, 2012. The increase in the amortization expense during the quarter was due to the recognition of an impairment loss on carried interests partially offset by the reversal of an impairment loss on management contracts. The decrease in the amortization expense during the six months ended June 30, 2012, was due to a partial reversal of previously recorded impairment losses on carried interests and management contracts of the previous year. At June 30, 2012, management determined that the recoverable amount of the management contracts was in excess of its carrying value and the carrying value of the carried interests was in excess of its recoverable amount. As a result, a reversal of a previous impairment charge for the management contracts was recorded in the amount of $1.8 million ($1.1 million after tax) and an impairment charge for the carried interests was recorded in the amount of $3.7 million ($2.2 million after tax). Together with an impairment loss reversal of $4.0 million ($2.4 million after tax) for carried interests in the first quarter of 2012, the net result was an impairment loss reversal of $2.1 million ($1.2 million after tax) to the intangible assets for the six months ended June 30, 2012. The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of any previously recorded impairment losses in future periods.

Amortization of property and equipment

Amortization expense was $0.2 million and $0.5 million for the three and six months ended June 30, 2012, a decrease of $0.1 million and $0.1 million, respectively, compared to $0.3 million and $0.6 million, respectively, in the comparative periods of 2011. The decrease in the amortization expense is mainly due to changes in the amortization period of leasehold improvements in the second quarter as the Company entered into new occupancy terms for its existing space in Toronto.

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

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

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

For the three and six months ended June 30, 2012, EBITDA was $6.4 million and $26.8 million, respectively, compared with $14.6 million and $32.0 million for the three and six months ended June 30, 2011. EBITDA decreased for the three and six months ended June 30, 2012 when compared to the three and six months ended June 30, 2011 mainly as a result of lower Management Fees. Basic and diluted EBITDA per share for the three and six months ended June 30, 2012 was $0.04 and $0.16 compared to $0.09 and $0.19 for the three and six months ended June 30, 2011. For further clarity, EBITDA is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

Base EBITDA, as previously defined in this MD&A, allows us to assess our ongoing business operations, with adjustments for non-recurring items as well as items that are not related to our core operations. For the three and six months ended June 30, 2012 Base EBITDA was $10.4 million and $26.5 million compared with $18.1 million and $35.1 million in the three and six months ended June 30, 2011, representing a decrease of $7.7 million (42.6%) and $8.5 million (24.3%), respectively. Base EBITDA for 2012 decreased when compared to 2011 largely due to lower Management Fees. Base EBITDA excludes (i) unrealized and realized gains and losses on proprietary investments and (ii) Performance Fees net of Performance Fee related compensation and other expenses. In the three months ended June 30, 2012 and June 30, 2011, unrealized and realized losses on proprietary investments were $4.0 million. In the six months ended June 30, 2012, unrealized and realized gains on proprietary investments were $0.3 million, compared to unrealized and realized losses of $3.6 million in the six months ended June 30, 2011. In the three and six months ended June 30, 2012, Crystallized Performance Fees net of Performance Fee related compensation and other Performance Fee related expenses were $1 thousand and $39 thousand, respectively, compared to $461 thousand and $588 thousand in the three and six months ended June 30, 2011. Base EBITDA per share for the three and six months ended June 30, 2012 was $0.06 and $0.16 compared to $0.11 and $0.21 for the three and six months ended June 30, 2011. For further clarity, Base EBITDA is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

The Company also assesses its performance using Cash Flow from Operations. Previously defined in this MD&A, this metric helps to assess the ability of the Company to generate cash to fund day-to-day operations, pay dividends, pay sales commissions and support any other capital requirements of the Company. Cash Flow from Operations for the six months ended June 30, 2012 was negative $15.1 million, a decrease of $36.7 million from the $21.6 million reported in the six months ended June 30, 2011. The primary contributor to this was the significant cash tax payment made by the Company in the current period relating primarily to the Performance Fees realized in December 2010. The major difference between this measure and EBITDA and Base EBITDA is that it takes into consideration the income taxes paid or payable by the Company. For the six months ended June 30, 2011, income taxes of $12.6 million were paid and for the six months ended June 30, 2012, income taxes of $44.6 million were paid. Cash Flow from Operations per share for the six months ended June 30, 2012 was negative $0.09 versus positive $0.13 for the six months ended June 30, 2011. For further clarity, Cash Flow from Operations is reconciled to Net Income in the Summary Financial Information table earlier in this MD&A.

Income before taxes for the three and six months ended June 30, 2012 was $1.2 million and $22.4 million, respectively, compared with a pre-tax income of $11.2 million and $26.2 million for the three and six months ended June 30, 2011. The effective tax rate of 38.7% for the three months ended June 30, 2012 was higher compared to 33.1% for the three months ended June 30, 2011. The effective tax rate of 21.1% for the six months ended June 30, 2012 was lower compared to 31.0% for the six months ended June 30, 2011, primarily as a result of the recognition of a $1.7 million tax refund from a prior year. The acquisition of the Global Companies resulted in a deferred income tax liability of $20.1 million relating to the identified intangible assets which is being drawn down over 7 years (approximately 6 years remaining); the same period over which the associated intangible assets are being amortized. This deferred tax liability is not a cash liability of the Company but is an accounting item resulting from the accounting for the acquisition.

Net income for the three and six months ended June 30, 2012 was $0.7 million and $17.7 million compared to net income of $7.5 million and $18.1 million for the three and six months ended June 30, 2011. The decrease in 2012 as compared to 2011 reflects the net effect of the changes previously discussed in this MD&A. Basic and diluted net income per share for the three and six months ended June 30, 2012 was $0.00 and $0.10, versus $0.04 and $0.11 for the three and six months ended June 30, 2011.

Balance Sheet

Total assets at June 30, 2012 decreased by $55.9 million to $344.6 million. Cash and cash equivalents were $65.8 million, a decrease of $53.7 million from December 31, 2011 due to cash outflows from income tax payments, operating expenses, funding of the EPSP, the payment of dividends and bonus payments.

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

Fees receivable at June 30, 2012 were $12.0 million, which is an increase of $1.8 million since December 31, 2011. The increase primarily relates to outstanding Management Fees relating to one Managed Company as this Managed Company is required to pay annual Management Fees in arrears. Our Fees receivable from this Managed Company is expected to increase quarter over quarter until it is monetized in the first quarter of the following year.

Intangible assets as at June 30, 2012 of $38.7 million consist of finite and indefinite life intangible assets. Intangible assets with indefinite useful lives relate to costs incurred to create fund management contracts between SAM and certain Funds managed by SAM. Intangible assets with finite lives relate to (i) the costs assigned to management contracts and carried interests as a result of the acquisition of the Global Companies and, (ii) deferred sales commissions the Company pays to brokers and dealers on the sale of mutual Fund securities. At June 30, 2012, management determined that the recoverable amount of the management contracts were in excess of its carrying value and the carrying value of the carried interests was in excess of its recoverable amount. As a result, a reversal of a previous impairment charge for the management contacts was recorded in the amount of $1.8 million and an impairment charge for the carried interests was recorded in the amount of $3.7 million, net $1.9 million before tax. Together with an impairment loss reversal of $4.0 million for carried interests in the first quarter of 2012, the net result was an impairment loss reversal of $2.1 million to the intangible assets for the six months ended June 30, 2012. The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of these intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or may reverse all or part of any previously recorded impairment losses in future periods. Deferred sales commissions are recorded at cost and amortized on a straight line basis over a maximum of three years. Deferred sales commissions at June 30, 2012 of $2.0 million were slightly lower than at December 31, 2011. During the six months ended June 30, 2012, $0.4 million in commissions were paid for low load funds and were offset by amortization of $0.6 million.

The acquisition of the Global Companies in the first quarter of 2011 resulted in goodwill of $125.5 million at June 30, 2012. Included in goodwill is $3.3 million of foreign exchange differences which form part of other comprehensive income. The Company had not recorded any goodwill prior to the acquisition of the Global Companies. Goodwill is not amortized, but is subject to impairment tests on at least an annual basis. Management last performed its impairment test of goodwill in the fourth quarter of 2011. As at June 30, 2012, management concluded that there were no indicators of impairment during the six months ended June 30, 2012 that required management to reassess the recoverable amount of goodwill.

Accounts payable and accrued liabilities were $6.0 million at June 30, 2012, which is a decrease of $4.4 million from December 31, 2011. The decrease is mainly a result of lower trailer fees payable at June 30, 2012 and performance fees payable to a sub-advisor of the Company at December 31, 2011 that did not exist at June 30, 2012.

Compensation and employee bonuses payable were $7.3 million at June 30, 2012 compared to $24.2 million at December 31, 2011. The decrease from December 31, 2011 primarily reflects the payment of fiscal 2011 year-end bonuses during the first six months of 2012. In addition, as previously noted in the "Compensation and Benefits" section earlier in this MD&A, a portion of the discretionary employee bonus pool for 2012 was paid as equity of the Company and is not included in compensation and employee bonuses payable and instead is recorded as an increase in contributed surplus.

RESULTS OF OPERATIONS - REPORTABLE SEGMENTS

SAM Segment

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

Results of operations - SAM Segment

($ in thousands)	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
Revenue				
Management fees	**23,718**	32,431	**52,119**	64,063
Performance fees	**17**	615	**93**	785
Other	**329**	433	**946**	676
Total revenue	**24,064**	33,479	**53,158**	65,524
Expenses				
General and administrative	**10,698**	10,408	**21,988**	19,996
Trailer fees	**6,526**	9,615	**14,550**	19,150
Amortization of intangibles, property and equipment	**432**	434	**960**	801
Total expenses	**17,656**	20,457	**37,498**	39,947
Income before income taxes for the period	**6,408**	13,022	**15,660**	25,577
EBITDA	**6,840**	13,522	**16,620**	26,612
Base EBITDA	**7,122**	13,102	**16,858**	26,085

Three months ended June 30, 2012 compared to three months ended June 30, 2011

Revenues

During the three months ended June 30, 2012, total revenues decreased by $9.4 million (28.1%) from $33.5 million in the three months ended June 30, 2011 to $24.1 million in the three months ended June 30, 2012.

Revenues from Management Fees were $23.7 million for the three months ended June 30, 2012, a decrease of 26.9% from the three months ended June 30, 2011 mainly attributable to the lower level of average AUM and the different composition of SAM's AUM.

Revenues from gross Performance Fees were $0.0 million for the three months ended June 30, 2012 versus $0.6 million for the three months ended June 30, 2011.

Other revenues were $0.3 million for the three months ended June 30, 2012, a decrease of $0.1 million from the three months ended June 30, 2011. The largest components of other revenue are interest income, unrealized losses on proprietary investments and redemption fees.

Expenses

Total expenses for the three months ended June 30, 2012 were $17.7 million, a decrease of $2.8 million or 13.7%, compared with $20.5 million for the three months ended June 30, 2011.

General and administrative (including compensation and benefits) expense for the three months ended June 30, 2012 amounted to $10.7 million versus $10.4 million for the three months ended June 30, 2011. The largest components of the increase from the prior year's comparative quarter relates to stock-based compensation as a result of the hiring of two senior employees that received common stock of the Company through the EPSP that vests over a three year period. For accounting purposes, although one third of the common shares vest after the first year, nearly two thirds of the full three year expense is expensed in the first year. Similarly there were increases in professional fees in connection with the acquisitions of the Toscana Companies and Flatiron and fund operating expenses absorbed on behalf of certain Funds that SAM manages, in particular, the Sprott Corporate Class Inc. Funds. Increases in 2012 were also experienced in sub-advisory fees, marketing and Fund expenses due to the business expansion resulting from the launch of new Funds. Increases in various expense categories were partially offset by a reduction in bonus accruals, regulatory fees, trading costs and donations .

Trailer fees for the three months ended June 30, 2012 were $6.5 million versus $9.6 million, a decrease of 32.1% over the corresponding period of 2011. The decrease was attributable to the decrease in the average AUM of our mutual Funds and domestic hedge Funds which are the primary products to which trailer fees relate.

Amortization of intangibles, property and equipment remained relatively unchanged at $0.4 million for the three months ended June 30, 2012 and June 30, 2011.

EBITDA and Base EBITDA

For the three months ended June 30, 2012, EBITDA was $6.8 million compared with $13.5 million for three months ended June 30, 2011. The decrease in EBITDA in 2012 when compared to 2011 is mainly a result of lower Management Fees reported in the current period.

For the three months ended June 30, 2012, Base EBITDA was $7.1 million compared with $13.1 million in the three months ended June 30, 2011. Base EBITDA for 2012 decreased when compared to 2011 mostly due to lower Management Fees generated in the current period.

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Revenues

During the six months ended June 30, 2012, total revenues decreased by $12.4 million (18.9%) from $65.5 million in the six months ended June 30, 2011 to $53.2 million in the six months ended June 30, 2012.

Revenues from Management Fees were $52.1 million for the six months ended June 30, 2012, a decrease of 18.6% from the six months ended June 30, 2011 mainly attributable to the lower level of average AUM.

Revenues from gross Performance Fees were $0.1 million for the six months ended June 30, 2012 versus $0.8 million for the six months ended June 30, 2011.

Other revenues were $0.9 million for the six months ended June 30, 2012, an increase of $0.3 million from the six months ended June 30, 2011. The largest components of other revenue are interest income, short term trading fees and early redemption fees.

Expenses

Total expenses for the six months ended June 30, 2012 were $37.5 million, a decrease of $2.4 million or 6.1%, compared with $39.9 million for the six months ended June 30, 2011.

General and administrative (including compensation and benefits) expense for the six months ended June 30, 2012 amounted to $22.0 million versus $20.0 million for the six months ended June 30, 2011. The largest components of the increase from the prior year's comparative period relates to stock-based compensation as a result of the hiring of two senior employees that received common stock of the Company through the EPSP that vests over a three year period. For accounting purposes, although one third of the common shares vest after the first year, nearly two thirds of the full three year expense is expensed in the first year. Similarly there were increases in our professional fees in connection with the acquisitions of the Toscana Companies and Flatiron announced subsequent to June 30, 2012 and fund operating expenses absorbed on behalf of certain Funds that SAM manages, most specifically, the Sprott Corporate Class Inc. Funds. Increases in 2012 were also experienced in sub-advisory fees, marketing and Fund expenses due to the business expansion resulting from the launch of new Funds. Increases in various expense categories were partially offset by a reduction in bonus accruals, regulatory fees, trading costs and donations.

Trailer fees for the six months ended June 30, 2012 were $14.6 million versus $19.2 million, a decrease of 24.0% over the corresponding period of 2011. The decrease was attributable to the decrease in the average AUM of our mutual Funds and domestic hedge Funds which are the primary products to which trailer fees relate.

Amortization of intangibles, property and equipment increased by $0.2 million for the six months ended June 30, 2012 when compared to the six months ended June 30, 2011, mostly due to the cumulative effect of amortizing deferred sales commission payments resulting in higher amortization during the six months ended June 30, 2012 when compared to the six months ended June 30, 2011.

EBITDA and Base EBITDA

For the six months ended June 30, 2012, EBITDA was $16.6 million compared with $26.6 million for the six months ended June 30, 2011. The decrease in EBITDA in 2012 when compared to 2011 is mainly a result of lower Management Fees reported in the current period.

For the six months ended June 30, 2012, Base EBITDA was $16.9 million compared with $26.1 million in the six months ended June 30, 2011. Base EBITDA for 2012 decreased when compared to 2011 mostly due to lower Management Fees generated in the current period.

Global Companies Segment

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

Results of operations - Global Companies Segment

	For the three months ended		For the six months ended	
(in $ thousands)	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011*
Revenue				
Management fees	**2,311**	2,756	**4,806**	4,829
Commissions	**1,525**	4,361	**4,407**	6,683
Other	**(749)**	(970)	**312**	(731)
Total revenue	**3,087**	6,147	**9,525**	10,781
Expenses				
General and administrative	**3,696**	5,009	**8,135**	7,545
Amortization (recovery) of intangibles, property and equipment	**3,644**	1,727	**1,168**	2,887
Total expenses	**7,340**	6,736	**9,303**	10,432
Income (loss) before income taxes for the period	**(4,253)**	(589)	**222**	349
EBITDA	**476**	2,217	**3,558**	4,968
Base EBITDA	**1,217**	3,214	**3,249**	5,745

* for the period February 4, 2011 to June 30, 2011

Three months ended June 30, 2012 compared to three months ended June 30, 2011

Revenues

Total revenues decreased by $3.1 million (49.8%) from $6.1 million in the three months ended June 30, 2011 to $3.1 million in the three months ended June 30, 2012. The decrease is due to lower Management Fees generated on a lower level of average AUM and a reduction in commission revenue.

Revenue from Management Fees were $2.3 million for the three months ended June 30, 2012, a decrease of $0.4 million from the three months ended June 30, 2011. The decrease is due to lower Management Fees generated on a lower level of average AUM.

Revenue from Commissions were $1.5 million for the three months ended June 30, 2012, a decrease of $2.8 million when compared to $4.4 million for the three months ended June 30, 2011. These commissions were generated by GRIL from the trading of securities by clients and from the sale to clients of new and follow-on offerings of products or shares of companies managed by SAM, or SC, and through private placements of unrelated companies. The decrease is due to fewer transactions of new and follow-on offerings of products and shares of companies and private placements of unrelated companies.

Losses from our capital that is invested in proprietary investments (realized and unrealized) make up the majority of the Other revenue category of negative $0.7 million for the three months ended June 30, 2012 compared to negative $1.0 million for the three months ended June 30, 2011.

Expenses

Total expenses increased by $0.6 million (9.0%) to $7.3 million in the three months ended June 30, 2012 from $6.7 million in the three months ended June 30, 2011. The increase is due primarily to an impairment loss of $1.9 million recognized in the three months ended June 30, 2011.

General and administrative (including compensation and benefits) expenses for the three months ended June 30, 2012 were $3.7 million, a decrease of $1.3 million when compared to $5.0 million in the three months ended June 30, 2011. The largest component of general and administrative is compensation and benefits followed by stock-based compensation relating to earn-out shares (see note 8) with other significant expenses consisting of rent, professional fees and expenses relating to its brokerage business. The decrease is primarily a result of a lower bonus accrual and lower variable compensation which is directly correlated to the lower commission revenue realized in the three months ended June 30, 2012 .

Amortization of intangibles, property and equipment of $3.6 million relates primarily to those intangible assets identified as part of the acquisition of the Global Companies. At June 30, 2012, management determined that the carrying value of the carried interests was in excess of its recoverable amount. As a result, an impairment charge was recorded in the amount of $3.7 million ($2.2 million after tax). In addition, management determined that the recoverable amount of the finite life fund management contracts was in excess of its carrying value. As a result, an impairment loss reversal was recorded in the amount of $1.8 million ($1.1 million after tax). The net result was an impairment charge of $1.9 million ($1.2 million after tax). The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of this and other intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of previously recorded impairment losses in future periods.

EBITDA and Base EBITDA

For the three months ended June 30, 2012, EBITDA was $0.5 million compared with $2.2 million for the three months ended June 30, 2011. The decrease in EBITDA in 2012 when compared to 2011 was mostly due to fewer transactions that generated commission revenue and to lower Management Fees generated on a lower level of average AUM.

For the three months ended June 30, 2012, Base EBITDA was $1.2 million compared with $3.2 million for the three months ended June 30, 2011. Base EBITDA for 2012 decreased when compared to 2011 mostly due to fewer transactions that generated commission revenue and to lower Management Fees generated on a lower level of average AUM.

Six months ended June 30, 2012 compared to the period February 4, 2011 to June 30, 2011 (the "Period")

Revenues

Total revenues decreased by $1.3 million (11.7%) from $10.8 million in the Period to $9.5 million in the six months ended June 30, 2012. The decrease is due primarily to a reduction in the volume of transactions that generate commission revenue.

Revenue from Management Fees was similar at $4.8 million for the six months ended June 30, 2012 and for the Period. On a month-to-month comparison, Management Fees decreased as a result of lower average AUM at RCIC and SAM US.

Revenue from Commissions were $4.4 million for the six months ended June 30, 2012, a decrease of $2.3 million when compared to $6.7 million in the Period. These commissions were generated by GRIL from the trading of securities by clients and from the sale to clients of new and follow-on offerings of products or shares of companies managed by SAM, or SC, and through private placements of unrelated companies. The decrease is due to fewer transactions that generated commission revenue in the six months ended June 30, 2012 compared to the Period. On a month-to-month comparison, Commission revenue decreased as a result of reduced transaction volumes at GRIL.

Gains from our capital that is invested in proprietary investments (realized and unrealized) make up the majority of the Other revenue category of $0.3 million for the six months ended June 30, 2012 compared to a loss of $0.7 million for the six months ended June 30, 2011.

Expenses

Total expenses decreased by $1.1 million (10.8%) to $9.3 million in the six months ended June 30, 2012 from $10.4 million in the corresponding comparative period. The decrease is due primarily to a partial reversal of $2.1 million of a previously recognized impairment loss partially offset by increased expenses as a result of a full six months of expense reporting in 2012 compared to the corresponding comparative period.

General and administrative (including compensation and benefits) expenses for the six months ended June 30, 2012 were $8.1 million, an increase of $0.6 million when compared to $7.5 million in the Period. The largest component of general and administrative is compensation and benefits followed by stock-based compensation relating to earn-out shares (see note 8) with other significant expenses consisting of rent, professional fees and expenses relating to its brokerage business. The increase is primarily a result of a full six months of expense reporting in 2012 compared to the the corresponding comparative period, despite a lower bonus accrual and lower variable compensation which is directly correlated to the lower commission revenue realized in the three months ended June 30, 2012. On a month-to-month comparison, general and administrative expenses increased as a result of a higher average headcount and the Company's continued investment to expand the US operations.

Amortization of intangibles, property and equipment of $1.2 million relates primarily to those intangible assets identified as part of the acquisition of the Global Companies. At June 30, 2012, management determined that the carrying value of the carried interests was in excess of its recoverable amount. As a result, an impairment charge was recorded in the amount of $3.7 million ($2.2 million after tax). In addition, management determined that the recoverable amount of the finite life fund management contracts was in excess of its carrying value. As a result, an impairment loss reversal was recorded in the amount of $1.8 million ($1.1 million after tax). Together with an impairment loss reversal of $4.0 million ($2.4 million after tax) for carried interests in the first quarter of 2012, the net result is an impairment loss reversal of $2.1 million ($1.2 million after tax) to the intangible assets for the six months ended June 30, 2012. The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of this and other intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of previously recorded impairment losses in future periods.

EBITDA and Base EBITDA

For the six months ended June 30, 2012, EBITDA was $3.6 million compared with $5.0 million for the Period. The decrease in EBITDA in 2012 when compared to 2011 is mainly a result of a reduction in the volume of transactions that generate commission revenue and to lower Management Fees generated on a lower level of average AUM. On a month-to-month comparison, EBITDA decreased for the reasons provided in the immediately preceding paragraphs.

For the six months ended June 30, 2012, Base EBITDA was $3.2 million compared with $5.7 million in the Period. Base EBITDA for 2012 decreased when compared to 2011 mostly due to a reduction in the volume of transactions that generate commission revenue and to lower Management Fees generated on a lower level of average AUM. On a month-to-month comparison, Base EBITDA decreased for the reasons provided in the immediately preceding paragraphs.

Corporate Segment

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

Results of operations - Corporate Segment

	For the three months ended		For the six months ended	
($ in thousands)	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
Revenue				
Other	**(2,308)**	(2,457)	**1,408**	(2,793)
Total revenue	**(2,308)**	(2,457)	**1,408**	(2,793)
Expenses				
General and administrative	**871**	1,008	**1,365**	2,315
Amortization of property and equipment	**29**	16	**53**	29
Total expenses	**900**	1,024	**1,418**	2,344
Loss before income taxes for the period	**(3,208)**	(3,481)	**(10)**	(5,137)
EBITDA	**(3,154)**	(3,401)	**96**	(4,969)
Base EBITDA	**(238)**	(871)	**(25)**	(2,011)

Three months ended June 30, 2012 compared to three months ended June 30, 2011

Revenues

During the three months ended June 30, 2012, total revenues increased by $0.1 million from negative $2.5 million in the three months ended June 30, 2011 to negative $2.3 million in the three months ended June 30, 2012.

Gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) and interest income make up the majority of Other revenue. For the three months ended June 30, 2012 and June 30, 2011, the Corporate segment recorded net realized and unrealized losses on proprietary investments.

Expenses

Total expenses for the three months ended June 30, 2012 were $0.9 million, a decrease of $0.1 million (12.1%), compared with $1.0 million for the three months ended June 30, 2011.

General and administrative (including compensation and benefits) expenses decreased by $0.1 million to $0.9 million for the three months ended June 30, 2012 when compared to the three months ended June 30, 2011. General and administrative expenses decreased mostly due to the recovery of general and administrative costs (including compensation and benefits) from the other reporting segments in 2012. General and administrative costs (including compensation and benefits) were not recovered from the other reporting segments in the second quarter of 2011.

EBITDA and Base EBITDA

For the three months ended June 30, 2012, EBITDA was negative $3.2 million compared with negative $3.4 million for the three months ended June 30, 2011. EBITDA increased for the three months ended June 30, 2012 when compared to the three months ended June 30, 2011, mainly as a result of realized and unrealized losses previously discussed. Base EBITDA was negative $0.2 million for the three months ended June 30, 2012 compared with negative $0.9 million in the three months ended June 30, 2011, predominately as a result of the recovery of general and administrative costs from the other reporting segments in 2012 that were not recovered from the other reporting segments in the second quarter of 2011.

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Revenues

During the six months ended June 30, 2012, total revenues increased by $4.2 million from negative $2.8 million in the six months ended June 30, 2011 to $1.4 million in the six months ended June 30, 2012.

Gains and losses from our capital that is invested in our proprietary investments (realized and unrealized) and interest income make up the majority of Other revenue. For the six months ended June 30, 2012, the Corporate segment recorded net realized and unrealized gains on proprietary investments compared to net realized and unrealized losses recorded for the six months ended June 30, 2011. In addition, interest income received from our secured notes receivable in the six months ended June 30, 2012 did not exist in the six months ended June 30, 2011.

Expenses

Total expenses for the six months ended June 30, 2012 were $1.4 million, a decrease of $0.9 million (39.5%), compared with $2.3 million for the six months ended June 30, 2011.

General and administrative (including compensation and benefits) expenses decreased by $1.0 million to $1.4 million for the six months ended June 30, 2012 when compared to the six months ended June 30, 2011. General and administrative expenses decreased mostly due to the recovery of general and administrative costs from the other reporting segments in 2012. General and administrative costs were not recovered from the other reporting segments in the first six months of 2011.

EBITDA and Base EBITDA

For the six months ended June 30, 2012, EBITDA was $0.1 million compared with negative $5.0 million for the six months ended June 30, 2011. EBITDA increased for the six months ended June 30, 2012 when compared to the six months ended June 30, 2011, mainly as a result of realized and unrealized gains and interest income previously discussed. Base EBITDA was $0.0 million for the six months ended June 30, 2012 compared with negative $2.0 million in the six months ended June 30, 2011, predominately as a result of the recovery of general and administrative costs from the other reporting segments in 2012 that were not recovered from the other reporting segments in the first six months of 2011.

Other Segment

The Other segment includes the operations of SC and SPW, our consulting and private wealth businesses, respectively.

Results of operations - Other Segment

	For the three months ended		For the six months ended	
($ in thousands)	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
Revenue				
Management fees	**2,055**	2,041	**4,145**	3,883
Commissions	**532**	502	**3,372**	1,208
Other	**2,043**	2,543	**4,729**	6,023
Total revenue	**4,630**	5,086	**12,246**	11,114
Expenses				
General and administrative	**2,368**	2,818	**5,695**	5,719
Amortization of property and equipment	**9**	22	**17**	29
Total expenses	**2,377**	2,840	**5,712**	5,748
Income before income taxes for the period	**2,253**	2,246	**6,534**	5,366
EBITDA	**2,262**	2,268	**6,551**	5,395
Base EBITDA	**2,306**	2,696	**6,446**	5,233

Three months ended June 30, 2012 compared to three months ended June 30, 2011

Revenues

During the three months ended June 30, 2012, total revenues increased by $0.5 million (9.0%) from $5.1 million in the three months ended June 30, 2011 to $4.6 million in the three months ended June 30, 2012.

Revenues from Management Fees were relatively unchanged at $2.1 million for the three months ended June 30, 2012 and June 30, 2011.

Commission revenue for the three months ended June 30, 2012 and June 30, 2011 remained unchanged at $0.5 million.

Trailer fee income received from SAM is the significant component of Other revenue and decreased during the three months ended June 30, 2012 as a result of the decrease in the average trailer paying AUA of SPW. This inter-company revenue received is eliminated upon consolidation.

Expenses

General and administrative (including compensation and benefits) expenses for the three months ended June 30, 2012 were $2.4 million, a decrease of $0.4 million from the prior year of $2.8 million. The largest components of the decrease from the prior year's comparative quarter relates to salaries, benefits and bonus, partially offset by increases in other expenses consisting of rent, professional fees and expenses relating to the planned expansion of the business.

EBITDA and Base EBITDA

For the three months ended June 30, 2012 and June 30, 2011, EBITDA was unchanged at $2.3 million.

For the three months ended June 30, 2012, Base EBITDA was $2.3 million compared with $2.7 million for the three months ended June 30, 2011. Base EBITDA for 2012 decreased when compared to 2011 as the three months ended June 30, 2011 included unrealized losses on proprietary investments of $0.4 million.

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Revenues

During the six months ended June 30, 2012, total revenues increased by $1.1 million (10.2%) from $11.1 million in the six months ended June 30, 2011 to $12.2 million in the six months ended June 30, 2012.

Revenues from Management Fees were $4.1 million for the six months ended June 30, 2012 compared to $3.9 million in the six months ended June 30, 2011. The increase was mainly attributable to a higher level of average AUM.

Commission revenue for the six months ended June 30, 2012, was $3.4 million compared to $1.2 million during the six months ended June 30, 2011. The increase in Commissions was mainly due to substantial commissions earned by SPW on the sale of units of Sprott Physical Silver Trust, Sprott 2012 Flow-Through Fund and other various private placements to its clients in the six months ended June 30, 2012.

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

Expenses

General and administrative (including compensation and benefits) expenses for the six months ended June 30, 2012 and June 30, 2011 were relatively unchanged at $5.7 million. The largest components of the decrease form the prior year's comparative period relates to salaries, benefits and bonus that were fully offset by increases in other expenses consisting of rent, professional fees and expenses relating to the planned expansion of the business.

EBITDA and Base EBITDA

For the six months ended June 30, 2012, EBITDA was $6.6 million compared with $5.4 million for the six months ended June 30, 2011. The increase in EBITDA in 2012 when compared to 2011 is mainly a result of higher Management Fees and Commissions income partially offset by lower trailer fee income.

For the six months ended June 30, 2012, Base EBITDA was $6.4 million compared with $5.2 million for the six months ended June 30, 2011. Base EBITDA for 2012 increased when compared to 2011 for the same reasons indicated in the previous paragraph.

SUMMARY OF QUARTERLY RESULTS

($ in thousands)	As at 30-Sep-10	As at 31-Dec-10	As at 31-Mar-11	As at 30-Jun-11	As at 30-Sep-11	As at 31-Dec-11	As at 31-Mar-12	As at 30-Jun-12
Assets Under Management	6,513,445	8,545,276	9,677,558	9,292,186	9,881,291	9,137,084	9,683.283	**8,485,400**

($ in thousands, except per share amounts)	3 Months ended 30-Sep-10	3 Months ended 31-Dec-10	3 Months ended 31-Mar-11	3 Months ended 30-Jun-11	3 Months ended 30-Sep-11	3 Months ended 31-Dec-11	3 Months ended 31-Mar-12	3 Months ended 30-Jun-12
Income Statement Information								
Revenue								
Management fees	24,692	31,534	35,547	37,228	40,350	33,700	32,986	**28,084**
Performance fees	719	199,139	170	615	1,990	2,528	76	**17**
Commissions	326	2,876	3,027	4,864	3,427	2,861	5,722	**2,057**
Unrealized and realized gain (loss) on proprietary investments	2,852	5,639	362	(3,996)	(2,389)	(1,963)	4,241	**(3,984)**
Other income	501	2,890	409	582	953	987	1,365	**1,267**
Total revenue	29,090	242,078	39,515	39,293	44,331	38,113	44,390	**27,441**
Net income	9,954	108,554	10,566	7,489	10,358	4,625	16,943	**736**
EBITDA	13,746	167,397	17,400	14,606	17,389	15,078	20,400	**6,424**
Base EBITDA	10,355	12,404	16,911	18,141	18,285	16,050	16,121	**10,407**
Basic and diluted earnings per share	0.07	0.72	0.07	0.04	0.06	0.03	0.10	**0.00**

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

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

At June 30, 2012, management determined that the recoverable amount of the finite life fund management contracts was in excess of its carrying value and the recoverable amount of the carried interests was lower than its carrying value. As a result, a reversal of a previous impairment charge for the finite life fund management contracts was recorded in the amount of $1.8 million ($1.1 million after tax) and an impairment charge for the carried interests was recorded in the amount of $3.7 million ($2.2 million after tax). The underlying inputs and assumptions that determine the recoverable amounts of finite life fund management contracts and carried interests are related to the resource sector and commodity prices which can exhibit significant volatility. As a result, the recoverable amounts of both the finite life fund management contracts and carried interests may demonstrate significant fluctuations in value from quarter to quarter. Management will continue to monitor the recoverable amount of this and other intangible assets on a quarterly basis and, if appropriate, may record impairment losses and/or reverse all or part of previously recorded impairment losses in future periods.

The consolidated results shown in the table above include the results of the Global Companies from the date of its acquisition on February 4, 2011.

Dividends

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

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

Capital Stock

The capital stock at the end of 2011 was $208.4 million with 169.5 million common shares issued and outstanding. As at June 30, 2012, capital stock had decreased by $0.6 million to $207.8 million as a result of the purchase of 1.8 million common shares for the EPSP. The common shares held for the EPSP are treated as if the Company repurchased the shares for retirement. As at June 30, 2012, the Company had 169.6 million common shares issued and outstanding, an increase of approximately 0.1 million common shares which reflects the issuance of common shares from treasury in connection with the additional purchase consideration relating to the acquisition of the Global Companies.

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

Earnings per share as at June 30, 2012 and June 30, 2011 have been calculated using the weighted average number of shares outstanding during the respective periods. Basic and diluted earnings per share were $0.00 and $0.10 for the three and six months ended June 30, 2012 and $0.04 and $0.11 for the three and six months ended June 30, 2011. For the current year, diluted earnings per share reflects the dilutive effect of in-the-money stock options, shares held for the equity incentive plan, the remaining 0.4 million common shares relating to the additional purchase consideration and outstanding restricted stock units .

A total of 2,650,000 stock options have been issued pursuant to our incentive stock option plan. As at June 30, 2012, 2,533,333 of those stock options were exercisable.

Liquidity and Capital Resources

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

We do not have off-balance sheet contractual arrangements and no material contractual obligations other than our long-term lease agreement. During the quarter ended March 31, 2012 our previous revolving term credit facility with a Canadian chartered bank expired. However, we are in the process of negotiating a similar credit facility with another Canadian chartered bank.

SPW is a member of IIROC and a registered investment dealer and SAM is an OSC registrant in the category of IFM, PM and EMD, and as such each of SPW and SAM is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of IIROC and of the OSC, respectively. In addition, GRIL is registered with FINRA in the United States and is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of FINRA. During the three months ended June 30, 2012, SAM, SPW and GRIL were in compliance with specified capital requirements.

Critical Accounting Estimates

These unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS, using the accounting policies the Company adopted in its unaudited interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2012. In preparing the Company's unaudited interim condensed consolidated financial statements under IFRS, the Company is required to use the standards in effect as at June 30, 2012.

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

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

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

As a result of the acquisition of the Global Companies in 2011, finite life intangible assets and goodwill were identified. The values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, asset lives and the future stock price of the Company. These estimates require significant judgment regarding market growth rates, fund flow assumptions, expected margins and costs which could affect the Company's future results if the current estimates of future performance and fair value change. These determinations also affect the amount of amortization expense on carried interests and fund management contracts with finite lives recognized in future periods. Management monitors for indicators of impairment and impairment reversals on a regular basis and performs thorough valuations to verify the value of the intangibles and goodwill should an indicator of impairment exist or an indicator of an impairment reversal exists.

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

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

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

Alternative and policy choices under IFRS

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

Managing Risk

There are certain risks inherent in the activities of the Company, including risks related to general market conditions; changes in the financial markets; failure to retain and attract qualified staff; poor investment performance; changes in the investment management industry; competitive pressures; failure to manage risks; rapid growth; regulatory compliance; public company reporting and other regulatory obligations; historical financial information not necessarily indicative of future performance; failure to execute our succession plan; conflicts of interest; litigation risk; employee errors or misconduct; effectiveness of information security policies, procedures and capabilities; failure to develop effective business continuity plans; entering new lines of business; fluctuations in Performance Fees and Carried Interests; rapid growth or decline in our AUM and AUA; insufficient insurance coverage; possible volatility of the share price; and control by a principal shareholder. A full description of the Company's risks are discussed in the Company's Annual Information Form dated March 27, 2012 and is available on SEDAR.

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

Certain key risks are managed as described below:

Market Risk

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

Internal Controls and Procedures

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

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

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

Consistent with *National Instrument 52-109*, the Company's CEO and CFO have evaluated the DC&P and ICFR as of June 30, 2012 and concluded that the controls have been properly designed and are operating effectively.

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Conflicts of Interest

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

Independent Review Committee

National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee to whom all conflicts of interest matters must be referred for review or approval. We have established one independent review committee for 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 members, and is subject to requirements to conduct regular assessments and provide reports to us and to the holders of interests in our public mutual Funds in respect of its functions.

Confidentiality of Information

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

Insurance

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

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

Consolidated Financial Statements

Three and six months ended June 30, 2012

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *($ in thousands of Canadian dollars)*		**June 30, 2012**	December 31, 2011
Assets			
Current			
Cash and cash equivalents		**65,815**	119,506
Fees receivable		**12,041**	10,199
Other assets	*(Note 7)*	**3,473**	2,800
Total current assets		**81,329**	132,505
Proprietary investments	*(Note 4)*	**70,910**	78,484
Property and equipment, net	*(Note 5)*	**6,838**	5,126
Goodwill and intangibles	*(Note 6)*	**164,155**	165,655
Deferred income taxes	*(Note 9)*	**21,390**	18,766
		263,293	268,031
Total assets		**344,622**	400,536
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		**5,995**	10,404
Compensation and employee bonuses payable		**7,256**	24,199
Income taxes payable		**10,939**	47,503
Total current liabilities		**24,190**	82,106
Deferred income taxes	*(Note 9)*	**16,007**	16,989
Total liabilities		**40,197**	99,095
Shareholders' equity			
Capital stock	*(Note 8)*	**207,776**	208,413
Contributed surplus	*(Note 8)*	**37,262**	40,857
Retained earnings		**54,562**	47,038
Accumulated other comprehensive income		**4,825**	5,133
Total shareholders' equity		**304,425**	301,441
Total liabilities and shareholders' equity		**344,622**	400,536

See accompanying notes

Events after the reporting period (Note 16)

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

($ in thousands of Canadian dollars, except for per share amounts)		***For the three months ended*** **June 30, 2012**	*For the three months ended* June 30, 2011	***For the six months ended*** **June 30, 2012**	*For the six months ended* June 30, 2011
Revenue					
Management fees		**28,084**	37,228	**61,070**	72,775
Performance fees		**17**	615	**93**	785
Commissions		**2,057**	4,864	**7,779**	7,891
Unrealized and realized gains (losses) on proprietary investments		**(3,984)**	(3,996)	**257**	(3,634)
Other income	*(Note 7)*	**1,267**	582	**2,632**	991
Total revenue		**27,441**	39,293	**71,831**	78,808
Expenses					
Compensation and benefits		**8,553**	13,511	**19,676**	24,180
Stock-based compensation		**2,894**	1,209	**5,491**	2,105
Trailer fees		**4,541**	6,653	**10,138**	13,332
General and administrative		**6,107**	4,258	**11,549**	8,736
Donations		**32**	265	**373**	554
Amortization of intangibles	*(Note 6)*	**3,900**	1,903	**1,668**	3,181
Amortization of property and equipment		**214**	296	**530**	565
Total expenses		**26,241**	28,095	**49,425**	52,653
Income before income taxes for the period		**1,200**	11,198	**22,406**	26,155
Provision for income taxes	*(Note 9)*	**464**	3,709	**4,727**	8,100
Net income for the period		**736**	7,489	**17,679**	18,055
Basic earnings per share		**$ 0.00**	$ 0.04	**$ 0.10**	$ 0.11
Diluted earnings per share		**$ 0.00**	$ 0.04	**$ 0.10**	$ 0.11

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

($ in thousands of Canadian dollars)	***For the three months ended*** **June 30, 2012**	*For the three months ended* June 30, 2011	***For the six months ended*** **June 30, 2012**	*For the six months ended* June 30, 2011
Net income for the period	**736**	7,489	**17,679**	18,055
Other comprehensive loss				
Foreign currency translation gain (loss) on foreign operations, before taxes	**3,391**	(1,068)	**(308)**	(4,415)
Total other comprehensive income (loss)	**3,391**	(1,068)	**(308)**	(4,415)
Comprehensive income	**4,127**	6,421	**17,371**	13,640

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars, other than number of shares)		Number of Shares Outstanding	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
At December 31, 2011		**169,082,077**	**208,413**	**40,857**	**47,038**	**5,133**	**301,441**
Shares held for equity incentive plan	*(Note 8)*	**(1,774,400)**	**(2,188)**	**(7,821)**	**—**	**—**	**(10,009)**
Foreign currency translation loss on foreign operations		**—**	**—**	**—**	**—**	**(308)**	**(308)**
Additional purchase consideration	*(Note 3)*	**177,500**	**1,551**	**(1,560)**	**—**	**—**	**(9)**
Stock-based compensation		**—**	**—**	**5,491**	**—**	**—**	**5,491**
Deferred tax asset on stock-based compensation		**—**	**—**	**295**	**—**	**—**	**295**
Regular dividends paid		**—**	**—**	**—**	**(10,155)**	**—**	**(10,155)**
Net income		**—**	**—**	**—**	**17,679**	**—**	**17,679**
Balance, June 30, 2012		**167,485,177**	**207,776**	**37,262**	**54,562**	**4,825**	**304,425**
At December 31, 2010		**150,000,000**	**40,105**	**32,406**	**141,751**	**—**	**214,262**
Business acquisition		19,467,500	168,783	—	—	—	168,783
Foreign currency translation loss on foreign operations		—	—	—	—	(4,415)	(4,415)
Additional purchase consideration		—	—	4,497	—	—	4,497
Stock-based compensation		—	—	2,105	—	—	2,105
Regular dividends paid		—	—	—	(9,584)	—	(9,584)
Special dividend paid		—	—	—	(108,000)	—	(108,000)
Net income		—	—	—	18,055	—	18,055
Balance, June 30, 2011		**169,467,500**	**208,888**	**39,008**	**42,222**	**(4,415)**	**285,703**

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($ in thousands of Canadian dollars)	***For the six months ended*** **June 30, 2012**	*For the six months ended* June 30, 2011
Operating Activities		
Net income for the period	**17,679**	18,055
Add (deduct) non-cash items:		
Unrealized and realized losses (gains) on proprietary investments	**(257)**	3,634
Stock-based compensation	**5,491**	2,105
Amortization of property and equipment	**530**	565
Amortization of intangible assets	**1,668**	3,181
Income taxes	**8,077**	12,827
Deferred income tax recovery	**(3,350)**	(4,727)
Other items	**(344)**	(1,415)
Income taxes paid	**(44,642)**	(12,630)
Changes in:		
Fees receivable	**(1,842)**	198,960
Other assets	**3**	(3,458)
Accounts payable and accrued liabilities	**(5,083)**	(9,926)
Compensation and employee bonuses payable	**(16,942)**	(48,571)
Effect of foreign exchange on cash balances	**(8)**	(186)
Cash provided by (used in) operating activities	**(39,020)**	158,414
Investing Activities		
Purchase of proprietary investments	**(16,772)**	(4,661)
Sale of proprietary investments	**24,944**	2,410
Purchase of property and equipment	**(2,243)**	(2,061)
Deferred sales commissions paid	**(437)**	(1,427)
Cash acquired on acquisition	**—**	6,417
Cash provided by investing activities	**5,492**	678
Financing Activities		
Acquisition of common shares for long-term incentive plan	**(10,008)**	—
Dividends paid	**(10,155)**	(117,584)
Cash used in financing activities	**(20,163)**	(117,584)
Net increase (decrease) in cash and cash equivalents during the period	**(53,691)**	41,508
Cash and cash equivalents, beginning of the period	**119,506**	81,209
Cash and cash equivalents, end of the period	**65,815**	122,717
Cash and cash equivalents:		
Cash	**33,119**	22,236
Short-term deposits	**32,696**	100,481
	65,815	122,717

See accompanying notes

1. CORPORATE INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2012 were authorized for issue by a resolution of the Board of Directors on August 8, 2012.

Basis of pr esentation

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

Principles of consolidation

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

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

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

Recognition of income

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

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

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

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

Cash and cash equivalents

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

Proprietary investments

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

Precious metal bullion

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

Financial instruments

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

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

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

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

Fair value hierarchy

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

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

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

Level 3: valuation techniques with significant unobservable market inputs.

Offsetting of financial instr uments

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

Property and equipment

Property and equipment are recorded at cost and are amortized on a declining balance basis at rates ranging from 0% to 100% per annum. Leasehold improvements are amortized on a straight-line basis over the term of the respective lease. The artwork is not amortized since it does not have a determinable useful life.

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

Deferred sales commissions

Sales commissions paid on the sale of mutual fund securities are recorded at cost and amortized on a straight-line basis over a maximum of three years. Unamortized deferred sales commissions are written down to the extent that the carrying value exceeds the expected future revenue on an undiscounted basis.

Intangible assets

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

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

The costs incurred to create fund management contracts between SAM and certain of the funds managed by SAM are recognized as intangible assets with an indefinite life. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Business combinations and goodwill

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

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

Income taxes

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

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

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

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

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

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

Share-based payments

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

Earnings per share

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

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

Foreign currency translation

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

Segment reporting

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

Significant accounting judgments and estimates

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

i. Impairment of goodwill and intangible assets

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

ii. Fair value of financial instruments

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

iii. Share-based payments

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

iv. Deferred tax assets

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

v. Provisions

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

Future changes in accounting policies

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

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

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

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

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

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

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

3. BUSINESS ACQUISITION

Flatiron Capital Management Partners

On June 6, 2012, the Company announced the signing of a letter of intent reflecting an agreement in principle to acquire Flatiron Capital Management Partners ("Flatiron"). On August 1, 2012, the Company completed the acquisition of Flatiron (see note 16).

Toscana Companies

On February 29, 2012, the Company announced the signing of a letter of intent reflecting an agreement in principle to acquire Toscana Capital Corporation and Toscana Energy Corporation (collectively, the "Toscana Companies"). On July 3, 2012, the Company completed the acquisition of the Toscana Companies (see note 16).

Global Companies

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

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

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

4. PROPRIETARY INVESTMENTS

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

	June 30, 2012	December 31, 2011
Gold bullion	**13,563**	13,305
Silver bullion	**—**	9,776
Public equities and share purchase warrants	**21,602**	22,101
Mutual funds and hedge funds	**21,710**	14,936
Private equities	**2,400**	2,400
Secured notes receivable	**11,635**	15,966
Total proprietary investments	**70,910**	78,484

As at June 30, 2012, investments in public equities and share purchase warrants consisted primarily of companies in the resource sector. These investments include $12.8 million in common shares of Sprott Resource Lending Corp., a public company listed on the TSX and NYSE Amex that is managed by a subsidiary of SC under a management services agreement.

Investments in mutual funds and hedge funds consist entirely of investments in mutual funds and hedge funds managed by SAM or RCIC.

5. PROPERTY AND EQUIPMENT

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

	Artwork	Furniture and fixtures	Computer hardware and software	Leasehold improvements	Total
Cost					
At December 31, 2010	1,691	1,751	1,155	3,104	7,701
Business acquisition	—	291	169	15	475
Additions	—	506	444	1,619	2,569
Net exchange differences	—	9	5	1	15
December 31, 2011	1,691	2,557	1,773	4,739	10,760
Additions	—	130	63	2,049	2,242
Net exchange differences	—	(1)	—	—	(1)
June 30, 2012	**1,691**	**2,686**	**1,836**	**6,788**	**13,001**
Accumulated amortization					
At December 31, 2010	—	(1,346)	(1,061)	(1,589)	(3,996)
Business acquisition	—	(250)	(150)	(12)	(412)
Charge for the period	—	(280)	(237)	(695)	(1,212)
Net exchange differences	—	(3)	(10)	(1)	(14)
December 31, 2011	—	(1,879)	(1,458)	(2,297)	(5,634)
Charge for the period	—	(127)	(149)	(254)	(530)
Net exchange differences	—	1	—	—	1
June 30, 2012	**—**	**(2,005)**	**(1,607)**	**(2,551)**	**(6,163)**
Net Book Value at:					
December 31, 2011	1,691	678	315	2,442	5,126
June 30, 2012	**1,691**	**681**	**229**	**4,237**	**6,838**

6. GOODWILL AND INTANGIBLES

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

	Goodwill	Fund management contracts - indefinite life	Fund management contracts - finite life	Carried interests	Deferred sales commissions	Total
Cost						
At December 31, 2010	—	1,370	—	—	1,011	2,381
Business acquisition	122,129	—	20,399	28,821	—	171,349
Additions	—	—	—	—	2,122	2,122
Net exchange differences	3,601	—	602	850	—	5,053
December 31, 2011	125,730	1,370	21,001	29,671	3,133	180,905
Additions	—	—	—	—	437	437
Net exchange differences	(271)	—	(46)	(64)	—	(381)
At June 30, 2012	**125,459**	**1,370**	**20,955**	**29,607**	**3,570**	**180,961**
Accumulated amortization and impairment losses						
At December 31, 2010	—	—	—	—	(180)	(180)
Charge for the period	—	—	(4,713)	(9,398)	(789)	(14,900)
Net exchange differences	—	—	(76)	(94)	—	(170)
December 31, 2011	—	—	(4,789)	(9,492)	(969)	(15,250)
Reversal (charge) for the period	—	—	535	(1,637)	(565)	(1,667)
Net exchange differences	—	—	(23)	134	—	111
At June 30, 2012	**—**	**—**	**(4,277)**	**(10,995)**	**(1,534)**	**(16,806)**
Net Book Value at:						
December 31, 2011	125,730	1,370	16,212	20,179	2,164	165,655
June 30, 2012	**125,459**	**1,370**	**16,678**	**18,612**	**2,036**	**164,155**

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

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

Cash-generating units

The Company has five cash-generating units ("CGU") for the purpose of assessing the carrying value of the allocated goodwill, being SAM, Global Companies, Corporate and Other (includes two CGUs) operating segments as described in note 14.

i. *Impairment testing of goodwill*

As at June 30, 2012, the Company had goodwill allocated across its CGUs as follows ($ in millions):

CGU	Allocated Goodwill
SAM	19.7
Global Companies	98.0
Corporate	—
SC	—
SPW	7.8
	125.5

The recoverable amount of goodwill for each of the CGUs was calculated in the fourth quarter of fiscal 2011 at fair value less costs to sell, using a valuation multiple applied to a measure of earnings. The calculation of the recoverable amounts exceeded the carrying amount of goodwill for each of the identified CGUs at that time. Management concluded that there were no indicators of impairment during the second quarter of fiscal 2012 that required management to reassess the recoverable amount of goodwill allocated across its CGUs.

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

As at June 30, 2012 and June 30, 2011, the Company had indefinite life fund management contracts within the SAM CGU of $1.4 million. These are contracts for the management of exchange listed funds which have no expiry or termination provisions. The recoverable amount of indefinite life intangibles for the SAM operating segment was calculated in the fourth quarter of fiscal 2011 using a value in use calculation, by discounting, at 10%, a perpetuity based on the most recent estimated pre-tax cash flows to the Company by the applicable exchange listed funds. Management concluded that there were no indicators of impairment during the second quarter of fiscal 2012 that required management to reassess the recoverable amount of the indefinite life fund management contracts.

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

As at June 30, 2012, the Company had finite life fund management contracts of $16.7 million within the Global Companies CGU. These are contracts for the management of funds that have a fixed termination date. The recoverable amount of these finite life fund management contracts as at June 30, 2012 has been determined from a value in use calculation, by discounting, at 15%, the most recent estimated net cash flows to the Company by these funds.

The calculated recoverable amount of these fund management contracts led to a recognition of an impairment loss reversal of $1.8 million in the quarter as the calculated recoverable amount resulted in a value greater than its carrying value. This is a partial reversal of the impairment loss of $2.0 million recorded in the fourth quarter of fiscal 2011. Management has assumed an annual return rate of 24% for these funds to fair value these cash flows.

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

The calculation of the recoverable amounts approximates the carrying amount of finite life fund management contracts as at June 30, 2012.

iv. *Impairment testing of finite life carried interests*

As at June 30, 2012, the Company had carried interests of $18.6 million within the Global Companies CGU. These are rights to participate in the profits of the funds managed by the Global Companies that have a fixed termination date. The recoverable amount of these carried interests as at June 30, 2012 has been determined from a value in use calculation, by discounting, at 35%, the most recent estimated net cash flows to the Company by these funds.

The calculated recoverable amount of these carried interests led to a recognition of an impairment loss of $3.7 million in the quarter as the calculated recoverable amount resulted in a value less than its carrying value. This is in addition to the previous net impairment losses of $1.7 million recorded since their acquisition. Management has assumed an annual return rate of 24% for these funds to fair value these cash flows.

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

The calculation of the recoverable amounts approximates the carrying amount of carried interests as at June 30, 2012.

7. OTHER ASSETS AND OTHER INCOME

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

Other income consists primarily of interest income on cash and cash equivalent balances, income generated by our secured notes receivable, foreign exchange gains and losses, dividend income and redemption fee revenue.

8. SHAREHOLDERS' EQUITY

a. Capital stock and contributed surplus

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

	Number of shares	Stated value ($ in thousands)
At December 31, 2010	150,000,000	40,105
Issuance of share capital on business acquisition (Note 3)	19,467,500	168,783
Held for equity incentive plan	(385,423)	(475)
At December 31, 2011	169,082,077	208,413
Additional purchase consideration (Note 3)	177,500	1,551
Held for equity incentive plan	(1,774,400)	(2,188)
At June 30, 2012	**167,485,177**	**207,776**

Contributed surplus consists of the following:

i. stock option expense;

ii. equity incentive plans' expense;

iii. earn-out shares expense; and

iv. additional purchase consideration;

	Stated value ($ in thousands)
At December 31, 2010	32,406
Expensing of 2,650,000 Sprott Inc. stock options over the vesting period	476
Expensing of earn-out shares over the vesting period	3,915
Deferred tax asset on earn-out shares	1,506
Additional purchase consideration	4,753
Excess on repurchase of common shares for equity incentive plan *	(2,199)
At December 31, 2011	40,857
Expensing of 2,650,000 Sprott Inc. stock options over the vesting period	53
Expensing of EPSP / EIP shares over the vesting period	3,279
Expensing of earn-out shares over the vesting period	2,159
Deferred tax asset on earn-out shares	295
Issuance of shares relating to additional purchase consideration	(1,560)
Excess on repurchase of common shares for equity incentive plan *	(7,821)
At June 30, 2012	**37,262**

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

Stock option plan and share incentive program

Stock option plan

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

There were no stock options issued during the three and six months ended June 30, 2012 (nil - June 30, 2011).

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

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

	Number of options (in thousands)	**Weighted average exercise price ($)**
Options outstanding, December 31, 2010	2,650	9.71
Options exercisable, December 31, 2010	1,633	10.00
Options outstanding, December 31, 2011	2,650	9.71
Options exercisable, December 31, 2011	2,517	9.90
Options outstanding, June 30, 2012	**2,650**	**9.71**
Options exercisable, June 30, 2012	**2,533**	**9.87**

Options outstanding and exercisable as at June 30, 2012 are as follows:

Exercise price ($)	**Number of outstanding options (in thousands)**	**Weighted average remaining contractual life (years)**	**Number of options exercisable (in thousands)**
10.00	2,450	5.9	2,450
4.85	50	7.5	33
6.60	150	8.4	50
4.85 to 10.00	**2,650**	**6.0**	**2,533**

Equity incentive plan

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

There were nil and 30 thousand RSUs issued during the three and six months ended June 30, 2012, respectively (nil - June 30, 2011). The Trust purchased 1.6 million common shares for the three months ended June 30, 2012 (nil - June 30, 2011) and 1.8 million common shares for the six months ended June 30, 2012 (nil - June 30, 2011).

	Number of common shares
Common shares held by the Trust, December 31, 2010	—
Acquired	385,423
Released on vesting	—
Common shares held by the Trust, December 31, 2011	385,423
Acquired	1,774,400
Released on vesting	—
Common shares held by the Trust, June 30, 2012	**2,159,823**

Earn-out shares

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

Additional purchase consideration

In connection with the acquisition of the Global Companies (see note 3), an additional 532,500 common shares of the Company were committed for issuance to employees of the Global Companies. The common shares were not considered compensation but formed part of the business acquisition. This additional consideration was recorded at fair value based on the market price of the Company's common shares as at February 4, 2011. Upon issuance of the common shares, the amount originally recorded against contributed surplus will be credited to capital stock. On February 6, 2012, 177,500 common shares of the Company were issued to employees of the Global Companies.

For the three and six months ended June 30, 2012, the Company recorded share-based compensation expense of $2.9 million and $5.5 million, respectively (2011 - $1.2 million and $2.1 million), with a corresponding increase to contributed surplus ($ in thousands).

	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
Earn-out shares	**1,079**	1,080	**2,159**	1,732
Stock option plan	**26**	131	**53**	373
EPSP / EIP	**1,789**	—	**3,279**	—
	2,894	1,211	**5,491**	2,105

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

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

	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
Numerator ($ in thousands):				
Net income - basic and diluted	**736**	7,489	**17,679**	18,055
Denominator (Number of shares in thousands):				
Weighted average number of common shares	**169,670**	169,468	**169,612**	165,703
Weighted average number of unvested shares purchased by the Trust	**(2,049)**	—	**(1,227)**	—
Weighted average number of common shares - basic	**167,621**	169,468	**168,385**	165,703
Weighted average number of dilutive stock options *	**1**	54	**5**	59
Weighted average number of additional purchase consideration	**488**	532	**388**	430
Weighted average number of unvested shares purchased by the Trust	**2,024**	—	**1,227**	—
Weighted average number of outstanding Restricted Stock Units	**4**	—	**3**	—
Weighted average number of common shares - diluted	**170,138**	170,054	**170,008**	166,192
Net income per common share				
Basic	**$ 0.00**	$ 0.04	**$ 0.10**	$ 0.11
Diluted	**$ 0.00**	$ 0.04	**$ 0.10**	$ 0.11

* The determination of the weighted average number of common shares - diluted excludes 2,600 thousand shares related to stock options that were anti-dilutive for the three and six months ended June 30, 2012 respectively (2,450 thousand for the three and six months ended June 30, 2011)

c. **Maximum share dilution**

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

Shares outstanding at August 8, 2012 *	171,210
Additional purchase consideration	355
Flatiron acquisition	997
Options to purchase shares	2,650
Earn-out shares **	10,534
Restricted Stock Units	4
	185,750

* Includes 1,565 thousand shares issued for the acquisition of the Toscana Companies

** Includes shares issuable as a result of the Global Companies, Toscana Companies and Flatiron acquisitions

d. **Capital management**

The Company's objectives when managing capital are:

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

The Company's capital is comprised of equity, including capital stock, contributed surplus, retained earnings and accumulated other comprehensive income (loss). SPW is a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), SAM is a registrant of the Ontario Securities Commission ("OSC") and the US Securities and Exchange Commission and GRIL is a member of the Financial Industry Regulatory Authority ("FINRA"); as a result, all of these entities are required to maintain a minimum level of regulatory capital. To ensure compliance, senior management monitors regulatory and working capital on a regular basis. For the three and six months ended June 30, 2012, all entities were in compliance with their respective capital requirements.

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

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

9. INCOME TAXES

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

For the six months ended	**June 30, 2012**	June 30, 2011
Current income tax expense		
Based on taxable income of the current year	**9,798**	12,827
Adjustments in respect of previous years	**(1,721)**	—
	8,077	12,827
Deferred income tax expense		
Origination and reversal of temporary differences	**(3,292)**	(4,727)
Impact of change in tax rates	**(58)**	—
	(3,350)	(4,727)
Income tax expense reported in the income statement	**4,727**	8,100

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

For the six months ended	**June 30, 2012**	June 30, 2011
Income before income taxes	**22,406**	26,155
Tax calculated at domestic tax rates applicable to profits in the respective countries	**5,996**	6,960
Tax effects of:		
Non-taxable stock-based compensation	**564**	540
Non-taxable portion of capital gains and unrealized gains	**191**	165
Non-taxable foreign affiliate (income) loss	**(394)**	390
Adjustments in respect of previous years	**(1,721)**	—
Rate differences and other	**91**	45
Tax charge	**4,727**	8,100

During the six months ended June 30, 2012, the Company recognized a tax refund relating to a prior year of approximately $1.7 million.

The weighted average applicable tax rate was 26.8% (2011 - 26.6%). The increase is caused by a change in the profitability of the Company's subsidiaries in the respective countries because of the addition of the Global Companies resident in the US.

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

For the six months ended June 30, 2012

	At December 31, 2011	Recognized in income	Recognized in other comprehensive income	Recognized in contributed surplus	Business acquisition	At June 30, 2012
Deferred income tax liabilities						
Fund management contracts	6,947	197	14	—	—	7,158
Carried interests	8,223	(667)	28	—	—	7,584
Deferred sales commissions	562	(23)	—	—	—	539
Unrealized gains	1,257	(531)	—	—	—	726
Total deferred income tax liabilities	**16,989**	**(1,024)**	**42**	**—**	**—**	**16,007**
Deferred income tax assets						
Unrealized losses	14,684	1,746	41	—	—	16,471
Additional purchase consideration	1,936	(634)	(14)	—	—	1,288
Earn-out shares	1,528	—	(4)	273	—	1,797
Other stock-based compensation	—	870	—	—	—	870
Other	618	344	2	—	—	964
Total deferred income tax assets	**18,766**	**2,326**	**25**	**273**	**—**	**21,390**
Net deferred income tax assets (liabilities)	**1,777**	**3,350**	**(17)**	**273**	**—**	**5,383**

For the year ended December 31, 2011

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

The Company did not record a deferred tax liability with respect to cumulative translation gains of $4.8 million as at June 30, 2012. The Company does not recognize deferred taxes when it can control the timing of the reversal of the temporary differences and when it is probable that it will not reverse in the foreseeable future.

10. FINANCIAL INSTRUMENTS

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

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

	Financial instruments at fair value			
June 30, 2012	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	65,815	—	—	65,815
Public equities	15,916	416	—	16,332
Private equities	—	—	2,400	2,400
Common share purchase warrants	—	5,270	—	5,270
Mutual funds	14,647	—	—	14,647
Hedge funds	—	7,063	—	7,063
Total	**96,378**	**12,749**	**2,400**	**111,527**

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

During the six months ended June 30, 2012, $0.3 million was transferred from Level 2 to Level 1. This transfer represented the expiry of the trading restriction on the common shares of certain proprietary investments.

Financial instruments not carried at fair value

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

Secured notes receivable are valued as held to maturity as management has no intention of disposing these financial instruments before maturity.

11. RELATED PARTY TRANSACTIONS

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

	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
Fixed salaries and benefits	**1,031**	1,090	**2,072**	2,188
Variable incentive-based compensation	**6,409**	717	**7,114**	7,188
Share-based compensation	**281**	139	**562**	214
	7,721	1,946	**9,748**	9,590

On May 8, 2012, the Company adopted a deferred stock unit ("DSU") plan for the independent directors of the Company. The DSUs vest annually over a three-year period and may only be settled in cash upon retirement. There were 225,000 DSUs issued at a price of $4.64 per DSU, during the three and six months ended June 30, 2012 (nil - June 30, 2011). The resulting expense is included in general and administrative costs and is recognized over the three-year vesting period with an offset to accrued liabilities.

12. DIVIDENDS

The following dividends were declared and payable by the Company during the six months ended June 30, 2012:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount ($ in thousands)
April 5, 2012 - regular dividend Q4 - 2011	April 20, 2012	0.03	5,073
May 18, 2012 - regular dividend Q1 - 2012	June 1, 2012	0.03	5,082
Dividends paid			10,155

13. RISK MANAGEMENT ACTIVITIES

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

(a) Market risk

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

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

Price risk

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

If the market values of proprietary investments that are held for trading increased by 5%, with all other variables held constant, this would have increased net income by approximately $2.0 million for the six months ended June 30, 2012 (June 30, 2011 - $1.2 million); conversely, if the value of proprietary investments decreased by 5%, this would have decreased net income by the same amount.

If the market value of gold and silver bullion increased by 5%, with all other variables held constant, this would have increased net income by approximately $0.6 million for the six months ended June 30, 2012 (June 30, 2011 - $0.8 million); conversely, if the value of gold and silver bullion decreased by 5%, this would have decreased net income by the same amount.

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

Interest rate risk

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

The Company, through its wholly-owned subsidiary, SAMGENPAR Ltd., has invested approximately $11.5 million in a secured note bearing an interest rate of 9.25% 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 HTM 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. The Global Companies' assets are all denominated in USD. The Company is therefore exposed to currency risk, as the value of investments denominated in other currencies and its net investment in the Global Companies will fluctuate due to changes in exchange rates. The Company does not enter into currency hedging transactions.

As at June 30, 2012, approximately $24.9 million or 7.2% (2011 - $24.7 million or 6.6%) of total assets was invested in proprietary investments priced in U.S. dollars ("USD"). Furthermore, a total of $8.0 million (2011 - $10.3 million) of cash, $2.7 million (2011 -$3.5 million) of accounts receivable and $0.9 million (2011 - $1.3 million) of other assets were denominated in USD. As at June 30, 2012, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5% (relative to the Canadian dollar), with all other variables held constant, the increase or decrease, respectively, in net income for the six months ended June 30, 2012 would have amounted to approximately $1.5 million (2011 - $1.6 million).

As it relates to the Global Companies impact on the Company, had the exchange rate as at June 30, 2012 between the USD and the Canadian dollar increased or decreased by 5% (relative to the Canadian dollar), with all other variables held constant, the increase or decrease, respectively, in net income and other comprehensive income would have amounted to a nominal amount and approximately $8.5 million, respectively.

(b) Credit risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at June 30, 2012, the Company's most significant counterparty is Penson Financial Services Canada Inc. ("Penson"), the carrying broker of SPW, which also acts as a custodian for most of the Company's proprietary investments. Penson 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 4. The credit risk is managed by the terms of agreement, in particular, the notes are secured and the issuer is subject to a number of financial covenants, which are monitored on a regular basis.

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

The Global Companies incur credit risk when entering into, settling and financing various proprietary transactions. As at June 30, 2012, the Global Companies' most significant counterparty is RBC Capital Markets ("RBC Capital"), the carrying broker of GRIL and custodian of the net assets of the funds managed by RCIC. RBC Capital is registered as a broker dealer and registered investment advisor subject to regulation by the FINRA and the SEC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

(c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. As at June 30, 2012, the Company had $65.8 million or 19.1% of its total assets in cash and cash equivalents. The majority of current assets reflected on the consolidated balance sheets are highly liquid. Approximately $50.2 million or 70.8% of proprietary investments held by the Company are readily marketable and are recorded at their fair value. Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within a year. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis.

14. SEGMENTED INFORMATION

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

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

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

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

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

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

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

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

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

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

For the three months ended	June 30, 2012					
	SAM	Global Companies	Corporate	Other	Adjustments and Eliminations	Consolidated
Revenue						
Management fees	23,718	2,311	—	2,055	—	28,084
Performance fees	17	—	—	—	—	17
Commissions	—	1,525	—	532	—	2,057
Other	329	(749)	(2,308)	2,043	(2,032)	(2,717)
Total revenue	**24,064**	**3,087**	**(2,308)**	**4,630**	**(2,032)**	**27,441**
Expenses						
General and administrative	10,698	3,696	871	2,368	(47)	17,586
Trailer fees	6,526	—	—	—	(1,985)	4,541
Amortization of intangibles, property and equipment	432	3,644	29	9	—	4,114
Total expenses	**17,656**	**7,340**	**900**	**2,377**	**(2,032)**	**26,241**
Income (loss) before income taxes for the period	**6,408**	**(4,253)**	**(3,208)**	**2,253**	**—**	**1,200**
Provision for income taxes						464
Net income for the period						**736**
Income (loss) before income taxes for the period, from above	**6,408**	**(4,253)**	**(3,208)**	**2,253**	**—**	**1,200**
EBITDA adjustments	432	4,729	54	9	—	5,224
EBITDA	**6,840**	**476**	**(3,154)**	**2,262**	**—**	**6,424**
Base EBITDA adjustments	282	741	2,916	44	—	3,983
Base EBITDA	**7,122**	**1,217**	**(238)**	**2,306**	**—**	**10,407**

For the three months ended	June 30, 2011					
	SAM	Global Companies	Corporate	Other	Adjustments and Eliminations	Consolidated
Revenue						
Management fees	32,431	2,756	—	2,041	—	37,228
Performance fees	615	—	—	—	—	615
Commissions	—	4,361	—	502	—	4,863
Other	433	(970)	(2,457)	2,543	(2,962)	(3,413)
Total revenue	**33,479**	**6,147**	**(2,457)**	**5,086**	**(2,962)**	**39,293**
Expenses						
General and administrative	10,408	5,009	1,008	2,818	—	19,243
Trailer fees	9,615	—	—	—	(2,962)	6,653
Amortization of intangibles, property and equipment	434	1,727	16	22	—	2,199
Total expenses	**20,457**	**6,736**	**1,024**	**2,840**	**(2,962)**	**28,095**
Income (loss) before income taxes for the period	**13,022**	**(589)**	**(3,481)**	**2,246**	**—**	**11,198**
Provision for income taxes						3,709
Net income for the period						**7,489**
Income (loss) before income taxes for the period, from above	**13,022**	**(589)**	**(3,481)**	**2,246**	**—**	**11,198**
EBITDA adjustments	500	2,806	80	22	—	3,408
EBITDA	**13,522**	**2,217**	**(3,401)**	**2,268**	**—**	**14,606**
Base EBITDA adjustments	(420)	997	2,530	428	—	3,535
Base EBITDA	**13,102**	**3,214**	**(871)**	**2,696**	**—**	**18,141**

For the six months ended	June 30, 2012					
	SAM	Global Companies	Corporate	Other	Adjustments and Eliminations	Consolidated
Revenue						
Management fees	52,119	4,806	—	4,145	—	61,070
Performance fees	93	—	—	—	—	93
Commissions	—	4,407	—	3,372	—	7,779
Other	946	312	1,408	4,729	(4,506)	2,889
Total revenue	**53,158**	**9,525**	**1,408**	**12,246**	**(4,506)**	**71,831**
Expenses						
General and administrative	21,988	8,135	1,365	5,695	(94)	37,089
Trailer fees	14,550	—	—	—	(4,412)	10,138
Amortization of intangibles, property and equipment	960	1,168	53	17	—	2,198
Total expenses	**37,498**	**9,303**	**1,418**	**5,712**	**(4,506)**	**49,425**
Income (loss) before income taxes for the period	**15,660**	**222**	**(10)**	**6,534**	**—**	**22,406**
Provision for income taxes						4,727
Net income for the period						**17,679**
Income (loss) before income taxes for the period, from above	**15,660**	**222**	**(10)**	**6,534**	**—**	**22,406**
EBITDA adjustments	960	3,336	106	17	—	4,419
EBITDA	**16,620**	**3,558**	**96**	**6,551**	**—**	**26,825**
Base EBITDA adjustments	238	(309)	(121)	(105)	—	(297)
Base EBITDA	**16,858**	**3,249**	**(25)**	**6,446**	**—**	**26,528**

For the six months ended	June 30, 2011					
	SAM	Global Companies	Corporate	Other	Adjustments and Eliminations	Consolidated
Revenue						
Management fees	64,063	4,829	—	3,883	—	72,775
Performance fees	785	—	—	—	—	785
Commissions	—	6,683	—	1,208	—	7,891
Other	676	(731)	(2,793)	6,023	(5,818)	(2,643)
Total revenue	**65,524**	**10,781**	**(2,793)**	**11,114**	**(5,818)**	**78,808**
Expenses						
General and administrative	19,996	7,545	2,315	5,719	—	35,575
Trailer fees	19,150	—	—	—	(5,818)	13,332
Amortization of intangibles, property and equipment	801	2,887	29	29	—	3,746
Total expenses	**39,947**	**10,432**	**2,344**	**5,748**	**(5,818)**	**52,653**
Income (loss) before income taxes for the period	**25,577**	**349**	**(5,137)**	**5,366**	**—**	**26,155**
Provision for income taxes						8,100
Net income for the period						**18,055**
Income (loss) before income taxes for the period, from above	**25,577**	**349**	**(5,137)**	**5,366**	**—**	**26,155**
EBITDA adjustments	1,035	4,619	168	29	—	5,851
EBITDA	**26,612**	**4,968**	**(4,969)**	**5,395**	**—**	**32,006**
Base EBITDA adjustments	(527)	777	2,958	(162)	—	3,046
Base EBITDA	**26,085**	**5,745**	**(2,011)**	**5,233**	**—**	**35,052**

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

Included in Other revenue is trailer fee income of $2.0 million and $4.4 million for the three and six months ended June 30, 2012, respectively (June 30, 2011 - $3.0 million and $5.8 million) which reflects substantially all of the Company's inter-segment revenue.

Included in Amortization of intangibles, property and equipment for the Global Companies segment are impairment losses of $1.9 million and impairment loss reversals of $2.1 million on finite life intangible assets for the three and six months ended June 30, 2012, respectively (June 30, 2011 - $nil).

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

	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
Canada	**24,354**	33,146	**62,306**	68,027
United States	**3,087**	6,147	**9,525**	10,781
	27,441	39,293	**71,831**	78,808

15. PROVISIONS

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

16. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of Toscana Companies

Effective July 3, 2012, the Company acquired all of the outstanding common shares of the Toscana Companies. The Company has acquired the Toscana Companies because it is expected to provide expertise in creating and managing yield generating opportunities in the oil and gas sector in Western Canada.

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

The allocation of the purchase price will be completed in fiscal 2012 after the Company finalizes its valuation of the acquired identifiable intangible assets.

(b) Acquisition of Flatiron

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

As consideration, the Company paid $6.0 million cash and has an obligation to issue common shares from treasury valued at $4.8 million, excluding costs, for total consideration of $10.8 million. In addition, the seller will be eligible to earn up to an additional $4.5 million in common shares of the Company with the achievement of certain financial targets by Flatiron over a period of up to 3 years.

The allocation of the purchase price will be completed in fiscal 2012 after the Company finalizes its valuation of the acquired identifiable intangible assets.

(c) Dividend

On August 8, 2012, a dividend of $0.03 per common share was declared for the quarter ended June 30, 2012.

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

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