

A-Mark Precious Metals, Inc.
Form 10-Q
February 08, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
 ACT OF 1934

For the quarterly period ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934

For the transition period from _____ to _____

Commission File Number: 001-36347

A-MARK PRECIOUS METALS, INC.
(Exact name of registrant as specified in its charter)

Delaware 11-2464169
(State of Incorporation) (IRS Employer I.D. No.)
429 Santa Monica Blvd. Suite 230
Santa Monica, CA 90401
(Address of principal executive offices)(Zip Code)
(310) 587-1477
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class Name of each exchange on which registered

Common Stock, \$0.01 par value NASDAQ Global Select Market

Securities registered under Section 12 (g) of the Exchange Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes. No.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes. No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 4, 2017, the registrant had 7,031,450 shares of common stock outstanding, par value \$0.01 per share.

A-MARK PRECIOUS METALS, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended December 31, 2016

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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A-MARK PRECIOUS METALS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (amounts in thousands, except for share data)
 (unaudited)

| | December 31, 2016 | June 30, 2016 |
|---|----------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 13,270 | \$17,142 |
| Receivables, net | 81,945 | 43,302 |
| Derivative assets | 39,577 | 33,732 |
| Secured loans receivable | 80,939 | 70,004 |
| Inventories: | | |
| Inventories | 169,457 | 185,699 |
| Restricted inventories | 121,466 | 59,358 |
| | 290,923 | 245,057 |
| Income taxes receivable | 1,429 | 7,318 |
| Income taxes receivable from Former Parent | — | 203 |
| Prepaid expenses and other assets | 1,272 | 1,503 |
| Total current assets | 509,355 | 418,261 |
| Plant, property and equipment, net | 6,063 | 3,482 |
| Goodwill | 8,881 | 4,620 |
| Intangibles, net | 4,280 | 1,987 |
| Long-term secured loans receivable | — | 500 |
| Long-term investments | 7,952 | 7,873 |
| Deferred tax assets - non-current | 453 | 424 |
| Total assets | \$ 536,984 | \$437,147 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Lines of credit | \$ 185,000 | \$212,000 |
| Liability on borrowed metals | 3,471 | 4,352 |
| Product financing arrangements | 121,466 | 59,358 |
| Accounts payable | 65,845 | 46,769 |
| Derivative liabilities | 74,358 | 36,454 |
| Note payable - related party | 500 | — |
| Accrued liabilities | 4,499 | 7,660 |
| Income taxes payable | 5,745 | — |
| Total current liabilities | 460,884 | 366,593 |
| Deferred tax liabilities - non-current | 3,933 | 7,245 |
| Other long-term liabilities | 1,117 | — |
| Total liabilities | 465,934 | 373,838 |
| Commitments and contingencies | | |

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Stockholders' equity:

| | | |
|---|------------|-----------|
| Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 2016 and June 30, 2016 | — | — |
| Common Stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 and 7,021,450 shares issued and outstanding as of December 31, 2016 and June 30, 2016, respectively | 71 | 71 |
| Additional paid-in capital | 22,812 | 22,220 |
| Retained earnings | 44,734 | 41,018 |
| Total A-Mark Precious Metals, Inc. stockholders' equity | 67,617 | 63,309 |
| Non-controlling interest | 3,433 | — |
| Total stockholders' equity | 71,050 | 63,309 |
| Total liabilities, non-controlling interest and stockholders' equity | \$ 536,984 | \$437,147 |

See accompanying Notes to Condensed Consolidated Financial Statements

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A-MARK PRECIOUS METALS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (in thousands, except for share and per share data)
 (unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------------|------------------|-------------|
| | December 31, | December 31, | December | December |
| | 2016 | 2015 | 31, 2016 | 31, 2015 |
| Revenues | \$2,126,361 | \$1,529,143 | \$3,932,014 | \$3,536,079 |
| Cost of sales | 2,116,502 | 1,523,467 | 3,914,091 | 3,515,979 |
| Gross profit | 9,859 | 5,676 | 17,923 | 20,100 |
| Selling, general and administrative expenses | (6,131) | (4,528) | (11,795) | (10,936) |
| Interest income | 2,959 | 2,182 | 5,818 | 4,115 |
| Interest expense | (2,447) | (1,322) | (4,688) | (2,556) |
| Other income | 93 | 94 | 79 | 506 |
| Unrealized (loss) gain on foreign exchange | (3) | 150 | (9) | 111 |
| Net income before provision for income taxes | 4,330 | 2,252 | 7,328 | 11,340 |
| Provision for income taxes | (1,590) | (863) | (2,649) | (4,332) |
| Net income | 2,740 | 1,389 | 4,679 | 7,008 |
| Add: Net loss attributable to non-controlling interest | (10) | — | (21) | — |
| Net income attributable to the Company | \$2,750 | \$1,389 | \$4,700 | \$7,008 |
| Basic and diluted income per share attributable to A-Mark Precious Metals, Inc.: | | | | |
| Basic | \$0.39 | \$0.20 | \$0.67 | \$1.00 |
| Diluted | \$0.39 | \$0.20 | \$0.66 | \$0.99 |
| Weighted average shares outstanding: | | | | |
| Basic | 7,023,300 | 6,973,500 | 7,027,400 | 6,973,500 |
| Diluted | 7,108,900 | 7,119,000 | 7,112,800 | 7,089,700 |

See accompanying Notes to Condensed Consolidated Financial Statements

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A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands, except for share data)

(unaudited)

| | Common Stock (Shares) | Common Stock | Additional Paid-in Capital | Retained Earnings | Total A-Mark Precious Metals, Inc. Stockholders' Equity | Non-Controlling Interest | Total Stockholders' Equity |
|-----------------------------------|-----------------------------|-----------------|----------------------------------|----------------------|--|-----------------------------|----------------------------------|
| Balance, June 30, 2016 | 7,021,450 | \$ 71 | \$ 22,220 | \$41,018 | \$ 63,309 | \$ — | \$ 63,309 |
| Net income (loss) | — | — | — | 4,700 | 4,700 | (21) | 4,679 |
| Share-based compensation | — | — | 420 | — | 420 | — | 420 |
| Minority interest contribution | — | — | — | — | — | 3,454 | 3,454 |
| Stock award grant | 10,000 | — | 172 | — | 172 | — | 172 |
| Dividends declared | — | — | — | (984) | (984) | — | (984) |
| Balance, December 31, 2016 | 7,031,450 | \$ 71 | \$ 22,812 | \$44,734 | \$ 67,617 | \$ 3,433 | \$ 71,050 |

See accompanying Notes to Condensed Consolidated Financial Statements

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A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands) (unaudited)

| Six Months Ended | December 31, 2016 | December 31, 2015 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 4,679 | \$ 7,008 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 707 | 606 |
| Amortization of loan cost | 378 | — |
| Deferred income taxes | (3,341) |) 1,748 |
| Interest added to principal of secured loans | (34) |) (46) |
| Share-based compensation | 420 | 107 |
| Earnings from equity method investment | (79) |) (506) |
| Changes in assets and liabilities: | | |
| Receivables | (38,643) |) 7,468 |
| Secured loans | 8,442 | 2,361 |
| Secured loans to Former Parent | (1,453) |) (881) |
| Derivative assets | (5,845) |) (5,759) |
| Income tax receivable | 5,889 | 864 |
| Inventories | (45,866) |) (48,278) |
| Prepaid expenses and other current assets | (147) |) 554 |
| Accounts payable | 19,076 | 5,420 |
| Derivative liabilities | 37,904 | 2,033 |
| Liabilities on borrowed metals | (881) |) (5,266) |
| Accrued liabilities | (3,567) |) 263 |
| Receivable from/payables to Former Parent | 203 | 1,605 |
| Income taxes payable | 5,745 | — |
| Net cash used in operating activities | (16,413) |) (30,699) |
| Cash flows from investing activities: | | |
| Capital expenditures for property and equipment | (944) |) (574) |
| Purchase of long-term investments | — |) (2,336) |
| Secured loans, net | (17,390) |) (9,826) |
| Acquisition of majority-owned subsidiary, net of cash | (3,421) |) — |
| Net cash used in investing activities | (21,755) |) (12,736) |
| Cash flows from financing activities: | | |
| Product financing arrangements, net | 62,108 | 11,079 |
| Dividends | (984) |) (696) |
| (Repayments) borrowings under lines of credit, net | (27,000) |) 15,500 |
| Stock award grant | 172 | — |
| Net cash provided by financing activities | 34,296 | 25,883 |
| Net decrease in cash and cash equivalents | (3,872) |) (17,552) |
| Cash and cash equivalents, beginning of period | 17,142 | 20,927 |
| Cash and cash equivalents, end of period | \$ 13,270 | \$ 3,375 |

Supplemental disclosures of cash flow information:

Cash paid during the period for:

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| | | |
|--|----------|----------|
| Interest expense | \$ 3,968 | \$ 2,393 |
| Income taxes | \$ 365 | \$ 113 |
| Non-cash investing and financing activities: | | |
| Interest added to principal of secured loans | \$ 34 | \$ 46 |
| Contribution of assets from minority interest | \$ 3,454 | \$ — |
| Payable to minority interest partner for acquired business | \$ 500 | \$ — |
| Earn out obligation payable to minority interest partner | \$ 1,523 | \$ — |
| See accompanying <u>Notes to Condensed Consolidated Financial Statements</u> | | |

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A-MARK PRECIOUS METALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

A-Mark Precious Metals, Inc. and its subsidiaries (“A-Mark” or the “Company”) is a full-service precious metals trading company. Its products include gold, silver, platinum and palladium for storage and delivery primarily in the form of coins, bars, wafers and grain. The Company's trading-related services include financing, consignment, logistics, hedging and various customized financial programs.

Through its wholly owned subsidiary, Collateral Finance Corporation (“CFC”), a licensed California Finance Lender, the Company offers loans on precious metals, rare coins and other collectibles collateral to coin dealers, collectors and investors. Through its wholly owned subsidiary, A-Mark Trading AG (“AMTAG”), the Company promotes A-Mark bullion products throughout the European continent. Transcontinental Depository Services (“TDS”), also a wholly owned subsidiary of the Company, offers worldwide storage solutions to institutions, dealers and consumers.

The Company's wholly-owned subsidiary, A-M Global Logistics, LLC (“Logistics”), operates the Company's logistics fulfillment center based in Las Vegas, Nevada. Logistics provides our customers an array of complementary services, including: packaging, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis.

The Company's majority-owned affiliate, AM&ST Associates, LLC (“AMST”), operates the Company's minting operations in Winchester, Indiana (see Silvertowne Mint Transaction below).

Silvertowne Mint Transaction

On August 31, 2016, the Company formed a joint venture AMST with Silvertowne, L.P. (“Silvertowne”), an Indiana-based producer of minted silver products. The purpose of the joint venture was to acquire the entire minting operations of Silvertowne and continue to manage and grow that business using the expanded resources of the joint venture.

In exchange for their respective membership interests in AMST, (i) Silvertowne contributed a 48.47% interest in Silvertowne's assets to AMST, valued at \$3,453,750, and (ii) A-Mark contributed \$3,721,250 in cash to AMST and agreed to contribute an additional \$500,000 in cash in August 2017, resulting in Silvertowne and the Company owning 45% and 55% of AMST, respectively. Of the cash contributions made at closing, \$3,171,250 was used to purchase the interest in the remaining interest in Silvertowne' contributed assets (see following paragraph), \$250,000 was used to purchase the land and building where AMST's minting operations is located, and \$300,000 was provided for working capital.

Simultaneously with the formation of AMST, under the Asset Purchase Agreement dated August 31, 2016, AMST purchased the remaining 51.53% interest in Silvertowne's assets for an aggregate purchase price of \$3,671,250, of which \$3,171,250 was paid at closing and the balance of \$500,000 was represented by a promissory note, which is due and payable one year following the closing. The real estate was acquired separately from the Asset Purchase agreement. As additional consideration for the acquired assets (the tangible plant assets and identifiable intangible assets), AMST agreed to pay Silvertowne earn-out payments over three years up to \$1.0 million each year based on the achievement of specified performance and production thresholds. The total fair value of the assets contributed (by Silvertowne and A-Mark) and acquired by AMST was \$7,675,000 before contingent future earn-out payments. The Company has measured the fair value of the contingent future earn-out payments based on the weighted average probability of anticipated outcomes, and estimates the potential consideration to be \$1,523,000 as of December 31, 2016.

At the closing, AMST entered into (a) an exclusive distribution agreement with the A-Mark with respect to the silver products produced by the AMST that sets weekly minimum order quantities by A-Mark (see [Note 15](#)), and (b) a supply agreement with Asahi Refining USA, Inc. (“Asahi”) to provide all refined silver products needed by AMST in the conduct of its business (see [Note 15](#)), and grant Asahi the option to purchase a 10% membership interest in AMST through 2019.

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The purchase price (consisting of: \$3,453,750 of assets contributed by Silvertowne, \$3,721,250 of cash and agreement to contribute an additional \$500,000 in cash on August 2017 by the Company, and \$1,523,000 contingent earn-out obligation of AMST) has been allocated to the total assets purchased based on their fair value on the date of acquisition as follows:

| | |
|---|---------|
| Cash | \$300 |
| Plant, property and equipment (tangible assets): | |
| Plant equipment | 1,802 |
| Building | 299 |
| Land | 36 |
| Intangibles assets (identifiable): | |
| Trade name | 1,800 |
| Existing customer relationships | 700 |
| Goodwill: | |
| Excess of cost over fair value of assets acquired | 2,738 |
| | 7,675 |
| Goodwill: | |
| Contingent earn-out consideration | 1,523 |
| | \$9,198 |

The purchase price allocation is subject to completion of the Company's analysis of the fair value of the assets acquired. The final valuation is expected to be completed as soon as practicable, but no later than one year from the closing date of the transaction. The estimates of the fair value of the contingent consideration, and the allocation of the tangible and identifiable intangible assets requires extensive use of accounting estimates and management judgment. These estimates could be material. The fair values assigned to the assets acquired are based on estimates and assumption from data currently available.

Spinoff from Spectrum Group International, Inc.

On March 14, 2014, the Company's former parent, Spectrum Group International, Inc. ("SGI" or the "Former Parent"), effected a spinoff (the "spinoff" or the "Distribution") of the Company from SGI. As a result of the Distribution, the Company became a publicly traded company independent from SGI. On March 17, 2014, A-Mark's shares of common stock commenced trading on the NASDAQ Global Select Market under the symbol "AMRK."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements reflect the financial condition, results of operations, and cash flows of the Company, and were prepared using accounting principles generally accepted in the United States ("U.S. GAAP"). The Company operated in one reportable segment for all periods presented.

These condensed consolidated financial statements include the accounts of A-Mark, and its wholly owned subsidiaries, CFC, AMTAG, TDS, Logistics and its majority owned affiliate AMST (collectively the "Company"). All inter-company accounts and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the condensed consolidated balance sheets, condensed consolidated statements of income, condensed consolidated statement of stockholders' equity, and condensed consolidated statements of cash flows for the periods presented in accordance with U.S. GAAP. Operating results for the six months ended December 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2017 or for any other interim period during such fiscal year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated

financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the "2016 Annual Report"), as filed with the SEC. Amounts related to disclosure of June 30, 2016 balances

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within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and notes thereto included in the 2016 Annual Report.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current fiscal year's condensed consolidated financial statement presentation. In the previous reported periods, deferred tax assets and liabilities were classified as current and non-current on the consolidated balance sheets; these items are shown as non-current tax assets and liabilities. As a result of required change in accounting treatment from the cost method to the equity method related to the Company's increased ownership interest in our investment, the earnings from our equity method investment was retrospectively applied to the previous period, as shown in other income and provision for income taxes in the condensed consolidated statements of income.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates include, among others, determination of fair value, allowances for doubtful accounts, impairment assessments of long-lived assets and intangible assets, valuation allowance determination on deferred tax assets, and revenue recognition judgments. Significant estimates also include the Company's fair value determination with respect to its financial instruments and precious metals inventory. Actual results could materially differ from these estimates.

Concentration of Credit Risk

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances.

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, and inventory hedging transactions. Concentration of credit risk with respect to receivables is limited due to the large number of customers composing the Company's customer base, the geographic dispersion of the customers, and the collateralization of substantially all receivable balances. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers. The Company enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with credit worthy financial institutions. Credit risk with respect to loans of inventory to customers is minimal; substantially all inventories loaned under consignment arrangements are collateralized for the benefit of the Company. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions.

Foreign Currency

The functional currency of the Company is the United States dollar ("USD"). Also, the functional currency of the Company's wholly-owned foreign subsidiary, AMTAG, is USD, but it maintains its books of record in Euros. The Company remeasures the financial statements of AMTAG into USD. The remeasurement of local currency amounts into USD creates remeasurement gains and losses, which are included in the condensed consolidated statements of income.

To manage the effect of foreign currency exchange fluctuations, the Company utilizes foreign currency forward contracts. These derivatives generate gains and losses when they are settled and/or when they are marked to market. The change in the value in the derivative instruments is shown on the face of the condensed consolidated statements of income as unrealized net gains (losses) on foreign exchange.

Business Combinations

The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. Transaction costs related to the acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of

identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities. Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

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Net cash paid to acquire a business is classified as investing activities on the accompanying condensed consolidated statements of cash flow.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company does not have any cash equivalents as of December 31, 2016 and June 30, 2016.

Inventories

Inventories principally include bullion and bullion coins that are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the costs of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be readily determined, as it is published by multiple reputable sources. The Company's inventories, except for certain lower of cost or market basis products (as discussed below), are subsequently recorded at their fair market values, that is, "marked-to-market". The daily changes in the fair market value of our inventory are offset by daily changes in the fair market value of hedging derivatives that are taken with respect to our inventory positions; both the change in the fair market value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the condensed consolidated statements of income.

While the premium component included in inventories is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Neither the commemorative coin inventory nor the premium component of our inventory is hedged (see [Note 6.](#))

Plant, Property and Equipment and Depreciation

Plant, property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method based on the estimated useful lives of the related assets, ranging from three years to twenty-five years. Property and equipment not placed in service, which includes capitalized software and leasehold improvement costs, are not depreciated until the related assets are placed in service. Land is recorded at historical cost, and is not depreciated.

Goodwill and Purchased Intangible Assets

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

Goodwill and other indefinite life intangibles are evaluated for impairment annually in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the Intangibles - Goodwill and Other Topic 350 of the ASC. Other purchased intangible assets continue to be amortized over their useful lives and are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. The Company may first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. If, based on this qualitative assessment, management determines that goodwill is more likely than not to be impaired, the two-step impairment test is performed. This first step in this test includes comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has been acquired in a business combination, to its carrying amount. As of December 31, 2016 and June 30, 2016, the Company has not identified any impairments.

If the Company determines it will quantitatively assess impairment, the Company utilizes the discounted cash flow method to determine the fair value of each of its reporting units. In calculating the implied fair value of the reporting

unit's goodwill, the present value of the reporting unit's expected future cash flows is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the present value of the reporting unit's expected future cash flows over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. In calculating the implied value of the Company's trade names, the Company uses the present value of the relief from royalty method.

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Long-Lived Assets

Long-lived assets, other than goodwill and purchased intangible assets with indefinite lives, are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. In evaluating impairment, the carrying value of the asset is compared to the undiscounted estimated future cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is recognized when estimated future cash flows are less than the carrying amount. Estimates of future cash flows may be internally developed or based on independent appraisals and significant judgment is applied to make the estimates. Changes in the Company's strategy, assumptions and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. As of December 31, 2016 and June 30, 2016, management concluded that no impairment adjustments were required.

Amortizable intangible assets are being amortized on a straight-line basis which approximates economic use, over periods ranging from three years to fifteen years. The Company considers the useful life of the trademarks to be indefinite. The Company tests the value of the trademarks and trade name annually for impairment.

Long-Term Investments

Investments in privately-held entities that are at least 20% but less than 50% owned by the Company are accounted for using the equity method. Under the equity method the carrying value of the investment is adjusted for the Company's proportionate share of the investee's earnings or losses, with the corresponding share of earnings or losses reported in other income (expense). The carrying value of the investment is reduced by the amount of the dividends received from the equity-method investee, as they are considered a return of capital.

Investments in privately-held entities that are less than 20% owned by the Company are accounted for using the cost method, unless the Company can exercise significant influence or the investee is economically dependent upon the Company, in which case the equity method is used. Under the cost method, investments are carried at cost and other income is recorded when dividends are received from the cost-method investee.

We evaluate our long-term investments for impairment quarterly or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. As of December 31, 2016 and June 30, 2016, the Company did not identify any impairments.

Fair Value Measurement

The Fair Value Measurements and Disclosures Topic 820 of the ASC ("ASC 820"), creates a single definition of fair value for financial reporting. The rules associated with ASC 820 state that valuation techniques consistent with the market approach, income approach and/or cost approach should be used to estimate fair value. Selection of a valuation technique, or multiple valuation techniques, depends on the nature of the asset or liability being valued, as well as the availability of data (see Note 3.)

Revenue Recognition

Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collection is probable. The Company records sales of precious metals generally upon receipt by the customer. The Company records revenues from its metal assaying and melting services after the related services are completed and the effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. The Company records revenues from its storage and logistics services after the related services are completed.

The Company accounts for its metals and sales contracts using settlement date accounting. Pursuant to such accounting, the Company recognizes the sale or purchase of the metals at settlement date. During the period between trade and settlement date, the Company has essentially entered into a forward contract that meets the definition of a derivative in accordance with the Derivatives and Hedging Topic 815 of the ASC. The Company records the derivative at the trade date with a corresponding unrealized gain (loss), which is reflected in the cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transaction is physically settled. Sales which are physically settled are recognized at the gross amount in the condensed consolidated statements of income.

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Interest Income

The Company uses the effective interest method to recognize interest income on its secured loans transactions. For these arrangements, the Company maintains a security interest in the precious metals and records interest income over the terms of the secured loan receivable. Recognition of interest income is suspended and the loan is placed on non-accrual status when management determines that collection of future interest income is not probable. The interest income accrual is resumed, and previously suspended interest income is recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded first against the principal and then to any unrecognized interest income (see [Note 5](#).)

Also, the Company enters into financing agreements, whereby the Company agrees to deliver products at the prevailing spot price plus a premium, and then acquires the products back from the customer at the prevailing spot price, thereby earning a fee (recorded as interest income) based on a calculated premium over the spot price, resulting in an open sales commitment to deliver products at the agreed upon date and price.

Interest Expense

The Company incurs interest expense based on usage under its lines of credit recording interest expense using the effective interest method.

The Company incurs financing fees (classified as interest expense) as a result of its product financing arrangements for the transfer and subsequent re-acquisition of gold and silver at a fixed price with a third party finance company. During the term of this type of financing agreement, a third party company finances the designated inventory, with the intent to return the inventory to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. The third party charges a monthly fee as a percentage of the market value of the outstanding obligation. In addition, the Company incurs a financing fee for custodial storage facility charges related to the transferred collateral inventory; this collateral is classified as restricted inventory on our condensed consolidated balance sheets.

The Company incurs interest expense when we borrow precious metals from our suppliers under short-term arrangements, which bear interest at a designated rate. Amounts under these arrangements are due at maturity and require repayment either in the form of precious metals or cash. This liability is reflected in the condensed consolidated balance sheet as a liability on borrowed metals.

Derivative Instruments

The Company's inventory, and purchase and sale commitment transactions consist of precious metals products. The value of our inventory and these commitments are linked to the prevailing price of the underlying precious metal commodity. The Company seeks to minimize the effect of price changes of the underlying commodity and enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with only credit worthy financial institutions. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions. Notional balances of the Company's derivative instruments, consisting of contractual metal quantities, are expressed at current spot prices of the underlying precious metal commodity.

Commodity futures and forward contract transactions are recorded at fair value on the trade date. The difference between the original contract value and the market value of the open futures and forward contracts are reflected in derivative assets or derivative liabilities in the condensed consolidated balance sheets at fair value.

The Company records the change between fair value and trade value of the underlying open commodity contracts as a derivative asset or liability, and the Company correspondingly records the related unrealized gains or losses. The change in unrealized gain (loss) on open commodity contracts from one period to the next is reflected in net gain (loss) on derivative instruments. These unrealized gains and losses are included as a component of cost of sales on the condensed consolidated statements of income. Gains or losses resulting from the termination of commodity contracts are reported as realized gains or losses on commodity contracts, which is recorded as a component of cost of sales on the condensed consolidated statements of income.

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The Company enters into derivative transactions solely for the purpose of hedging our inventory holding risk, and not for speculative market purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in the fair market value of the underlying precious metals inventory, which is also recorded in cost of sales in the condensed consolidated statements of income (see Note 11.)

Advertising

Advertising expense was \$199,000 and \$153,000, respectively, for the three months ended December 31, 2016 and 2015. Advertising expense was \$366,000 and \$326,000, respectively, for the six months ended December 31, 2016 and 2015.

Shipping and Handling Costs

Shipping and handling costs represent costs associated with shipping product to customers, and receiving product from vendors and are included in cost of sales in the condensed consolidated statements of income. Shipping and handling costs incurred totaled \$1.2 million and \$1.8 million, respectively, for the three months ended December 31, 2016 and 2015. Shipping and handling costs incurred totaled \$2.3 million and \$4.1 million, respectively, for the six months ended December 31, 2016 and 2015.

Share-Based Compensation

The Company accounts for equity awards under the provisions of the Compensation - Stock Compensation Topic 718 of the ASC ("ASC 718"), which establishes fair value-based accounting requirements for share-based compensation to employees. ASC 718 requires the Company to recognize the grant-date fair value of stock options and other equity-based compensation issued to employees as expense over the service period in the Company's condensed consolidated financial statements.

Income Taxes

As part of the process of preparing its condensed consolidated financial statements, the Company is required to estimate its provision for income taxes in each of the tax jurisdictions in which it conducts business, in accordance with the Income Taxes Topic 740 of the ASC ("ASC 740"). The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company recognizes a benefit for tax positions that it believes will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that the Company believes has more than a 50% probability of being realized upon settlement. The Company regularly monitors its tax positions and adjusts the amount of recognized tax benefit based on its evaluation of information that has become available since the end of its last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits, the Company does not consider information that has become available after the balance sheet date, but does disclose the effects of new information whenever those effects would be material to the Company's condensed consolidated financial statements. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the condensed consolidated balance sheets principally within accrued liabilities.

The Company accounts for uncertainty in income taxes under the provisions of ASC 740. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of income. Please refer to Note 12 for further discussion regarding these provisions.

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in

income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. The factors used to assess the likelihood of realization include the Company's forecast of the reversal of temporary differences, future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include the Company's consideration of future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge

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to income. Changes in recognized tax benefits and changes in valuation allowances could be material to the Company's results of operations for any period, but is not expected to be material to the Company's condensed consolidated financial position.

Based on our assessment it appears more likely than not that most of the net deferred tax assets will be realized through future taxable income. Management has established a valuation allowance against the deferred taxes related to certain state net operating loss carryovers. Management believes the utilization of these losses may be limited. We will continue to assess the need for a valuation allowance for our remaining deferred tax assets in the future.

The Company's condensed consolidated financial statements recognized the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods, as if the Company were a separate taxpayer prior to the date of the Distribution rather than a member of the consolidated income tax return group of its Former Parent, Spectrum Group International, Inc. Following its spin-off, the Company files federal and state income tax filings that are separate from the Former Parent's tax filings. The Company recognizes current and deferred income taxes as a separate taxpayer for periods ending after the date of Distribution.

Income taxes receivable from Former Parent reflects the balance due from the Former Parent pursuant to a tax sharing agreement between the parties.

Earnings per Share ("EPS")

The Company computes and reports both basic EPS and diluted EPS. Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity awards, including unexercised stock options, utilizing the treasury stock method.

A reconciliation of shares used in calculating basic and diluted earnings per common shares for the three and six months ended December 31, 2016 and 2015.

in
thousands

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Basic weighted average shares outstanding | 7,023 | 6,974 | 7,027 | 6,974 |
| Effect of common stock equivalents — stock issuable under outstanding equity awards | 86 | 145 | 86 | 116 |
| Diluted weighted average | 7,109 | 7,119 | 7,113 | 7,090 |

shares
outstanding

Recent Accounting Pronouncements Not Yet Adopted

In August 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective for the Company, on July 1, 2018 (for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years). The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable. We are currently evaluating the impact of our pending adoption of ASU 2016-15 on our consolidated financial position, results of operations or cash flows and related disclosures.

In March 2016, FASB issued ASU No. 2016-09, ("ASU 2016-09"), Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update simplify several aspects of the accounting for share-based payment award transactions including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This update is effective for the Company, on July 1, 2017. We are evaluating the new guidelines to see if they will have a significant impact on our consolidated financial position, results of operations or cash flows and related disclosures. In February 2016, FASB issued ASU No. 2016-02, ("ASU 2016-02"), Leases (Topic 842). The amendments in this update require lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases at the commencement date. This update is effective for the Company, on July 1, 2019 (for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years), and is to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are evaluating the new guidelines, but we believe that its adoption will not have a material impact on our consolidated financial position, results of operations or cash flows and related disclosures, as the Company has minimal lease commitments.

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In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”). The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (“ASU 2016-10”). The amendments in ASU 2016-10 clarify aspects relating to the identification of performance obligations and improve the operability and understandability of the licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The amendments in ASU 2016-12 address certain issues identified on assessing collectability, presentation of sales taxes, non-cash consideration, and completed contracts and contract modifications at transition. For all of the ASUs noted above, the effective date for Company is July 1, 2018 (for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years) for annual and interim reporting periods. Either the retrospective or cumulative effect transition method is permitted. We have begun categorizing our various contract revenue streams in order to isolate those that will be significantly impacted. Once we have identified the impacted revenue streams, we can begin estimating the potential impact of the new standard as well as identify necessary control and process changes.

3. ASSETS AND LIABILITIES, AT FAIR VALUE

Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company’s financial instruments as of December 31, 2016 and June 30, 2016.

in thousands

| | December 31, 2016 | | June 30, 2016 | |
|--|-------------------|------------|-----------------|------------|
| | Carrying Amount | Fair value | Carrying Amount | Fair value |
| Financial assets: | | | | |
| Cash | \$13,270 | \$13,270 | \$17,142 | \$17,142 |
| Receivables, net | 81,945 | 81,945 | 43,302 | 43,302 |
| Secured loans receivable | 80,939 | 80,939 | 70,504 | 70,504 |
| Derivative assets - open sale and purchase commitments, net | 3,184 | 3,184 | 32,347 | 32,347 |
| Derivative assets - futures contracts | 19,531 | 19,531 | — | — |
| Derivative assets - forward contracts | 16,862 | 16,862 | 1,385 | 1,385 |
| Income taxes receivables | 1,429 | 1,429 | 7,318 | 7,318 |
| Income taxes receivable from Former Parent | — | — | 203 | 203 |
| Financial liabilities: | | | | |
| Lines of credit | \$185,000 | \$185,000 | \$212,000 | \$212,000 |
| Liability on borrowed metals | 3,471 | 3,471 | 4,352 | 4,352 |
| Product financing arrangements | 121,466 | 121,466 | 59,358 | 59,358 |
| Derivative liabilities - liability on margin accounts | 5,415 | 5,415 | 8,182 | 8,182 |
| Derivative liabilities - open sale and purchase commitments, net | 68,434 | 68,434 | 1,919 | 1,919 |
| Derivative liabilities - futures contracts | 470 | 470 | 13,914 | 13,914 |
| Derivative liabilities - forward contracts | 39 | 39 | 12,439 | 12,439 |
| Accounts payable | 65,845 | 65,845 | 46,769 | 46,769 |
| Accrued liabilities | 4,499 | 4,499 | 7,660 | 7,660 |

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| | | | | |
|------------------------------|-------|-------|---|---|
| Income taxes payable | 5,745 | 5,745 | — | — |
| Note payable - related party | 500 | 500 | — | — |

The fair values of the financial instruments shown in the above table as of December 31, 2016 and June 30, 2016 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability.

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Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk adjusted discount rates, and available observable and unobservable inputs.

The carrying amounts of cash, secured loans receivable, accounts receivable, income taxes receivable, accounts payable, income tax payable, note payable, and accrued liabilities approximated fair value due to their short-term nature. The carrying amounts of derivative assets and derivative liabilities are marked-to-market on a daily basis to fair value. The carrying amounts of lines of credit approximate fair value based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

Valuation Hierarchy

Topic 820 of the ASC established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The significant assumptions used to determine the carrying value and the related fair value of the financial instruments are described below:

Inventory. Inventories principally include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: 1) published market values attributable to the costs of the raw precious metal, and 2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium is readily determined, as it is published by multiple reputable sources. Except for commemorative coin inventory, which are included in inventory at the lower of cost or market, the Company's inventories are subsequently recorded at their fair market values on a daily basis. The fair value for commodities inventory (i.e., inventory excluding commemorative coins) is determined using pricing data derived from the markets on which the underlying commodities are traded. Precious metals commodities inventory are classified in Level 1 of the valuation hierarchy.

Derivatives. Futures contracts, forward contracts and open sale and purchase commitments are valued at their fair values, based on the difference between the quoted market price and the contractual price (i.e., intrinsic value,) and are included within Level 1 of the valuation hierarchy.

Margin and Borrowed Metals Liabilities. Margin and borrowed metals liabilities consist of the Company's commodity obligations to margin customers and suppliers, respectively. Margin liabilities and borrowed metals liabilities are carried at fair value, which is determined using quoted market pricing and data derived from the markets on which the underlying commodities are traded. Margin and borrowed metals liabilities are classified in Level 1 of the valuation hierarchy.

Product Financing Arrangements. Product financing arrangements consist of financing agreements for the transfer and subsequent re-acquisition of the sale of gold and silver at a fixed price with a third party. Such transactions allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges monthly interest as a percentage of the market value of the outstanding obligation, which is carried at fair value. The obligation is stated at the amount required to repurchase the outstanding inventory. Fair value is determined using quoted market pricing and data derived from the markets on which the underlying commodities are traded. Product financing arrangements are classified in Level 1 of the valuation hierarchy.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and June 30, 2016 aggregated by the level in the fair value hierarchy within which the measurements fall:

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| | December 31, 2016 | | | |
|--|--------------------------------|----------------------|---------------------|------------|
| | Quoted Price in | | | |
| | Active Markets | Significant Other | Significant | |
| | for Identical Instrument | | | |
| | Inputs (Level 1) | Inputs (Level 2) | Inputs (Level 3) | Total |
| in thousands | | | | |
| Assets: | | | | |
| Inventory ⁽¹⁾ | \$290,889 | \$ | —\$ | —\$290,889 |
| Derivative assets — open sale and purchase commitments, net | 3,184 | — | — | 3,184 |
| Derivative assets — futures contracts | 19,531 | — | — | 19,531 |
| Derivative assets — forward contracts | 16,862 | — | — | 16,862 |
| Total assets, valued at fair value | \$330,466 | \$ | —\$ | —\$330,466 |
| Liabilities: | | | | |
| Liability on borrowed metals | \$3,471 | \$ | —\$ | —\$3,471 |
| Product financing arrangements | 121,466 | — | — | 121,466 |
| Derivative liabilities — liability on margin accounts | 5,415 | — | — | 5,415 |
| Derivative liabilities — open sale and purchase commitments, net | 68,434 | — | — | 68,434 |
| Derivative liabilities — future contracts | 470 | — | — | 470 |
| Derivative liabilities — forward contracts | 39 | — | — | 39 |
| Total liabilities, valued at fair value | \$199,295 | \$ | —\$ | —\$199,295 |

⁽¹⁾ Commemorative coin inventory totaling \$34,000 is held at lower of cost or market and is thus excluded from this table.

| | June 30, 2016 | | | |
|--|--------------------------------|----------------------|---------------------|------------|
| | Quoted Price in | | | |
| | Active Markets | Significant Other | Significant | |
| | for Identical Instrument | | | |
| | Inputs (Level 1) | Inputs (Level 2) | Inputs (Level 3) | Total |
| in thousands | | | | |
| Assets: | | | | |
| Inventory ⁽¹⁾ | \$245,041 | \$ | —\$ | —\$245,041 |
| Derivative assets — open sale and purchase commitments, net | 32,347 | — | — | 32,347 |
| Derivative assets — forward contracts | 1,385 | — | — | 1,385 |
| Total assets, valued at fair value | \$278,773 | \$ | —\$ | —\$278,773 |
| Liabilities: | | | | |
| Liability on borrowed metals | \$4,352 | \$ | —\$ | —\$4,352 |
| Product financing arrangements | 59,358 | — | — | 59,358 |
| Derivative liabilities — liability on margin accounts | 8,182 | — | — | 8,182 |
| Derivative liabilities — open sale and purchase commitments, net | 1,919 | — | — | 1,919 |
| Derivative liabilities — futures contracts | 13,914 | — | — | 13,914 |
| Derivative liabilities — forward contracts | 12,439 | — | — | 12,439 |
| Total liabilities, valued at fair value | \$100,164 | \$ | —\$ | —\$100,164 |

⁽¹⁾ Commemorative coin inventory totaling \$16,000 is held at lower of cost or market and is thus excluded from this table.

There were no transfers in or out of Level 2 or 3 during the reported periods.

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Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only under certain circumstances. These include cost method and equity method investments that are written down to fair value when a decline in the fair value is determined to be other-than-temporary, and long-lived assets or goodwill that are written down to fair value when they are held for sale or determined to be impaired.

The Company uses level-three inputs to measure the fair value of its investments on a non-recurring basis. The Company's two investments in noncontrolled entities do not have readily determinable fair values. Quoted prices of the investments are not available, and the cost of obtaining an independent valuation appears excessive considering the carrying value of the instruments to the Company. As of December 31, 2016 and June 30, 2016, the carrying value of the Company's investments totaled \$8.0 million and \$7.9 million, respectively. During the three and six months ended December 31, 2016, the Company did not record any impairments related to these investments.

The Company uses level-three inputs to measure the fair value of goodwill and other intangibles on a non-recurring basis. These assets are measured at cost and are written down to fair value on the annual measurement dates or on the date of a triggering event, if impaired. As of December 31, 2016, there were no indications present that the Company's goodwill or other purchased intangibles were impaired, and therefore were not measured at fair value. There were no gains or losses recognized in earnings associated with the above purchased intangibles during the three and six months ended December 31, 2016.

4. RECEIVABLES

Receivables consist of the following as of December 31, 2016 and June 30, 2016:

in thousands

| | December 31, 2016 | June 30, 2016 |
|---------------------------------------|----------------------|------------------|
| Customer trade receivables | \$ 3,475 | \$4,001 |
| Wholesale trade advances | 74,044 | 11,860 |
| Due from brokers | 4,456 | 27,471 |
| Subtotal | 81,975 | 43,332 |
| Less: allowance for doubtful accounts | (30) | (30) |
| Receivables, net | \$ 81,945 | \$43,302 |

Customer Trade Receivables. Customer trade receivables represent short-term, non-interest bearing amounts due from precious metal sales and are secured by the related precious metals stored with the Company, or other secured interests in assets of the customer.

Wholesale Trade Advances. Wholesale trade advances represent advances of various bullion products and cash advances for purchase commitments of precious metal inventory. Typically, these advances are: unsecured, short-term, and non-interest bearing, which are made to wholesale metals dealers and government mints.

Due from Brokers. Due from brokers principally consists of the margin requirements held at brokers related to open futures contracts (see [Note 11](#)).

Allowance for Doubtful Accounts

Allowances for doubtful accounts are recorded based on specifically identified receivables, which the Company has identified as potentially uncollectible. A summary of the activity in the allowance for doubtful accounts is as follows: in thousands

| Period ended: | Beginning Balance | Provision | Charge-off | Ending Balance |
|------------------------------------|----------------------|-----------|------------|-------------------|
| Six Months Ended December 31, 2016 | \$ 30 | \$ — | \$ — | \$ 30 |
| Year Ended June 30, 2015 | \$ 30 | \$ — | \$ — | \$ 30 |

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5. SECURED LOANS RECEIVABLE

Below is a summary of the carrying-value of our secured loans as of December 31, 2016 and June 30, 2016: in thousands

| | December 31, 2016 | June 30, 2016 |
|---|----------------------|------------------|
| Secured loans originated | \$ 28,933 | \$36,280 |
| Secured loans originated - with a related party | 2,823 | 1,370 |
| | 31,756 | 37,650 |
| Secured loans acquired | 49,183 | (1) 32,854 (2) |
| Secured loans (current and long-term) | \$ 80,939 | \$70,504 |

(1) Includes \$72,000 of amortized loan premium as of December 31, 2016.

(2) Includes \$86,000 of amortized loan premium as of June 30, 2016.

Secured Loans - Originated: Secured loans include short-term loans, which include a combination of on-demand lines and short term facilities, and long-term loans that are made to our customers. These loans are fully secured by the customers' assets that include bullion, numismatic and semi-numismatic material, which are typically held in safekeeping by the Company. (See Note 13, for further information regarding our secured loans made to related parties.)

Secured Loans - Acquired: Secured loans also include short-term loans, which include a combination of on-demand lines and short term facilities that are purchased from our customer. The Company acquires a portfolio of their loan receivables at a price that approximates the aggregate carrying-value of each loan in the portfolio, as determined on the effective transaction date. Each loan in the portfolio is fully secured by the borrowers' assets, which include bullion, numismatic and semi-numismatic material that are held in safekeeping by the Company. Typically, the seller of the loan portfolio retains the responsibility for the servicing and administration of the loans.

As of December 31, 2016 and June 30, 2016, our secured loans carried weighted-average effective interest rates of 9.0% and 8.7%, respectively, and mature in periods generally ranging from on-demand to two years.

The secured loans that the Company generates with active customers of A-Mark are reflected as an operating activity on the condensed consolidated statements of cash flows. The secured loans that the Company generates with borrowers who are not active customers of A-Mark are reflected as an investing activity on the condensed consolidated statements of cash flows as secured loans, net. For the secured loans that are reflected as an investing activity and have terms that allow the borrower to increase their loan balance (at the discretion of the Company) based on the excess value of their collateral compared to their aggregate principal balance of loan and are repayable on demand or in the short-term, the borrowings and repayments are netted on the condensed consolidated statements of cash flows. In contrast, for the secured loans that are reflected as an investing activity and do not contain a revolving credit-line feature or have long-term maturities, the borrowed funds are shown at gross as other originated secured loans, segregated from the repayments of the principal, which are shown as principal collections on other originated secured loans on the condensed consolidated statements of cash flows.

Credit Quality of Secured Loans Receivables and Allowance for Credit Losses

The Company applies a systematic methodology to determine the allowance for credit losses for secured loan receivables. The secured loan receivables portfolio is comprised solely of secured loans with similar risk profiles. This similarity allows the Company to apply a standard methodology to determine the credit quality for each loan. The credit quality of each loan is generally determined by the secured material, the initial and ongoing collateral value determination and the assessment of loan to value determination. Typically, the Company's secured loan receivables within its portfolio have similar credit risk profiles and methods for assessing and monitoring credit risk.

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The Company evaluates its loan portfolio in one of three classes of secured loan receivables: those loans secured by: 1) bullion 2) numismatic items and 3) customers' pledged assets, which may include bullion and numismatic items. The Company's secured loans by portfolio class, which align with management reporting, are as follows:
in thousands

| | December 31, 2016 | | June 30, 2016 | |
|-------------------------------------|----------------------|--------|---------------|--------|
| Bullion | \$51,850 | 64.1 % | \$35,168 | 49.9 % |
| Numismatic and semi numismatic | 29,089 | 35.9 | 34,636 | 49.1 |
| Subtotal | 80,939 | 100.0 | 69,804 | 99.0 |
| Other pledged assets ⁽¹⁾ | — | — | 700 | 1.0 |
| Total secured loans | \$80,939 | 100.0% | \$70,504 | 100.0% |

(1) Includes secured loans that are collateralized by borrower's assets, which are not exclusively precious metal products.

Each of the three classes of receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. The methodology of assessing the credit quality of the secured loans acquired by the Company is similar to the secured loans originated by the Company; they are administered using the same internal reporting system, collateralized by precious metals or other pledged assets, for which a loan to value determination procedures are applied.

Credit Quality of Loans and Non Performing Status

Generally, interest is due and payable within 30 days. A loan is considered past due if interest is not paid in 30 days or collateral calls are not met timely. Typically, loans do not achieve the threshold of non performing status due to the fact that customers are generally put into default for any interest past due over 30 days and for unsatisfied collateral calls. When this occurs the loan collateral is typically liquidated within 90 days.

For certain secured loans, interest is billed monthly and, if not paid, is added to the outstanding loan balance. These secured loans are considered past due if their current loan-to-value ratio fails to meet established minimum equity levels, and the borrower fails to meet the collateral call required to reestablish the appropriate loan to value ratio. Non-performing loans have the highest probability for credit loss. The allowance for credit losses attributable to non-performing loans is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, the Company estimates the current market value of the collateral and considers credit enhancements such as additional collateral and third-party guarantees. Due to the accelerated liquidation terms of the Company's loan portfolio, all past due loans are generally liquidated within 90 days of default. Further information about the Company's credit quality indicators includes differentiating by categories of current loan-to-value ratios. The Company disaggregates its secured loans that are collateralized by precious metal products, as follows:

in thousands

| | December 31, 2016 | | June 30, 2016 | |
|--|----------------------|--------|---------------|--------|
| Loan-to-value of 75% or more ⁽¹⁾ | \$43,638 | 53.9 % | \$10,231 | 14.7 % |
| Loan-to-value of less than 75% ⁽¹⁾ | 37,301 | 46.1 | 59,573 | 85.3 |
| Secured loans collateralized by precious metal products ⁽¹⁾ | \$80,939 | 100.0% | \$69,804 | 100.0% |

(1) Excludes secured loans that are collateralized by borrower's assets, which are not exclusively precious metal products.

The Company had no loans with a loan-to-value ratio in excess of 100% at December 31, 2016. At June 30, 2016, the Company had no loans with a loan-to-value ratio in excess of 100%.

For the Company's secured loans where the loan-to-value ratio is not a valid indicator (because the loans are collateralized by other assets of the borrower in addition to their precious metal inventory) the Company uses other indicators to measure the quality of this type of loan. For this type of loan, the Company uses the following credit

quality indicators: accounts receivable-to-loan ratios and inventory-to-loan ratios and delinquency status of the loan.

Impaired loans

A loan is considered impaired if it is probable, based on current information and events, that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Customer loans are reviewed for impairment and include loans that are past due, non-performing or in bankruptcy. Recognition of interest income is suspended and the loan is placed on non-accrual status when management determines that collection of future interest income is not probable. Accrual is resumed, and

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previously suspended interest income is recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded first against the receivable and then to any unrecognized interest income.

All loans are contractually subject to margin call. As a result, loans typically do not become impaired due to the fact the Company has the ability to require margin calls which are due upon receipt. Per the terms of the loan agreement, the Company has the right to liquidate the loan collateral in the event of a default. The material is highly liquid and easily sold to pay off the loan. Such circumstances would result in a short term impairment that would typically result in full repayment of the loan and fees due to the Company.

For the three and six months ended December 31, 2016, the Company incurred no loan impairment costs.

6. INVENTORIES

Our inventory consists of the precious metals that the Company has physically received, and inventory held by third-parties, which, at the Company's option, it may or may not receive. Below, our inventory is summarized by classification at December 31, 2016 and June 30, 2016:

in thousands

| | December 31, June 30, | |
|--|-----------------------|-----------|
| | 2016 | 2016 |
| Inventory held for sale | \$ 69,054 | \$81,006 |
| Repurchase arrangements with customers | 91,034 | 92,283 |
| Consignment arrangements with customers | 5,864 | 8,042 |
| Commemorative coins, held at lower of cost or market | 34 | 16 |
| Borrowed precious metals from suppliers | 3,471 | 4,352 |
| Product financing arrangement, restricted | 121,466 | 59,358 |
| | \$ 290,923 | \$245,057 |

Inventory Held for Sale. Inventory held for sale represents precious metals, excluding commemorative coin inventory, that have been received by the Company that is not subject to repurchase or consignment arrangements with third parties. As of December 31, 2016 and June 30, 2016, the inventory held for sale totaled \$69.1 million and \$81.0 million, respectively.

Repurchase Arrangements with Customers. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals products that are subject to repurchase by the customer at the fair value of the product on the repurchase date, whereby the Company retains legal title to the metals. The Company or the counterparty may typically terminate any such arrangement with 14 days' notice. Upon termination the customer's rights to repurchase any remaining inventory is forfeited. As of December 31, 2016 and June 30, 2016, included within inventory is \$91.0 million and \$92.3 million, respectively, of precious metals products subject to repurchase.

Consignment Arrangements with Customers. The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers as of December 31, 2016 and June 30, 2016 totaled \$5.9 million and \$8.0 million, respectively. Such inventories are removed at the time the customer elects to price and purchase the precious metals, and the Company records a corresponding sale and receivable.

Commemorative Coins. Our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Our commemorative coins are not hedged, are included in inventory at the lower of cost or market and totaled \$34,000 and \$16,000 as of December 31, 2016 and June 30, 2016, respectively.

Borrowed Precious Metals from Suppliers. Inventories include amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis that are held by the supplier, whereby the supplier retains legal title to the metals. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these

arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the condensed consolidated balance sheets and totaled \$3.5 million and \$4.4 million as of December 31, 2016 and June 30, 2016, respectively.

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Product Financing Arrangements. Inventories include amounts for obligations under product financing arrangements. The Company enters into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at a fixed price with a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by the third party finance company. During the term of the financing, the third party finance company finances the inventory as collateral, and both parties intend for the inventory to be returned the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. Pursuant to the guidance in ASC 470-40 Product Financing Arrangements, these transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the condensed consolidated balance sheets within product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income. Such obligation totaled \$121.5 million and \$59.4 million as of December 31, 2016 and June 30, 2016, respectively.

The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see Note 11.) As of December 31, 2016 and June 30, 2016, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$(8.4) million and \$12.7 million, respectively.

Premium component of inventory

The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the cost of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium is readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. The precious metal component of the inventory may be hedged through the use of precious metal commodity positions, while the premium component of our inventory is not a commodity that may be hedged.

The Company's inventories are subsequently recorded at their fair market values, that is, "marked-to-market", except for our commemorative coin inventory. The daily changes in the fair market value of our inventory are offset by daily changes in fair market value of hedging derivatives that are taken with respects to our inventory positions; both the change in the fair market value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the condensed consolidated statements of income.

The premium component, at market value, included in the inventories as of December 31, 2016 and June 30, 2016 totaled \$5.7 million and \$4.6 million, respectively.

7. PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment consists of the following at December 31, 2016 and June 30, 2016:

in

thousands

| | December 31, | June 30, |
|--|--------------|----------|
| | 2016 | 2016 |

Office

| | | |
|-------------------------------|----------|----------|
| furniture, and fixtures | \$ 1,378 | \$ 1,107 |
|-------------------------------|----------|----------|

Computer

| | | |
|-----------|-----|-----|
| equipment | 415 | 407 |
|-----------|-----|-----|

| | | |
|----------------------|-------|-------|
| Computer software | 2,386 | 2,386 |
|----------------------|-------|-------|

| | | |
|--|-------|---|
| | 1,919 | — |
|--|-------|---|

| | |
|--|----------|
| Plant equipment | |
| Buildings | — |
| Leasehold improvements | 1,661 |
| Total depreciable assets | 5,561 |
| Less: accumulated depreciation | (3,043) |
| Property and equipment not placed in service | 964 |
| Land | — |
| Plant, property and equipment, net | \$3,482 |

Depreciation expense for the three months ended December 31, 2016 and 2015 was \$275,000 and \$209,000, respectively. Depreciation expense for the six months ended December 31, 2016 and 2015 was \$500,000 and \$415,000, respectively.

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8. GOODWILL AND INTANGIBLE ASSETS

On July 1, 2005, all of the outstanding common stock of A-Mark was acquired by Spectrum PMI, Inc. Spectrum PMI was a holding company whose outstanding common stock was owned 80% by SGI, and 20% by Auctentia, S.L. In September 2012, SGI purchased from Auctentia its 20% interest in Spectrum PMI. In September 2013, Spectrum PMI was merged with and into SGI, as a result of which all of the outstanding shares of A-Mark were then owned directly by SGI.

In connection with the acquisition of A-Mark by Spectrum PMI on July 1, 2005, the accounts of the Company were adjusted using the push down basis of accounting to recognize the allocation of the consideration paid to the respective net assets acquired. In accordance with the push down basis of accounting, the Company's net assets were adjusted to their fair values as of the date of the acquisition based upon an independent appraisal.

Due to the Company's business combination with AMST that closed on August 31, 2016 (see Note 1) the Company recorded an additional \$2.5 million and \$4.3 million of identifiable intangible assets and goodwill, respectively. The Company's investment in AMST is expected to create synergies between the acquired minting operation and the Company's established distribution network by providing a more steady and reliable fabricated source of silver during times of market volatility. The Company considers that much of the acquired goodwill relates to the "ready state" of AMST's established minting operation with existing quality processes, procedures and ability to scale production to meet market needs.

The carrying value of goodwill and other purchased intangibles as of December 31, 2016 and June 30, 2016 is as described below:

dollar amounts in thousands

| | Estimated Useful Lives (Years) | December 31, 2016 | | | June 30, 2016 | | |
|---|-----------------------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|-----------------------------|----------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Identifiable intangible Assets: | | | | | | | |
| Existing customer relationships | 5 - 15 | 6,447 | (4,421) | 2,026 | 5,747 | (4,214) | 1,533 |
| Non-compete and other Employment agreement | 4 3 | 2,000 195 | (2,000) (195) | — — | 2,000 195 | (2,000) (195) | — — |
| Intangibles subject to amortization | | 8,642 | (6,616) | 2,026 | 7,942 | (6,409) | 1,533 |
| Trade Name | Indefinite | \$2,254 | \$ — | \$2,254 | \$454 | \$ — | \$454 |
| | | \$10,896 | \$ (6,616) | \$4,280 | \$8,396 | \$ (6,409) | \$1,987 |
| Goodwill | Indefinite | \$8,881 | \$ — | \$8,881 | \$4,620 | \$ — | \$4,620 |

The Company's intangible assets are subject to amortization except for trade-names, which have an indefinite life. Intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be three to fifteen years. Amortization expense related to the Company's intangible assets for the three months ended December 31, 2016 and 2015 was \$111,000 and \$95,000, respectively. Amortization expense related to the Company's intangible assets for the six months ended December 31, 2016 and 2015 was \$207,000 and \$191,000, respectively.

Estimated amortization expense on an annual basis for the succeeding five years is as follows (in thousands):

| Fiscal year ending June 30, | Amount |
|-----------------------------|--------|
| 2017 (six months remaining) | \$ 236 |
| 2018 | 455 |
| 2019 | 455 |
| 2020 | 448 |

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| | |
|------------|----------|
| 2021 | 70 |
| Thereafter | 362 |
| Total | \$ 2,026 |

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The Company has two investments in privately-held entities, both of which are online precious metals retailers and customers of the Company. The Company has exclusive supplier agreements with each entity, for which these customers have agreed to purchase all bullion products required for their businesses exclusively from A-Mark, subject to certain limitations. The Company also provides fulfillment services to both of these customers. The following table shows the carrying value of the Company's investments in the privately held companies, categorized by type of investment:

in thousands

| | December 31, June 30, | |
|--------------------------|-----------------------|----------|
| | 2016 | 2016 |
| Equity method investment | \$ 7,452 | \$ 7,373 |
| Cost method investment | 500 | 500 |
| | \$ 7,952 | \$ 7,873 |

Equity Method Investment

The Company applies the equity method of accounting for its investment in which it has aggregate ownership interest of 20.0%. Under the equity method of accounting, the Company is required to record its proportional interest in the investee's reported net income or loss for each reporting period, and is required to present its prior period financial results to reflect the equity method of accounting from the date of its initial investment in the investee.

The Company's proportionate share of the investee's net income totaled \$93,000 and \$94,000 for the three months ended December 31, 2016 and 2015, respectively. The Company proportionate share of the investee's net income totaled \$79,000 and \$506,000 for the six months ended December 31, 2016 and 2015, respectively. The Company's share of these earnings is shown as "other income" on the condensed consolidated statements of income.

Cost Method Investment

As of December 31, 2016 and June 30, 2016, the Company's ownership percentage, based on the number of fully dilutive common shares outstanding, was 2.5%, and the aggregate carrying balance of this investment was \$0.5 million.

10. ACCOUNTS PAYABLE

Accounts payable consists of the following:

in thousands

| | December 31, June 30, | |
|-------------------------------|-----------------------|-----------|
| | 2016 | 2016 |
| Trade payable to customers | \$ 5,471 | \$ 603 |
| Advances from customers | 45,850 | 36,369 |
| Liability on deferred revenue | 4,086 | 6,546 |
| Due to brokers | 7,866 | 1,250 |
| Other accounts payable | 2,572 | 2,001 |
| | \$ 65,845 | \$ 46,769 |

11. DERIVATIVE INSTRUMENTS AND HEDGING TRANSACTIONS

The Company is exposed to market risk, such as change in commodity prices, and foreign exchange rates. To manage the volatility relating to these exposures, the Company enters into various derivative products, such as forwards and futures contracts. By policy, the Company historically has entered into derivative financial instruments for the purpose of hedging substantially all of Company's market exposure to precious metals prices, and not for speculative purposes.

Commodity Price Management

The Company manages the value of certain specific assets and liabilities of its trading business, including trading inventories, by employing a variety of hedging strategies. These strategies include the management of exposure to changes in the market values of the Company's trading inventories through the purchase and sale of a variety of derivative instruments, such as, forwards and futures contracts.

The Company enters into derivative transactions solely for the purpose of hedging its inventory subject to price risk, and not for speculative market purposes. Due to the nature of the Company's global hedging strategy, the Company is not using hedge accounting as defined under Topic 815 of the ASC, whereby the gains or losses would be deferred and included as a component of other

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comprehensive income. Instead, gains or losses resulting from the Company's futures and forward contracts and open sale and purchase commitments are reported as unrealized gains or losses on commodity contracts (a component of cost of sales) with the related unrealized amounts due from or to counterparties reflected as a derivative asset or liability on the condensed consolidated balance sheets.

The Company's trading inventories and purchase and sale transactions consist primarily of precious metal products. The value of these assets and liabilities are marked-to-market daily to the prevailing closing price of the underlying precious metals. The Company's precious metals inventories are subject to market value changes, created by changes in the underlying commodity market prices. Inventories purchased or borrowed by the Company are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

The Company's open sale and purchase commitments typically settle within 2 business days, and for those commitments that do not have stated settlement dates, the Company has the right to settle the positions upon demand. Futures and forwards contracts open at end of any period typically settle within 30 days. Open sale and purchase commitments are subject to changes in value between the date the purchase or sale price is fixed (the trade date) and the date the metal is received or delivered (the settlement date). The Company seeks to minimize the effect of price changes of the underlying commodity through the use of forward and futures contracts.

The Company's policy is to substantially hedge its inventory position, net of open sale and purchase commitments that are subject to price risk. The Company regularly enters into precious metals commodity forward and futures contracts with financial institutions to hedge price changes that would cause changes in the value of its physical metals positions and purchase commitments and sale commitments. The Company has access to all of the precious metals markets, allowing it to place hedges. The Company also maintains relationships with major market makers in every major precious metals dealing center.

The Company's management sets credit and position risk limits. These limits include gross position limits for counterparties engaged in sales and purchase transactions with the Company. They also include collateral limits for different types of sale and purchase transactions that counterparties may engage in from time to time.

Derivative Assets and Liabilities

The Company's derivative assets and liabilities represent the net fair value of the difference (or intrinsic value) between market values and trade values at the trade date for open precious metals sale and purchase contracts, as adjusted on a daily basis for changes in market values of the underlying metals, until settled. The Company's derivative assets and liabilities represent the net fair value of open precious metals forwards and futures contracts. The precious metals forwards and futures contracts are settled at the contract settlement date.

All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions (i.e., offsetting derivative instruments). Substantially all of these transactions are secured by the underlying metals positions. As such, the Company's derivative contracts with the same counterparty, the receivables and payables have been netted on the condensed consolidated balance sheets. Such derivative contracts include open sale and purchase commitments, futures, forwards and margin accounts. In the table below, the aggregate gross and net derivative receivables and payables balances are presented by contract type and type of hedge, as of December 31, 2016 and June 30, 2016.

| in thousands | December 31, 2016 | | | | June 30, 2016 | | | |
|------------------------------------|---------------------|-------------------|------------------------------|-------------------|---------------------|-------------------|------------------------------|-------------------|
| | Gross Derivative | Amounts Netted | Cash Collateral Pledge | Net Derivative | Gross Derivative | Amounts Netted | Cash Collateral Pledge | Net Derivative |
| Nettable derivative assets: | | | | | | | | |
| Open sale and purchase commitments | \$4,787 | \$(1,603) | \$ — | \$ 3,184 | \$37,378 | \$(5,031) | \$ — | \$ 32,347 |
| Future contracts | 11,665 | — | 7,866 | 19,531 | — | — | — | — |
| Forward contracts | 17,307 | (445) | — | 16,862 | 1,385 | — | — | 1,385 |

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| | | | | | | | | |
|------------------------------------|----------|-----------|---------|----------|----------|-----------|-----------|----------|
| | \$33,759 | \$(2,048) | \$7,866 | \$39,577 | \$38,763 | \$(5,031) | \$— | \$33,732 |
| Nettable derivative liabilities: | | | | | | | | |
| Open sale and purchase commitments | \$69,692 | \$(1,258) | \$— | \$68,434 | \$2,938 | \$(1,019) | \$— | \$1,919 |
| Margin accounts | 9,971 | — | (4,556) | 5,415 | 12,439 | — | (4,257) | 8,182 |
| Future contracts | (3,986) |) — | 4,456 | 470 | 13,914 | — | — | 13,914 |
| Forward contracts | 39 | — | — | 39 | 14,579 | (2,140) |) — | 12,439 |
| | \$75,716 | \$(1,258) | \$(100) | \$74,358 | \$43,870 | \$(3,159) | \$(4,257) | \$36,454 |

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Gains or Losses on Derivative Instruments

The Company records the derivative at the trade date with a corresponding unrealized gain (loss), which is reflected in the cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transaction is physically settled. Sales which are physically settled are recognized at the gross amount in the consolidated statements of income. Below, is a summary of the net gains (losses) on derivative instruments for the three and six months ended December 31, 2016 and 2015.

in thousands

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------------|------------------|--------------|
| | December 31, | December 31, | December 31, | December 31, |
| | 2016 | 2015 | 2016 | 2015 |
| Gains (losses) on derivative instruments: | | | | |
| Unrealized (losses) gains on open future commodity and forward contracts and open sale and purchase commitments, net | \$(52,983) | \$ (596) | \$(34,833) | \$ 3,220 |
| Realized gains (losses) on future commodity contracts, net | 30,083 | 3,197 | 15,824 | 13,788 |
| | \$(22,900) | \$ 2,601 | \$(19,009) | \$ 17,008 |

Summary of Hedging Activity

In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, which shows the precious metal commodity inventory position, net of open sale and purchase commitments, that is subject to price risk as of December 31, 2016 and at June 30, 2016.

in thousands

| | December 31, June 30, | |
|---|-----------------------|------------|
| | 2016 | 2016 |
| Inventory | \$ 290,923 | \$ 245,057 |
| Less unhedgable inventory: | | |
| Commemorative coin inventory, held at lower of cost or market | (34) | (16) |
| Premium on metals position | (5,718) | (4,627) |
| Inventory value not hedged | (5,752) | (4,643) |
| Subtotal | 285,171 | 240,414 |
| Commitments at market: | | |
| Open inventory purchase commitments | 654,274 | 550,810 |
| Open inventory sales commitments | (254,251) | (237,325) |
| Margin sale commitments | (9,971) | (12,439) |
| In-transit inventory no longer subject to market risk | (5,079) | (7,363) |
| Unhedgable premiums on open commitment positions | 2,972 | 400 |
| Inventory borrowed from suppliers | (3,471) | (4,352) |
| Product financing arrangements | (121,466) | (59,358) |
| Advances on industrial metals | 2,680 | 4,521 |
| Inventory subject to price risk | 550,859 | 475,308 |
| Inventory subject to derivative financial instruments: | | |
| Precious metals forward contracts at market values | 371,612 | 188,530 |
| Precious metals futures contracts at market values | 178,463 | 286,449 |
| Total market value of derivative financial instruments | 550,075 | 474,979 |
| Net inventory subject to commodity price risk | \$ 784 | \$ 329 |

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Notional Balances of Derivatives

The notional balances of the Company's derivative instruments, consisting of contractual metal quantities, are expressed at current spot prices of the underlying precious metal commodity. As of December 31, 2016 and June 30, 2016, the Company had the following outstanding commitments and open forward and future contracts:

in thousands

| | December 31, June 30, | |
|--------------------------|-----------------------|------------|
| | 2016 | 2016 |
| Purchase commitments | \$ 654,274 | \$ 550,810 |
| Sales commitments | (254,251) | (237,325) |
| Margin sales commitments | (9,971) | (12,439) |
| Open forward contracts | 371,612 | 188,530 |
| Open futures contracts | 178,463 | 286,449 |

The contract amounts (i.e., notional balances) of the Company's forward and futures contracts and the open sales and purchase orders are properly not reflected in the accompanying condensed consolidated balance sheet, the Company records the difference between the market price of the underlying metal or contract and the trade amount at fair value. The Company is exposed to the risk of failure of the counterparties to its derivative contracts. Significant judgment is applied by the Company when evaluating the fair value implications. The Company regularly reviews the creditworthiness of its major counterparties and monitors its exposure to concentrations. At December 31, 2016, the Company believes its risk of counterparty default is mitigated as a result of such evaluation and the short-term duration of these arrangements.

Foreign Currency Exchange Rate Management

The Company utilizes foreign currency forward contracts to manage the effect of foreign currency exchange fluctuations of its sale and purchase transactions. These contracts generally have maturities of less than one week. The accounting treatment of our foreign currency exchange derivative instruments is similar to the accounting treatment of our commodity derivative instruments, that is, the change in the value in the financial instrument is immediately recognized as a component of cost of sales. Unrealized (losses) gains on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of income totaled \$(3,000) and \$150,000 for the three months ended December 31, 2016 and 2015, respectively. Unrealized (losses) gains on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of income totaled \$(9,000) and \$111,000 for the six months ended December 31, 2016 and 2015, respectively. The market values (fair values) of the Company's foreign exchange forward contracts and the net open sale and purchase commitment transactions, denominated in foreign currencies, outstanding at December 31, 2016 was \$2.1 million and \$5.2 million, respectively. The market values (fair values) of the Company's foreign exchange forward contracts and the net open sale and purchase commitment transactions, denominated in foreign currencies, outstanding at June 30, 2016 was \$2.0 million and \$4.4 million, respectively.

12. INCOME TAXES

The Company files a consolidated federal income tax return based on a June 30th tax year end. The provision for income taxes for the three and six months ended December 31, 2016 and 2015 consists of the following:

in thousands

| | Three Months Ended | | Six Months Ended | |
|----------------------------|--------------------|--------|------------------|----------|
| | December 31, | | December 31, | |
| | 2016 | 2015 | 2016 | 2015 |
| Provision for income taxes | \$ 1,590 | \$ 863 | \$ 2,649 | \$ 4,332 |

The effective tax rate for the three and six months ended December 31, 2016 and 2015 is as follows:

in thousands

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------|------------------|------|
| | December 31, | | December 31, | |
| | 2016 | 2015 | 2016 | 2015 |
| | | | | |

Effective tax rate 36.7% 38.3 % 36.1% 38.2 %

Transition of Tax Filing Obligation Due to the Spinoff

The Company files income tax returns in the U.S., various states and Austria. Prior to the Distribution, the Company was included in the consolidated federal and state tax filings of the Former Parent. In connection with the spinoff, the Company entered

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into a tax separation agreement with the Former Parent (the "Tax Separation Agreement"). The Tax Separation Agreement governs the respective rights, responsibilities and obligations of the Former Parent and the Company with respect to, among other things, liabilities for U.S. federal, state, local and other taxes. In addition to the allocation of tax liabilities, the Tax Separation Agreement addresses the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Pursuant to the Tax Separation Agreement, A-Mark may be responsible for any tax amount related to A-Mark that is incurred as the result of adjustments made during the Internal Revenue Service examination or other tax jurisdictions' examinations of the Former Parent. Under the terms of the Tax Separation Agreement, the Former Parent has the responsibility to prepare and file tax returns for tax periods ending prior to the Distribution date and for tax periods which include the Distribution date but end after the Distribution date, which includes A-Mark and its subsidiaries.

The Company's condensed consolidated financial statements recognized the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods, as if the Company were a separate taxpayer during the period prior to the Distribution rather than a member of the Former Parent's consolidated income tax return group. Current income tax receivable due from the Former Parent reflects balances due to A-Mark for its share of the income tax assets of the group.

As of December 31, 2016 and June 30, 2016, the amount receivable under the Company's income tax sharing obligation due from Former Parent totaled \$0.0 million, and \$0.2 million, respectively, and is shown on the face of the condensed consolidated balance sheets as income taxes receivable from Former Parent.

Tax Balances and Activity

The tax returns filed by the Company since the spinoff have been prepared on a basis consistent with past practices.

As of December 31, 2016 and June 30, 2016, the income tax receivable totaled \$1.4 million and \$7.3 million, respectively. As of December 31, 2016 and June 30, 2016, the income tax payable total of \$5.7 million and \$0.0 million, respectively; the change was primarily due to the movement of the Company's taxable temporary differences. As of December 31, 2016 and June 30, 2016, the deferred tax assets (non-current) totaled \$0.5 million and \$0.4 million, respectively, and the deferred tax liabilities (non-current) totaled \$3.9 million and \$7.2 million, respectively.

Net Operating Loss Carryforwards and Valuation Allowances

As of December 31, 2016 and June 30, 2016, the Company's state net operating loss carryforwards totaled approximately \$13.5 million and \$16.6 million, respectively. The Company's tax-effected state and city net operating loss carryforwards totaled, as of December 31, 2016 and June 30, 2016, \$1.2 million and \$0.9 million, respectively. These net operating loss carryforwards start to expire in the year ending June 30, 2030. As of December 31, 2016 and June 30, 2016, the Company had \$44,000 and \$44,000, respectively, of valuation allowance for certain state and city net operating loss carryforwards, based on the Company's annual assessment of the realizability of its deferred tax assets.

Unrecognized Tax Benefits

For six months ended December 31, 2016 there was no material movement in the Company's unrecognized tax benefits, including interest and penalties. Additionally, the Company does not expect a material change to its unrecognized tax benefits in the next 12 months.

Tax Examinations

On August 22, 2016, the Internal Revenue Service notified the Company that it has commenced an examination of the Company's tax return for the year ended June 30, 2015. The Company is unable to determine the outcome of the exam at this time.

13. RELATED PARTY TRANSACTIONS**Sales and Purchases Made to Affiliated Companies**

During the three and six months ended December 31, 2016 and 2015, the Company made sales and purchases to various companies, which have been deemed to be related parties.

in thousands

| Three Months Ended | | Six Months Ended | |
|--------------------|-------------------|-------------------|-------------------|
| December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Sales | Purchases | Sales | Purchases |
| | | Sales | Purchases |

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| | | | | | | | | |
|------------------------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|
| Former Parent | \$ 14,999 | \$ 12,137 | \$ 8,418 | \$ 3,564 | \$ 21,667 | \$ 23,336 | \$ 18,900 | \$ 30,568 |
| Equity method investee | 137,460 | 408 | 157,087 | 1,114 | 266,536 | 497 | 403,956 | 4,425 |
| Silvertowne | 12,030 | 130 | 582 | 13,589 | 18,819 | 2,742 | 3,691 | 24,572 |
| | \$ 164,489 | \$ 12,675 | \$ 166,087 | \$ 18,267 | \$ 307,022 | \$ 26,575 | \$ 426,547 | \$ 59,565 |

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Balances with Affiliated Companies

As of December 31, 2016 and June 30, 2016, the Company had related party receivables and payables balances as set forth below:

in thousands

| | December 31, 2016 | | June 30, 2016 | |
|------------------------|----------------------|----------------------|---------------|---------|
| | Receivable | Payable | Receivable | Payable |
| Former Parent | \$3,017 | \$ — | \$1,913 | \$ 138 |
| Equity method investee | — | 884 | 2,396 | — |
| Silvertowne | — | 2,107 ⁽¹⁾ | — | 282 |
| | \$3,017 | \$2,991 | \$4,309 | \$ 420 |

1) Includes a short-term earn-out liability of \$0.4 million (recorded in accrued liabilities) and a payable of \$0.5 million (recorded as short-term notes payable), and a long-term earn-out liability \$1.1 million (recorded in other long-term liabilities).

Secured Loans Made to Affiliated Companies

On July 23, 2015, CFC entered into a loan agreement with Former Parent providing a secured line of credit, bearing interest at a competitive rate per annum. The loan is secured by numismatic and semi-numismatic products. As of December 31, 2016 and June 30, 2016, the aggregate carrying value of this loan was \$2.8 million and \$1.4 million, respectively, and is shown on the condensed consolidated balance sheets as a component "secured loans receivable" (see [Note 5](#)).

Interest Income Earned from Affiliated Companies

During the three and six months ended December 31, 2016 and 2015, the Company earned interest income related to loans made to Former Parent and related to financing products sold to affiliated companies, as set forth below:

in thousands

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Interest income from loan receivables | \$ 22 | \$ 11 | \$32 | \$ 32 |
| Interest income from finance products | 687 | 654 | 1,355 | 1,148 |
| | \$ 709 | \$ 665 | \$1,387 | \$ 1,180 |

Other Income Earned from Equity Method Investee

During the three months ended December 31, 2016 and 2015, the Company recorded its proportional share of its equity method investee's net income as other income that total \$93,000 and \$94,000, respectively. During the six months ended December 31, 2016 and 2015, the Company recorded its proportional share of its equity method investee's net income as other income that total \$79,000 and \$506,000, respectively. As of December 31, 2016 and June 30, 2016, the carrying balance of the equity method investment was \$7.5 million and \$7.4 million, respectively.

Income Tax Sharing Obligations

The amount receivable under the Company's income tax sharing obligation due from our Former Parent totaled \$0.0 million, and \$0.2 million as of December 31, 2016 and June 30, 2016 respectively, and is shown on the face of the condensed consolidated balance sheets as "income taxes receivable from Former Parent" (see [Note 12](#).)

Transaction with Affiliate of Board Member

In February 2015, A-M Global Logistics, LLC ("Logistics"), a wholly owned subsidiary of the Company that was formed to operate the Company's logistics fulfillment center in Las Vegas, Nevada, entered into various agreements with W. A. Richardson Builders, LLC ("WAR"), for the buildout of and improvements to the Las Vegas premises.

The spouse of the Chairman of the Company's Audit Committee, Ellis Landau, is an owner and a managing member of WAR. The agreements were amended in January 2016. The amounts involved under the WAR contract, as amended, were approximately \$1.5 million. WAR is entitled to a fee equal to 5.0% of the contract work.

14. FINANCING AGREEMENTS

Lines of Credit

The Company has a borrowing facility ("Trading Credit Facility") with a syndicate of banks, with Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent for the syndicate and has a security agreement with the banks

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securing the Trading Credit Facility with substantially all of the Company's assets on a first priority basis. The Trading Credit Facility has a one-year maturity. Currently, the Trading Credit Facility provides the Company with access up to \$275.0 million, featuring a \$225.0 million base with a \$50.0 million accordion option. As of December 31, 2016, the Company incurred \$0.9 million of loan costs in connection with the Trading Credit Facility, which was capitalized and is being amortized over the term of the Trading Credit Facility. As of December 31, 2016 and June 30, 2016, the balance of accumulated amortized loan cost was approximately \$0.3 million and \$0.6 million, respectively.

The Company routinely uses the Trading Credit Facility to purchase precious metals from suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The one-month LIBOR rate was approximately 0.77% and 0.47% as of December 31, 2016 and June 30, 2016, respectively. Borrowings are due on demand and totaled \$185.0 million and \$212.0 million at December 31, 2016 and at June 30, 2016, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current borrowings, totaled \$81.4 million and \$17.8 million as determined on the Friday before December 31, 2016 and June 30, 2016, respectively.

The Trading Credit Facility has certain restrictive financial covenants, including one which requires the Company to maintain a minimum tangible net worth and one that has restrictions on dividend payments. As of December 31, 2016 the minimum tangible net worth financial covenant under the Trading Credit Facility was \$38.9 million. The Company is in compliance with all restrictive financial covenants as of December 31, 2016.

Interest expense related to the Company's lines of credit totaled \$1.6 million and \$1.1 million, which represents 63.5% and 86.9% of the total interest expense recognized, for the three months ended December 31, 2016 and 2015, respectively. Our lines of credit carried a daily weighted average effective interest rate of 3.36% and 2.72%, respectively, for the three months ended December 31, 2016 and 2015.

Interest expense related to the Company's lines of credit totaled \$3.0 million and \$2.3 million, which represents 64.2% and 89.4% of the total interest expense recognized, for the six months ended December 31, 2016 and 2015, respectively. Our lines of credit carried a daily weighted average effective interest rate of 3.17% and 2.77%, respectively, for the six months ended December 31, 2016 and 2015.

Liability on Borrowed Metals

The Company borrows precious metals from its suppliers under short-term agreements, which bear interest at a designated rate. Amounts under these agreements are due at maturity and require repayment either in the form of precious metals or cash. The Company's inventories included borrowed metals with market values totaling \$3.5 million and \$4.4 million as of December 31, 2016 and June 30, 2016, respectively.

Product Financing Arrangements

The Company has agreements with financial institutions (third parties) that allows the Company to transfer its gold and silver inventory at a fixed price to these third parties. Such agreements allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales, and therefore have been accounted for as financing arrangements and reflected in the condensed consolidated balance sheet as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the condensed consolidated statements of income. Such obligation totaled \$121.5 million and \$59.4 million as of December 31, 2016 and June 30, 2016, respectively.

15. COMMITMENTS AND CONTINGENCIES

Refer to Note 15 of the Notes to Consolidated Financial Statements in the 2016 Annual Report for information relating to minimum rental payments under operating and capital leases, consulting and employment contracts, and

other commitments. Other than the following items, the Company is not aware of any material changes to commitments or contingencies, as summarized in the 2016 Annual Report.

Pursuant to the Silvertowne transaction (see Note 1), AMST entered into an exclusive distribution agreement with the Company with respect to the silver products produced by AMST that sets weekly minimum order quantities by A-Mark. For the term of the agreement (3 years initially with two-year term renewals), the Company is required to order no less than 300,000 ounces of silver products per week on average during any consecutive four week period during the term of

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the agreement. The price paid per ounce is mutually determined by both parties, and is subject to adjustments every six months during the term.

Pursuant to the Silvertowne transaction (see Note 1), AMST entered into an exclusive supplier agreement with Asahi for refined silver, where A-Mark agreed to pay Asahi for the refined silver delivered to AMST (as AMST may acquire to produce the finished product) and pay AMST a premium for such services. The term of the agreement is initially for three years with a two-year term renewal, and the pricing terms are subject to adjustments every six months. After the close of Silvertowne transaction, AMST entered into an agreement to lease 100,000 ounces of refined silver from Asahi, where A-Mark provided a guarantee to Asahi for AMST's obligation related to value of refined silver leased from Asahi. The lease term is for one year with an automatic one year renew term, and the lease fees are subject to adjustments every six months.

16. STOCKHOLDERS' EQUITY

Payment of Dividends

In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that calls for the payment of quarterly dividends. The table below summarizes the quarterly dividends declared pursuant to this policy:

| Dividend Declaration Date | Record Date (at close of Business) | Type of Dividend | Basis of Payment | Payment Date |
|---------------------------|------------------------------------|------------------|-------------------------|-------------------|
| February 6, 2015 | March 12, 2015 | Cash | \$0.05 per common share | March 20, 2015 |
| May 1, 2015 | May 14, 2015 | Cash | \$0.05 per common share | May 25, 2015 |
| September 11, 2015 | September 24, 2015 | Cash | \$0.05 per common share | October 5, 2015 |
| October 30, 2015 | November 13, 2015 | Cash | \$0.05 per common share | November 25, 2015 |
| February 2, 2016 | February 15, 2016 | Cash | \$0.07 per common share | February 29, 2016 |
| April 29, 2016 | May 13, 2016 | Cash | \$0.07 per common share | May 27, 2016 |
| September 7, 2016 | September 19, 2016 | Cash | \$0.07 per common share | October 7, 2016 |
| November 1, 2016 | November 14, 2016 | Cash | \$0.07 per common share | December 1, 2016 |

On January 26, 2017, the Board of Directors of the Company declared a quarterly cash dividend of \$0.08 per common share to stockholders of record at the close of business on February 8, 2017, which is scheduled to be paid on or about February 24, 2017.

2014 Stock Award and Incentive Plan

Prior to the Distribution, the Company's Board of Directors ("Board") adopted and the Company's then sole stockholder approved the 2014 Stock Award and Incentive Plan ("2014 Plan"). Under the 2014 Plan, the Company may grant options and other equity awards as a means of attracting and retaining officers, employees, non-employee directors and consultants, to provide incentives to such persons, and to align the interests of such persons with the interests of stockholders by providing compensation based on the value of the Company's stock. Awards under the 2014 Plan may be granted in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards (which may include outright grants of shares). The 2014 Plan also authorizes grants of performance-based cash incentive awards. The 2014 Plan is administered by the Compensation Committee of the Board of Directors, which, in its discretion, may select officers and other employees, directors (including non-employee directors) and consultants to the Company and its subsidiaries to receive grants of awards. The Board of Directors itself may perform any of the functions of the Compensation Committee under the 2014 Plan.

Under the 2014 Plan, the exercise price of options and base price of SARs may be set at the discretion of the Compensation Committee, but generally may not be less than the fair market value of the shares on the date of grant, and the maximum term of stock options and SARs is 10 years. The 2014 Plan limits the number of share-denominated awards that may be granted to any one eligible person to 250,000 shares in any fiscal year. Also, in the case of non-employee directors, the 2014 Plan limits the maximum grant-date fair value at \$300,000 of stock-denominated awards granted to a director in a given fiscal year, except for a non-employee Chairman of the Board whose grant-date fair value maximum is \$600,000 per fiscal year. The 2014 Plan will terminate when no shares remain available for

issuance and no awards remain outstanding; however, the authority to grant new awards will terminate on December 13, 2022.

As of December 31, 2016, 165,800 shares were available for grant under the 2014 Plan.

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Valuation and Significant Assumptions of Equity Awards Issued

The Company uses Black-Scholes option pricing model, which has various inputs such as the estimated common share price, the risk-free interest rate, volatility, expected life and dividend yield, all of which are estimates. The Company also records share-based compensation expense net of expected forfeitures.

Stock Options

During the three months ended December 31, 2016 and 2015, the Company incurred \$228,973 and \$38,670 of compensation expense related to stock options, respectively. During the six months ended December 31, 2016 and 2015, the Company incurred \$420,433 and \$77,341 of compensation expense related to stock options, respectively. As of December 31, 2016, there was total remaining compensation expense of \$2.4 million related to employee stock options, which will be recorded over a weighted average period of approximately 2.8 years.

The following table summarizes the stock option activity for the six months ended December 31, 2016.

| Options | Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value (in thousands) | Weighted Average Grant Date Fair Value Per Award ⁽¹⁾ |
|--|---|--|---|
| Outstanding at June 30, 2016 | 581,527 | \$ 1,466 | \$ 6.32 |
| Granted | 100,000 | | |
| Cancellations, expirations and forfeitures | (2,200) | \$ 20.48 | |
| Outstanding at December 31, 2016 | 679,327 | \$ 2,301 | \$ 6.17 |
| Exercisable at December 31, 2016 | 207,155 | \$ 1,953 | \$ 5.80 |

Following is a summary of the status of stock options outstanding at December 31, 2016:

| Exercise Price Ranges | Options Outstanding | | | Options Exercisable | | | Weighted Average Exercise Price |
|-----------------------|------------------------------|---|----------------------------|---------------------------------|------------------------------|----------------------------|---------------------------------|
| | Number of Shares Outstanding | Weighted Average Contractual Life (Years) | Weighted Average Remaining | Weighted Average Exercise Price | Number of Shares Exercisable | Weighted Average Remaining | |
| \$— to \$10.00 | 134,239 | 5.85 | | \$ 8.39 | 110,267 | 5.86 | \$ 8.40 |
| 10.01 to 15.00 | 98,888 | 5.78 | | \$ 11.94 | 96,888 | 5.73 | \$ 11.98 |
| 15.01 to 25.00 | 346,200 | 9.33 | | \$ 20.88 | — | 0.00 | — |
| 25.01 to 60.00 | 100,000 | 9.14 | | \$ 25.50 | — | 0.00 | — |
| | 679,327 | 8.09 | | \$ 17.79 | 207,155 | 5.80 | \$ 10.07 |

Restricted Stock Units

During the three months ended December 31, 2016 and 2015, the Company incurred \$0 and \$14,804 of compensation expense related to Restricted Stock Units ("RSUs"), respectively. During the six months ended December 31, 2016 and 2015, the Company incurred \$0 and \$29,608 of compensation expense related to Restricted Stock Units ("RSUs"), respectively. There was no RSU activity during the six months ended December 31, 2016, and there are no RSU outstanding as December 31, 2016.

Certain Anti-Takeover Provisions

The Company's Certificate of Incorporation and by-laws contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with its Board. Such provisions could limit the price that certain investors might be willing to pay in the future for the Company's securities. Certain of such provisions provide for a Board with staggered terms, allow the Company to issue preferred stock with rights senior to those of the common stock, or impose various procedural and other requirements which could make it more difficult for stockholders to effect certain corporate actions.

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17. CUSTOMER AND SUPPLIER CONCENTRATIONS

Customer Concentration

Customers providing 10 percent or more of the Company's revenues for the three and six months ended December 31, 2016 are presented on a comparative basis in the table below:

in thousands

| | Three Months Ended | | | | Six Months Ended | | | |
|-------------------------|--------------------|---------|-------------------|---------|-------------------|---------|-------------------|---------|
| | December 31, 2016 | | December 31, 2015 | | December 31, 2016 | | December 31, 2015 | |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Total revenue | \$2,126,361 | 100.0% | \$1,529,143 | 100.0% | \$3,932,014 | 100.0% | \$3,536,079 | 100.0% |
| Customer concentrations | | | | | | | | |
| HSBC Bank USA | \$467,688 | 22.0 % | \$281,473 | 18.4 % | \$974,475 | 24.8 % | \$615,026 | 17.4 % |
| US Mint | 229,469 | 10.8 | 116,125 | 7.6 | 366,051 | 9.3 | 288,696 | 8.2 |
| Mitsubishi Intl. Corp. | 300,848 | 14.1 | 82,757 | 5.4 | 504,741 | 12.8 | 217,975 | 6.2 |
| | \$998,005 | 46.9 % | \$480,355 | 31.4 % | \$1,845,267 | 46.9 % | \$1,121,697 | 31.8 % |

Customers providing 10 percent or more of the Company's accounts receivable as of December 31, 2016 are presented on a comparative basis in the table below:

in thousands

| | December 31, 2016 | | June 30, 2016 | |
|--------------------------------|----------------------|---------|---------------|---------|
| | Amount | Percent | Amount | Percent |
| Total accounts receivable, net | \$81,945 | 100.0% | \$43,302 | 100.0% |
| Customer concentrations | | | | |
| Customer A | \$65,278 | 79.7 % | \$— | — % |
| | \$65,278 | 79.7 % | \$— | — % |

The loss of any of the above listed customers could have a material adverse effect on the operations of the Company.

Supplier Concentration

The Company buys precious metals from a variety of sources, including through brokers and dealers, from sovereign and private mints, from refiners and directly from customers. The Company believes that no one or small group of suppliers is critical to its business, since other sources of supply are available that provide similar products on comparable terms.

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18. GEOGRAPHIC INFORMATION

Revenue are attributed to geographic location based on customer location. The Company's geographic operations are as follows:

in thousands

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|--------------|----------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue by geographic region: | | | | |
| United States | \$2,009,168 | \$ 1,402,860 | \$3,719,247 | \$ 3,256,132 |
| Europe | 56,565 | 42,616 | 103,585 | 94,748 |
| North America, excluding United States | 55,247 | 73,860 | 100,050 | 160,645 |
| Asia Pacific | 4,039 | 8,999 | 6,574 | 22,265 |
| Africa | — | 18 | — | 63 |
| Australia | 1,342 | 790 | 2,558 | 2,194 |
| South America | — | — | — | 32 |
| Total revenue | \$2,126,361 | \$ 1,529,143 | \$3,932,014 | \$ 3,536,079 |

in thousands

| | December 31, June 30, | |
|--|-----------------------|-----------|
| | 2016 | 2016 |
| Inventories by geographic region: | | |
| United States | \$ 283,691 | \$224,617 |
| Europe | 2,339 | 5,258 |
| North America, excluding United States | 4,068 | 12,691 |
| Asia | 825 | 2,491 |
| Total inventories | \$ 290,923 | \$245,057 |

in thousands

| | December 31, June 30, | |
|--|-----------------------|-----------|
| | 2016 | 2016 |
| Assets by geographic region: | | |
| United States | \$ 528,555 | \$413,621 |
| Europe | 3,536 | 8,344 |
| North America, excluding United States | 4,068 | 12,691 |
| Asia | 825 | 2,491 |
| Total assets | \$ 536,984 | \$437,147 |

in thousands

| | December 31, June 30, | |
|--|-----------------------|----------|
| | 2016 | 2016 |
| Long-term assets by geographic region: | | |
| United States | \$ 27,570 | \$18,824 |
| Europe | 59 | 62 |
| Total long-term assets | \$ 27,629 | \$18,886 |

19. SUBSEQUENT EVENTS

Dividend Declaration

On January 26, 2017, the Board of Directors of the Company declared a quarterly cash dividend of \$0.08 per common share to stockholders of record at the close of business on February 8, 2017, which is scheduled to be paid on or about February 24, 2017.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995

This Quarterly Report on Form 10-Q ("Form 10-Q") contains statements that are considered forward-looking statements. Forward-looking statements give the Company's current expectations and forecasts of future events. All statements other than statements of current or historical fact contained in this Quarterly Report, including statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. These statements are based on the Company's current plans, and the Company's actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this Quarterly Report may turn out to be inaccurate. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Form 10-Q.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes contained elsewhere in this Form 10-Q. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Quarterly Report, particularly in "Risk Factors."

Introduction

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to the accompanying condensed consolidated financial statements and related notes to help provide an understanding of our results of operations and financial condition. Our discussion is organized as follows:

Executive overview. This section provides a general description of our business, as well as significant transactions and events that we believe are important in understanding the results of operations.

Results of operations. This section provides an analysis of our results of operations presented in the accompanying condensed consolidated statements of income by comparing the results for the respective years. Included in our analysis is a discussion of five performance metrics: (i) ounces of gold sold, (ii) ounces of silver sold, (iii) trading ticket volume, (iv) inventory turnover ratio and (v) number of secured loans at period-end.

Financial condition and liquidity and capital resources. This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of December 31, 2016. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund our future commitments, as well as a discussion of other financing arrangements.

Critical accounting estimates. This section discusses those accounting policies that both are considered important to our financial condition and results, and require significant judgment and estimates on the part of management in their application. In addition, all of our policies, including critical accounting policies, are summarized in Note 2 to the accompanying condensed consolidated financial statements.

Recent accounting pronouncements. This section discusses new accounting pronouncements, dates of implementation and impact on our accompanying condensed consolidated financial statements.

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Executive Overview

Our Business

A-Mark is a full-service precious metals trading company, and an official distributor for many government mints throughout the world. We offer gold, silver, platinum and palladium in the form of bars, plates, powder, wafers, grain, ingots and coins. Our Industrial unit services manufacturers and fabricators of products utilizing or incorporating precious metals. Our Coin & Bar unit deals in over 200 coin and bar products in a variety of weights, shapes and sizes for distribution to dealers and other qualified purchasers. We have trading centers in Santa Monica, California and Vienna, Austria for buying and selling precious metals. In addition to wholesale trading activity, A-Mark offers its customers a variety of services, including financing, storage, consignment, logistics and various customized financial programs. As a U.S. Mint-authorized purchaser of gold, silver and platinum coins, A-Mark purchases product directly from the U.S. Mint and other sovereign mints for sale to its customers.

Through our subsidiary Collateral Finance Corporation, referred to as CFC, a licensed California Finance Lender, we offer loans collateralized by numismatic and semi-numismatic coins and bullion to coin and precious metal dealers, investors and collectors. Through our Transcontinental Depository Services subsidiary, referred to as TDS, we offer a variety of managed storage options for precious metals products to financial institutions, dealers, investors and collectors around the world. TDS started doing business in 2012. Our financing business generates interest income that is not classified as revenues. If interest income generated by the financing business were classified as revenues, it would represent less than 1% of our total revenues for each of the periods presented. Our storage business generates less than 1% of total revenues for each of the periods presented.

The Company's wholly-owned subsidiary, A-M Global Logistics, LLC, referred to as Logistics, commenced operations as a logistics fulfillment center in July 2015. Logistics, based in Las Vegas, Nevada, provides our customers an array of complementary services, including: receiving, handling, inventorying, processing, packing, and shipping of precious metals and custom coins on a secure basis. Our logistics business generates less than 1% of the total revenues for each of the periods presented.

In August 2016, the Company formed AM&ST Associates, LLC ("AMST" or the "Mint"), a joint venture with Silvertowne, L.P. ("Silvertowne"), an Indiana-based producer of minted silver and dealer of rare coins and precious metal products. The Company and Silvertowne owns 55% and 45% of AMST respectively. AMST acquired the entire minting operations of SilverTowne to provide greater product selection to our customers, greater pricing stability within the supply chain and gain access to silver during volatile market environments, which have historically resulted in higher demand for precious metals products.

Our Strategy

The Company has grown from a small numismatics firm in 1965 to a significant participant in the bullion and coin markets, with approximately \$6.8 billion and \$6.1 billion in revenues for the years ended June 30, 2016 and 2015, respectively. Our strategy continues to focus on growth, including the volume of our business, our geographic presence, particularly in Europe, and the scope of complementary products and services that we offer to our customers. We intend to promote our growth by leveraging off the strengths of our existing integrated operations: the depth of our customer relations; our access to market makers, suppliers and government mints and other mints; our trading offices in the U.S. and Europe, which are open 17 hours a day 5 days a week; our expansive precious metals dealer network; our depository relationships around the world; our knowledge of secured lending; our logistics capabilities; our trading expertise; and the quality and experience of our management team.

Our Customers

Our customers include financial institutions, bullion retailers, industrial manufacturers and fabricators, sovereign mints, refiners, coin and metal dealers, investors and collectors. The Company makes a two way market, which results in many customers also operating as our suppliers. This diverse base of customers purchases a variety of products from the Company in a multitude of grades, primarily in the form of coins and bars.

Factors Affecting Revenues, Gross Profits, Interest Income and Interest Expense

Revenues. The Company enters into transactions to sell and deliver gold, silver, platinum and palladium to coin fabricators, such as mints, industrial manufacturers and fabricators, including electronics, and component parts companies, and refiners in investment or industrial grade, in a variety shapes and sizes.

The Company also sells precious metals on forward contracts at a fixed price based on current prevailing precious metal spot prices with a certain delivery date in the future (up to six months from date of the forward contract.) Typically, these forward contracts are net settled against our other positions or are settled in cash, whereby no physical product is delivered. Sales on forward contracts can range between 20% to 40% of our total revenues in any given period, approximately. We enter into these forward contracts as part of our hedging strategy to mitigate our price risk of holding inventory; they are not entered into for speculative purposes.

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The Company also engages in lending transactions of precious metal products and other customized financial transactions related to precious metal products with or on behalf of our customers and other counterparties, whereby the Company earns a fee based on the underlying value of the precious metal.

In addition, the Company earns revenue by providing storage solutions for precious metals and numismatic coins for financial institutions, dealers, investors and collectors worldwide and by providing storage and order-fulfillment services to our retail customers. These revenue streams are complementary to our trading activity, and represents less than 1% of our revenues.

The Company operates in a high volume/low margin industry. Revenues are impacted by three primary factors: product volume, market prices and market volatility. A material change in any one or more of these factors may result in a significant change in the Company's revenues. A significant increase or decrease in revenues can occur simply based on changes in the underlying commodity prices and may not be reflective of an increase or decrease in the volume of products sold.

Gross Profits. Gross profit is the difference between our revenues and the cost of our products. Since we quote prices based on the current commodity market prices for precious metals, we enter into a combination of forward and futures contracts to effect a hedge position equal to the underlying precious metal commodity value, which substantially represents inventory subject to price risk. We enter into these derivative transactions solely for the purpose of hedging our inventory, and not for speculative purposes. Our gross profit includes the gains and losses resulting from these derivative instruments. However, the gains and losses on the derivative instruments are substantially offset by the gains and losses on the corresponding changes in the market value of our precious metals inventory. As a result, our results of operations generally are not materially impacted solely by changes in commodity prices.

Volatility also affects our gross profits. Greater volatility typically causes the trading spreads to widen resulting in an increase in the gross profit. Product supply constraints during extended periods of higher volatility has historically resulted in a heightening of wider trading spreads resulting in further improvement in the gross profit.

Interest Income. The Company enters into secured loans and secured financing structures with its customers under which it charges interest income. Through its wholly owned subsidiary, CFC, the Company also enters into loans secured by precious metals and numismatic material owned by the borrowers and held by the Company for the term of the loan. The Company offers a number of secured financing options to its customers to finance their precious metals purchases including consignments and other structured inventory finance products.

Interest Expense. The Company incurs interest expense as a result of usage under its lines of credit. Also, the Company incurs interest expense as a result of its product financing agreements for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third-party finance company, and the Company incurs interest expense when we borrow precious metals from our suppliers under short-term arrangements, which bear interest at a designated rate.

Performance Metrics

In addition to financial statement indicators, our management utilizes certain metrics to assess the performance of our business.

We look at the number of ounces of gold and silver sold and delivered to our customers (excluding ounces recorded on forward contracts). These numbers reflect the volume of the business that we are doing without regard to changes in commodity pricing, which figure into revenues and can mask actual business trends.

Another measure of our business volume, unaffected by changes in commodity pricing, is what we refer to as trading ticket volume, which is the total number orders processed by our trading desks in Santa Monica and Vienna. In periods of higher volatility, there is generally increased trading in the commodity markets, and increased demand for our products, which translates into higher business volume.

Inventory turnover is another performance measure on which we are focused. We define inventory turnover as the cost of sales during the relevant period divided by the average inventory during the period. Inventory turnover is a measure of how quickly inventory has moved during the period. A higher inventory turnover ratio, which we typically experience during periods of higher volatility when trading is more robust, reflects a more efficient use of our capital.

Finally, as a measure of the size of our lending business, we look at the number of secured loans at the end of the fiscal quarter.

Fiscal Year

Our fiscal year end is June 30 each year. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years.

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RESULTS OF OPERATIONS

Overview of Results of Operations for the Three Months Ended December 31, 2016 and 2015
Condensed Consolidated Results of Operations

The operating results of our business for the three months ended December 31, 2016 and 2015 are as follows:
in thousands, except per share data and performance metrics

| Three Months Ended December 31, | 2016 | | 2015 | | \$ | % | | |
|--|-------------|--------------|-------------|--------------|---------------------|---------------------|---|--|
| | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) | | |
| Revenues | \$2,126,361 | 100.000 % | \$1,529,143 | 100.000 % | \$ 597,218 | 39.1 | % | |
| Gross profit | 9,859 | 0.464 % | 5,676 | 0.371 % | \$ 4,183 | 73.7 | % | |
| Selling, general and administrative expenses | (6,131) | (0.288) % | (4,528) | (0.296) % | \$ 1,603 | 35.4 | % | |
| Interest income | 2,959 | 0.139 % | 2,182 | 0.143 % | \$ 777 | 35.6 | % | |
| Interest expense | (2,447) | (0.115) % | (1,322) | (0.086) % | \$ 1,125 | 85.1 | % | |
| Other income | 93 | 0.004 % | 94 | 0.006 % | \$ (1) | (1.1) | % | |
| Unrealized (loss) gain on foreign exchange | (3) | — % | 150 | 0.010 % | \$ (153) | NM | | |
| Net income before provision for income taxes | 4,330 | 0.204 % | 2,252 | 0.147 % | \$ 2,078 | 92.3 | % | |
| Provision for income taxes | (1,590) | (0.075) % | (863) | (0.056) % | \$ 727 | 84.2 | % | |
| Net income | 2,740 | 0.129 % | 1,389 | 0.091 % | \$ 1,351 | 97.3 | % | |
| Add: Net loss attributable to non-controlling interest | (10) | — % | — | — % | \$ (10) | — | % | |
| Net income attributable to the Company | \$2,750 | 0.129 % | \$1,389 | 0.091 % | \$ 1,361 | 98.0 | % | |

Basic and diluted income per share attributable to A-Mark Precious Metals, Inc.:

Per Share Data:

| | | | | | |
|---------|--------|--------|---------|------|---|
| Basic | \$0.39 | \$0.20 | \$ 0.19 | 95.0 | % |
| Diluted | \$0.39 | \$0.20 | \$ 0.19 | 95.0 | % |

Performance Metrics:

| | | | | | |
|--|------------|------------|--------------|--------|---|
| Gold ounces sold ⁽¹⁾ | 772,000 | 699,000 | 73,000 | 10.4 | % |
| Silver ounces sold ⁽²⁾ | 22,816,000 | 32,846,000 | (10,030,000) | (30.5) | % |
| Trading ticket volume ⁽³⁾ | 35,198 | 16,805 | 18,393 | 109.4 | % |
| Inventory turnover ratio ⁽⁴⁾ | 7.2 | 6.2 | 1.0 | 16.1 | % |
| Number of secured loans at period end ⁽⁵⁾ | 1,698 | 670 | 1,028 | 153.4 | % |

NM Not meaningful.

- (1) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the three-month period, excluding ounces of gold recorded on forward contracts.
- (2) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the three-month period, excluding ounces of silver recorded on forward contracts.

- (3) Trading ticket volume represents the total number of product orders processed by our trading desks in Santa Monica and Vienna.
- (4) Inventory turnover ratio is the cost of sales divided by average inventory, measured at recorded fair value.
- (5) Number of outstanding secured loans to customers at the end of the period.

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Overview of Results of Operations for the Six Months Ended December 31, 2016 and 2015

Condensed Consolidated Results of Operations

The operating results of our business for the six months ended December 31, 2016 and 2015 are as follows:
in thousands, except per share data and performance metrics

| Six Months Ended December 31, | 2016 | | 2015 | | \$ | % | | |
|--|-------------|--------------|-------------|--------------|---------------------|---------------------|---|--|
| | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) | | |
| Revenues | \$3,932,014 | 100.000 % | \$3,536,079 | 100.000 % | \$ 395,935 | 11.2 | % | |
| Gross profit | 17,923 | 0.456 % | 20,100 | 0.568 % | \$ (2,177) | (10.8) | % | |
| Selling, general and administrative expenses | (11,795) | (0.300) % | (10,936) | (0.309) % | \$ 859 | 7.9 | % | |
| Interest income | 5,818 | 0.148 % | 4,115 | 0.116 % | \$ 1,703 | 41.4 | % | |
| Interest expense | (4,688) | (0.119) % | (2,556) | (0.072) % | \$ 2,132 | 83.4 | % | |
| Other income | 79 | 0.002 % | 506 | 0.014 % | \$ (427) | (84.4) | % | |
| Unrealized (loss) gain on foreign exchange | (9) | — % | 111 | 0.003 % | \$ (120) | NM | | |
| Net income before provision for income taxes | 7,328 | 0.186 % | 11,340 | 0.321 % | \$ (4,012) | (35.4) | % | |
| Provision for income taxes | (2,649) | (0.067) % | (4,332) | (0.123) % | \$ (1,683) | 38.9 | % | |
| Net income | 4,679 | 0.119 % | 7,008 | 0.198 % | \$ (2,329) | (33.2) | % | |
| Add: Net loss attributable to non-controlling interest | (21) | (0.001) % | — | — % | \$ (21) | — | % | |
| Net income attributable to the Company | \$4,700 | 0.120 % | \$7,008 | 0.198 % | \$ (2,308) | (32.9) | % | |

Basic and diluted income per share attributable to A-Mark Precious Metals, Inc.:

Per Share Data:

| | | | | | |
|---------|--------|--------|-----------|--------|---|
| Basic | \$0.67 | \$1.00 | \$ (0.33) | (33.0) | % |
| Diluted | \$0.66 | \$0.99 | \$ (0.33) | (33.3) | % |

Performance Metrics:

| | | | | | |
|--|------------|------------|--------------|--------|---|
| Gold ounces sold ⁽¹⁾ | 1,302,000 | 1,595,000 | (293,000) | (18.4) | % |
| Silver ounces sold ⁽²⁾ | 44,591,000 | 73,300,000 | (28,709,000) | (39.2) | % |
| Trading ticket volume ⁽³⁾ | 57,229 | 45,715 | 11,514 | 25.2 | % |
| Inventory turnover ratio ⁽⁴⁾ | 14.6 | 16.3 | (1.7) | (10.4) | % |
| Number of secured loans at period end ⁽⁵⁾ | 1,698 | 670 | 1,028 | 153.4 | % |

NM Not meaningful.

(1) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the three-month period, excluding ounces of gold recorded on forward contracts.

(2) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the three-month period, excluding ounces of silver recorded on forward contracts.

(3) Trading ticket volume represents the total number of product orders processed by our trading desks in Santa Monica and Vienna.

- (4) Inventory turnover ratio is the cost of sales divided by average inventory, measured at recorded fair value.
- (5) Number of outstanding secured loans to customers at the end of the period.

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Revenues

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

| Three Months Ended December 31, in thousands, except performance metrics | 2016 | | 2015 | | \$ | % | Increase/(decrease) | Increase/(decrease) |
|--|-------------|-----------------|-------------|-----------------|--------------|--------|---------------------|---------------------|
| | \$ | % of revenue | \$ | % of revenue | | | | |
| Revenues | \$2,126,361 | 100.000% | \$1,529,143 | 100.000% | \$ 597,218 | 39.1 | | % |
| Performance Metrics | | | | | | | | |
| Gold ounces sold | 772,000 | | 699,000 | | 73,000 | 10.4 | | % |
| Silver ounces sold | 22,816,000 | | 32,846,000 | | (10,030,000) | (30.5) | | % |

Revenues for the three months ended December 31, 2016 increased \$597.2 million, or 39.1%, to \$2.126 billion from \$1.529 billion in 2015. Our revenues increased primarily due to an increase in the total amount of gold ounces sold, an increase in precious metal prices, and higher forward sales, partially offset by a decrease in silver ounces sold during the three months ended December 31, 2016 as compared to 2015. The higher demand for gold was due in part to higher sales of the Company's industrial products.

Gold ounces sold for the three months ended December 31, 2016 increased 73,000 ounces, or 10.4%, to 772,000 ounces from 699,000 ounces in 2015. Silver ounces sold for the three months ended December 31, 2016 decreased 10,030,000 ounces, or 30.5%, to 22,816,000 ounces from 32,846,000 ounces in 2015. On average, the prices for gold increased by 11.5% and prices for silver increased by 17.2% during the three months ended December 31, 2016 as compared to 2015.

Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

| Six Months Ended December 31, in thousands, except performance metrics | 2016 | | 2015 | | \$ | % | Increase/(decrease) | Increase/(decrease) |
|--|-------------|-----------------|-------------|-----------------|--------------|--------|---------------------|---------------------|
| | \$ | % of revenue | \$ | % of revenue | | | | |
| Revenues | \$3,932,014 | 100.000% | \$3,536,079 | 100.000% | \$ 395,935 | 11.2 | | % |
| Performance Metrics | | | | | | | | |
| Gold ounces sold | 1,302,000 | | 1,595,000 | | (293,000) | (18.4) | | % |
| Silver ounces sold | 44,591,000 | | 73,300,000 | | (28,709,000) | (39.2) | | % |

Revenues for the six months ended December 31, 2016 increased \$395.9 million, or 11.2%, to \$3.932 billion from \$3.536 billion in 2015. Our revenues increased primarily due to an increase in precious metal prices and higher forward sales, partially offset by a decrease in the total amount of gold ounces and silver ounces sold during the six months ended December 31, 2016 as compared to 2015.

Gold ounces sold for the six months ended December 31, 2016 decreased 293,000 ounces, or 18.4%, to 1,302,000 ounces from 1,595,000 ounces in 2015. Silver ounces sold for the six months ended December 31, 2016 decreased 28,709,000 ounces, or 39.2%, to 44,591,000 ounces from 73,300,000 ounces in 2015. On average, the prices for gold increased by 13.6% and prices for silver increased by 21.6% during the six months ended December 31, 2016 as compared to 2015.

Gross Profit

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

| Three Months Ended December 31, in thousands | 2016 | | 2015 | | \$ | % | Increase/(decrease) | Increase/(decrease) |
|---|---------|-----------------|---------|-----------------|----------|-------|---------------------|---------------------|
| | \$ | % of revenue | \$ | % of revenue | | | | |
| Gross profit | \$9,859 | 0.464 % | \$5,676 | 0.371 % | \$ 4,183 | 73.7 | | % |
| Performance Metrics | | | | | | | | |
| Trading ticket volume | 35,198 | | 16,805 | | 18,393 | 109.4 | | % |
| Inventory turnover ratio | 7.2 | | 6.2 | | 1.0 | 16.1 | | % |

Gross profit for the three months ended December 31, 2016 increased by \$4.2 million, or 73.7%, to \$9.9 million from \$5.7 million in 2015. The Company's profit margin percentage increased by 25.1% to 0.464% from 0.371% in 2015. The Company's profit margin increase was primarily due to improvement in trading profits.

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The trading-ticket volume for the three months ended December 31, 2016 increased by 18,393 tickets, or 109.4%, to 35,198 tickets from 16,805 tickets in 2015. The increase in our trading-ticket volume was primarily the result an increase in utilization of our on line trading portal by our customers.

Our inventory turnover rate for the three months ended December 31, 2016 increased by 16.1%, to 7.2 from 6.2 in 2015. The increase in our inventory turnover rate was primarily due to higher volume of activity in our industrial gold products.

Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

| Six Months Ended December 31, 2016 | | 2015 | | \$ | % | |
|------------------------------------|-----------|--------------|-----------|--------------|---------------------|---------------------|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) |
| Gross profit | \$ 17,923 | 0.456 % | \$ 20,100 | 0.568 % | \$ (2,177) | (10.8)% |
| Performance Metrics | | | | | | |
| Trading-ticket volume | 57,229 | | 45,715 | | 11,514 | 25.2 % |
| Inventory turnover ratio | 14.6 | | 16.3 | | (1.7) | (10.4)% |

Gross profit for the six months ended December 31, 2016 decreased by \$2.2 million, or 10.8%, to \$17.9 million from \$20.1 million in 2015. The Company's profit margin percentage decreased by 19.7% to 0.456% from 0.568% in 2015. The Company's profit margin decrease was primarily due to higher premium spreads on the Company's primary products in 2015, when the Company experienced atypical volatility and supply constraints, primarily, in the three months ended September 30, 2015.

The trading-ticket volume for the six months ended December 31, 2016 increased by 11,514 tickets, or 25.2%, to 57,229 tickets from 45,715 tickets in 2015. The increase in our trading-ticket volume was primarily the result of an increase in customer usage of our online portal.

Our inventory turnover rate for the six months ended December 31, 2016 decreased by 10.4%, to 14.6 from 16.3 in 2015. The decrease in our inventory turnover rate was primarily due to a higher volume of activity in our product financing arrangements and repurchase arrangements with customers (under these arrangements the Company carries inventory on its balance sheet for longer periods than inventory currently available for sale), foreign sourced metals which typically has longer transit times, and longer carrying periods associated with our higher margin custom products. Also, the high demand and increased market activity during three months ended September 30, 2015, was a primary factor to our strong inventory turnover rate for the six months ended December 31, 2015.

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Selling, General and Administrative Expenses

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

| Three Months Ended December 31, | 2016 | | 2015 | | \$ | % | |
|--|------------|--------------|------------|--------------|---------------------|---------------------|---|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) | |
| Selling, general and administrative expenses | \$ (6,131) | (0.288)% | \$ (4,528) | (0.296)% | \$ 1,603 | 35.4 | % |

Selling, general and administrative expenses for the three months ended December 31, 2016 increased \$1.6 million, or 35.4%, to \$6.1 million from \$4.5 million in 2015. The increase is primarily due to an increase in consulting expenses related to the development and implementation of a new enterprise resource system, compensation costs, costs related to the new minting operations (which was acquired the first quarter of this current fiscal year) and other non-recurring costs.

Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

| Six Months Ended December 31, | 2016 | | 2015 | | \$ | % | |
|--|-------------|--------------|-------------|--------------|---------------------|---------------------|---|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) | |
| Selling, general and administrative expenses | \$ (11,795) | (0.300)% | \$ (10,936) | (0.309)% | \$ 859 | 7.9 | % |

Selling, general and administrative expenses for the six months ended December 31, 2016 increased \$0.9 million, or 7.9%, to \$11.8 million from \$10.9 million in 2015. The increase is primarily due to an increase in consulting expenses related to the development and implementation of a new enterprise resource system, costs related to the new minting operations and other non-recurring costs, which were partially offset by compensation costs, primarily due to lower performance-based compensation accruals.

Interest Income

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

| Three Months Ended December 31, | 2016 | | 2015 | | \$ | % | |
|--|----------|--------------|----------|--------------|---------------------|---------------------|---|
| in thousands, except performance metrics | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) | |
| Interest income | \$ 2,959 | 0.139 % | \$ 2,182 | 0.143 % | \$ 777 | 35.6 | % |

Performance Metrics

| | | | | | | | |
|---------------------------------------|-------|--|-----|--|-------|-------|---|
| Number of secured loans at period-end | 1,698 | | 670 | | 1,028 | 153.4 | % |
|---------------------------------------|-------|--|-----|--|-------|-------|---|

Interest income for the three months ended December 31, 2016 increased \$0.8 million, or 35.6%, to \$3.0 million from \$2.2 million in 2015. Interest income increased primarily due to an increase in the size of the CFC loan portfolio as well as improvement in certain finance products. The improvement in the value of loans outstanding, which resulted in higher interest income, was due primarily to an increase in the number of secured loans. The number of secured loans outstanding increased by 153.4% to 1,698 from 670 in 2015, primarily due to the acquisition of bullion-based loan portfolios. In addition, finance fees earned related to repurchase arrangements with customers increased by 17.4% in comparison to the same year-ago period.

Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

| Six Months Ended December 31, | 2016 | | 2015 | | \$ | % | |
|--|----------|--------------|----------|--------------|---------------------|---------------------|---|
| in thousands, except performance metrics | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) | Increase/(decrease) | |
| Interest income | \$ 5,818 | 0.148 % | \$ 4,115 | 0.116 % | \$ 1,703 | 41.4 | % |
| Number of secured loans at period-end | 1,698 | | 670 | | 1,028 | 153.4 | % |

Interest income for the six months ended December 31, 2016 increased \$1.7 million, or 41.4%, to \$5.8 million from \$4.1 million in 2015. Interest income increased primarily due to an increase in the size of the CFC loan portfolio as well as improvement in certain finance products. The improvement in the value of loans outstanding, which resulted in higher interest income, was due primarily to an increase in the number of secured loans. The number of secured loans outstanding increased by 153.4% to 1,698

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from 670 in 2015, primarily due to the acquisition of bullion-based loan portfolios. In addition, finance fees earned related to repurchase arrangements with customers increased by 30.9% in comparison to the same year-ago period.

Interest Expense

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

| Three Months Ended December 31, 2016 | | 2015 | | \$ | % |
|--------------------------------------|-----------|--------------|-----------|--------------|---------------------|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) |
| Interest expense | \$(2,447) | (0.115)% | \$(1,322) | (0.086)% | \$ 1,125 85.1 % |

Interest expense for the three months ended December 31, 2016 increased \$1.1 million, or 85.1% to \$2.4 million from \$1.3 million in 2015. The increase was related primarily to a significantly greater usage of our lines of credit, resulting from continued growth across all parts of the Company's business, holding higher average inventory levels primarily related to product financing arrangements, and higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increases.

We believe the interest rates charged on borrowings under our credit facility (LIBOR plus a 2.5% margin) are consistent with current market interest rates for first lien demand loans secured by inventory and receivables.

Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

| Six Months Ended December 31, 2016 | | 2015 | | \$ | % |
|------------------------------------|-----------|--------------|-----------|--------------|---------------------|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) |
| Interest expense | \$(4,688) | (0.119)% | \$(2,556) | (0.072)% | \$ 2,132 83.4 % |

Interest expense for the six months ended December 31, 2016 increased \$2.1 million, or 83.4% to \$4.7 million from \$2.6 million in 2015. The increase was related primarily to a significantly greater usage of our lines of credit, as a result from continued growth in the business, holding higher average inventory levels primarily related to product financing arrangements, and higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increases.

We believe the interest rates charged on borrowings under our credit facility (LIBOR plus a 2.5% margin) are consistent with current market interest rates for first lien demand loans secured by inventory and receivables.

Provision for Income Taxes

Our effective rate could be adversely affected by the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which the Company operates. The Company is also subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate. The Company's effective rate can also be influenced by the tax effects of purchase accounting for acquisitions and non-recurring charges, which may cause fluctuations between reporting periods.

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

| Three Months Ended December 31, 2016 | | 2015 | | \$ | % |
|--------------------------------------|-----------|--------------|---------|--------------|---------------------|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) |
| Provision for income taxes | \$(1,590) | (0.075)% | \$(863) | (0.056)% | \$ 727 84.2 % |

Our provision for income taxes was \$1.6 million and \$0.9 million for the three months ended December 31, 2016 and 2015, respectively. Our effective tax rate was approximately 36.7% and 38.3% for the three months ended December 31, 2016 and 2015, respectively. Our effective tax rate differs from the federal statutory rate primarily due to state taxes (net of the federal benefit) and permanent tax benefits related to a proposed transaction that was abandoned.

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Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

| Six Months Ended December 31, 2016 | | 2015 | | \$ | % |
|------------------------------------|-----------|--------------|-----------|--------------|---------------------|
| in thousands | \$ | % of revenue | \$ | % of revenue | Increase/(decrease) |
| Provision for income taxes | \$(2,649) | (0.067)% | \$(4,332) | (0.123)% | \$ (1,683) 38.9 % |

Our provision for income taxes was \$2.6 million and \$4.3 million for the six months ended December 31, 2016 and 2015, respectively. Our effective tax rate was approximately 36.1% and 38.2% for the six months ended December 31, 2016 and 2015, respectively. Our effective tax rate differs from the federal statutory rate primarily due to state taxes (net of the federal benefit) and permanent tax benefits related to a proposed transaction that was abandoned.

LIQUIDITY AND FINANCIAL CONDITION**Primary Sources and Uses of Cash****Overview**

Liquidity is defined as our ability to generate sufficient amounts of cash to meet all of our cash needs. Liquidity is of critical importance to us and imperative to maintain our operations on a daily basis.

A substantial portion of our assets are liquid. As of December 31, 2016, approximately 94% of our assets consisted of cash, customer receivables, and precious metals inventory, measured at fair value. Cash generated from the sales of our precious metals products is our primary source of operating liquidity.

Typically, the Company acquires its inventory by: (1) purchasing inventory from our suppliers by utilizing our own capital and lines of credit; (2) borrowing precious metals from our suppliers under short-term arrangements which bear interest at a designated rate, and (3) repurchasing inventory at an agreed-upon price based on the spot price on the specified repurchase date.

In addition to selling inventory, the Company generates cash from earned interest income. Through CFC, the Company enters into secured loans and secured financing structures with its customers under which it charges interest income. The Company offers a number of secured financing options to its customers to finance their precious metals purchases including consignments and other structured inventory finance products. The loans are secured by precious metals and numismatic material owned by the borrowers and held by the Company as security for the term of the loan. Furthermore, our customers may enter into purchase agreements whereby the customer agrees to purchase our inventory at the prevailing spot price for delivery of the product at a specific point in time in the future; interest income is earned from contract date until the material is delivered and paid for in full.

We continually review our overall credit and capital needs to ensure that our capital base, both stockholders' equity and available credit facilities, can appropriately support our anticipated financing needs. The Company also continually monitors its current and forecasted cash requirements, and draw upon and pays down its lines of credit so as to minimize interest expense.

Table of ContentsLines of Credit
in thousands

| | | | December 31, 2016 |
|--|----------------------|------------------|------------------------------------|
| | December 31, 2016 | June 30, 2016 | Compared to June 30, 2016 |

Lines of credit \$185,000 \$212,000 \$(27,000)

A-Mark has a borrowing facility ("Trading Credit Facility") with a syndicate of banks, Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent for the syndicate. The Trading Credit Facility, which replaced the Company's previous borrowing facility with a group of financial institutions under an inter-creditor agreement, provides the Company with access up to \$275.0 million, featuring a \$225.0 million base with a \$50.0 million accordion option. The Trading Credit Facility has a one-year maturity. The Company believes that the Trading Credit Facility provides adequate means to capital for its operations.

The Company routinely uses the Trading Credit Facility to purchase precious metals from suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The one-month LIBOR rate was approximately 0.77% and 0.47% as of December 31, 2016 and June 30, 2016, respectively. Borrowings are due on demand and totaled \$185.0 million and \$212.0 million at December 31, 2016 and at June 30, 2016, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current borrowings, totaled \$81.4 million and \$17.8 million as determined on the Friday before December 31, 2016 and June 30, 2016, respectively.

Liability on Borrowed Metals
in thousands

| | | | December 31, 2016 |
|--|----------------------|------------------|------------------------------------|
| | December 31, 2016 | June 30, 2016 | Compared to June 30, 2016 |

Liability on borrowed metals \$3,471 \$4,352 \$(881)

We borrow precious metals from our suppliers under short-term arrangements which bear interest at a designated rate. Amounts under these arrangements are due at maturity and require repayment either in the form of precious metals or cash. Our inventories included borrowed metals with market values totaling \$3.5 million and \$4.4 million at December 31, 2016 and at June 30, 2016, respectively.

Product Financing Arrangements
in thousands

| | | | December 31, 2016 |
|--|----------------------|------------------|------------------------------------|
| | December 31, 2016 | June 30, 2016 | Compared to June 30, 2016 |

Product financing arrangements \$121,466 \$59,358 \$ 62,108

The Company has agreements with financial institutions (third parties) that allows the Company to transfer its gold and silver inventory at a fixed price with a third party, which provides alternative sources of liquidity. During the term of the agreement both parties intend for inventory to be returned at an agreed-upon price based on the spot price on the termination (repurchase) date. The third parties charge monthly interest as a percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the condensed consolidated balance sheet as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing arrangements and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as a component of cost of sales. Such obligation totaled \$121.5 million and \$59.4 million as of December 31, 2016 and June 30, 2016, respectively.

Table of ContentsSecured Loans
in thousands

| | December 31, 2016 | December 31, 2016, Compared to June 30, 2016 |
|--|----------------------|--|
|--|----------------------|--|

| | | | |
|---------------|----------|----------|----------|
| Secured loans | \$80,939 | \$70,504 | \$10,435 |
|---------------|----------|----------|----------|

The Company is a California license finance lender that makes and acquires commercial loans secured by numismatic and semi-numismatic coins and bullion that affords our customers a convenient means of financing their inventory or collections. Predominantly, most of the Company's secured loans are short-term in nature and the renewal of these instruments is at the discretion of the Company and, as such, provides us with some flexibility in regards to our capital deployment strategies.

Dividends

In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that calls for the payment of a quarterly cash dividend of \$0.05 per common share. In fiscal 2016, the Board of Directors modified the policy by increasing the quarterly cash dividend to \$0.07 per common share. See [Note 16](#), in the accompanying notes the condensed consolidated financial statements, for summary of the declared dividends.

Cash Flows

The majority of the Company's trading activities involve two day value trades under which payment is made in advance of delivery or product is received in advance of payment. The high volume, rapid rate of inventory turn, and high average value per trade can cause material changes in the sources of cash used in or provided by operating activities on a daily basis. The Company manages these variances through its liquidity forecasts and counterparty limits maintaining a liquidity reserve to meet the Company's cash needs. The Company uses various short-term financial instruments to manage the rapid cycle of our trading activities from customer purchase order to cash collections and product delivery, which can cause material changes in the amount of cash used in or provided by financing activities on a daily basis.

The following summarizes components of our condensed consolidated statements of cash flows for the six months ended December 31, 2016 and 2015:

in thousands

| Six Months Ended | December 2016 | December 2015 | December 31, 2016, Compared to December 31, 2015 |
|---|---------------|---------------|--|
| Net cash used in operating activities | \$(16,413) | \$(30,699) |) 14,286 |
| Net cash used in investing activities | \$(21,755) | \$(12,736) |) (9,019) |
| Net cash provided by financing activities | \$34,296 | \$25,883 | 8,413 |

Our principal capital requirements have been to fund (i) working capital and (ii) capital expenditures. Our working capital requirements fluctuate with market conditions, the availability of precious metals and the volatility of precious metals commodity pricing.

Net cash used in operating activities

Operating activities used \$16.4 million and used \$30.7 million in cash for the six months ended December 31, 2016 and 2015, respectively, representing a \$14.3 million decrease in the use of cash compared to the six months ended December 31, 2015. This period over period decrease in the of use of funds in operating activities was primarily due to changes in the balances of inventory, liabilities on borrowed metals, derivative liabilities, accounts payable, income tax receivables, income taxes payable, and secured loans receivable, offset by changes in the balances of receivables,

accrued liabilities, and deferred income taxes.

Net cash used in investing activities

Investing activities used \$21.8 million and used \$12.7 million in cash for the six months ended December 31, 2016 and 2015, respectively, representing a \$9.0 million increase in the use of cash compared to the six months ended December 31, 2015. This period over period increase is the result of the change in balance of secured loans of \$7.6 million that was primarily due to additional acquisitions of loan portfolios, and an acquisition of a majority-owned subsidiary for \$3.4 million made in the current comparable period. Also, our investment activity into non-consolidated entities decreased by \$2.3 million against the comparable period.

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Net cash provided by financing activities

Financing activities provided \$34.3 million and provided \$25.9 million in cash for the six months ended December 31, 2016 and 2015, respectively, representing an increase of \$8.4 million in the in funds provided by financing activities compared to six months ended December 31, 2015. This period over period increase of funds provided by financing activities was primarily due to changes in the balance of product financing arrangements of \$51.0 million and partially offset by changes in the balance of the Trading Credit Facility of \$42.5 million.

CAPITAL RESOURCES

We believe that our current cash and cash equivalents, availability under the Trading Credit Facility and product financing arrangements, and cash we anticipate to generate from operating activities will provide us with sufficient liquidity to satisfy our working capital needs, capital expenditures, investment requirements and commitments through at least the next twelve months.

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

Counterparty Risk

We manage our counterparty risk by setting credit and position risk limits with our trading counterparties. These limits include gross position limits for counterparties engaged in sales and purchase transactions and inventory consignment transactions with us. They also include collateral limits for different types of sale and purchase transactions that counterparties may engage in from time to time.

Commodities Risk and Derivatives

We use a variety of strategies to manage our risk including fluctuations in commodity prices for precious metals. Our inventories consist of, and our trading activities involve, precious metals and precious metal products, whose prices are linked to the corresponding precious metal commodity prices. Inventories purchased or borrowed by us are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

Open sale and purchase commitments in our trading activities are subject to changes in value between the date the purchase or sale price is fixed (the trade date) and the date the metal is received or delivered (the settlement date). We seek to minimize the effect of price changes of the underlying commodity through the use of forward and futures contracts. Our open sale and purchase commitments generally settle within 2 business days, and for those commitments that do not have stated settlement dates, we have the right to settle the positions upon demand.

Our policy is to substantially hedge our underlying precious metal commodity inventory position. We regularly enter into metals commodity forward and futures contracts with financial institutions to hedge price changes that would cause changes in the value of our physical metals positions and purchase commitments and sale commitments. We have access to all of the precious metals markets, allowing us to place hedges. However, we also maintain relationships with major market makers in every major precious metals dealing center, which allows us to enter into contracts with market makers. Futures and forwards contracts open at December 31, 2016 are scheduled to settle within 30 days.

The Company enters into these derivative transactions solely for the purpose of hedging our inventory holding risk, and not for speculative market purposes. Due to the nature of our hedging strategy, we are not using hedge accounting as defined under, Derivatives and Hedging Topic 815 of the Accounting Standards Codification ("ASC"). Gains or losses resulting from our futures and forward contracts are reported as cost of sales with the related amounts due from or to counterparties reflected as a derivative asset or liability. Gains or losses resulting from the termination of hedge contracts are reported as cost of sales. The Company's gains (losses) on derivative instruments are substantially offset by the changes in fair market value underlying precious metals inventory and open sale and purchase commitments, which is also recorded in cost of sales in the condensed consolidated statements of income. For the six months ended December 31, 2016 and 2015, the net gains (losses) on derivative instruments in the condensed consolidated statements of income totaled \$(19.0) million and \$17.0 million, respectively.

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The purpose of the Company's hedging policy is to substantially match the change in the value of the derivative financial instrument to the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, showing the precious metal commodity inventory position, net of open sale and purchase commitments, which is subject to price risk, compared to change in the value of the derivative instruments as of December 31, 2016 and at June 30, 2016:

| | December 31, June 30, | |
|---|-----------------------|-------------|
| | 2016 | 2016 |
| Inventory | \$ 290,923 | \$ 245,057 |
| Less unhedgable inventory: | | |
| Commemorative coin inventory, held at lower of cost or market | (34) | (16) |
| Premium on metals position | (5,718) | (4,627) |
| Inventory value not hedged | (5,752) | (4,643) |
| Subtotal | 285,171 | 240,414 |
| Commitments at market: | | |
| Open inventory purchase commitments | 654,274 | 550,810 |
| Open inventory sales commitments | (254,251) | (237,325) |
| Margin sale commitments | (9,971) | (12,439) |
| In-transit inventory no longer subject to market risk | (5,079) | (7,363) |
| Unhedgable premiums on open commitment positions | 2,972 | 400 |
| Inventory borrowed from suppliers | (3,471) | (4,352) |
| Product financing arrangements | (121,466) | (59,358) |
| Advances on industrial metals | 2,680 | 4,521 |
| Inventory subject to price risk | 550,859 | 475,308 |
| Inventory subject to derivative financial instruments: | | |
| Precious metals forward contracts at market values | 371,612 | 188,530 |
| Precious metals futures contracts at market values | 178,463 | 286,449 |
| Total market value of derivative financial instruments | 550,075 | 474,979 |
| Net inventory subject to commodity price risk | \$ 784 | \$ 329 |

We are exposed to the risk of default of the counter parties to our derivative contracts. Significant judgment is applied by us when evaluating the fair value implications. We regularly review the creditworthiness of our major counterparties and monitor our exposure to concentrations. At December 31, 2016, we believe our risk of counterparty default is mitigated based on our evaluation of the creditworthiness of our major counterparties, the strong financial condition of our counterparties, and the short-term duration of these arrangements.

Commitments and Contingencies

Refer to Note 15 for other information relating Company's commitments and contingencies.

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OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2016 and June 30, 2016, we had the following outstanding sale and purchase commitments and open forward and future contracts, which are normal and recurring, in nature:

| in thousands | December 31, June 30, | |
|------------------------------------|-----------------------|---------------|
| | 2016 | 2016 |
| Purchase commitments | \$ 654,274 | \$ 550,810 |
| Sales commitments | \$ (254,251) | \$ (237,325) |
| Margin sale commitments | \$ (9,971) | \$ (12,439) |
| Open forward contracts | \$ 371,612 | \$ 188,530 |
| Open futures contracts | \$ 178,463 | \$ 286,449 |
| Foreign exchange forward contracts | \$ 2,060 | \$ 1,992 |

The notional amounts of the commodity forward and futures contracts and the open sales and purchase orders, as shown in the table above, are not reflected at the notional amounts in the condensed consolidated balance sheets. The Company records commodity forward and futures contracts at the fair value, which is the difference between the market price of the underlying metal or contract measured on the reporting date and at fair value of trade amount measured on the date the contract was transacted. The fair value of the open derivative contracts are shown as a component of receivables or payables in the accompanying condensed consolidated balance sheets.

The Company enters into the derivative forward and future transactions solely for the purpose of hedging its inventory holding risk, and not for speculative market purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in fair market value underlying precious metals inventory position, including our open sale and purchase commitments. The Company records the derivatives at the trade date, and the corresponding unrealized gains or losses are shown as a component of cost of sales in the condensed consolidated statements of income. We adjust the carrying value of the derivatives to fair value on a daily basis until the transactions are physically settled (see [Note 11.](#))

CRITICAL ACCOUNTING ESTIMATES

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). In connection with the preparation of our financial statements, we are required to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time our condensed consolidated financial statements are prepared. On a regular basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could materially differ from our estimates.

Our significant accounting policies are discussed in [Note 2](#) Summary of Significant Accounting Policies, respectively, of the Notes to the accompanying condensed consolidated financial statements that are included in this Quarterly Report. We believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Revenue Recognition

Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collection is probable. We record sales of precious metals generally upon receipt by customer. We record revenues from our metal assaying and melting services after the related services are completed and the effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire.

We account for our metals and sales contracts using settlement date accounting. Pursuant to such accounting, we recognize the sales or purchases of the metals at the settlement date. During the period between trade and settlement dates, we have essentially entered into a forward contract that meets the definition of a derivative in accordance with

the Derivatives and Hedging Topic 815 of the Accounting Standards Codification ("ASC"). We record the derivatives at the trade date; the fair value of the open derivative contracts are shown as a component of receivables or payables in the accompanying condensed consolidated balance sheets. The corresponding unrealized gains or losses are shown as a component of cost of sales in the condensed consolidated statements of

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income. We adjust the carrying value of the derivatives to fair value on a daily basis until the transactions are physically settled. Sales which are physically settled are recognized at the gross amount in the condensed consolidated statements of income.

Inventories

The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the cost of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. The precious metal component of the inventory may be hedged through the use of precious metal commodity positions, while the premium component of our inventory is not a commodity that may be hedged. The premium component of market value included in the inventories as of December 31, 2016 and June 30, 2016 totaled \$5.7 million and \$4.6 million, respectively.

The Company's inventories, except for certain lower of cost or market basis products (as described below), are subsequently recorded at their fair market values. As of December 31, 2016 and June 30, 2016, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$(8.4) million and \$12.7 million, respectively. The daily changes in the fair market value of our inventory are offset by daily changes in the fair market value of hedging derivatives that are taken with respect to our inventory positions; both the change in the fair market value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the condensed consolidated statements of income. For the six months ended December 31, 2016 and 2015, the net (losses) gains on derivative instruments in the condensed consolidated statements of income totaled \$(19.0) million and \$17.0 million, respectively.

While the premium component included in inventories is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Additionally, neither the commemorative coin inventory nor the premium component of our inventory is hedged. As of December 31, 2016 and June 30, 2016, our commemorative coin inventory totaled \$34,000 and \$16,000, respectively.

Inventories include amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the condensed consolidated balance sheets and totaled \$3.5 million and \$4.4 million as of December 31, 2016 and June 30, 2016, respectively. The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see Note 11.)

The Company enters into product financing agreements for the transfer and subsequent re-acquisition of gold and silver at a fixed price with a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by the third party finance company. During the term of the financing agreement, the third party company finances the inventory as collateral, and both parties intend to return the inventory to the Company at an agreed-upon price based on the spot price on the termination (repurchase) date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. This type of transaction does not qualify as sales, until the inventory is returned to (subsequent re-acquisition) the Company. Pursuant to the guidance in ASC 470-40 Product Financing Arrangements, the Company accounts for this type of transaction as an increase to inventory and an increase to product financing arrangements (a liability) on the condensed consolidated balance sheets. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory are carried

at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income. Such obligation totaled \$121.5 million and \$59.4 million as of December 31, 2016 and June 30, 2016, respectively. The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers as of December 31, 2016 and June 30, 2016 totaled \$5.9 million and \$8.0 million, respectively. Such inventories are removed at the time the customer elects to price and purchase the metals, and the Company records a corresponding sale and receivable.

The Company enters into financing arrangements with certain customers under which A-Mark purchases precious metals products that are subject to repurchase by the customer at the fair value of the product on the repurchase date. The Company or the counterparty may typically terminate any such arrangement with 14 days' notice. Upon termination the customer's rights to repurchase any remaining inventory is forfeited. As of December 31, 2016 and June 30, 2016, included within inventory is \$91.0 million and \$92.3 million of precious metals products subject to repurchase.

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Goodwill and Other Purchased Intangible Assets

We evaluate goodwill and other indefinite life intangibles for impairment annually in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the Intangibles - Goodwill and Other Topic 350 of the ASC. Other finite life intangible assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. We may first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. If, based on this qualitative assessment, we determine that goodwill is more likely than not to be impaired, a two-step impairment test is performed. This first step in this test involves comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has been acquired in a business combination, to its carrying amount. In accordance with ASU No. 2011-08, we performed a qualitative assessment on our goodwill, totaling \$8.9 million, and the Company did not identify any impairment events as of December 31, 2016.

We utilize the discounted cash flow method to determine the fair value of the Company. In calculating the implied fair value of the Company's goodwill, the present value of the Company's expected future cash flows is allocated to all of the other assets and liabilities of the Company based on their fair values. The excess of the present value of the Company's expected future cash flows over the amount assigned to its other assets and liabilities is the implied fair value of goodwill.

Estimates critical to these calculations include projected future cash flows, discount rates, royalty rates, customer attrition rates and foreign exchange rates. Imprecision in estimating unobservable market inputs can impact the carrying amount of assets on the balance sheet. Furthermore, while we believe our valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different estimate of fair value at the reporting date.

Income Taxes

As part of the process of preparing our financial statements, we are required to estimate our provision for income taxes in each of the tax jurisdictions in which we conduct business, in accordance with the Income Taxes Topic 740 of the ASC. We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in its tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the condensed consolidated balance sheet principally within accrued liabilities. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include our consideration of future taxable income and ongoing prudent and feasible tax planning strategies.

Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. Changes in recognized tax benefits and changes in valuation allowances could be material to our results of operations for any period, but is not expected to be material to our condensed consolidated financial position.

We account for uncertainty in income taxes under the provisions of Topic 740 of the ASC. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition,

classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of income. Please refer to Note 12 to the accompanying condensed consolidated financial statements for further discussion regarding these provisions.

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. The factors used to assess the likelihood of realization include our forecast of the reversal of temporary differences, future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and

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could result in an increase in our effective tax rate on future earnings.

Based on our assessment it appears more likely than not that most of the net deferred tax assets will be realized through future taxable income. Management has established a valuation allowance against the deferred taxes related to certain net operating loss carryovers. Management believes the utilization of these losses may be limited. We will continue to assess the need for a valuation allowance for our remaining deferred tax assets in the future.

The Company's condensed consolidated financial statements recognized the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods, as if the Company were a separate taxpayer prior to the date of the Distribution rather than a member of the Former Parent's condensed consolidated income tax return group. Current tax receivable reflects balances due from the Former Parent for the Company's share of the income tax assets of the group.

Following the Distribution, the Company files federal and state income tax filings that are separate from the Former Parent's tax filings. The Company recognizes current and deferred income taxes as a separate taxpayer for periods ending after the date of Distribution.

Business Combinations

The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with "ASC 805, Business Combinations. Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.

Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see Note 2 in Part I, Item I of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably

likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

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ITEM 1A. RISK FACTORS

Risks Relating to Our Business Generally

Our business is heavily dependent on our credit facility.

Our business depends substantially on our ability to obtain financing for our operations. A-Mark's borrowing facility, which we refer to as the Trading Credit Facility, provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is an uncommitted facility with a syndicate of banks and has a one-year maturity. A-Mark routinely uses the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the facility to finance its lending activities.

The Trading Credit Facility requires us to maintain certain financial ratios and to comply with various operational and other covenants. If there were an event of default under the Trading Credit Facility that was not cured or waived, the lenders could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that we would be able to refinance or restructure the payments under the Trading Credit Facility. The failure of A-Mark to renew or replace the Trading Credit Facility under such circumstances would reduce the financing available to us and could limit our ability to conduct our business, including the lending activity of our CFC subsidiary. There can be no assurance that we could procure replacement financing on commercially acceptable terms on a timely basis, or at all.

Because interest under the Trading Credit Facility is variable, we are subject to fluctuations in interest rates and we may not be able to pass along to our customers and borrowers some or any part of an increase in the interest that we are required to pay under the facility. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The LIBOR rate was approximately 0.77% as of December 31, 2016.

We could suffer losses with our financing operations.

We engage in a variety of financing activities with our customers:

Receivables from our customers with whom we trade in precious metal products are effectively short-term, non-interest bearing extensions of credit that are, in most cases, secured by the related products maintained in the Company's possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.

The Company operates a financing business through CFC that makes secured loans at loan to value ratios—principal loan amount divided by the "liquidation value", as conservatively estimated by management, of the collateral—of, in most cases, 50% to 85%. These loans are both variable and fixed interest rate loans, with maturities from three to twelve months.

We make advances to our customers on unrefined metals secured by materials received from the customer. These advances are limited to a portion of the materials received.

The Company makes unsecured, short-term, non-interest bearing advances to wholesale metals dealers and government mints.

The Company periodically extends short-term credit through the issuance of notes receivable to approved customers at interest rates determined on a customer-by-customer basis.

Our ability to minimize losses on the credit that we extend to our customers depends on a variety of factors, including: our loan underwriting and other credit policies and controls designed to assure repayment, which may prove inadequate to prevent losses;

our ability to sell collateral upon customer defaults for amounts sufficient to offset credit losses, which can be affected by a number of factors outside of our control, including (i) changes in economic conditions, (ii) increases in market rates of interest and (iii) changes in the condition or value of the collateral; and

the reserves we establish for loan losses, which may prove inadequate.

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Our business is dependent on a concentrated customer base.

One of A-Mark's key assets is its customer base. This customer base provides deep distribution of product and makes A-Mark a desirable trading partner for precious metals product manufacturers, including sovereign mints seeking to distribute precious metals coinage or large refiners seeking to sell large volumes of physical precious metals. Three customers represented 46.9% of A-Mark's revenues for the six months ended December 31, 2016. Those same three customers represented 31.8% of A-Mark's revenues for the six months ended December 31, 2015. If our relationship with these customers deteriorated, or if we were to lose these customers, our business would be materially adversely affected.

The loss of a government purchaser/distributorship arrangement could materially adversely affect our business. A-Mark's business is heavily dependent on its purchaser/distributorship arrangements with various governmental mints. Our ability to offer numismatic coins and bars to our customers on a competitive basis is based on the ability to purchase products directly from a government source. The arrangements with the governmental mints may be discontinued by them at any time. The loss of an authorized purchaser/distributor relationship, including with the U.S. Mint could have a material adverse effect on our business.

The materials held by A-Mark are subject to loss, damage, theft or restriction on access.

A-Mark has significant quantities of high-value precious metals on site, at third-party depositories and in transit. There is a risk that part or all of the gold and other precious metals held by A-Mark, whether on its own behalf or on behalf of its customers, could be lost, damaged or stolen. In addition, access to A-Mark's precious metals could be restricted by natural events (such as an earthquake) or human actions (such as a terrorist attack). Although we maintain insurance on terms and conditions that we consider appropriate, we may not have adequate sources of recovery if our precious metals inventory is lost, damaged, stolen or destroyed, and recovery may be limited. Among other things, our insurance policies exclude coverage in the event of loss as a result of terrorist attacks or civil unrest. In addition, with the establishment of our Logistics facility and the transfer of our wholesale storage operations from third party depositories to that facility, we are assuming greater potential liability for any loss suffered in connection with the stored inventory. Among other things, our insurance, rather than the third-party depository's, is now the primary risk policy. While we believe we have adequate insurance coverage covering these operations, in the event of any loss in excess of our coverage, we may be held liable for that excess.

Our business is subject to the risk of fraud and counterfeiting.

The precious metals (particularly bullion) business is exposed to the risk of loss as a result of "materials fraud" in its various forms. We seek to minimize our exposure to this type of fraud through a number of means, including third-party authentication and verification, reliance on our internal experts and the establishment of procedures designed to detect fraud. However, there can be no assurance that we will be successful in preventing or identifying this type of fraud, or in obtaining redress in the event such fraud is detected.

Our business is influenced by political conditions and world events.

The precious metals business is especially subject to global political conditions and world events. Precious metals are viewed by some as a secure financial investment in times of political upheaval or unrest, particularly in developing economies, which may drive up pricing. The volatility of the commodity prices for precious metals is also likely to increase in politically uncertain times. Conversely, during periods of relative international calm precious metal volatility is likely to decrease, along with demand, and the prices of precious metals may retreat. Because our business is dependent on the volatility and pricing of precious metals, we are likely to be influenced by world events more than businesses in other economic sectors.

We have significant operations outside the United States.

We derive about 5% to 10% of our revenues from business outside the United States, including from customers in developing countries. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign countries. These include risks of general applicability, such as the need to comply with multiple regulatory regimes; trade protection measures and import or export licensing requirements; and fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates. Currently, we do not conduct substantial business with customers in developing countries. However, if our business in these areas of the world were to increase, we would also face risks that are particular to developing countries, including the difficulty of enforcing

agreements, collecting receivables; protecting inventory and other assets through foreign legal systems; limitations on the repatriation of earnings; currency devaluation and manipulation of exchange rates; and high levels of inflation. We try to manage these risks by monitoring current and anticipated political, economic, legal and regulatory developments in the countries outside the United States in which we operate or have customers and adjusting operations as appropriate, but there can be no assurance that the measures we adopt will be successful in protecting the Company's business interests.

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We are dependent on our key management personnel and our trading experts.

Our performance is dependent on our senior management and certain other key employees. We have employment agreements with Greg Roberts, our CEO, and Thor Gjerdrum, our President, which expire on June 30, 2020 and June 30, 2019, respectively. These and other employees have expertise in the trading markets, have industry-wide reputations, and perform critical functions for our business. We cannot offer assurance that we will be able to negotiate acceptable terms for the renewal of the employment agreements or otherwise retain our key employees. Also, there is significant competition for skilled precious metals traders and other industry professionals. The loss of our current key officers and employees, without the ability to replace them, would materially have an adverse effect on our business.

We are focused on growing our business, but there is no assurance that we will be successful.

We expect to grow both organically and through opportunistic acquisitions. We have devoted considerable time, resources and efforts over the past few years to our growth strategy. We may not be successful in implementing our growth initiatives, which could adversely affect our business.

With the establishment of our Logistics facility, we are undertaking direct responsibility for comprehensive inventory and depository services to support our wholesale operations beyond that which we have provided in the past. We may not have the expertise to perform such services successfully. In addition, we have no prior experience offering the type of turn-key logistics services to our retail customers that Logistics intends to provide. The efforts to establish and operate Logistics have placed, and are expected to continue to place, demands on our management and other personnel and resources, and have required, and will continue to require, timely and continued investment in facilities, personnel and financial and management systems and controls. If we are not successful with our Logistics operations, our operations as a whole could be adversely affected.

Our bank group, a syndicate of banks with Coöperatieve Rabobank U.A. acting as lead lender and administrative agent for the syndicate, has approved our Logistics facility as an authorized depository. If that approval were to be withdrawn for any reason, we would no longer be able to keep inventory at that location, which would substantially limit our ability to conduct business from that facility.

Liquidity constraints may limit our ability to grow our business.

To accomplish our growth strategy, we will require adequate sources of liquidity to fund both our existing business and our expansion activity. Currently, our sources of liquidity are the cash that we generate from operations and our borrowing availability under the Trading Credit Facility. There can be no assurance that these sources will be adequate to support the growth that we are hoping to achieve or that additional sources of financing for this purpose, in the form of additional debt or equity financing, will be available to us, on satisfactory terms or at all. Also, the Trading Credit Facility contains, and any future debt financing is likely to contain, various financial and other restrictive covenants. The need to comply with these covenants may limit our ability to implement our growth initiatives.

We expect to grow in part through acquisitions, but an acquisition strategy entails risks.

We expect to grow in part through acquisitions. We will consider potential acquisitions of varying sizes and may, on a selective basis, pursue acquisitions or consolidation opportunities involving other public companies or privately held companies. However, it is possible that we will not realize the expected benefits from our acquisitions or that our existing operations will be adversely affected as a result of acquisitions. Acquisitions entails certain risks, including: unrecorded liabilities of acquired companies that we fail to discover during our due diligence investigations; difficulty in assimilating the operations and personnel of the acquired company within our existing operations or in maintaining uniform standards; loss of key employees of the acquired company; and strains on management and other personnel time and resources both to research and integrate acquisitions.

We expect to pay for future acquisitions using cash, capital stock, notes and/or assumption of indebtedness. To the extent that our existing sources of cash are not sufficient to fund future acquisitions, we will require additional debt or equity financing and, consequently, our indebtedness may increase or shareholders may be diluted as we implement our growth strategy.

We are subject to laws and regulations

We are subject to various laws, litigation, regulatory matters and ethical standards, and our failure to comply with or adequately address developments as they arise could adversely affect our reputation and operations. Our policies, procedures and practices and the technology we implement are designed to comply with federal, state, local and foreign laws, rules and regulations, including those imposed by the SEC and other regulatory agencies, the marketplace, the banking industry and foreign countries, as well as responsible business, social and environmental practices, all of which may change from time to time. Significant legislative changes, including those that relate to employment matters and health care reform, could impact our relationship with our workforce, which could increase our expenses and adversely affect our operations. In addition, if we fail to comply with applicable laws and regulations or implement responsible business, social and environmental practices, we could be subject to damage to our reputation, class action lawsuits, legal and settlement costs, civil and criminal liability, increased cost of regulatory compliance, restatements of our financial statements, disruption of our business and loss of customers. Any required changes to

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our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, political and economic factors could lead to unfavorable changes in federal and state tax laws, which may increase our tax liabilities. An increase in our tax liabilities could adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.

There are various federal, state, local and foreign laws, ordinances and regulations that affect our trading business. For example, we are required to comply with the Foreign Corrupt Practices Act and a variety of anti-money laundering and know-your-customer rules in response to the USA Patriot Act.

The SEC has promulgated final rules mandated by the Dodd-Frank Act regarding disclosure, on an annual basis, of the use of tin, tantalum, tungsten and gold, known as conflict minerals, in products manufactured by public companies. These new rules require due diligence to determine whether such minerals originated from the Democratic Republic of Congo (the "DRC") or an adjoining country and whether such minerals helped finance the armed conflict in the DRC.

The Company has concluded that it is not currently subject to the conflict minerals rules because it is not a manufacturer of conflict minerals under the definitions set forth in the rules. Depending on developments in the Company's business, it could become subject to the rules at some point in the future. In that event, there will be costs associated with complying with these disclosure requirements, including costs to determine the origin of gold used in our products. In addition, the implementation of these rules could adversely affect the sourcing, supply and pricing of gold used in our products. Also, we may face disqualification as a supplier for customers and reputational challenges if the due diligence procedures we implement do not enable us to verify the origins for the gold used in our products or to determine that the gold is conflict free.

CFC operates under a California Finance Lenders License issued by the California Department of Corporations. CFC is required to submit a finance lender law annual report to the state which summarizes certain loan portfolio and financial information regarding CFC. The Department of Corporations may audit the books and records of CFC to determine whether CFC is in compliance with the terms of its lending license.

There can be no assurance that the regulation of our trading and lending businesses will not increase or that compliance with the applicable regulations will not become more costly or require us to modify our business practices.

We operate in a highly competitive industry.

The business of buying and selling precious metals is global and highly competitive. The Company competes with precious metals trading firms and banks throughout North America, Europe and elsewhere in the world, some of whom have greater financial and other resources, and greater name recognition, than the Company. We believe that, as a full service firm devoted exclusively to precious metals trading, we offer pricing, product availability, execution, financing alternatives and storage options that are attractive to our customers and allow us to compete effectively. We also believe that our purchaser/distributorship arrangements with various governmental mints give us a competitive advantage in our coin distribution business. However, given the global reach of the precious metals trading business, the absence of intellectual property protections and the availability of numerous, evolving platforms for trading in precious metals, we cannot assure you that A-Mark will be able to continue to compete successfully or that future developments in the industry will not create additional competitive challenges.

We rely extensively on computer systems to execute trades and process transactions, and we could suffer substantial damages if the operation of these systems were interrupted.

We rely on our computer and communications hardware and software systems to execute a large volume of trading transactions each year. It is therefore critical that we maintain uninterrupted operation of these systems, and we have invested considerable resources to protect our systems from physical compromise and security breaches and to maintain backup and redundancy. Nevertheless, our systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, including breaches of our transaction processing or other systems, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by our employees. If our systems are breached, damaged or cease to function properly, we may have to make a

significant investment to fix or replace them, we may suffer interruptions in our ability to provide quotations or trading services in the interim, and we may face costly litigation.

Our implementation of a new enterprise resource planning (“ERP”) system may adversely affect our business and results of operations or the effectiveness of internal controls over financial reporting.

We are currently implementing a new ERP system. ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities over a significant period of time.. If we do not effectively implement the ERP system or if the system does not operate as intended, it could adversely affect our financial reporting systems and our ability to produce financial reports, the effectiveness of internal controls over financial reporting, and our business, financial condition, results of operations and cash flows.

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If our customer data were breached, we could suffer damages and loss of reputation.

By the nature of our business, we maintain significant amounts of customer data on our systems. Moreover, certain third party providers have access to confidential data concerning the Company in the ordinary course of their business relationships with the Company. In recent years, various companies, including companies that are significantly larger than us, have reported breaches of their computer systems that have resulted in the compromise of customer data. Any significant compromise or breach of customer or company data held or maintained by either the Company or our third party providers could significantly damage our reputation and result in costs, lost trades, fines and lawsuits. The regulatory environment related to information security and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches.

The Company's joint venture with Silvertowne, AMST, is subject to numerous risks which may affect our ability to successfully operate the joint venture.

In August 2016, the Company formed AMST, a joint venture with Silvertowne. The Company and Silvertowne own 55% and 45%, respectively, of AMST. The Company manages the joint venture, which operates a mint (the "Mint") that produces fabricated silver products.

The Company's interest in AMST is subject to the risks customarily associated with the conduct of joint ventures, including the risk of (i) failure to agree on strategic decisions requiring the approval of both parties, (ii) failure of Silvertowne to meet its obligations, and (iii) disputes between the joint ventures or litigation regarding joint venture matters. Each of these risks could have a material adverse impact on the viability of AMST, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. The Company has limited experience in operating a mint, and is reliant on the continued service of the experienced local management team that was retained in connection with the formation of the joint venture. The departure of any member of this management team, or other key employees, without adequate replacement could severely disrupt AMST's business operations and could affect the profitability of the Mint.

AMST's ability to continue to expand the scope of its services and products depends in part on its ability to increase the size of its skilled labor force. The inability to employ or retain skilled technical personnel could adversely affect AMST's operating results. In the past, the demand for skilled personnel has been high and the supply limited.

Silvertowne, the prior operator of the Mint, has experienced increases in labor costs in recent years and may continue to do so in the future. If the market for labor requires continued substantial increases, the profitability of the Mint would be adversely impacted.

AMST depends on critical pieces of equipment which may be out of service occasionally for scheduled upgrades or maintenance or as a result of unanticipated failures or business interruptions. AMST's facilities are subject to equipment failures and the risk of catastrophic loss due to unanticipated events such as fires, earthquakes, accidents or violent weather conditions. AMST has insurance to cover certain of the risks associated with equipment damage and resulting business interruption, but there are certain events that would not be covered by insurance and there can be no assurance that insurance will continue to be available on acceptable terms. Interruptions in AMST's processing and production capabilities and shutdowns resulting from unanticipated events could have a material adverse effect on our financial condition, results of operations and cash flows.

An interruption in the sources of AMST's metal supply could have a material adverse effect on its results of operations. AMST has entered into a supply agreement with Asahi Refining USA Inc. ("Asahi") to provide all refined silver products needed by AMST in the conduct of its business. If Asahi experiences production problems, lack of capacity or transportation disruptions, or otherwise fails to fulfill its supply obligations to AMST, AMST may be unable to obtain sufficient amounts of metal on a timely basis or at competitive prices to meet its delivery schedules. Pursuant to the exclusive distribution agreement between the Company and AMST, the Company is required to purchase no less than 300,000 ounces of fabricated silver products per week on average for any consecutive four week period during the term of the agreement, which has an initial term of three years, with two-year term renewals. The price paid per ounce is mutually determined by the Company and AMST, and is subject to adjustments every six months during the term.

The market for fabricated silver products and refined silver is highly competitive and fragmented. There is no assurance that the Company will be able to retain existing clients to sell the silver products it is required to purchase from AMST or any excess production of the Mint at a profit.

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Risks Relating to Commodities

A-Mark's business is heavily influenced by volatility in commodities prices.

A primary driver of A-Mark's profitability is volatility in commodities prices, which leads to wider bid and ask spreads. Among the factors that can impact the price of precious metals are supply and demand of precious metals; political, economic, and global financial events; movement of the U.S. dollar versus other currencies; and the activity of large speculators such as hedge funds. If commodity prices were to stagnate, there would likely be a reduction in trading activity, resulting in less demand for the services A-Mark provides, which could materially adversely affect our business, liquidity and results of operations.

This volatility may drive fluctuation of our revenues, as a consequence of which our results for any one period may not be indicative of the results to be expected for any other period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our business is exposed to commodity price risks, and our hedging activity to protect our inventory is subject to risks of default by our counterparties.

A-Mark's precious metals inventories are subject to market value changes created by change in the underlying commodity price, as well as supply and demand of the individual products the Company trades. In addition, open sale and purchase commitments are subject to changes in value between the date the purchase or sale is fixed (the trade date) and the date metal is delivered or received (the settlement date). A-Mark seeks to minimize the effect of price changes of the underlying commodity through the use of financial derivative instruments, such as forward and futures contracts. A-Mark's policy is to remain substantially hedged as to its inventory position and its individual sale and purchase commitments. A-Mark's management monitors its hedged exposure daily. However, there can be no assurance that these hedging activities will be adequate to protect the Company against commodity price risks associated with A-Mark's business activities.

Furthermore, even if we are fully hedged as to any given position, there is the risk of default by our counterparties to the hedge. Any such default could have a material adverse effect on our financial position and results of operations. Increased commodity pricing could limit the inventory that we are able to carry.

We maintain a large and varied inventory of precious metal products, including bullion and coins, in order to support our trading activities and provide our customers with superior service. The amount of inventory that we are able to carry is constrained by the borrowing limitations and working capital covenants under the Trading Credit Facility. If commodity prices were to rise substantially, and we were unable to modify the terms of the Trading Credit Facility to compensate for the increase, the quantity of product that we could finance, and hence maintain in our inventory, would fall. This would likely have a material adverse effect on our operations.

The Dodd-Frank Act could adversely impact our use of derivative instruments to hedge precious metal prices and may have other adverse effects on our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires the Commodity Futures Trading Commission to promulgate rules and regulations implementing the new legislation, including with respect to derivative contracts on commodities. This legislation and any implementing regulations could significantly increase the cost of some commodity derivative contracts (including through requirements to post collateral, which could adversely affect our available liquidity), materially alter the terms of some commodity derivative contracts, reduce the availability of some derivatives to protect against risks, reduce our ability to monetize or restructure our existing commodity derivative contracts and potentially increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the Dodd-Frank legislation and regulations, we would be exposed to inventory and other risks associated with fluctuations in commodity prices. Also, if the Dodd-Frank legislation and regulations reduces volatility in commodity prices, our revenues could be adversely affected.

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We rely on the efficient functioning of commodity exchanges around the world, and disruptions on these exchanges could adversely affect our business.

The Company buys and sells precious metals contracts on commodity exchanges around the world, both in support of its customer operations and to hedge its inventory and transactional exposure against fluctuations in commodity prices. The Company's ability to engage in these activities would be compromised if the exchanges on which the Company trades or any of their clearinghouses were to discontinue operations or to experience disruptions in trading, due to computer problems, unsettled markets or other factors. The Company may also experience risk of loss if futures commission merchants or commodity brokers with whom the Company deals were to become insolvent or bankrupt.

Risks Relating to Our Common Stock

Public company costs have increased our expenses and administrative burden, in particular in order to bring our Company into compliance with certain provisions of the Sarbanes Oxley Act of 2002.

As a public company, we are incurring significant legal, accounting and other expenses that we did not incur as a private company. These increased costs and expenses may arise from various factors, including financial reporting costs associated with complying with federal securities laws (including compliance with the Sarbanes-Oxley Act of 2002).

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and related regulations implemented by the SEC and NASDAQ have created uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. Applicable laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased selling, general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of Sarbanes-Oxley could have a material adverse effect on our business.

As a public company, we are required to document and test our internal control over financial reporting in order to satisfy the requirements of Section 404 of Sarbanes-Oxley, which requires annual management assessments of the effectiveness of our internal control over financial reporting.

We are required to implement standalone policies and procedures to comply with the requirements of Section 404. During the course of our testing of our internal controls and procedures, we may identify deficiencies which we may not be able to remediate in time to meet our deadline for compliance with Section 404. Testing and maintaining internal controls can divert our management's attention from other matters that are also important to the operation of our business. We also expect that the imposition of these regulations will increase our legal and financial compliance costs and make some activities more difficult, time consuming and costly. We may not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. If we are unable to conclude that we have effective internal controls over financial reporting, then investors could lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock. In addition, if we do not maintain effective internal controls, we may not be able to accurately report our financial information on a timely basis, which could harm the trading price of our common stock, impair our ability to raise additional capital, or jeopardize our continued listing on the NASDAQ Global Select Market or any other stock exchange on which common stock may be listed.

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We may not be able to continue to pay dividends.

Effective March 2, 2015, the Board of Directors approved a cash dividend policy calling for the payment of a quarterly cash dividend of \$0.05 per common share. The policy was amended on February 2, 2016 to provide for a quarterly cash dividend of \$0.07 per common share, and then on January 26, 2017 to provide for a quarterly cash dividend of \$0.08 per common share. The declaration of cash dividends in the future is subject to the determination each quarter by the Board of Directors, based on a number of factors, including the Company's financial performance, available cash resources, cash requirements, bank covenants, and alternative uses of cash that the Board of Directors may conclude would represent an opportunity to generate a greater return on investment for the Company.

Accordingly, there can be no assurance that the Company will continue to pay dividends on a regular basis. If the Board of Directors were to determine not to pay dividends in the future, shareholders would not receive any further return on an investment in our capital stock in the form of dividends, and may only obtain an economic benefit from the common stock only after an increase in its trading price and only by selling the common stock.

Provisions in our Certificate of Incorporation and Bylaws and of Delaware law may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with our board of directors. Such provisions could limit the price that certain investors might be willing to pay in the future for the Company's securities. Certain of such provisions allow the Company to issue preferred stock with rights senior to those of the common stock, impose various procedural and other requirements which could make it more difficult for Shareholders to effect certain corporate actions and set forth rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. However, these provisions apply even if an acquisition offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our Company and our Shareholders. Accordingly, in the event that our board determines that a potential business combination transaction is not in the best interests of our Company and our Shareholders, but certain shareholders believe that such a transaction would be beneficial to the Company and its Shareholders, such Shareholders may elect to sell their shares in the Company and the trading price of our common stock could decrease. Your percentage ownership in the Company could be diluted in the future.

Your percentage ownership in A-Mark potentially will be diluted in the future because of additional equity awards that we expect will be granted to our directors, officers and employees. We have established an equity incentive plan that provides for the grant of common stock-based equity awards to our directors, officers and other employees. In addition, we may issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which could dilute your percentage ownership.

Our board and management beneficially own a sizeable percentage of our common stock and therefore have the ability to exert substantial influence as shareholders.

Members of our board and management beneficially own about 45% of our outstanding common stock. Acting together in their capacity as shareholders, the board members and management could exert substantial influence over matters on which a shareholder vote is required, such as the approval of business combination transactions. Also because of the size of their beneficial ownership, the board members and management may be in a position effectively to determine the outcome of the election of directors and the vote on shareholder proposals. The concentration of beneficial ownership in the hands of our board and management may therefore limit the ability of our public shareholders to influence the affairs of the Company.

If the Company's spinoff from SGI is determined to be taxable for U.S. federal income tax purposes, our shareholders could incur significant U.S. federal income tax liabilities.

In connection with the spinoff, SGI received the written opinion of Kramer Levin Naftalis & Frankel LLP ("Kramer Levin") to the effect that the spinoff qualified as a tax-free transaction under Section 355 of the Internal Revenue

Code, and that for U.S. federal income tax purposes (i) no gain or loss was recognized by SGI upon the distribution of our common stock in the spinoff, and (ii) no gain or loss was recognized by, and no amount was included in the income of, holders of SGI common stock upon the receipt of shares of our common stock in the spinoff. The opinion of tax counsel is not binding on the Internal Revenue Service or the courts, and there is no assurance that the IRS or a court will not take a contrary position. In addition, the opinion of Kramer Levin relied on certain representations and covenants delivered by SGI and us. If, notwithstanding the conclusions included in the opinion, it is ultimately determined that the distribution does not qualify as tax-free for U.S. federal income tax purposes, each SGI shareholder that is subject to U.S. federal income tax and that received shares of our common stock in the distribution could be treated as receiving a taxable distribution in an amount equal to the fair market value of such shares. In

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addition, if the distribution were not to qualify as tax-free for U.S. federal income tax purposes, then SGI would recognize gain in an amount equal to the excess of the fair market value of our common stock distributed to SGI shareholders on the date of the distribution over SGI's tax basis in such shares. Also, we could have an indemnification obligation to SGI related to its tax liability.

ITEM 2. UNREGISTERD SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Regulation

S-K

Exhibit Description of Exhibit

Table

Item No.

- 31 .1 * Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31 .2 * Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 .1 * Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
- 32 .2 * Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 .INS * XBRL Instance Document.
- 101 .SCH * XBRL Taxonomy Extension Calculation Schema Document.
- 101 .CAL * XBRL Taxonomy Extension Calculation Linkbase Document.
- 101 .DEF * XBRL Taxonomy Extension Definition Linkbase Document.
- 101 .LAB * XBRL Taxonomy Extension Label Linkbase Document.
- 101 .PRE * XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

A-MARK PRECIOUS METALS, INC.

Date: February 7, 2017 By: /s/ Gregory N. Roberts

Name: Gregory N. Roberts

Title: Chief Executive Officer
(Principal Executive Officer)

A-MARK PRECIOUS METALS, INC.

Date: February 7, 2017 By: /s/ Cary Dickson

Name: Cary Dickson

Title: Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signatures | Title(s) | Date |
|--|---|------------------|
| /s/ Gregory N. Roberts Gregory N. Roberts | Chief Executive Officer and Director (Principal Executive Officer) | February 7, 2017 |
| /s/ Cary Dickson Cary Dickson | Chief Financial Officer (Principal Financial Officer) | February 7, 2017 |