UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2020
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.)

2121 Rosecrans Ave. Suite 6300
El Segundo, CA 90245
(Address of principal executive offices)(Zip Code)
(310) 587-1477
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	AMRK	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 such files). Yes. ☑ No. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☑
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

As of February 4, 2021, the registrant had 7,195,434 shares of common stock outstanding, par value $0.01 per share.

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q
For the Six Months Ended December 31, 2020

TABLE OF CONTENTS

			Page
PART I			
	Item 1.	Condensed Consolidated Financial Statements	2
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	76
	Item 4.	Controls and Procedures	76
PART II			
	Item 1.	Legal Proceedings	77
	Item 1A.	Risk Factors	77
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	87
	Item 3.	Defaults upon Senior Securities	88
	Item 4.	Mine Safety Disclosures	88
	Item 5.	Other Information	88
	Item 6.	Exhibits	88
Signatures			89

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Condensed Consolidated Financial Statements and Notes thereof

	Page
Condensed Consolidated Balance Sheets as of December 31, 2020 and June 30, 2020	3
Condensed Consolidated Statements of Income for the Three and Six Months Ended December 31, 2020 and 2019	5
Condensed Consolidated Statements of Stockholders' Equity for the Three and Six Months Ended December 31, 2020 and 2019	6
Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 2020 and 2019	7
Notes to Consolidated Financial Statements	8
Note 1. Description of Business	8
Note 2. Summary of Significant Accounting Policies	9
Note 3. Assets and Liabilities, at Fair Value	18
Note 4. Receivables	21
Note 5. Secured Loans Receivable	21
Note 6. Inventories	23
Note 7. Property, Plant, and Equipment	25
Note 8. Goodwill and Intangible Assets	25
Note 9. Long-Term Investments	26
Note 10. Accounts Payable and Other Current Liabilities	27
Note 11. Derivative Instruments and Hedging Transactions	27
Note 12. Income Taxes	30
Note 13. Related Party Transactions	31
Note 14. Financing Agreements	33
Note 15. Commitments and Contingencies	35
Note 16. Stockholders' Equity	35
Note 17. Customer and Supplier Concentrations	37
Note 18. Segments and Geographic Information	38
Note 19. Subsequent Events	42

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

	December 31, 2020	June 30, 2020
ASSETS		
Current assets:		
Cash[(1)]	$ 14,922	$ 52,325
Receivables, net[(1)]	101,864	49,142
Derivative assets[(1)]	57,849	46,325
Secured loans receivable[(1)]	95,817	63,710
Precious metals held under financing arrangements[(1)]	160,255	178,577
Inventories:		
Inventories[(1)]	245,151	246,603
Restricted inventories	272,531	74,678
	517,682	321,281
Prepaid expenses and other assets[(1)]	3,131	2,659
Total current assets	951,520	714,019
Operating lease right of use assets	3,642	4,223
Property, plant, and equipment, net	5,913	5,675
Goodwill	8,881	8,881
Intangibles, net	4,657	4,974
Long-term investments	30,013	16,763
Other long-term assets	2,500	3,500
Total assets	$ 1,007,126	$ 758,035
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	$ 175,000	$ 135,000
Liabilities on borrowed metals	141,796	168,206
Product financing arrangements	272,531	74,678
Accounts payable and other current liabilities	142,372	140,930
Derivative liabilities[(1)]	50,809	25,414
Accrued liabilities[(1)]	9,431	10,397
Income tax payable	715	2,135
Total current liabilities	792,654	556,760
Notes payable[(1)]	92,874	92,517
Deferred tax liabilities	62	62
Other liabilities	3,108	3,802
Total liabilities	888,698	653,141
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 2020 and June 30, 2020	—	—
Common stock, par value $0.01; 40,000,000 shares authorized; 7,131,462 and 7,031,500 shares issued and outstanding as of December 31, 2020 and June 30, 2020, respectively	72	71
Additional paid-in capital	29,093	27,289
Retained earnings	84,461	73,644
Total A-Mark Precious Metals, Inc. stockholders' equity	113,626	101,004
Non-controlling interests	4,802	3,890
Total stockholders' equity	118,428	104,894
Total liabilities, non-controlling interests and stockholders' equity	$ 1,007,126	$ 758,035

(1) Includes amounts of the consolidated variable interest entity, which is presented separately in the table below.

See accompanying

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands) (unaudited)

In September 2018, AM Capital Funding, LLC. ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of $28.0 million (collectively, the "Notes"). The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023.

The Company consolidates a variable interest entity ("VIE") if it is considered to be the primary beneficiary. AMCF is a VIE because its equity may be insufficient to maintain its ongoing collateral requirements without additional financial support from the Company. The securitization is primarily secured by cash, bullion loans, and precious metals, and the Company is required to continuously hedge the value of certain collateral and make future contributions as necessary. The Company is the primary beneficiary of this VIE because the Company has the right to determine the type of collateral (i.e., cash, secured loans, or precious metals) placed into the entity, has the right to receive (and has received) the proceeds from the securitization transaction, earns on-going interest income from the secured loans (subject to collateral requirements), and has the obligation to absorb losses should AMCF's interest expense and other costs exceed its interest income.

The following table presents the assets and liabilities of this VIE, which is included in the condensed consolidated balance sheets above. The holders of the Notes have a first priority security interest in the assets as shown in the table below, which are in excess of the Notes' aggregate principal amount. Additionally, the liabilities of the VIE include intercompany balances, which are eliminated in consolidation. See Note 14 for additional information.

	December 31, 2020	June 30, 2020
ASSETS OF THE CONSOLIDATED VIE		
Cash	$ 3,529	$ 26,697
Receivables, net	446	3,005
Secured loans receivable	69,937	34,739
Precious metals held under financing arrangements	27,889	20,968
Inventories	7,907	24,057
Prepaid expenses and other assets	42	16
Total assets of the consolidated variable interest entity	$ 109,750	$ 109,482
LIABILITIES OF THE CONSOLIDATED VIE		
Deferred payment obligations(1)	$ 15,010	$ 13,275
Derivative liabilities	87	541
Accrued liabilities	728	387
Notes payable(2)	97,875	97,517
Total liabilities of the consolidated variable interest entity	$ 113,700	$ 111,720

(1) This is an intercompany balance, which is eliminated in consolidation and hence it is not shown on the condensed consolidated balance sheets.
(2) $5.0 million of the Notes are held by A-Mark, which is eliminated in consolidation and hence not shown on the condensed consolidated balance sheets.

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenues	$ 1,518,744	$ 1,055,590	3,384,860	$ 2,536,604
Cost of sales	1,499,993	1,047,459	3,329,964	2,520,133
Gross profit	18,751	8,131	54,896	16,471
Selling, general, and administrative expenses	(9,033)	(7,870)	(19,039)	(16,140)
Interest income	4,533	6,232	8,516	12,000
Interest expense	(5,037)	(5,081)	(9,330)	(10,223)
Other income (expense), net	2,567	150	7,052	(16)
Unrealized gains (losses) on foreign exchange	19	125	(78)	3
Net income before provision for income taxes	11,800	1,687	42,017	2,095
Income tax expense	(2,586)	(432)	(9,097)	(537)
Net income	9,214	1,255	32,920	1,558
Net income attributable to non-controlling interests	289	21	912	196
Net income attributable to the Company	$ 8,925	$ 1,234	$ 32,008	$ 1,362
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:				
Basic	$ 1.26	$ 0.17	$ 4.53	$ 0.19
Diluted	$ 1.16	$ 0.17	$ 4.21	$ 0.19
Weighted average shares outstanding:				
Basic	7,063,000	7,031,400	7,064,800	7,031,400
Diluted	7,713,300	7,056,300	7,610,400	7,074,800

See accompanying Notes to Condensed Consolidated Financial Statements

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS 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 Interests	Total Stockholders' Equity
Balance, June 30, 2019	**7,031,450**	**71**	**26,452**	**43,135**	**69,658**	**2,908**	**72,566**
Net income	—	—	—	128	128	175	303
Share-based compensation	—	—	166	—	166	—	166
Balance, September 30, 2019	**7,031,450**	**71**	**26,618**	**43,263**	**69,952**	**3,083**	**73,035**
Net income	—	—	-	1,234	1,234	21	1,255
Share-based compensation	—	—	244	—	244	—	244
Balance, December 31, 2019	**7,031,450**	**71**	**26,862**	**44,497**	**71,430**	**3,104**	**74,534**

	Common Stock (Shares)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total A-Mark Precious Metals, Inc. Stockholders' Equity	Non-Controlling Interests	Total Stockholders' Equity
Balance, June 30, 2020	**7,031,500**	**71**	**27,289**	**73,644**	**101,004**	**3,890**	**104,894**
Net income	—	—	—	23,083	23,083	623	23,706
Share-based compensation	—	—	178	—	178	—	178
Net settlement on issuance of common shares on exercise of options	35,030	—	416	—	416	—	416
Dividends declared ($1.50 per common share)	—	—	—	(10,553)	(10,553)	—	(10,553)
Balance, September 30, 2020	**7,066,530**	**71**	**27,883**	**86,174**	**114,128**	**4,513**	**118,641**
Net income	—	—	—	8,925	8,925	289	9,214
Share-based compensation	—	—	210	—	210	—	210
Net settlement on issuance of common shares on exercise of options	64,932	1	1,000	—	1,001	—	1,001
Dividends declared ($1.50 per common share)	—	—	—	(10,638)	(10,638)	—	(10,638)
Balance, December 31, 2020	**7,131,462**	**72**	**29,093**	**84,461**	**113,626**	**4,802**	**118,428**

See accompanying Notes to Condensed Consolidated Financial Statements

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands) (unaudited)

Six Months Ended December 31,	2020	2019
Cash flows from operating activities:		
Net income	$ 32,920	$ 1,558
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,006	1,334
Amortization of loan cost	968	730
Deferred income taxes	—	474
Interest added to principal of secured loans	(4)	(10)
Share-based compensation	388	410
Earnings from equity method investments	(6,488)	(114)
Changes in assets and liabilities:		
Receivables	(52,722)	2,297
Secured loans receivable	(309)	2,131
Secured loans made to affiliates	8,662	5,108
Derivative assets	(11,524)	(2,931)
Income tax receivable	—	7
Precious metals held under financing arrangements	18,322	11,820
Inventories	(196,401)	29,930
Prepaid expenses and other assets	(532)	359
Accounts payable and other current liabilities	1,442	174
Derivative liabilities	25,395	(923)
Liabilities on borrowed metals	(26,410)	(8,255)
Accrued liabilities	(1,068)	(743)
Income tax payable	(1,420)	—
Net cash (used in) provided by operating activities	(207,775)	43,356
Cash flows from investing activities:		
Capital expenditures for property, plant, and equipment	(937)	(455)
Purchase of long-term investments	(6,763)	—
Purchase of intangible assets	—	(150)
Secured loans receivable, net	(40,456)	(34,274)
Other secured loans, net	1,000	(3,500)
Net cash used in investing activities	(47,156)	(38,379)
Cash flows from financing activities:		
Product financing arrangements, net	197,853	(14,739)
Dividends paid	(21,191)	—
Borrowings and repayments under lines of credit, net	40,000	13,000
Debt funding issuance costs	(551)	—
Net settlement on issuance of common shares on exercise of options	1,417	—
Net cash provided by (used in) financing activities	217,528	(1,739)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(37,403)	3,238
Cash, cash equivalents, and restricted cash, beginning of period	52,325	8,320
Cash, cash equivalents, and restricted cash, end of period	$ 14,922	$ 11,558
Supplemental disclosures of cash flow information:		
Interest paid	$ 7,721	$ 10,026
Income taxes paid	$ 11,561	$ 50
Income taxes refunded	$ (1,044)	$ —
Non-cash investing and financing activities:		
Interest added to principal of secured loans	$ 4	$ 10

See accompanying

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS

Basis of Presentation

The condensed consolidated financial statements comprise those of A-Mark Precious Metals, Inc. ("A-Mark" or the "Company"), its wholly owned consolidated subsidiaries, and its joint ventures in which the Company has a controlling interest.

Business Segments

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services (formerly known as Wholesale Trading & Ancillary Services segment), (ii) Secured Lending, and (iii) Direct Sales. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the Segment Reporting Topic 280 of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). (See Note 18.)

The Wholesale Sales & Ancillary Services segment name change was to the name only and had no impact on the Company's historical financial position, results of operations, cash flow or segment level results previously reported.

Wholesale Sales & Ancillary Services

The Wholesale Sales & Ancillary Services segment operates as a full-service precious metals company. The products sold within this segment include: gold, silver, platinum, and palladium primarily in the form of coins, rounds, bars, wafers, and grain. This segment's trading-related services include: consignment, storage, logistics, hedging, and various customized financial programs.

Through its wholly owned subsidiary, A-Mark Trading AG ("AMTAG"), the Company promotes A-Mark's goods and services to the international market. 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" or "AMGL"), operates the Company's logistics fulfillment center. Logistics provides customers an array of complementary services, including packaging, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis.

Through our partially-owned subsidiary, AM&ST Associates, LLC. ("AMST" or "SilverTowne" or the "Mint"), the Company designs and produces minted silver products. The Company operates the Mint pursuant to a joint venture agreement with SilverTowne, L.P. The Company and SilverTowne L.P. own 69% and 31%, respectively, of AMST.

Secured Lending

The Company operates its Secured Lending segment through its wholly-owned subsidiary, Collateral Finance Corporation LLC. ("CFC".) CFC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors, and collectors.

AM Capital Funding, LLC. ("AMCF"), a wholly owned subsidiary of CFC, was formed for the purpose of securitizing eligible secured loans of CFC. AMCF issued and administers the Notes. For additional information, see Note 14.

Direct Sales

The Company's wholly-owned subsidiary, Goldline, Inc. ("Goldline"), is a direct retailer of precious metals to the investor community. Goldline markets its precious metal products primarily on radio, television, and the internet. Goldline sells gold and silver bullion in the form of coins, rounds, and bars.

AM IP LLC. ("AMIP"), a wholly owned subsidiary of Goldline, manages its intellectual property.

Precious Metals Purchasing Partners, LLC, ("PMPP"), is a 50% owned subsidiary of Goldline. PPMP acquires precious metals from retail customers and resells the metals to partners or affiliates of the joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements reflect the financial condition, results of operations, statement of stockholders' equity, and cash flows of the Company, and were prepared using accounting principles generally accepted in the United States ("U.S. GAAP"). The Company consolidates its subsidiaries that are wholly owned, majority owned, and entities that are variable interest entities where the Company is determined to be the primary beneficiary. Our condensed consolidated financial statements include the accounts of A-Mark, AMTAG, TDS, AMGL, AMST, CFC, AMCF, Goldline, AMIP, and PMPP (collectively the "Company"). Intercompany accounts and transactions are eliminated.

Comprehensive Income

For the six months ended December 31, 2020 and 2019, there were no items that gave rise to other comprehensive income or loss, and, as a result net income equaled comprehensive 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 disclosures 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 property, plant and equipment and intangible assets, valuation allowance determination on deferred tax assets, determining the incremental borrowing rate for calculating right of use assets and lease liabilities, 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.

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 statements 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, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2021 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 2020 (the "2020 Annual Report"), as filed with the SEC. Amounts related to disclosure of June 30, 2020 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and notes thereto included in the 2020 Annual Report.

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.)

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. Credit risk with respect to loans of inventory to customers is minimal. 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. 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 the European Union Euro. 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 settled and/or marked-to-market.

Variable Interest Entity

A variable interest entity ("VIE") is a legal entity that has either i) a total equity investment that is insufficient to finance its activities without additional subordinated financial support or ii) whose equity investors as a group lack the ability to control the entity's activities or lack the ability to receive expected benefits or absorb obligations in a manner that is consistent with their investment in the entity.

A VIE is consolidated for accounting purposes by its primary beneficiary, which is the party that has both the power to direct the activities that most significantly impact the VIEs economic performance, and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company consolidates VIEs when it is deemed to be the primary beneficiary. Management regularly reviews and reconsiders its previous conclusions regarding whether it holds a variable interest in potential VIEs, the status of an entity as a VIE, and whether the Company is required to consolidate such VIEs in the consolidated financial statements.

AMCF, a wholly owned subsidiary of CFC, is a special purpose entity ("SPE") formed as part of a securitization transaction in order to isolate certain assets and distribute the cash flows from those assets to investors. AMCF was structured to insulate investors from claims on AMCF's assets by creditors of other entities. The Company has various forms of ongoing involvement with AMCF, which may include (i) holding senior or subordinated interests in AMCF; (ii) acting as loan servicer for a portfolio of loans held by AMCF; and (iii) providing administrative services to AMCF. AMCF is required to maintain separate books and records. The assets and liabilities of this VIE, as of December 31, 2020 and June 30, 2020, are indicated on the table that follows the condensed consolidated balance sheets.

AMCF is a VIE because its initial equity investment may be insufficient to maintain its ongoing collateral requirements without additional financial support from the Company. The securitization is primarily secured by bullion loans and precious metals, and the Company is required to continuously hedge the value of certain collateral and make future contributions as necessary. The Company is the primary beneficiary of this VIE because the Company has the right to determine the type of collateral (i.e., cash, secured loans, or precious metals), has the right to receive (and has received) the proceeds from the securitization transaction, earns on-going interest income from the secured loans (subject to collateral requirements), and has the obligation to absorb losses should AMCF's interest expense and other costs exceed its interest income. (See Note 14.)

Cash and 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, 2020 and June 30, 2020.

As of December 31, 2020 and June 30, 2020, the Company has $0.2 million and $0.2 million, respectively, in a bank account that is restricted and serves as collateral against a standby letter of credit issued by the bank in favor of the landlord for our office space in Los Angeles, California.

Precious Metals held under Financing Arrangements

The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the spot value of the product on the repurchase date. The precious metals purchased under these arrangements consist of rare and unique items, and therefore the Company accounts for these transactions as precious metals held under financing arrangements, which generate financing income rather than revenue from precious metals inventory sales. In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement.

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's right to repurchase any remaining precious metal is forfeited, and the related precious metals are reclassified as inventory held for sale. As of December 31, 2020 and June 30, 2020, precious metals held under financing arrangements totaled $160.3 million and $178.6 million respectively.

The Company's precious metals held under financing arrangements are marked-to-market.

Inventories

The Company's inventory primarily includes bullion and bullion coins, which is acquired and initially recorded at cost and then marked to fair market value. The fair market value of the bullion and bullion coins comprises two components: (i) published market values attributable to the costs of the raw precious metal, and (ii) 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 inventory, except for certain lower of cost or net realizable value 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 inventory is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or net realizable value, 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.)

Leased Right of Use Assets

We lease warehouse space, office facilities, and equipment. Our operating leases with terms longer than twelve months are recorded at the sum of the present value of the lease's fixed minimum payments as operating lease right of use assets ("ROU assets") in the condensed consolidated balance sheets. Our finance leases (previously considered by the Company as capital leases prior to our adoption of ASC 842) are another type of ROU asset, but are classified in the condensed consolidated balance sheets as a component of property, plant, and equipment at the present value of the lease payments.

For leases that contain termination options, where the rights to terminate are held by either us, the lessor, or both parties and it is reasonably certain that we will exercise that option, we factor these extended or shortened lease terms into the minimum lease payments. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives. We use our incremental borrowing rate as the discount rate to determine the present value of the lease payments for leases, as our leases do not have readily determinable implicit discount rates. Our incremental borrowing rate is the rate of interest that we would incur to borrow on a collateralized basis over a similar term and amount in a similar economic environment.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities using the discount rate discussed above. The depreciable life of ROU assets is limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Our lease agreements do not contain any significant residual value guarantees or material restrictive covenants. Components of operating lease expense for the three and six months ended December 31, 2020 and 2019 were as follows:

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Operating lease costs	$ 350	$ 350	$ 699	$ 699
Short term and variable lease costs	91	99	224	192
Finance lease costs	5	5	11	11
Sublease income	—	(27)	—	(54)
Total lease costs, net	$ 446	$ 427	$ 934	$ 848

For the six months ended December 31, 2020 and 2019, we made cash payments for operating lease obligations of $0.8 million and $0.7 million, respectively. These payments are included in operating cash flows. At December 31, 2020, the weighted-average remaining lease term under our capitalized operating leaseswas 4.2 years, while the weighted-average discount rate for our operating leases was approximately 4.9%.

The following represents our future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities, as of December 31, 2020:

Years ending June 30,	Operating Leases	
2021 (6 months remaining)	767	
2022	1,313	
2023	834	
2024	860	
2025	816	
Thereafter	370	
Total lease payments	4,960	
Less imputed interest	(490)	
	$ 4,470	(1)
Operating lease liability - current	$ 1,362	(2)
Operating lease liability - long-term	3,108	(3)
	$ 4,470	(1)

(1) Represents the present value of the capitalized operating lease liabilities as of December 31, 2020.
(2) Current operating lease liabilities are presented within accrued liabilities on our condensed consolidated balance sheets.
(3) Long-term operating lease liabilities are presented within other liabilities on our condensed consolidated balance sheets.

The Company has no related party leases. We do not have leases that have not yet commenced, which would create significant rights and obligations for us, including any involvement with the construction or design of the underlying asset.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using a straight line method based on the estimated useful lives of the related assets, ranging from three years to twenty-five years. Depreciation and amortization commences when the related assets are placed into service. Internal-use software development costs are capitalized during the application development stage. Internal-use software costs incurred during the preliminary project stage are expensed as incurred. Land is recorded at historical cost and is not depreciated. Repair and maintenance costs are expensed as incurred. We have no major planned maintenance activities related to our plant assets associated with our minting operations.

The Company reviews the carrying value of these assets for impairment whenever events and circumstances indicate that the carrying value of the asset may not be recoverable. In evaluating for impairment, the carrying value of each asset or group of assets is compared to the undiscounted estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized for the difference when the carrying value exceeds the discounted estimated future cash flows. The factors considered by the Company in performing this assessment include current and projected operating results, trends and prospects, the manner in which these assets are used, and the effects of obsolescence, demand and competition, as well as other economic factors.

Finite-lived Intangible Assets

Finite-lived intangible assets consist primarily of customer relationships, non-compete agreements, and employment contracts which are amortized on a straight-line basis over their economic useful lives ranging from three years to fifteen years. We review our finite-lived intangible assets for impairment under the same policy described above for property, plant, and equipment; that is, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and Indefinite-lived 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-lived intangibles (such as trade names and trademarks) are not subject to amortization but are evaluated for impairment at least annually. However, for tax purposes, goodwill acquired in connection with a taxable asset acquisition is generally deductible.

The Company evaluates its goodwill and other indefinite-lived intangibles for impairment 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. Goodwill is reviewed for impairment at a reporting unit level, which for the Company, corresponds to the Company's reportable operating segments.

Evaluation of goodwill for impairment

The Company has the option to 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. A qualitative assessment includes analyzing current economic indicators associated with a particular reporting unit such as changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there would be a significant decline to the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If, based on this qualitative assessment, management concludes that goodwill is more likely than not to be impaired, or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine the fair value of the business, and compare the calculated fair value of the reporting unit with its carrying amount, including goodwill. If through this quantitative analysis the Company determines the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not to be impaired. If the Company concludes that the fair value of the reporting unit is less than its carrying value, a goodwill impairment loss will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. (See Note 8.)

Evaluation of indefinite-lived intangible assets for impairment

The Company evaluates its indefinite-lived intangible assets (i.e., trade names and trademarks) for impairment. In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is unlikely that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is unlikely that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through this quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is considered not to be impaired. If the Company concludes that the fair value of an indefinite-lived intangible asset is less than its carrying value, an impairment loss will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

The methods used to estimate the fair value measurements of the Company's reporting units and indefinite-lived intangible assets include those based on the income approach (including the discounted cash flow and relief-from-royalty methods) and those based on the market approach (primarily the guideline transaction and guideline public company methods). (See Note 8.)

Long-Term Investments

Investments in privately-held entities are accounted for using the equity method when the Company has significant influence but not control over the investee. Significant influence is generally deemed to exist if the Company's ownership interest in the voting stock of the investee ranges between 20% and 50% although other factors are considered in determining whether the equity method of accounting is appropriate. 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, net. 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.

We evaluate our long-term investments for impairment quarterly or whenever events or changes in circumstances indicate that a decline in the fair value of these assets is determined to be other-than-temporary. Additionally, the Company performs an on-going evaluation of its equity method investments with which the Company has variable interests to determine if any of these entities are VIEs that are required to be consolidated. None of the Company's long-term investments are VIEs as of December 31, 2020 and June 30, 2020.

Other Long-Term Assets

Notes and other receivables, with terms greater than one year, are carried at amortized cost, net of any unamortized origination fees, which are recognized over the life of the note. The determination of an allowance is based on historical experience and, as a result, can differ from actual losses incurred in the future. We charge off receivables at such time as it is determined collection will not occur.

On September 19, 2019, the Company, as lender, entered into a convertible revolving credit facility with a privately-held supplier and counterparty (the borrower) that provides the borrower an aggregate principal amount of up to $4.0 million, bearing interest at 12.0% per annum. The facility expires on September 18, 2022. The borrower has the right to prepay the credit facility at any time without premium or penalty. Outstanding principal amounts under the credit facility may, at the lender's discretion, be converted into up to 22.0% of the borrower's issued and outstanding common stock. The credit facility also grants the lender the right to repay the borrower's outstanding unrelated third-party debt, at any time, in exchange for up to 27.5% of the borrower's issued and outstanding common stock. In the event the borrower sells all or substantially all of its assets or has a change of control during the term of the facility, the lender is entitled to additional interest equal to 10.0% of the gross sales price in excess of $9.9 million. The credit facility collateral includes all: (i) account receivables; (ii) inventory; (iii) fixed assets; (iv) intellectual property; (v) contract rights; and (vi) deposit accounts, in each case subordinated to an unrelated third-party lender's security interest.

Effective October 1, 2020, A-Mark exercised its right to convert $1.0 million of the $3.5 million outstanding convertible revolving credit facility balance and exercised our right to repay in full borrower's third-party loan, which totaled $5.8 million at the exercise date. As a result, the Company owns 31.2% of borrower's outstanding common stock. As of December 31, 2020 and June 30, 2020, the carrying value of the convertible revolving credit facility was $2.5 million and $3.5 million, respectively.

Revenue Recognition

Settlement Date Accounting

Substantially all of the Company's sales of precious metals are conducted using sales contracts that meet the definition of derivative instruments in accordance with the *Derivatives and Hedging* Topic 815 of the ASC ("ASC 815"). The contract underlying A-Mark's commitment to deliver precious metals is referred to as a "fixed-price forward commodity contract" because the price of the commodity is fixed at the time the order is placed. Revenue is recognized on the settlement date, which is defined as the date on which: (i) the quantity, price, and specific items being purchased have been established, (ii) metals have been delivered to the customer, and (iii) payment has been received or is covered by the customer's established credit limit with the Company

All derivative instruments are marked-to-market during the interval between the trade date and the settlement date, with the changes in the fair value charged to cost of sales. The Company's hedging strategy to mitigate the market risk associated with its sales commitments is described separately below under the caption "Hedging Activities."

Types of Trade Orders that are Physically Delivered

The Company's contracts to sell precious metals to customers are usually settled with the physical delivery of metals to the customer, although net settlement (i.e., settlement at an amount equal to the difference between the contract value and the market price of the metal on the settlement date) is permitted. Below is a summary of the Company's major trade order types and the key factors that determine when settlement occurs and when revenue is recognized for each type:

- ***Traditional physical trade orders*** — The quantity, specific product, and price are determined on the trade date. Payment or sufficient credit is verified prior to delivery of the metals on the settlement date.
- ***Consignment trade orders*** — The Company delivers the items requested by the customer prior to establishing a firm trade order with a price. Settlement occurs and revenue is recognized once the customer confirms its order (quantity, specific product, and price) and remits full payment for the sale.
- ***Provisional trade orders*** — The quantity and type of metal is established at the trade date, but the price is not set. The customer commits to purchasing the metals within a specified time period, usually within one year, at the then-current market price. The Company delivers the metal to the customer after receiving the customer's deposit, which is typically based on 110% of the prevailing current spot price. The unpriced metal is subject to a margin call if the deposit falls below 105% of the value of the unpriced metal. The purchase price is established and revenue is recognized at the time the customer notifies the Company that it desires to purchase the metal.
- ***Margin trade orders*** — The quantity, specific product, and price are determined at trade date; however, the customer is allowed to finance the transaction through the Company and to defer delivery by committing to remit a partial payment (approximately 20%) of the total order price. With the remittance of the partial payment, the customer locks in the purchase price for a specified time period (usually up to two years from the trade date). Revenue on margin trade orders is recognized when the order is paid in full and delivered to the customer.
- ***Borrowed precious metals trade orders for unallocated positions*** — Customers may purchase unallocated metal positions in the Company's inventory. The quantity and type of metal is established at the trade date, but the specific product is not yet determined. Revenue is not recognized until the customer selects the specific precious metal product it wishes to purchase, full payment is received, and the product is delivered to the customer.

In general, unshipped orders for which a customer advance has been received by the Company are classified as advances from customers. Orders that have been paid for and shipped, but not yet delivered to the customer are classified as deferred revenue. Both customer advances and deferred revenue are components of accounts payableand other current liabilities in the condensed consolidated balance sheets.

Hedging Activities

The value of our inventory and our purchase and sale 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 credit worthy financial institutions. The Company hedges by each commodity type (gold, silver, platinum, and palladium). All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions.

Commodity forward and futures contracts entered into for hedging purposes are recorded at fair value on the trade date and are marked-to-market each period. The difference between the original contract values and the market values of these contracts are reflected as derivative assets or derivative liabilities in the condensed consolidated balance sheets at fair value, with the corresponding unrealized gains or losses included as a component of cost of sales. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales and the net realized gains and losses for futures are recorded in cost of sales.

The Company enters into futures and forward contracts solely for the purpose of hedging our inventory holding risk and our liability on price protection programs, 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.)

Other Sources of Revenue

The Company recognizes its storage, logistics, licensing, and other services revenues in accordance with the FASB's release ASU 2014-09 *Revenue From Contracts With Customers* Topic 606 and subsequent related amendments ("ASC 606"), which follows five basic steps to determine whether revenue can be recognized: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue when or as it satisfies its obligation by transferring control of the good or service to the customer. This is either satisfied over time or at a point in time. A performance obligation is satisfied over time if one of the following criteria are met: (i) the customer simultaneously receives and consumes the benefits as the Company performs, (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (iii) the Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right for payment of performance completed-to-date. When none of those is met, a performance obligation is satisfied at a point-in-time.

The Company recognizes storage revenue as the customer simultaneously receives and consumes the storage services (e.g., fixed storage fees based on the passage of time). The Company recognizes logistics (i.e., fulfillment) revenue when the customer receives the benefit of the services. In aggregate, these types of service revenues account for less than 1% of the Company's combined revenue from all revenue streams.

Interest Income

In accordance with the *Interest* Topic 835 of the ASC ("ASC 835") following are interest income generating activities of the Company:

- ***Secured Loans —*** The Company uses the effective interest method to recognize interest income on its secured loans transactions. 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 resolved. Cash receipts on impaired loans are recorded first against the principal and then to any unrecognized interest income. (See Note 5.)
- ***Margin accounts —*** The Company earns a fee (interest income) under financing arrangements related to margin trade orders over the period during which customers have opted to defer making full payment on the purchase of metals.

- ***Repurchase agreements*** **—** Repurchase agreements represent a form of secured financing whereby the Company sets aside specific metals for a customer and charges a fee on the outstanding value of these metals. The customer is granted the option (but not the obligation) to repurchase these metals at any time during the open reacquisition period. This fee is earned over the duration of the open reacquisition period and is classified as interest income.
- ***Spot deferred trade orders*** **—** Spot deferred trade orders are a special type of forward delivery trade that enable customers to purchase or sell certain precious metals from/to the Company at an agreed upon price but, are allowed to delay remitting or taking delivery up to a maximum of two years from the date of trade. Even though the contract allows for physical delivery, it rarely occurs for this type of trade. As a result, revenue is not recorded from these transactions, because no product is delivered to the customer. Spot deferred trades are considered a type of financing transaction, where the Company earns a fee (interest income) under spot deferred arrangements over the period in which the trade is open.

Interest Expense

The Company accounts for interest expense on the following arrangements in accordance with*Interest* Topic 835 of the ASC ("ASC 835"):

- ***Borrowings*** **—** The Company incurs interest expense from its lines of credit, its debt obligations, and notes payable using the effective interest method. (See Note 14.) Additionally, the Company amortizes capitalized loan costs to interest expense over the period of the loan agreement.
- ***Loan servicing fees*** **—** When the Company purchases loan portfolios, the Company may have the seller service the loans that were purchased. The Company incurs a fee based on total interest charged to borrowers over the period the loans are outstanding. The servicing fee incurred by the Company is charged to interest expense.
- ***Product financing arrangements*** **—** The Company incurs financing fees (classified as interest expense) from its product financing arrangements (also referred to as reverse-repurchase arrangements) with third party finance companies for the transfer and subsequent option to reacquire its precious metal inventory at a later date. These arrangements are accounted for as secured borrowings. During the term of this type of agreement, the third party charges a monthly fee as a percentage of the market value of the designated inventory, which the Company intends to reacquire in the future. No revenue is generated from these trades. The Company enters this type of transaction for additional liquidity.
- ***Borrowed and leased metals fees*** **—** The Company may incur financing costs from its borrowed metal arrangements. The Company borrows precious metals (usually in the form of pool metals) from its suppliers and customers under short-term arrangements using other precious metals as collateral. Typically, during the term of these arrangements, the third party charges a monthly fee as a percentage of the market value of the metals borrowed (determined at the spot price) plus certain processing and other fees.

Leased metal transactions are a similar type of transaction, except the Company is not required to pledge other precious metal as collateral for the precious metal received. The fees charged by the third party are based on the spot value of the pool metal received.

Both borrowed and leased metal transactions provide an additional source of liquidity, as the Company usually monetizes the metals received under such arrangements. Repayment is usually in the same form as the metals advanced, but may be settled in cash.

Other Income and Expense, Net

The Company's other income and expense is derived from the Company's proportional interest in the reported net income or loss of our investees that are accounted for under the equity method of accounting (see Note 9), royalty income, and costs associated with the purchase of Goldline.

Advertising

Advertising expense is recorded as incurred and was $0.6 million and $0.3 million, respectively, for the three months ended December 31, 2020 and 2019. Advertising expense was $1.3 million and $0.8 million, respectively, for the six months ended December 31, 2020 and 2019.

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 $1.8 million and $1.4 million, respectively, for the three months ended December 31, 2020 and 2019. Shipping and handling costs incurred totaled $5.0 million and $2.8 million, respectively, for the six months ended December 31, 2020 and 2019.

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. The expense is adjusted for actual forfeitures of unvested awards as they occur. (See Note 16.)

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 has adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognizes the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's condensed consolidated balance sheets. See Note 12 for more information on the Company's accounting for income taxes.

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. Based on our assessment, it appears more likely than not that all of the net deferred tax assets will be realized through future taxable income.

Earnings per Share ("EPS")

The Company computes and reports both basic EPS and diluted EPS. Basic EPS is computed by dividing net earnings (losses) by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings (losses) 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, 2020 and 2019, is presented below.

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Basic weighted average shares outstanding	7,063	7,031	7,065	7,031
Effect of common stock equivalents — stock issuable under outstanding equity awards	650	25	545	44
Diluted weighted average shares outstanding	7,713	7,056	7,610	7,075

Dividends

Dividends are recorded if and when they are declared by the Board of Directors.

On September 3, 2020, the Company's Board of Directors declared a non-recurring special dividend of $1.50 per share to common stock shareholders of record at the close of business on September 21, 2020. On October 29, 2020, the Company's Board of Directors declared a non-recurring special dividend of $1.50 per share to common stock shareholders of record at the close of business on November 23, 2020. In the aggregate, the Company paid $21.2 million in dividends for the six months ended December 31, 2020.

Recently Adopted Accounting Pronouncements

From time to time, the Financial Accounting Standards Board ("FASB") or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification (“ASC”) are communicated through issuance of an Accounting Standards Update (“ASU”).

We adopted ASU No. 2018-15, *Intangibles—Goodwill and Other: Internal-Use Software* (Subtopic 350-40), which provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04 (“ASU 2020-04”), *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This update provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as interbank offered rates and LIBOR. This guidance includes practical expedients for contract modifications due to reference rate reform. Generally, contract modifications related to reference rate reform may be considered an event that does not require remeasurement or reassessment of a previous accounting determination at the modification date. This guidance is effective immediately; however, it is only available through December 31, 2022. The Company will continue to evaluate the standard as well as additional changes, modifications, or interpretations which may impact the Company.

In December 2019, the FASB issued ASU 2019-12 (“ASU 2019-12”), *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes* to simplify the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard will be effective for us beginning July 1, 2021, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, (“ASU 2016-13”), *Financial Instruments - Credit Loss (Topic 326*), which updates the guidance on recognition and measurement of credit losses for financial assets. The new requirements, known as the current expected credit loss model ("CECL") will require entities to adopt an impairment model based on expected losses rather than incurred losses. This update is effective for the Company on July 1, 2023 (for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years). We are currently evaluating the potential impact of this standard on our consolidated financial statements.

3. ASSETS AND LIABILITIES, AT FAIR VALUE

Fair Value of Financial Instruments

A financial instrument is defined as cash, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity. The fair value of financial instruments represents amounts that would be received upon the sale of 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. 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.

For most of the Company's financial instruments, the carrying amount approximates fair value. The carrying amounts of cash, receivables, secured loans receivable, accounts payable and other current liabilities, accrued liabilities, and income taxes payable approximate fair value due to their short-term nature. The carrying amounts of derivative assets and derivative liabilities, liabilities on borrowed metals and product financing arrangements 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. The carrying amounts of the Company's other long-term assets, which include a note receivable due from a customer, approximate fair value as of December 31, 2020.

The Company's fixed-rate notes payable is reported at its aggregate principal amount less unamortized original issue discount and deferred financing costs on the accompanying consolidated balance sheets. The fair value of the notes payable is based on the present value of the expected coupon and principal payments using an estimated discount rate based on current market rates for debt with similar credit risk. The following table presents the carrying amounts and estimated fair values of the Company's fixed-rate notes payable of December 31, 2020 and June 30, 2020:

in thousands

	December 31, 2020		June 30, 2020	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Notes payable	$ 92,874	$ 102,084	$ 92,517	$ 101,017

Valuation Hierarchy

In determining the fair value of its financial instruments, the Company employs a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The significant assumptions used to determine the carrying value and the related fair value of the assets and liabilities measured at fair value on a recurring basis are described below:

Inventories. The Company's inventory primarily includes bullion and bullion coins, which is acquired and initially recorded at cost and then marked to fair market value. The fair market value of the bullion and bullion coins comprises two components: i) published market values attributable to the costs of the raw precious metal, and ii) 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 net realizable value, the Company's inventory is 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 is classified in Level 1 of the valuation hierarchy.

Precious Metals held under Financing Arrangements. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the spot value of the product on the repurchase date. The precious metals purchased under these arrangements consist of rare and unique items, and therefore the Company accounts for these transactions as precious metals held under financing arrangements, which generate financing income rather than revenue from precious metals inventory sales. In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement. The fair value for precious metals held under financing arrangements, (a commodity, like inventory above) is determined using pricing data derived from the markets on which the underlying commodities are traded. Precious metals held under financing arrangements 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 an agreed-upon price based on the spot price with a third party. Such transactions allow the Company to repurchase this inventory on the termination (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, 2020 and June 30, 2020, aggregated by the level in the fair value hierarchy within which the measurements fall:

in thousands

	December 31, 2020			
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventories(1)	$ 517,673	$ —	$ —	$ 517,673
Precious metals held under financing arrangements	160,255	—	—	160,255
Derivative assets — open sale and purchase commitments, net	57,826	—	—	57,826
Derivative assets — forward contracts	23	—	—	23
Total assets, valued at fair value	$ 735,777	$ —	$ —	$ 735,777
Liabilities:				
Liabilities on borrowed metals	$ 141,796	$ —	$ —	$ 141,796
Product financing arrangements	272,531	—	—	$ 272,531
Derivative liabilities — margin accounts	4,162	—	—	4,162
Derivative liabilities — open sale and purchase commitments, net	2,165	—	—	2,165
Derivative liabilities — futures contracts	33,129	—	—	33,129
Derivative liabilities — forward contracts	11,353	—	—	11,353
Total liabilities, valued at fair value	$ 465,136	$ —	$ —	$ 465,136

(1) Commemorative coin inventory totaling $9 thousand is held at lower of cost or net realizable value and thus is excluded from the inventories balance shown in this table.

in thousands

	June 30, 2020			
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventories(1)	$ 321,264	$ —	$ —	$ 321,264
Precious metals held under financing arrangements	178,577	—	—	178,577
Derivative assets — open sale and purchase commitments, net	46,224	—	—	46,224
Derivative assets — forward contracts	101	—	—	101
Total assets, valued at fair value	$ 546,166	$ —	$ —	$ 546,166
Liabilities:				
Liabilities on borrowed metals	$ 168,206	$ —	$ —	$ 168,206
Product financing arrangements	74,678	—	—	74,678
Derivative liabilities — margin accounts	5,380	—	—	5,380
Derivative liabilities — open sale and purchase commitments, net	4,349	—	—	4,349
Derivative liabilities — futures contracts	12,477	—	—	12,477
Derivative liabilities — forward contracts	3,208	—	—	3,208
Total liabilities, valued at fair value	$ 268,298	$ —	$ —	$ 268,298

(1) Commemorative coin inventory totaling $17 thousand is held at lower of cost or net realizable value thus is excluded from the inventories balance shown in this table.

There were no transfers in or out of Level 2 or 3 from other levels within the fair value hierarchy during the reported periods.

Assets Measured at Fair Value on a Non-Recurring Basis

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:(i) equity method investments that are written down to fair value when a decline in the fair value is determined to be other-than-temporary, (ii) property, plant, and equipment and definite-lived intangibles, or (iii) goodwill and indefinite-lived intangibles, all of which are written down to fair value when they are held for sale or determined to be impaired. The resulting fair value measurements of the assets are considered to be Level 3 measurements. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples, and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company's estimated outlook and various growth rates. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective equity method investment, asset group, or reporting unit. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable transactions and comparable public company trading values.

4. RECEIVABLES

Receivables consist of the following as of December 31, 2020 and June 30, 2020:

in thousands

	December 31, 2020	June 30, 2020
Customer trade receivables	$ 7,015	$ 6,047
Wholesale trade advances	1,480	10,167
Due from brokers	93,369	32,928
	$ 101,864	$ 49,142

Customer Trade Receivables. Customer trade receivables represent short-term, non-interest bearing amounts due from precious metal sales, advances related to financing products, and 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, and 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.)

5. SECURED LOANS RECEIVABLE

Below is a summary of the carrying value of our secured loans as of December 31, 2020 and June 30, 2020:

in thousands

	December 31, 2020	June 30, 2020
Secured loans originated	$ 37,865	$ 30,019
Secured loans originated - with a related party	135	8,797
	38,000	38,816
Secured loans acquired	57,817 (1)	24,894 (2)
	$ 95,817	$ 63,710

(1) Includes $6 thousand of loan premium as of December 31, 2020.
(2) Includes $6 thousand of loan premium as of June 30, 2020.

Secured Loans - Originated: Secured loans include short-term loans, which include a combination of on-demand lines and short-term facilities 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 customers. The Company acquires a portfolio of their loan receivables at a price that approximates the outstanding balance 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, 2020 and June 30, 2020, our secured loans carried weighted-average effective interest rates of 8.7% and 8.9%, respectively, and mature in periods ranging typically from on-demand to one year.

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 receivables, net. For the secured loans that (i) are reflected as an investing activity and have terms that allow the borrowers 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 (ii) are repayable on demand or in the short-term, the borrowings and repayments are netted on the condensed consolidated statements of cash flows.

Credit Quality of Secured Loans Receivables and Allowance for Credit Losses

General

The Company's secured loan receivables portfolio comprises loans with similar credit risk profiles, which enables the Company to apply a standard methodology to determine the credit quality for each loan and the allowance for credit losses, if any.

The credit quality of each loan is generally determined by the collateral value assessment, loan-to-value ratio (that is, the principal amount of the loan divided by the estimated value of the collateral) and the type (or class) of secured material. All loans are fully secured by precious metal bullion or numismatic collateral, which remains in the physical custody of the Company for the duration of the loan. The term of the loans is generally 180 days, however loans are typically renewed prior to maturity and therefore remain outstanding for a longer period of time. Interest earned on a loan is billed monthly and is typically due and payable within 20 days.

When an account is in default or if a margin call has not been met on a timely basis, the Company has the right to liquidate the borrower's collateral in order to satisfy the unpaid balance of the outstanding loans, including accrued and unpaid interest.

Class and Credit Quality of Loans

The two classes of secured loan receivables are defined by collateral type: (i) bullion items, and (ii) numismatic and semi-numismatic coins. The required loan-to-value ratio varies with the class of loans. Typically, the Company requires a loan-to-value ratio of approximately 75% for bullion and 65% for numismatic collateral. The reason for the lower loan-to-value ratio for numismatic loans is that, on a percentage basis, more of the value of the numismatic coin relates to its premium value rather than its underlying commodity value.

The Company's secured loans by portfolio class, which align with internal management reporting, are as follows:

in thousands

	December 31, 2020		June 30, 2020	
Bullion	$ 72,599	75.8 %	$ 36,445	57.2 %
Numismatic and semi-numismatic	23,218	24.2 %	27,265	42.8 %
	$ 95,817	100.0 %	$ 63,710	100.0 %

Due to the nature of market fluctuations of precious metal commodity prices, the Company monitors the bullion collateral value of each loan on a daily basis, based on spot price of precious metals. Numismatic collateral values are updated by numismatic specialists when loan terms are renewed (typically in 180 days).

Generally, we initiate the margin call process when the outstanding loan balance is in excess of 85% of the current value of the underlying collateral. In the event that a borrower fails to meet a margin call to reestablish the required loan-to-value ratio, the loan is considered in default. The collateral material (either bullion or numismatic) underlying such loans is then sold by the Company to satisfy all amounts due under the loan.

Loans with loan-to-value ratios of less than 75% are generally considered to be higher quality loans. Below is summary of aggregate outstanding secured loan balances bifurcated into (i) loans with a loan-to-value ratio of 75% or more and (ii) loans with a loan-to-value ratio of less than 75%:

in thousands

	December 31, 2020		June 30, 2020	
Loan-to-value of less than 75%	$ 89,177	93.1 %	$ 58,296	91.5 %
Loan-to-value of 75% or more	6,640	6.9 %	5,414	8.5 %
	$ 95,817	100.0 %	$ 63,710	100.0 %

The Company had no loans with a loan-to-value ratio in excess of 100% as of December 31, 2020 and June 30, 2020.

Non-Performing Loans/Impaired Loans

Historically, the Company has not established an allowance for any credit losses because the Company has liquidated the collateral to satisfy the amount due before any loan becomes non-performing or impaired.

Non-performing loans have the highest probability for credit loss. The allowance for secured loan losses attributable to non-performing loans is based on the most probable source of repayment, which is normally the liquidation of collateral. Due to the accelerated liquidation terms of the Company's loan portfolio, past due loans are generally liquidated within 90 days of default before a loan becomes non-performing. In the event a loan was to become non-performing, the Company would determine a reserve to reduce the carrying balance to its estimated net realizable value. As of December 31, 2020 and June 30, 2020, the Company had no allowance for secured loan losses.

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. In the event of an impairment, recognition of interest income would be suspended and the loan would be placed on non-accrual status at the time. Accrual would be resumed, and previously suspended interest income would be 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. For the six months ended December 31, 2020 and 2019, 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, 2020 and June 30, 2020:

in thousands

	December 31, 2020	June 30, 2020
Inventory held for sale	$ 122,107	$ 153,412
Repurchase arrangements with customers	99,964	70,988
Consignment arrangements with customers	1,617	2,842
Commemorative coins, held at lower of cost or net realizable value	9	17
Borrowed precious metals	21,454	19,344
Product financing arrangements, restricted	272,531	74,678
	$ 517,682	$ 321,281

Inventory Held for Sale. Inventory held for sale represents precious metals, excluding commemorative coin inventory, that have been received by the Company and are not subject to repurchase by or consignment arrangements with third parties, borrowed precious metals, and product financing arrangements. As of December 31, 2020 and June 30, 2020, the inventory held for sale totaled $122.1 million and $153.4 million, respectively.

Repurchase Arrangements with Customers. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the fair value of the product on the repurchase date. Under these arrangements, the Company, which holds legal title to the metals, earns financing income until the time the arrangement is terminated or the material is repurchased by the customer. In the event of a repurchase by the customer, the Company records a sale.

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's rights to repurchase any remaining inventory is forfeited. As of December 31, 2020 and June 30, 2020, included within inventories is $100.0 million and $71.0 million, respectively, of precious metals products subject to repurchase arrangements with customers.

Consignment Arrangements with Customers. The Company periodically loans metals to customers on a short-term consignment basis. Inventory loaned under consignment arrangements to customers as of December 31, 2020 and June 30, 2020 totaled $1.6 million and $2.8 million, respectively. Such transactions are recorded as sales and are removed from the Company's inventory at the time the customer elects to price and purchase the precious metals.

Commemorative Coins. Our commemorative coin inventory, including its premium component, is held at the lower of cost or net realizable value, 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, and are included in inventories at the lower of cost or net realizable value and totaled $9,000 and $17,000 as of December 31, 2020 and June 30, 2020, respectively.

Borrowed Precious Metals. Borrowed precious metals inventory include: (i) metals held by suppliers as collateral on advanced pool metals, (ii) metals due to suppliers for the use of their consigned inventory, (iii) unallocated metal positions held by customers in the Company's inventory, and (iv) shortages in unallocated metal positions held by the Company in the supplier's inventory. 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 due under these arrangements require delivery either in the form of precious metals or cash. The Company's inventory included borrowed precious metals with market values totaling $21.5 million and $19.3 million as of December 31, 2020 and June 30, 2020, respectively, with a corresponding offsetting obligation reflected as liabilities on borrowed metals on the condensed consolidated balance sheets.

Product Financing Arrangements. In substance, this inventory represents amounts held as security by lenders 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 an agreed-upon price based on the spot 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, paid to the third party finance company. During the term of the financing, the third party finance company holds the inventory as collateral, and both parties intend for the inventory to be returned to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. These transactions do not qualify as sales and have been accounted for as financing arrangements in accordance with ASC 470-40 *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 obligations totaled $272.5 million and $74.7 million as of December 31, 2020 and June 30, 2020, respectively.

The Company mitigates market risk of its physical inventory and open commitments through commodity hedge transactions. (See Note 11.) As of December 31, 2020 and June 30, 2020, the unrealized gains resulting from the difference between market value and cost of physical inventory were $21.5 million and $6.5 million, respectively.

Premium component of inventory

The premium component, at market value, included in the inventory as of December 31, 2020 and June 30, 2020 totaled $12.0 million and $3.7 million, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at December 31, 2020 and June 30, 2020:

in thousands

	December 31, 2020	June 30, 2020
Office furniture, and fixtures	$ 2,153	$ 2,142
Computer equipment	943	900
Computer software	5,289	5,288
Plant equipment	4,198	3,450
Building	446	322
Leasehold improvements	2,804	2,804
Total depreciable assets	15,833	14,906
Less: Accumulated depreciation and amortization	(9,956)	(9,267)
Land	36	36
Property, plant, and equipment, net	$ 5,913	$ 5,675

Depreciation expense for the three months ended December 31, 2020 and 2019 was $342,000 and $412,000, respectively. Depreciation expense for the six months ended December 31, 2020 and 2019 was $689,000 and $827,000, respectively. For the periods presented, no depreciation or amortization expense was allocated to cost of sales.

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill is an intangible asset that arises when a company acquires an existing business or assets (net of assumed liabilities) which comprise a business. In general, the amount of goodwill recorded in an acquisition is calculated as the purchase price of the business minus the fair market value of the tangible assets and the identifiable intangible assets, net of the assumed liabilities. Goodwill and intangibles can also be established by push-down accounting. Below is a summary of the significant transactions that generated goodwill and intangible assets of the Company:

- In connection with the acquisition of A-Mark by SGI in July 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.
- In connection with the Company's business combination with AMST in August 2016, the Company recorded an additional $2.5 million and $4.3 million of identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represent their fair values at the acquisition date. The Company’s investment in AMST has resulted in synergies between the acquired minting operation and the Company’s established distribution network by providing a steadier and more 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.
- In connection with the Company's acquisition of Goldline in August 2017, the Company recorded $5.0 million and $1.4 million of additional identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represent their fair values at the acquisition date. The Company’s investment in Goldline created synergies between Goldline's direct marketing operation and the Company’s established distribution network, secured storage and lending operations that has led to increased product margin spreads, and lower distribution and storage costs for Goldline.

Carrying Value

The carrying value of goodwill and other purchased intangibles as of December 31, 2020 and June 30, 2020 is as described below:

dollar amounts in thousands

		December 31, 2020				June 30, 2020			
	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value
Identifiable intangible assets:									
Existing customer relationships	5 - 15	$ 8,998	$ (7,582)	$ —	$ 1,416	$ 8,998	$ (7,307)	$ —	$ 1,691
Non-compete and other	3 - 5	2,300	(2,222)	—	78	2,300	(2,187)	—	113
Employment agreement	3	295	(295)	—	—	295	(288)	—	7
Intangibles subject to amortization		11,593	(10,099)	—	1,494	11,593	(9,782)	—	1,811
Trade names and trademarks	Indefinite	4,454	—	(1,291)	3,163	4,454	—	(1,291)	3,163
Identifiable intangible assets		$ 16,047	$ (10,099)	$ (1,291)	4,657	$ 16,047	$ (9,782)	$ (1,291)	$ 4,974
Goodwill	Indefinite	$ 10,245	$ —	$ (1,364)	$ 8,881	$ 10,245	$ —	$ (1,364)	$ 8,881

The Company's intangible assets are subject to amortization except for trade-names and trademarks, 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, 2020 and 2019 was $163,000 and $255,000, respectively. Amortization expense related to the Company's intangible assets for the six months ended December 31, 2020 and 2019 was $317,000 and $508,000, respectively. For the presented periods, no amortization expense was allocated to cost of sales.

Impairment

The accumulated impairment charge of $2.7 million (goodwill and indefinite-lived intangible assets) was a non-recurring charge for fiscal 2018 related to the Direct Sales segment. No further impairment of goodwill or indefinite-lived intangible assets has occurred since fiscal 2018.

Estimated Amortization

Estimated annual amortization expense related to definite-lived intangible assets for the succeeding five years is as follows (in thousands):

Fiscal Year Ending June 30,	Amount
2021 *(6 months remaining)*	312
2022	601
2023	158
2024	77
2025	60
Thereafter	286
Total	$ 1,494

9. LONG-TERM INVESTMENTS

The Company has four investments in privately-held entities, each of which is a precious metals retailer and customer of the Company. Depending on the entity, the Company may have one or more of the following in place: (i) an exclusive supplier agreement, subject to certain limitations; (ii) a product fulfillment services and storage agreement; and (iii) the right to appoint a director to the entity's board of directors. The Company has determined that it is appropriate to account for each of these investments under the equity method of accounting.

The following table shows the carrying value and ownership percentage of the Company's investment in each entity:

Entity	December 31, 2020 Carrying Value (in thousands)	December 31, 2020 Ownership Percentage	June 30, 2020 Carrying Value (in thousands)	June 30, 2020 Ownership Percentage
Company A	$ 3,113	7.4 %	$ 2,529	7.4 %
Company B	18,876	20.8 %	13,296	20.6 %
Company C	1,012	10.0 %	938	10.0 %
Company D	7,012	31.2 %	—	(— %)
	$ 30,013		$ 16,763	

The Company considers these equity method investees to be related parties. See Note 13 for a summary of the Company's aggregate balances and activity with these related party entities.

10. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consist of the following:

in thousands

	December 31, 2020	June 30, 2020
Trade payables to customers	$ 1,259	$ 2,316
Advances from customers	128,010	129,624
Deferred revenue	10,712	6,141
Other accounts payable	2,391	2,849
	$ 142,372	$ 140,930

11. DERIVATIVE INSTRUMENTS AND HEDGING TRANSACTIONS

The Company is exposed to market risk, such as changes in commodity prices and foreign exchange rates. To manage the volatility related 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. 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, both of which are recorded in cost of sales in the consolidated statements of income.

Commodity Price Management

The Company manages the value of certain assets and liabilities of its trading business, including trading inventory, 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 inventory 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 comprehensive income. Instead, gains or losses resulting from the Company's futures and forward contracts and open sale and purchase commitments are reported in the condensed consolidated statements of income 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 derivative assets or liabilities on the condensed consolidated balance sheets.

The Company's trading inventory 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 inventory is subject to market value changes, created by changes in the underlying commodity market prices. Inventory purchased or borrowed by the Company is subject to price changes. Inventory borrowed is considered a natural hedge, 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 within2 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). As such, for 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, 2020 and June 30, 2020.

in thousands

	December 31, 2020				June 30, 2020			
	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	$ 66,183	$ (8,357)	$ —	$ 57,826	$ 48,896	$ (2,672)	$ —	$ 46,224
Forward contracts	23	—	—	23	101	—	—	101
	$ 66,206	$ (8,357)	$ —	$ 57,849	$ 48,997	$ (2,672)	$ —	$ 46,325
Nettable derivative liabilities:								
Open sale and purchase commitments	$ 2,638	$ (473)	$ —	$ 2,165	5,653	$ (1,304)	$ —	$ 4,349
Margin accounts	6,102	—	(1,940)	4,162	14,616	—	(9,236)	5,380
Future contracts	33,129	—	—	33,129	12,477	—	—	12,477
Forward contracts	11,353	—	—	11,353	3,208	—	—	3,208
	$ 53,222	$ (473)	$ (1,940)	$ 50,809	$ 35,954	$ (1,304)	$ (9,236)	$ 25,414

Gains or Losses on Derivative Instruments

The Company records the derivative at the trade date with a corresponding unrealized gains (losses), shown as a component of cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales, and the net realized gains and losses for futures are recorded in cost of sales.

Below is a summary of the net gains (losses) on derivative instruments for thethree and six months ended December 31, 2020 and 2019.

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Gains (losses) on derivative instruments:				
Unrealized (losses) gains on open future commodity and forward contracts and open sale and purchase commitments, net	$ (92,552)	$ (15,356)	$ (14,275)	$ 9,755
Realized (losses) gains on future commodity contracts, net	(2,579)	4,334	(107,414)	(12,111)
	$ (95,131)	$ (11,022)	$ (121,689)	$ (2,356)

The Company's net gains (losses) on derivative instruments, as shown in the table above, were substantially offset by the changes in fair market value of the underlying precious metals inventory and open sale and purchase commitments, which were also recorded in cost of sales in the condensed consolidated statements of income.

Summary of Hedging Positions

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, 2020 and June 30, 2020.

in thousands

	December 31, 2020	**June 30, 2020**
Inventories	$ 517,682	$ 321,281
Precious metals held under financing arrangements	160,255	178,577
	677,937	499,858
Less unhedgeable inventories:		
Commemorative coin inventory, held at lower of cost or net realizable value	(9)	(17)
Premium on metals position	(11,967)	(3,684)
Precious metal value not hedged	(11,976)	(3,701)
	665,961	496,157
Commitments at market:		
Open inventory purchase commitments	723,536	514,553
Open inventory sales commitments	(309,332)	(309,134)
Margin sale commitments	(6,102)	(14,652)
In-transit inventory no longer subject to market risk	(6,728)	(3,605)
Unhedgeable premiums on open commitment positions	4,948	2,779
Borrowed precious metals	(141,796)	(168,206)
Product financing arrangements	(272,531)	(74,678)
Advances on industrial metals	696	318
	(7,309)	(52,625)
Precious metal subject to price risk	658,652	443,532
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	126,154	73,948
Precious metals futures contracts at market values	532,044	369,842
Total market value of derivative financial instruments	658,198	443,790
Net precious metals subject to commodity price risk	$ 454	$ (258)

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, 2020 and June 30, 2020, the Company had the following outstanding commitments and open forward and future contracts:

in thousands

	December 31, 2020	June 30, 2020
Purchase commitments	$ 723,536	$ 514,553
Sales commitments	$ (309,332)	$ (309,134)
Margin sales commitments	$ (6,102)	$ (14,652)
Open forward contracts	$ 126,154	$ 73,948
Open futures contracts	$ 532,044	$ 369,842

The contract amounts (i.e., notional balances) of the Company's forward and futures contracts and the open sales and purchase commitments are 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, 2020, 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 on 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 gains on foreign exchange derivative instruments related to our open trades are shown on the face of the condensed consolidated statements of income totaled $19,000 and $125,000 for the three months ended December 31, 2020 and 2019, respectively. Unrealized (losses) gains on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of income totaled ($78,000) and $3,000 for the six months ended December 31, 2020 and 2019, 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 are as follows:

in thousands

	December 31, 2020	June 30, 2020
Foreign exchange forward contracts	$ 2,302	$ 4,599
Open sale and purchase commitment transactions, net	$ 1,442	$ 3,475

12. INCOME TAXES

Net income from operations before provision for income taxes is shown below:

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
U.S.	$ 11,794	$ 1,681	$ 42,005	$ 2,082
Foreign	6	6	12	13
	$ 11,800	$ 1,687	$ 42,017	$ 2,095

The provision for income tax expense by jurisdiction and the effective tax rate for the three and six months ended December 31, 2020 and 2019 are shown below:

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Federal	$ 2,344	$ 353	$ 8,193	$ 438
State and local	184	78	842	97
Foreign	58	1	62	2
Income tax expense	$ 2,586	$ 432	$ 9,097	$ 537
Effective tax rate	21.9 %	25.6 %	21.7 %	25.6 %

Tax Balances and Activity

Income Taxes Payable

As of December 31, 2020 and June 30, 2020, income taxes payable totaled $0.7 million and $2.1 million, respectively.

Deferred Tax Assets and Liabilities

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized by evaluating both positive and negative evidence. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of December 31, 2020 and June 30, 2020, management concluded that it was more likely than not that the Company would be able to realize the benefit of the U.S. federal and state deferred tax assets. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to realize the tax benefits associated with the deferred tax assets. A tax valuation allowance was considered unnecessary as of December 31, 2020 and June 30, 2020

As of December 31, 2020 and June 30, 2020, the condensed consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax asset of $1.0 million and a federal deferred tax liability of $1.1 million, respectively.

Net Operating Loss Carryforwards and Tax Credits

As of December 31, 2020 and June 30, 2020, the Company has approximately $12.6 million and $12.6 million of state net operating loss carryforwards, respectively. As of December 31, 2020 and June 30, 2020, the Company's tax-effected net operating loss carryforwards were $0.9 million and $0.9 million respectively. The state net operating loss carryforwards start to expire in the fiscal year ending June 30, 2025.

Unrecognized Tax Benefits

The Company has taken or expects to take certain tax benefits on its income tax return filings that it has not recognized a tax benefit (i.e., an unrecognized tax benefit) on its consolidated statements of income. The Company's measurement of its uncertain tax positions is based on management's assessment of all relevant information, including, but not limited to prior audit experience, audit settlement, or lapse of the applicable statute of limitations. For the six months ended December 31, 2020, there was no material movement in unrecognized tax benefits including interest and penalties.

13. RELATED PARTY TRANSACTIONS

Related parties are entities that the Company controls or has the ability to significantly influence. Related parties also include persons who are affiliated with related entities or the Company who are in a position to influence corporate decisions (such as owners, executives, board members and their families). In the normal course of business, we enter into transactions with our related parties. Below is a list of related parties with whom we have had significant transactions during the comparable periods:

1) *Stack's Bowers Numismatics LLC. ("Stack's Bowers Galleries")*. Stack's Bowers Galleries is a wholly-owned subsidiary of Spectrum Group International, Inc. ("SGI"). In March 2014, SGI distributed all of the shares of common stock of A-Mark to its stockholders, effecting a spinoff of A-Mark from SGI. As a result of this distribution the Company became a publicly traded company independent from SGI. Also, SGI and the Company have a common chief executive officer.

2) *SilverTowne, L.P.* SilverTowne L.P. is a non-controlling owner of AMST (i.e., the Company's minting operations).

3) *Equity method investees.* The Company has four investments in privately held entities, each of which is a precious metals retailer and customer of the Company. Depending on the entity, the Company may have one or more of the following in place: (i) an exclusive supplier agreement, subject to certain limitations; (ii) a product fulfillment services and storage agreement; and (iii) the right to appoint a director to the entity's board of directors.

Our related party transactions include (i) sales and purchases of precious metals (ii) financing activities (iii) repurchase arrangements, and (iv) hedging transactions.

Below is a summary of our related party transactions. Reported transactions from the comparable prior period have been updated, as needed, to include the balances and activity according to our current list of related parties.

Balances with Related Parties

Receivables and Payables, Net

As of December 31, 2020 and June 30, 2020, the Company had related party receivables and payables balances as set forth below:

in thousands

	December 31, 2020		June 30, 2020	
	Receivables	Payables	Receivables	Payables
Stack's Bowers Galleries	$ 325 (1)	$ —	$ 7,981	$ —
Equity method investees	4,716 (2)	6,074 (3)	5,301	3,421
SilverTowne	238 (2)	—	77	—
	$ 5,279	$ 6,074	$ 13,359	$ 3,421

(1) Balance principally includes two secured lines of credit with a balance of $0 and $0.1 million (shown as a component of secured loans receivable); and $0.2 million of receivables, net (shown as components of receivables, and derivative assets). See "Secured Loans Receivable" below.

(2) Balance primarily represents receivables, net (shown as components of receivables, derivative assets and other long-term assets). See "Other Long-term Assets" below.

(3) Balance primarily represents payables, net (shown as components of accounts payables and derivative liabilities).

Long-term Investments

As of December 31, 2020 and June 30, 2020, the aggregate carrying balance of the equity method investments was $30.0 million and $16.8 million, respectively (see Note 9).

Secured Loans Receivable

On September 19, 2017, CFC entered into a loan agreement with Stack's Bowers Galleries providing a secured line of credit, bearing interest at a competitive rate per annum, with a maximum borrowing line (subject to temporary increases) of $5.3 million. The loan is secured by precious metals and numismatic products. As of December 31, 2020 and June 30, 2020, the outstanding principal balance of this loan was $0.1 million and $0.7 million, respectively.

On March 1, 2018, CFC entered into a loan agreement with Stack's Bowers Galleries providing a secured line of credit on the wholesale value (i.e., the excess over the spot value of the metal), of numismatic products bearing interest at a competitive rate per annum, with a maximum borrowing line (subject to temporary increases) of $10.0 million. In addition to the annual rate of interest, the Company is entitled to receive a participation interest equal to 10% of the net profits realized by Stack's Bowers Galleries on the ultimate sale of the products. As of December 31, 2020 and June 30, 2020, the outstanding principal balance of this loan was $0.0 million and $8.0 million, respectively.

Other Long-term Assets

On September 19, 2019, the Company, as lender, entered into a convertible revolving credit facility with one of its privately-held customers (the borrower) that provides the borrower an aggregate principal amount of up to $4.0 million, bearing interest at 12.0% per annum. The convertible revolving credit facility collateral includes all: (i) account receivables; (ii) inventory; (iii) fixed assets; (iv) intellectual property; (v) contract rights; and (vi) deposit accounts, in each case subordinated to an unrelated third-party lender's security interest. As of December 31, 2020 and June 30, 2020, the carrying value of the convertible revolving credit facility was $2.5 million and $3.5 million, respectively. (See Note 2 for further details.)

Activity with Related Parties

Sales and Purchases

During the three and six months ended December 31, 2020 and 2019, the Company made sales and purchases to various companies, which have been deemed to be related parties, as follows:

in thousands

	Three Months Ended				Six Months Ended			
	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases
Stack's Bowers Galleries	$ 14,877	$ 14,322	$ 7,764	$ 4,407	$ 36,831	$ 36,335	$ 18,765	$ 21,166
Equity method investees	391,617	5,326	178,006	6,487	872,117	7,872	353,550	21,326
SilverTowne L.P.	2,720	—	2,192	74	6,837	4,769	3,719	655
	$ 409,214	$ 19,648	$ 187,962	$ 10,968	$ 915,785	$ 48,976	$ 376,034	$ 43,147

Interest Income

During the three and six months ended December 31, 2020 and 2019, the Company earned interest income related to loans made to Stack's Bowers Galleries and to financing arrangements (including repurchase agreements) with affiliated companies, as set forth below:

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Interest income from secured loans receivables	$ 83	$ 243	$ 153	$ 541
Interest income from finance products and repurchase arrangements	1,940	1,513	3,807	3,140
	$ 2,023	$ 1,756	$ 3,960	$ 3,681

Other Income

During the three months ended December 31, 2020 and 2019, the Company recorded its proportional share of its equity method investee's net income as other income that totaled $2,362,000 and $102,000, respectively. During the six months ended December 31, 2020 and 2019, the Company recorded its proportional share of its equity method investee's net income as other income that totaled $6,488,000 and $114,000, respectively.

During the three months ended December 31, 2020 and 2019, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers Galleries that totaled $205,000 and $47,000, respectively. During the six months ended December 31, 2020 and 2019, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers Galleries that totaled $564,000 and $89,000, respectively.

14. FINANCING AGREEMENTS

Lines of Credit

Effective March 27, 2020, through an amendment and restatement of the applicable credit documents, A-Mark renewed its uncommitted demand borrowing facility ("Trading Credit Facility") with a syndicate of banks. Under the agreements, Coöperatieve Rabobank U.A. acts as joint lead lender and administrative agent and Natixis acts as joint lead arranger and syndication agent for the syndicate. The Trading Credit Facility is secured by substantially all of the Company’s assets on a first priority basis.

As of December 31, 2020, and as a result of various amendments, the Trading Credit Facility provided the Company with access up to$270.0 million, featuring a $257.5 million base, with a $12.5 million accordion option. The Trading Credit Facility is scheduled to terminate on March 26, 2021. Since commencement of the Trading Credit Facility (i.e., March 31, 2016), the Company has incurred $4.7 million of accumulated loan costs. These loan costs have been capitalized when incurred and are amortized over the term of the Trading Credit Facility. As of December 31, 2020 and June 30, 2020, the remaining unamortized balance was approximately $0.4 million and $0.5 million, respectively.

The Company routinely uses the Trading Credit Facility to purchase and finance precious metals 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 0.14% and 0.16% as of December 31, 2020 and June 30, 2020, respectively. Borrowings are due on demand and totaled $175.0 million and $135.0 million at December 31, 2020 and June 30, 2020, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week and at each month end 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 borrowing base calculation. Based on the month end borrowing bases in effect, the availability under the Trading Credit Facility, after taking into account current borrowings, totaled $64.1 million and $76.3 million as determined on December 31, 2020 and June 30, 2020, respectively.

The Trading Credit Facility has certain restrictive financial covenants, including one requiring the Company to maintain a minimum tangible net worth. As of December 31, 2020 the minimum tangible net worth financial covenant under the Trading Credit Facility was $55.7 million. The Company is in compliance with all restrictive financial covenants as of December 31, 2020.

For the three months ended December 31, 2020 and 2019, interest expense related to the Company's lines of credit totaled $1.6 million and $1.9 million, which represents 31.6% and 37.6%, respectively, of the total interest expense recognized. Our lines of credit carried a daily weighted average effective interest rate of 2.97% and 4.22%, respectively, for the three months ended December 31, 2020 and 2019.

For the six months ended December 31, 2020 and 2019, interest expense related to the Company's lines of credit totaled $3.0 million and $4.1 million, which represents 31.7% and 39.6%, respectively of the total interest expense recognized. Our lines of credit carried a daily weighted average effective interest rate of 2.96% and 4.49%, respectively, for the six months ended December 31, 2020 and 2019.

Notes Payable

In September 2018, AM Capital Funding, LLC. ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes (collectively, the "Notes"): Series 2018-1, Class A (the "Class A Notes") in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B (the "Class B Notes" and together with the Class A Notes, the "Notes") in the aggregate principal amount of $28.0 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023. The Notes were issued under a Master Indenture and the Series 2018-1 Supplement thereto between AMCF and Citibank, N.A., as trustee. The Company holds $5.0 million of the Class B Notes in order to comply with the Credit Risk Retention Rules of Section 15G of the Exchange Act. The $5.0 million portion of the Class B Notes retained by the Company is eliminated in consolidation.

AMCF applied the net proceeds from the sale of the Notes to purchase loans and precious metals inventory, and to pay certain costs and expenses. CFC and A-Mark may from time to time also contribute cash or sell precious metals to AMCF in exchange for cash or subordinated, deferred payment obligations from AMCF. In addition, AMCF may from time to time sell precious metals to A-Mark for cash.

As of December 31, 2020, the consolidated carrying balance of the Notes was $92.9 million (which excludes the $5.0 million note that the Company retained), and the remaining unamortized loan cost balance was approximately $2.1 million, which is amortized using the effective interest method through the maturity date. As of December 31, 2020, the balance of the interest payable was $0.2 million. Interest on the Notes is payable monthly in arrears at the aggregate rate of 5.26% per annum.

For the three months ended December 31, 2020 and 2019, the interest expense related to the Notes (including loan amortization costs) totaled $1.4 million and $1.3 million, which represents 28.2% and 26.2% of the total interest expense recognized by the Company. For the three months ended December 31, 2020 and 2019, the Notes' weighted average effective interest rate was 5.88% and 5.88%, respectively.

For the six months ended December 31, 2020 and 2019, the interest expense related to the Notes (including loan amortization costs) totaled $2.8 million and $2.8 million, which represents 30.4% and 27.4% of the total interest expense recognized by the Company, respectively. For the six months ended December 31, 2020 and 2019, the Notes' weighted average effective interest rate was 5.88% and 5.88%, respectively.

Liabilities on Borrowed Metals

The Company recorded liabilities on borrowed precious metals with market values totaling $141.8 million as of December 31, 2020, with corresponding metals totaling $120.3 million and $21.5 million included in precious metals held under financing

arrangements and inventories, respectively, on the condensed consolidated December 31, 2020 balance sheet. The Company recorded liabilities on borrowed metals with market values totaling $168.2 million as of June 30, 2020 with corresponding metals totaling $148.9 million and $19.3 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated June 30, 2020 balance sheet.

Advanced pool metals

The Company borrows precious metals from its suppliers and customers under short-term agreements using other precious metals from its inventory as collateral. The Company has the ability to sell the metals advanced. These arrangements can be settled by repayment in similar metals or in cash. Once the obligation is settled, the metals held as collateral are released back to the Company.

Liabilities on borrowed metals — Other

Liabilities may also arise from: (i) unallocated metal positions held by customers in the Company's inventory, (ii) amounts due to suppliers for the use of their consigned inventory, and (iii) shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represent an unsegregated inventory position that is due on demand, is a specified physical form, based on the total ounces of metal held in the position. Amounts due under these arrangements require delivery either in the form of precious metals, or in cash.

Product Financing Arrangements

The Company has agreements with third party financial institutions which allow the Company to transfer its gold and silver inventory at an agreed-upon price, which is based on the spot price. 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 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 are 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 $272.5 million and $74.7 million as of December 31, 2020 and June 30, 2020, respectively.

15. COMMITMENTS AND CONTINGENCIES

Refer to Note 2 for information relating to minimum rental payments under operating and finance leases. Refer to Note 15 of the Notes to Consolidated Financial Statements in the 2020 Annual Report for information relating to consulting and employment contracts, and other commitments. The Company is not aware of any material changes to commitments as summarized in the 2020 Annual Report.

COVID-19

The Company is exposed to the effects of the COVID-19 pandemic. The extent to which this outbreak impacts our results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of this outbreak and the actions taken by governmental authorities and us to contain it or treat its impact.

16. STOCKHOLDERS' EQUITY

Share Repurchase Program

In April 2018, the Company's Board of Directors approved a share repurchase program which authorized the Company to purchase up to 500,000 shares of its common stock from time to time, either in the open market or in block purchase transactions. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. As of December 31, 2020, no shares had been repurchased under the program.

Dividends

On September 3, 2020, the Company's Board of Directors declared a non-recurring special dividend of $1.50 per share to common stock shareholders of record at the close of business on September 21, 2020. On October 29, 2020, the Company's Board of Directors declared a non-recurring special dividend of $1.50 per share to common stock shareholders of record at the close of business on November 23, 2020. In the aggregate, the Company paid $21.2 million in dividends for the six months ended December 31, 2020.

2014 Stock Award and Incentive Plan

The Company's amended and restated 2014 Stock Award and Incentive Plan (the "2014 Plan") was approved by the Company's stockholders on November 2, 2017. As of December 31, 2020, 188,664 shares were authorized for issuance under the 2014 Plan, which terminates in 2027.

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 ("RSUs"), dividend equivalent rights and other stock-based awards (which may include outright grants of shares). The 2014 Plan also authorizes grants of performance-based, market-based, and 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, as set by the Compensation Committee, 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.

Stock Options

During the three months ended December 31, 2020 and 2019, the Company incurred $209,839 and $237,665 of compensation expense related to stock options, respectively. During the six months ended December 31, 2020 and 2019, the Company incurred $388,268 and $403,969 of compensation expense related to stock options, respectively. As of December 31, 2020, there remained a total of $1,559,329 in compensation expense related to employee stock options, to be recorded over the remaining vesting period of such options. The weighted average period remaining vesting period of the outstanding options is approximately 2.6 years.

Two obligatory events were triggered as a result of the non-recurring special dividends declared on September 3, 2020 and October 29, 2020. In accordance with the terms of the Company's equity award plans under which the options were issued, an adjustment was required to protect the holders of such stock options from decreases in the value of the stock options due to payment of the non-recurring special dividend. Both these events decreased the exercise price of each stock option by $1.50 per dividend. This was effective on the date of record which was September 21, 2020 and November 23, 2020. The fair value of the options before and after these events were unchanged and therefore no incremental stock-based compensation was recorded

The following table summarizes the stock option activity for the six months ended December 31, 2020.

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value Per Award
Outstanding at June 30, 2020	1,249,813	$ 12.27	$ 6,061	$ 5.34
Granted	55,000	$ 24.62		
Exercises	(107,839)	$ 14.42		
Cancellations, expirations and forfeitures	(1,600)	$ 20.16		
Outstanding at December 31, 2020	1,195,374	$ 12.63	$ 15,621	$ 5.52
Exercisable at December 31, 2020	758,255	$ 17.16	$ 8,713	$ 5.92

Following is a summary of the status of stock options outstanding at December 31, 2020 and reflects the adjusted stock option prices:

Exercise Price Ranges		Options Outstanding			Options Exercisable		
From	To	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$ —	$ 10.00	526,886	6.09	$ 6.81	223,322	2.22	$ 6.42
$ 10.01	$ 15.00	209,321	6.95	$ 11.46	130,766	6.34	$ 11.76
$ 15.01	$ 25.00	444,167	5.69	$ 19.52	404,167	5.29	$ 19.21
$ 25.01	$ 60.00	15,000	9.82	$ 29.83	—	—	$ —
		1,195,374	6.14	$ 12.63	758,255	4.57	$ 14.16

The following table summarizes the nonvested stock option activity for the six months ended December 31, 2020.

	Options	Weighted Average Grant Date Fair Value Per Award
Nonvested Outstanding at June 30, 2020	423,002	$ 4.14
Granted	55,000	$ 9.99
Vested	(40,883)	$ 4.74
Nonvested Outstanding at December 31, 2020	437,119	$ 4.82

Valuation and Other Significant Assumptions of Equity Awards Issued

The Company used the Black-Scholes pricing model, which used 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, to determine the estimated grant-date fair value of its stock options issued.

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 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.

17. CUSTOMER AND SUPPLIER CONCENTRATIONS

Customer Concentration

Customers providing 10 percent or more of the Company's revenues for the three or six months ended December 31, 2020 are presented on a comparative basis, with their corresponding balances for the three and six months ended December 31, 2020 and 2019 in the table below:

in thousands

	Three Months Ended				Six Months Ended			
	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total revenue	$ 1,518,744	100.0 %	$ 1,055,590	100.0 %	$ 3,384,860	100.0 %	$ 2,536,604	100.0 %
Customer concentrations								
HSBC Bank USA(1)	$ 175,306	11.6 %	$ 126,581	12.0 %	$ 339,695	10.0 %	$ 398,780	15.7 %
Customer A	220,509	14.5 %	86,407	8.2 %	604,937	17.9 %	157,735	6.2 %
	$ 395,815	26.1 %	$ 212,988	20.2 %	$ 944,632	27.9 %	$ 556,515	21.9 %

(1) Sales with this trading partner includes sales on forward contracts that are entered into for hedging purposes rather than sales characterized with the physical delivery of precious metal product.

No single customer provided 10 percent or more of the Company's accounts receivable or secured loan receivable balances as of December 31, 2020 and June 30, 2020.

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.

18. SEGMENTS AND GEOGRAPHIC INFORMATION

The Company evaluates segment reporting in accordance with FASB ASC 280, *Segment Reporting*, each reporting period, including evaluating the organizational structure and the reporting package that is reviewed by the chief operating decision makers. The Company's operations are organized under three business segments — Wholesale Sales & Ancillary Services, Secured Lending, and Direct Sales. (See Note 1 for a description of the types of products and services from which each reportable segment derives its revenues.)

Revenue

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenue by segment[(1)(2)]				
Wholesale Sales & Ancillary Services[(3)]	$ 1,477,489	$ 1,038,154	$ 3,291,197	$ 2,499,087
Direct Sales	41,255 [(a)]	17,436 [(b)]	93,663 [(c)]	37,517 [(d)]
	$ 1,518,744	$ 1,055,590	$ 3,384,860	$ 2,536,604

(1) Inter-segment purchases from and sales to the Direct Sales segment are transacted at Wholesale Sales & Ancillary Services segment's prices, which is consistent with arms-length transactions with third-parties.
(2) The Secured Lending segment earns interest income from its lending activity and earns no revenue from the sales of precious metals. Therefore, no amounts are shown for the Secured Lending segment in the above table.
(3) The elimination of inter-segment sales are reflected in the Wholesale Sales & Ancillary Services segment.
(a) Includes $2.1 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(b) Includes $4.8 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(c) Includes $6.9 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(d) Includes $13.1 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenue by geographic region ***(as determined by the shipping or billing address or where the services were performed):***				
United States	$ 1,157,407	$ 781,043	$ 2,616,417	$ 1,886,664
Europe	127,015	93,308	246,923	155,410
North America, excluding United States	223,827	166,835	481,072	467,232
Asia Pacific	8,303	12,822	23,435	18,935
Africa	—	—	—	31
Australia	2,192	1,582	17,013	8,332
	$ 1,518,744	$ 1,055,590	$ 3,384,860	$ 2,536,604

Gross Profit and Gross Margin Percentage

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Gross profit by segment[(1)]				
Wholesale Sales & Ancillary Services	$ 13,245	$ 6,597	$ 43,867	$ 13,357
Direct Sales	5,506	1,534	11,029	3,114
Total gross profit	$ 18,751	$ 8,131	$ 54,896	$ 16,471
Gross margin percentage by segment[(1)]				
Wholesale Sales & Ancillary Services	0.896 %	0.635 %	1.333 %	0.534 %
Direct Sales	13.346 %	8.798 %	11.775 %	8.300 %
Weighted average gross margin percentage	1.235 %	0.770 %	1.622 %	0.649 %

(1) The Secured Lending segment earns interest income from its lending activity and earns no gross profit from the sales of precious metals. Therefore, no amounts are shown for the Secured Lending segment in the above table.

Operating income and (expenses)

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Operating income (expense) by segment				
Wholesale Sales & Ancillary Services				
Selling, general and administrative expenses	$ (6,685)	$ (5,477)	$ (14,292)	$ (11,279)
Interest income	$ 2,498	$ 2,230	$ 4,936	$ 4,492
Interest expense	$ (2,915)	$ (2,444)	$ (5,863)	$ (5,270)
Other income, net	$ 2,362	$ 102	$ 6,488	$ 114
Unrealized losses on foreign exchange	$ 19	$ 125	$ (78)	$ 3
Secured Lending				
Selling, general and administrative expenses	$ (507)	$ (384)	$ (1,003)	$ (732)
Interest income	$ 2,035	$ 4,002	$ 3,580	$ 7,508
Interest expense	$ (2,122)	$ (2,637)	$ (3,467)	$ (4,953)
Other income, net	$ 205	$ 47	$ 564	$ 89
Direct Sales				
Selling, general and administrative expenses	$ (1,841)	$ (2,009)	$ (3,744)	$ (4,129)
Other expense, net	$ —	$ 1	$ —	$ (219)

Net income (loss) before provision for income taxes

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Net income (loss) before provision for income taxes by segment				
Wholesale Sales & Ancillary Services	$ 8,524	$ 1,133	$ 35,058	$ 1,417
Secured Lending	(389)	1,028	(326)	1,912
Direct Sales	3,665	(474)	7,285	(1,234)
	$ 11,800	$ 1,687	$ 42,017	$ 2,095

Depreciation and Amortization

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Depreciation and amortization by segment				
Wholesale Sales & Ancillary Services	$ (219)	$ (403)	$ (424)	$ (800)
Secured Lending	(88)	(19)	(176)	(35)
Direct Sales	(198)	(244)	(406)	(499)
	$ (505)	$ (666)	$ (1,006)	$ (1,334)

Advertising expense

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Advertising expense by segment				
Wholesale Sales & Ancillary Services	$ (78)	$ (12)	$ (143)	$ (68)
Secured Lending	(43)	(2)	(68)	(5)
Direct Sales	(501)	(332)	(1,111)	(736)
	$ (622)	$ (346)	$ (1,322)	$ (809)

Precious metals held under financing arrangements

in thousands

	December 31, 2020	June 30, 2020
Precious metals held under financing arrangements by segment		
Wholesale Sales & Ancillary Services	$ 132,366	$ 157,609
Secured Lending	27,889	20,968
	$ 160,255	$ 178,577

Inventories

in thousands

	December 31, 2020	June 30, 2020
Inventories by segment		
Wholesale Sales & Ancillary Services	$ 500,281	$ 289,069
Secured Lending	7,907	24,057
Direct Sales	9,494	8,155
	$ 517,682	$ 321,281

in thousands

	December 31, 2020	June 30, 2020
Inventories by geographic region		
United States	$ 485,064	$ 287,960
Europe	10,543	19,531
North America, excluding United States	20,486	13,735
Asia	1,589	55
	$ 517,682	$ 321,281

Total Assets

in thousands

	December 31, 2020	June 30, 2020
Assets by segment		
Wholesale Sales & Ancillary Services	$ 851,460	$ 599,032
Secured Lending	137,859	140,622
Direct Sales	17,807	18,381
	$ 1,007,126	$ 758,035

in thousands

	December 31, 2020	June 30, 2020
Assets by geographic region		
United States	$ 973,281	$ 723,252
Europe	11,770	20,993
North America, excluding United States	20,486	13,735
Asia	1,589	55
	$ 1,007,126	$ 758,035

Long-term Assets

in thousands

	December 31, 2020	June 30, 2020
Long-term assets by segment		
Wholesale Sales & Ancillary Services	$ 51,583	$ 39,090
Secured Lending	1,148	1,319
Direct Sales	2,875	3,607
	$ 55,606	$ 44,016

in thousands

	December 31, 2020	June 30, 2020
Long-term assets by geographic region		
United States	$ 55,551	$ 43,963
Europe	55	53
	$ 55,606	$ 44,016

Capital Expenditures for Property, Plant, and Equipment

in thousands

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Capital expenditures on property, plant, and equipment by segment				
Wholesale Sales & Ancillary Services	$ 451	$ 279	$ 924	$ 376
Secured Lending	4	35	4	72
Direct Sales	6	4	9	7
	$ 461	$ 318	$ 937	$ 455

Goodwill and Intangible Assets

in thousands

	December 31, 2020		June 30, 2020	
Goodwill by segment				
Wholesale Sales & Ancillary Services	$	8,881	$	8,881
Direct Sales (1)		—		—
	$	8,881	$	8,881

(1) Direct Sales segment's goodwill balance is net of $1.4 million accumulated impairment losses.

Intangible Assets

in thousands

	December 31, 2020		June 30, 2020	
Intangibles by segment				
Wholesale Sales & Ancillary Services	$	2,869	$	2,907
Direct Sales		1,788		2,067
	$	4,657	$	4,974

19. SUBSEQUENT EVENTS

Pending Acquisition

On February 8, 2021, the Company entered into a stock purchase agreement with the stockholders of JM Bullion, Inc., a Delaware corporation ("JMB"), for the acquisition of the 79.47% interest in JMB that is not currently owned by the Company. JMB is an e-commerce retailer of gold, silver, copper, platinum and palladium products.The purchase price is approximately $138.3 million, consisting of $103.7 million in cash and $34.6 million in common stock of the Company, valued at $28.96 per share, in each case subject to adjustment. The share valuation represents the volume weighted average of the trading prices of the Company's common stock for the 30 consecutive trading days preceding the date of the purchase agreement. The cash portion of the purchase price will be reduced by an amount equal to 20.53% (which is the Company's percentage ownership interest in JMB) of the amount of a cash redemption to be made by JMB to its stockholders, other than the Company, prior to the acquisition.In addition, the stock portion of the purchase price will be reduced such that no single stockholder of JMB will own more than 4.8% of the Company's common stock immediately following the acquisition. If the stock consideration of a selling JMB stockholder is reduced, the cash consideration payable to that JMB stockholder will be increased by an amount equal to 65% of the value of the decrease in stock consideration. The Company intends to finance the cash portion of the purchase price with cash on hand and through any available means of financing, including a public or private equity or convertible debt offering. The acquisition is subject to various closing conditions. The Company anticipates closing the acquisition in the third quarter of the current fiscal year.

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.

In addition to the risks and uncertainties that may ordinarily influence our business, the Company is exposed to the effects of the COVID-19 pandemic. The extent to which this outbreak ultimately impacts our results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of this outbreak and the actions taken by governmental authorities and us to contain it or treat its impact.

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 aid in the 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 periods presented. Included in our analysis is a discussion of five performance metrics: (i) Ounces of gold and silver sold, (ii) Wholesale Sales ticket volume, (iii) Direct Sales ticket volume, (iv) inventory turnover ratio and (v) number of secured loans at period-end.
- *Segment results of operations*. This section provides an analysis of our results of operations presented for our three segments:
    - *Wholesales Sales & Ancillary Services*,
    - *Secured Lending*, and
    - *Direct Sales*

  for the comparable periods.
- *Liquidity and financial condition.* This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of December 31, 2020. Included in this section is a discussion of our: outstanding debt, the amount of financial capacity available to fund our future commitments and other financing arrangements.

- *Critical accounting policies.* This section discusses critical accounting policies that are considered both important to our financial condition and results of operations, and require management to make significant judgment and estimates. All of our significant accounting policies, including the critical accounting policies are also summarized in Note 2 of the notes to the condensed consolidated financial statements.
- *Recent accounting pronouncements.* This section discusses new accounting pronouncements, dates of implementation and their expected impact on our accompanying condensed consolidated financial statements.

EXECUTIVE OVERVIEW

Our Business

We conduct our operations in three reportable segments: (i) Wholesale Sales & Ancillary Services (formerly known as Wholesale Trading & Ancillary Service segment) (ii) Secured Lending and (iii) Direct Sales. The Wholesale Sales & Ancillary Services segment name change was to the name only and had no impact on the Company's historical financial position, results of operations, cash flow or segment level results previously reported

Wholesale Sales & Ancillary Services Segment

The Company operates its Wholesale Sales & Ancillary Services segment through A-Mark Precious Metals, Inc., and its wholly-owned subsidiaries, A-Mark Trading AG (“AMTAG”), Transcontinental Depository Services ("TDS" or “Storage”), and A-M Global Logistics, LLC (“AMGL” or "Logistics"), and its partially-owned subsidiary, AM&ST Associates, LLC. ("AMST" or "SilverTowne" or the "Mint").

The Wholesale Sales & Ancillary Services segment operates as a full-service precious metals company. 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 and 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 a marketing support office in Vienna, Austria, and a trading center in El Segundo, California. The trading center, for buying and selling precious metals, is available to receive orders 24 hours every day, even when many major world commodity markets are closed. In addition to Wholesale Sales 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, platinum, and palladium coins, A-Mark purchases product directly from the U.S. Mint and other sovereign mints for sale to its customers.

Through its wholly owned subsidiary, AMTAG, the Company promotes A-Mark's products and services throughout the European continent. Through our wholly-owned subsidiary TDS, we offer a variety of managed storage options for precious metals products to financial institutions, dealers, investors, and collectors around the world. Our storage business generated less than 1% of total revenues for each of the periods presented.

The Company's wholly-owned subsidiary, AMGL is based in Las Vegas, Nevada, and 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 generated less than 1% of the total revenues for each of the periods presented.

Through our partially-owned subsidiary, AMST, the Company designs and produces minted silver products. The Company operates the Mint pursuant to a joint venture agreement with SilverTowne, L.P. The Company and SilverTowne L.P. own 69% and 31%, respectively, of AMST. AMST acquired the entire minting operations (referred to as SilverTowne Mint) of SilverTowne, L.P., with the goal of providing greater product selection to our customers and greater pricing stability within the supply chain, as well as to gain increased access to silver during volatile market environments, which have historically created higher demand for precious metals products.

Secured Lending

The Company operates its Secured Lending segment through its wholly-owned subsidiaries, Collateral Finance Corporation LLC. ("CFC") and AM Capital Funding, LLC. (“AMCF”).

CFC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors, and collectors. As of December 31, 2020, CFC and AMCF had, in aggregate, approximately $95.8 million in secured loans outstanding, of which approximately 60.3% were acquired from third-parties (some of which may be customers of A-Mark) and approximately 39.7% were originated by CFC.

AMCF, a wholly-owned subsidiary of CFC, was formed for the purpose of securitizing eligible secured loans of CFC. AMCF issued, administers, and owns Secured Senior Term Notes: Series 2018-1, Class A, with an aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of $28.0 million. The Class A Notes bear interest at a rate of4.98%, and the Class B Notes bear interest at a rate of5.98% (collectively referred to as the "Notes"). The Notes have a maturity date of December 15, 2023. For additional information see Note 14 of the notes to condensed consolidated financial statements

Direct Sales

The Company operates its Direct Sales segment through its wholly-owned subsidiaries Goldline Inc. ("Goldline") and AM IP LLC. ("AMIP"), and through its 50%-owned subsidiary Precious Metals Purchasing Partners, LLC, ("PMPP").

The Company acquired Goldline in August 2017 through an asset purchase transaction with Goldline LLC. Goldline LLC. had been in operation since 1960. Goldline is a direct retailer of precious metals to the investor community. Goldline markets its precious metal products on television, radio, and the internet, as well as through telephonic sales efforts. Goldline's business has enhanced the Company's distribution capabilities by adding a direct-to-client distribution channel that has diversified the product and services offered to Goldline's customers, through access to the Company's wider assortment of precious metal coins and bars, including TDS's storage and asset protection services.

AMIP, a wholly owned subsidiary of Goldline, manages its intellectual property.

In fiscal 2019, the Company formed and capitalized PMPP, a 50%-owned subsidiary of Goldline, pursuant to terms of a joint venture agreement, for the purpose of purchasing precious metals from the partners' retail customers, and then reselling the acquired products back to affiliates of the partners. PMPP commenced its operations in fiscal 2020.

Our Strategy

The Company was formed in 1965 and has grown into a significant participant in the bullion and coin markets, with approximately $5.5 billion in revenues for fiscal year 2020. Our strategy continues to focus on growth, including the volume of our business, our geographic presence, and the scope of complementary products, services, and technological tools 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 relationships;
- our access to market makers, suppliers, and sovereign and private mints;
- our trading systems in the U.S. and Europe;
- 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 Profit, Interest Income, and Interest Expense

Revenues. The Company enters into transactions to sell and deliver gold, silver, platinum, and palladium to industrial and commercial users, coin and bullion dealers, mints, and financial institutions. The metals are investment or industrial grade and are sold in a variety of 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 inception date of the forward contract). The Company also uses other derivative products (primarily futures contracts) or combinations thereof to hedge commodity risks. We enter into these forward and future contracts as part of our hedging strategy to mitigate our price risk of holding inventory; they are not entered into for speculative purposes.

However, unlike futures contracts which do not impact the Company's revenue, forward sales contracts by their nature are required to be included in revenues. The decision to use a forward contract verses another derivative type product (e.g., a futures contract) for hedging purposes is based on the economics of the transaction. Since the volume of hedging can be significant, the movement in and out of forwards can substantially impact revenues, either positively or negatively, from period to period. For this reason, the Company believes ounces sold (excluding ounces sold on forward sales contracts) is a meaningful metric to assess our top line performance.

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 represent 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 Profit. Gross profit is the difference between our revenues and the cost of our products sold. 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 by changes in commodity prices.

Volatility also affects our gross profit. Greater volatility typically causes the premium spreads to widen resulting in an increase in the gross profit. Product supply constraints during extended periods of higher volatility have historically resulted in a heightening of wider premium 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. CFC acquires loan portfolios and originates loans that are secured by precious metal bullion and numismatic material owned by the borrowers and held by the Company for the term of the loan. Additionally, AMCF acquires certain loans from CFC that are secured by precious metal bullion to meet the collateral requirements of the Notes. Also, 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 whereby the Company earns a fee based on the underlying value of the precious metal ("repurchase arrangements with customers").

Interest Expense. The Company incurs interest expense associated with its: lines of credit, notes, related-party debt, product financing agreements for the transfer and subsequent re-acquisition of gold and silver at a fixed price with a third-party finance company ("product financing arrangements"), and short-term precious metal borrowing arrangements with our suppliers ("liabilities on borrowed metals").

Performance Metrics

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

Gold and Silver Ounces Sold and Delivered to Customers. We look at the number of ounces of gold and silver sold and delivered to our customers (excluding ounces recorded on forward contracts). These metrics reflect our business volume without regard to changes in commodity pricing, which also impacts revenue, but can mask actual business trends.

The primary purpose of entering into forward sales transactions is to hedge commodity price risk. Although the revenues realized from these forward sales transactions are often significant, they generally have negligible impact to gross margins. As a result, the Company excludes the ounces recorded on forward contracts from its performance metrics, as the Company does not enter into forward sales transactions for speculative purposes.

Wholesale Sales Ticket Volume and Direct Sales Ticket Volume. Another measure of our business that is unaffected by changes in commodity pricing, is ticket volume. Ticket volume for the Wholesale Sales & Ancillary Services and Direct Sales segments measures the total number of orders processed by our trading desks. In periods of higher volatility, there is generally increased trading in the commodity markets, causing increased demand for our products, resulting in higher business volume. Generally, the ounces sold on a per-trading-ticket basis is substantially higher for orders placed telephonically compared to those placed on our online portal platform.

Inventory Turnover. Inventory turnover is another performance measure on which we are focused, and is calculated as the cost of sales divided by the average inventory during the relevant 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, typically reflects a more efficient use of our capital.

The period of time that inventory is held by the Company varies depending upon the nature of our inventory commitments with customers and suppliers. (See Note 6 of the notes to condensed consolidated financial statements for a description of our classifications of inventory by type.) When management analyzes inventory turnover on a period over period basis, consideration is given to each inventory type and its corresponding impact on the inventory turnover calculation. Management's analysis includes the following:

- The Company enters into various structured borrowing arrangements that commit the Company's inventory (such as; product financing arrangements or liabilities on borrowed metals) for an unspecified period of time. While the Company is able to obtain access to this inventory on demand, there is a tendency that this type of inventory does not turn over as quickly as other types of inventory.
- The Company enters into repurchase arrangements with customers under which A-Mark holds precious metals which are subject to repurchase for an unspecified period of time. While the Company retains legal title to this inventory, the Company is required to hold this inventory (or like-kind inventory) for the customer until the arrangement is terminated or the material is repurchased by the customer. As a result, there is a tendency that this type of inventory does not turn over as quickly as other types of inventory.

Additionally, our inventory turnover ratio can be affected by hedging activity, as the period over period change of the inventory turnover ratio may be significantly impacted by a period over period change in hedging volume. For example, if trading activity were to remain constant over two periods, but there were significantly higher forward sales in the current period compared to a prior period, the calculated inventory turnover ratio would indicate an increase in the ratio rather than remaining constant.

Number of Secured Loans. Finally, as a measure of the size of our Secured Lending segment, we look at the number of outstanding secured loans to customers that are primarily collateralized by precious metals at the end of each quarter. Typically, the number of loans increases during periods of increasing precious metal pricing and decreases during periods of declining precious metal prices.

The Company calculates its loan-to-value ("LTV") ratio as the principal amount of the loan divided by the liquidation value of the collateral, which is based on daily spot market prices of precious metal bullion. When the market price of the pledged collateral decreases and thereby increases the LTV ratio of a loan above a prescribed maximum ratio, usually 85%, the Company has the option to make a margin call on the loan. As a result, a decline of precious metal market prices may cause a decrease in the number of loans outstanding in a period.

COVID-19

On March 11, 2020, the World Health Organization announced that infections of COVID-19 had become pandemic, and on March 13, COVID-19 was declared a national emergency on account of the spread of the disease in the United States. The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States, and has severely constricted the level of economic activity worldwide. The resulting macroeconomic events contributed to an increase in the business conducted by the Company, but also pose certain risks and uncertainties for the Company. It is challenging to predict how long the COVID-19 pandemic will continue, the extent to which the effects that the Company has experienced from the pandemic thus far will persist, or whether other effects on the Company and its businesses will materialize in the short or long term.

Macroeconomic events have positively affected the Company’s trading revenues and gross profit as the volatility of the price of precious metals and numismatics resulted in a material increase in the spread between bid and ask prices on these products. We also experienced substantially increased demand for products in each of our coin and bar, industrial and retail (Goldline) businesses, which we attribute to certain customers seeking to assure a supply of precious metals necessary for the operation of their businesses, and other customers’ seeking the safety of investments in precious metals. In response to the heightened demand, in certain cases prices for the products we sell have also risen.

We have also experienced certain negative effects in the precious metals market. Through our CFC finance subsidiary, we make loans to our customers secured by coins and precious metals. Numerous CFC loans were paid off in March 2020 when the market experienced a temporary drop in precious metal prices, which reduced collateral coverage. This had the effect of decreasing the size of our loan portfolio and the interest earned on the portfolio. It also required us to substitute cash and our own precious metals inventory as collateral under our AMCF securitization program, as the pool of loans securing the program declined. While we did not experience any related losses, there is no assurance that this might not occur in the future. In the three successive quarters, as silver prices rebounded, the Company has experienced growth in its loan portfolio.

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.

RESULTS OF OPERATIONS

Overview of Results of Operations for the Three Months Ended December 31, 2020 and 2019

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended December 31, 2020 and 2019 are as follows:

in thousands, except per share data and performance metrics

Three Months Ended December 31,	2020		2019		$	%
	$	% of revenue	$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	$ 1,518,744	100.000 %	$ 1,055,590	100.000 %	$ 463,154	43.9 %
Gross profit	18,751	1.235 %	8,131	0.770 %	$ 10,620	130.6 %
Selling, general, and administrative expenses	(9,033)	(0.595)%	(7,870)	(0.746)%	$ 1,163	14.8 %
Interest income	4,533	0.298 %	6,232	0.590 %	$ (1,699)	(27.3 %)
Interest expense	(5,037)	(0.332)%	(5,081)	(0.481)%	$ (44)	(0.9 %)
Other income, net	2,567	0.169 %	150	0.014 %	$ 2,417	1,611.3 %
Unrealized gains on foreign exchange	19	0.001 %	125	0.012 %	$ (106)	(84.8 %)
Net income before provision for income taxes	11,800	0.777 %	1,687	0.160 %	$ 10,113	599.5 %
Income tax expense	(2,586)	(0.170)%	(432)	(0.041)%	$ 2,154	498.6 %
Net income	9,214	0.607 %	1,255	0.119 %	$ 7,959	634.2 %
Net income attributable to non-controlling interests	289	0.019 %	21	0.002 %	$ 268	1,276.2 %
Net income attributable to the Company	$ 8,925	0.588 %	$ 1,234	0.117 %	$ 7,691	623.3 %
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	$ 1.26		$ 0.17		$ 1.09	641.2 %
Diluted	$ 1.16		$ 0.17		$ 0.99	582.4 %
Performance Metrics:(1)						
Gold ounces sold(2)	479,000		428,000		51,000	11.9 %
Silver ounces sold(3)	21,245,000		14,102,000		7,143,000	50.7 %
Inventory turnover ratio(4)	3.2		3.3		(0.1)	(3.0 %)
Number of secured loans at period end(5)	1,324		3,725		(2,401)	(64.5 %)

(1) See "Results of Segments" for ticket count volume by segment.
(2) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the period, excluding ounces of gold recorded on forward contracts.
(3) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the period, excluding ounces of silver recorded on forward contracts.
(4) Inventory turnover ratio is the cost of sales divided by average inventory for the period presented above. This calculation excludes precious metals held under financing arrangements, which are not classified as inventory on the consolidated balance sheets.
(5) Number of outstanding secured loans to customers at the end of the period.

Overview of Results of Operations for the Six Months Ended December 31, 2020 and 2019

Condensed Consolidated Results of Operations

The operating results of our business for the six months ended December 31, 2020 and 2019 are as follows:

in thousands, except per share data and performance metrics

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 3,384,860	100.000 %	$ 2,536,604	100.000 %	$ 848,256	33.4 %
Gross profit	54,896	1.622 %	16,471	0.649 %	$ 38,425	233.3 %
Selling, general, and administrative expenses	(19,039)	(0.562)%	(16,140)	(0.636)%	$ 2,899	18.0 %
Interest income	8,516	0.252 %	12,000	0.473 %	$ (3,484)	(29.0 %)
Interest expense	(9,330)	(0.276)%	(10,223)	(0.403)%	$ (893)	(8.7 %)
Other income (expense), net	7,052	0.208 %	(16)	(0.001)%	$ 7,068	44,175.0 %
Unrealized (losses) gains on foreign exchange	(78)	(0.002)%	3	0.000 %	$ 81	2,700.0 %
Net income before provision for income taxes	42,017	1.241 %	2,095	0.083 %	$ 39,922	1,905.6 %
Income tax expense	(9,097)	(0.269)%	(537)	(0.021)%	$ 8,560	1,594.0 %
Net income	32,920	0.973 %	1,558	0.061 %	$ 31,362	2,013.0 %
Net income attributable to non-controlling interests	912	0.027 %	196	0.008 %	$ 716	365.3 %
Net income attributable to the Company	$ 32,008	0.946 %	$ 1,362	0.054 %	$ 30,646	2,250.1 %
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	$ 4.53		$ 0.19		$ 4.34	2,284.2 %
Diluted	$ 4.21		$ 0.19		$ 4.02	2,115.8 %
Performance Metrics:(1)						
Gold ounces sold(2)	1,200,000		1,004,000		196,000	19.5 %
Silver ounces sold(3)	45,493,000		35,013,000		10,480,000	29.9 %
Inventory turnover ratio(4)	7.9		9.1		(1.2)	(13.2 %)
Number of secured loans at period end(5)	1,324		3,725		(2,401)	(64.5 %)

(1) See "Results of Segments" for ticket count volume by segment.
(2) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the period, excluding ounces of gold recorded on forward contracts.
(3) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the period, excluding ounces of silver recorded on forward contracts.
(4) Inventory turnover ratio is the cost of sales divided by average inventory for the period presented above. This calculation excludes precious metals held under financing arrangements, which are not classified as inventory on the consolidated balance sheets.
(5) Number of outstanding secured loans to customers that are primarily collateralized by precious metals at the end of the period.

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metrics

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 1,518,744	100.000 %	$ 1,055,590	100.000 %	$ 463,154	43.9 %
Performance Metrics						
Gold ounces sold	479,000		428,000		51,000	11.9 %
Silver ounces sold	21,245,000		14,102,000		7,143,000	50.7 %

Revenues for the three months ended December 31, 2020 increased $463.2 million, or 43.9%, to $1.519 billion from $1.056 billion in 2019. Excluding a decrease in forward sales of $24.9 million, revenues increased $488.0 million or 55.3%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the three months ended December 31, 2020 increased 51,000 ounces, or 11.9%, to 479,000 ounces from 428,000 ounces in 2019. Silver ounces sold for the three months ended December 31, 2020 increased 7,143,000 ounces, or 50.7%, to 21,245,000 ounces from 14,102,000 ounces in 2019. On average, the selling prices for gold increased by 28.3% and selling prices for silver increased by 40.8% during the three months ended December 31, 2020 as compared to 2019.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metrics

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 3,384,860	100.000 %	$ 2,536,604	100.000 %	$ 848,256	33.4 %
Performance Metrics						
Gold ounces sold	1,200,000		1,004,000		196,000	19.5 %
Silver ounces sold	45,493,000		35,013,000		10,480,000	29.9 %

Revenues for the six months ended December 31, 2020 increased $848.3 million, or 33.4% to $3.385 billion from $2.537 billion in 2019. Excluding a decrease in forward sales of $136.1 million, revenues increased $984.3 million, or 46.7%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the six months ended December 31, 2020 increased 196,000 ounces, or 19.5%, to 1,200,000 ounces from 1,004,000 ounces in 2019. Silver ounces sold for the six months ended December 31, 2020 increased 10,480,000 ounces, or 29.9%, to 45,493,000 ounces from 35,013,000 ounces in 2019. On average, the selling prices for gold increased by 29.2% and selling prices for silver increased by 37.8% during the six months ended December 31, 2020 as compared to 2019.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Gross Profit

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metric

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Gross profit	$ 18,751	1.235 %	$ 8,131	0.770 %	$ 10,620	130.6 %
Performance Metric						
Inventory turnover ratio	3.2		3.3		(0.1)	(3.0 %)

Gross profit for the three months ended December 31, 2020 increased by $10.6 million, or 130.6%, to $18.8 million from $8.1 million in 2019. The overall gross profit increase was due to higher gross profits earned by the Wholesale Sales & Ancillary Services and Direct Sales segments.

The Company's overall gross margin percentage increased by 46.5 basis points, or 60.4% to 1.235% from 0.770% in 2019. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, and lower forward sales

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

Our inventory turnover rate for the three months ended December 31, 2020 decreased by 3.0%, to 3.2 from 3.3 in 2019. The decrease in our inventory turnover rate was primarily due to the higher average inventory balances related to products available for sale and product financing arrangements partially offset by higher cost of sales during the three months ended December 31, 2020 as compared to 2019.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metric

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Gross profit	$ 54,896	1.622 %	$ 16,471	0.649 %	$ 38,425	233.3 %
Performance Metric						
Inventory turnover ratio	7.9		9.1		(1.2)	(13.2 %)

Gross profit for the six months ended December 31, 2020 increased by $38.4 million, or 233.3%, to $54.9 million from $16.5 million in 2019. The overall gross profit increase was due to higher gross profits from the Wholesale Sales & Ancillary Services and Direct Sales segments.

The Company's overall gross margin percentage increased by 97.3 basis points, or 149.9% to 1.622% from 0.649% in 2019. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, and lower forward sales (which increase revenues but are associated with negligible gross margins.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

Our inventory turnover rate for the six months ended December 31, 2020 decreased by 13.2%, to 7.9 from 9.1 in 2019. The decrease in our inventory turnover rate was primarily due to the higher average inventory balances related to product financing arrangements partially offset by higher cost of sales during the six months ended December 31, 2020 as compared to 2019.

Selling, General and Administrative Expense

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general, and administrative expenses	$ (9,033)	(0.595)%	$ (7,870)	(0.746)%	$ 1,163	14.8 %

Selling, general and administrative expenses for the three months ended December 31, 2020 increased $1.2 million, or 14.8%, to $9.0 million from $7.9 million in 2019. The change was primarily due to increases in insurance costs of $0.5 million, financial and tax consulting costs of $0.4 million, compensation expense (including performance-based accruals) of $0.4 million and $0.1 million of advertising expense, which were partially offset by decreases in operating expenses of $0.1 million associated with our Direct Sales segment and depreciation and amortization expenses of $0.1 million.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general, and administrative expenses	$ (19,039)	(0.562)%	$ (16,140)	(0.636)%	$ 2,899	18.0 %

Selling, general and administrative expenses for the six months ended December 31, 2020 increased $2.9 million, or 18.0%, to $19.0 million from $16.1 million in 2019. The change was primarily due to increases in compensation expense (including performance-based accruals) of $2.2 million, insurance costs of $0.4 million, financial and tax consulting costs of $0.4 million, computer software cost of $0.2 million and advertising cost of $0.2 million, which were partially offset by decreases in operating expenses of $0.3 million associated with our Direct Sales segment and $0.2 million of depreciation expense.

Interest Income

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metric

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest income	$ 4,533	0.298 %	$ 6,232	0.590 %	$ (1,699)	(27.3 %)
Performance Metric						
Number of secured loans at period-end	1,324		3,725		(2,401)	(64.5 %)

Interest income for the three months ended December 31, 2020 decreased $1.7 million, or 27.3%, to $4.5 million from $6.2 million in 2019. The aggregate decrease in interest income was primarily due to lower interest income earned by our Secured Lending segment, partially offset by higher other finance product income.

Interest income from our Secured Lending segment decreased by $2.0 million, or by 49.1% in comparison to the same year-ago period. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period.

The number of secured loans outstanding decreased by 64.5% to 1,324 from 3,725 in 2019. Typically, the number of loans increases during periods of increasing precious metal prices and decrease during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in the margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. The Company did not incur loan losses related to the margin calls or borrower loan liquidations during this or the comparable period. In the three successive quarters, as silver prices rebounded, the Company experienced growth in the number of loans.

The interest income from our other finance product income increased by $0.3 million in comparison to the same year-ago period.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metric

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest income	$ 8,516	0.252 %	$ 12,000	0.473 %	$ (3,484)	(29.0 %)
Performance Metric						
Number of secured loans at period-end	1,324		3,725		(2,401)	(64.5 %)

Interest income for the six months ended December 31, 2020 decreased $3.5 million, or 29.0%, to $8.5 million from $12.0 million in 2019. The aggregate decrease in interest income was primarily due to lower interest income earned by our Secured Lending segment, partially offset by higher other finance product income.

The interest income from our Secured Lending segment decreased by $3.9 million or by 52.3% in comparison to the same year-ago period. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period.

The number of secured loans outstanding decreased by 64.5% to 1,324 from 3,725 in 2019. Typically, the number of loans increases during periods of increasing precious metal prices and decrease during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in the margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. The Company did not incur loan losses related to the margin calls or borrower loan liquidations during this or the comparable period. In the three successive quarters, as silver prices rebounded, the Company experienced growth in the number of loans.

The interest income from our other finance product income increased by $0.4 million in comparison to the same year-ago period.

Interest Expense

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest expense	$ (5,037)	(0.332)%	$ (5,081)	(0.481)%	$ (44)	(0.9%)

Interest expense for the three months ended December 31, 2020 decreased $44.0 thousand, or 0.9% to $5.0 million from $5.1 million in 2019. The decrease in interest expense was primarily due to a reduction in loan servicing fees, partially offset by an increase interest expense related to product financing arrangements. As compared to the same year-ago period, interest expense related to loan servicing fees decreased by $0.4 million, which was offset by an increase of $0.4 million related to product financing arrangements.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest expense	$ (9,330)	(0.276)%	$ (10,223)	(0.403)%	$ (893)	(8.7%)

Interest expense for the six months ended December 31, 2020 decreased $0.9 million, or 8.7% to $9.3 million from $10.2 million in 2019. The decrease was primarily due to reductions in interest expense related to our Trading Credit Facility and loan servicing fees, partially offset by increases in interest expense related to product financing arrangements and liability on borrowed metals. As compared to the same year-ago period, the amount of interest expense that decreased, by component, included: (i) $0.9 million of Trading Credit Facility interest expense (including debt amortization costs), (ii) $0.6 million of loan servicing cost, offset by increased interest expense of (iii) $0.5 million related to product financing arrangements, and (iv) $0.1 million of liabilities on borrowed metals.

Other income, net

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other income, net	$ 2,567	0.169%	$ 150	0.014%	$ 2,417	1,611.3%

Other income, net for the three months ended December 31, 2020 increased $2.4 million, or 1611.3% to $2.6 million from $0.2 million in 2019. The aggregate increase was primarily due to an increase of $2.3 million in the Company's proportionate share of our equity-method investees' earnings and an increase of $0.2 million in royalties earned compared to the prior comparable quarter.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other income (expense), net	$ 7,052	0.208%	$ (16)	(0.001)%	$ 7,068	44,175.0%

Other (expense) income, net for the six months ended December 31, 2020 increased $7.1 million, or 44,175.0% to $7.1 million from $16 thousand in 2019. The aggregate increase was primarily due to an increase of $6.4 million in the Company's proportionate share of our equity-method investees' earnings and an increase of $0.5 million in royalties earned compared to the prior comparable period.

Provision for Income Taxes

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Income tax expense	$ (2,586)	(0.170)%	$ (432)	(0.041)%	$ 2,154	498.6%

Our income tax expense was $2.6 million and $0.4 million for the three months ended December 31, 2020 and 2019, respectively. Our effective tax rate was approximately 21.9% and 25.6% for the three months ended December 31, 2020 and 2019, respectively. For the three months ended December 31, 2020, our effective tax rate differs from the federal statutory rate primarily due to state taxes (net of federal tax benefit), Section 162(m) executive compensation disallowance, offset by the exclusion of profits related to the Company's minority interests, special deduction related to foreign-derived intangible income, and share-based compensation.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Income tax expense	$ (9,097)	(0.269)%	$ (537)	(0.021)%	$ 8,560	1,594.0%

Our income tax expense was $9.1 million and $0.5 million for the six months ended December 31, 2020 and 2019, respectively. Our effective tax rate was approximately 21.7% and 25.6% for the six months ended December 31, 2020 and 2019, respectively. For the six months ended December 31, 2020, our effective tax rate differs from the federal statutory rate primarily due to state taxes (net of federal tax benefit), Section 162(m) executive compensation disallowance, offset by the exclusion of profits related to the Company's minority interests, special deduction related to foreign-derived intangible income, and share-based compensation.

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S EGMENT RESULTS OF OPERATIONS

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services, (ii) Secured Lending and (iii) Direct Sales. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the Segment Reporting Topic 280 of the FASB Accounting Standards Codification ("ASC").

Results of Operations — Wholesale Sales & Ancillary Services Segment

The Company operates its Wholesale Sales & Ancillary Services segment through A-Mark Precious Metals, Inc., and its wholly-owned subsidiaries, A-Mark Trading AG ("AMTAG"), Transcontinental Depository Services ("TDS"), and A-M Global Logistics, LLC. ("Logistics"), and its partially-owned subsidiary, AM&ST Associates, LLC. ("AMST" or "SilverTowne" or the "Mint"). Also, the Wholesale Sales & Ancillary Services segment includes the consolidating eliminations of inter-segment transactions.

Overview of Results of Operations for the Three Months Ended December 31, 2020 and 2019

— Wholesale Sales & Ancillary Services Segment

The operating results of our Wholesale Sales & Ancillary Services segment for the three months ended December 31, 2020 and 2019 are as follows:

in thousands, except performance metrics

Three Months Ended December 31,	2020		2019		$	%
	$	% of revenue	$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	$ 1,477,489	100.000 %	$ 1,038,154	100.000 %	$ 439,335	42.3 %
Gross profit	13,245	0.896 %	6,597	0.635 %	$ 6,648	100.8 %
Selling, general, and administrative expenses	(6,685)	(0.452)%	(5,477)	(0.528)%	$ 1,208	22.1 %
Interest income	2,498	0.169 %	2,230	0.215 %	$ 268	12.0 %
Interest expense	(2,915)	(0.197)%	(2,444)	(0.235)%	$ 471	19.3 %
Other income, net	2,362	0.160 %	102	0.010 %	$ 2,260	2,215.7 %
Unrealized gains on foreign exchange	19	0.001 %	125	0.012 %	$ (106)	(84.8 %)
Net income before provision for income taxes	$ 8,524	0.577 %	$ 1,133	0.109 %	$ 7,391	652.3 %
Performance Metrics:						
Gold ounces sold(1)	465,000		420,000		45,000	10.7 %
Silver ounces sold(2)	20,972,000		13,976,000		6,996,000	50.1 %
Wholesale Sales ticket volume(3)	29,797		30,554		(757)	(2.5 %)

(1) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the 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 period, excluding ounces of silver recorded on forward contracts.
(3) Wholesale Sales ticket volume represents the total number of product orders processed by A-Mark.

Overview of Results of Operations for the Six Months Ended December 31, 2020 and 2019

— Wholesale Sales & Ancillary Services Segment

The operating results of our Wholesale Sales & Ancillary Services segment for the six months ended December 31, 2020 and 2019 are as follows:

in thousands, except performance metrics

Six Months Ended December 31,	2020		2019		$	%
	$	% of revenue	$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	$ 3,291,197	100.000 %	$ 2,499,087	100.000 %	$ 792,110	31.7 %
Gross profit	43,867	1.333 %	13,357	0.534 %	$ 30,510	228.4 %
Selling, general, and administrative expenses	(14,292)	(0.434)%	(11,279)	(0.451)%	$ 3,013	26.7 %
Interest income	4,936	0.150 %	4,492	0.180 %	$ 444	9.9 %
Interest expense	(5,863)	(0.178)%	(5,270)	(0.211)%	$ 593	11.3 %
Other income, net	6,488	0.197 %	114	0.005 %	$ 6,374	5,591.2 %
Unrealized (losses) gains on foreign exchange	(78)	(0.002)%	3	0.000 %	$ 81	2,700.0 %
Net income before provision for income taxes	$ 35,058	1.065 %	$ 1,417	0.057 %	$ 33,641	2,374.1 %
Performance Metrics:						
Gold ounces sold(1)	1,169,000		986,000		183,000	18.6 %
Silver ounces sold(2)	44,890,000		34,696,000		10,194,000	29.4 %
Wholesale Sales ticket volume(3)	65,138		66,802		(1,664)	(2.5 %)

(1) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the 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 period, excluding ounces of silver recorded on forward contracts.
(3) Wholesale Sales ticket volume represents the total number of product orders processed by A-Mark.

Revenues — Wholesale Sales & Ancillary Services

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metrics

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 1,477,489	100.000 %	$ 1,038,154	100.000 %	$ 439,335	42.3 %
Performance Metrics						
Gold ounces sold	465,000		420,000		45,000	10.7 %
Silver ounces sold	20,972,000		13,976,000		6,996,000	50.1 %

Revenues for the three months ended December 31, 2020 increased $439.3 million, or 42.3%, to $1.477 billion from $1.038 billion in 2019. Excluding the decrease in forward sales of $24.9 million, revenues increased $464.2 million or 53.7%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the three months ended December 31, 2020 increased 45,000 ounces, or 10.7%, to 465,000 ounces from 420,000 ounces in 2019. Silver ounces sold for the three months ended December 31, 2020 increased 6,996,000 ounces, or 50.1%, to 20,972,000 ounces from 13,976,000 ounces in 2019. On average, the selling prices for gold increased by 27.7% and selling prices for silver increased by 40.5% during the three months ended December 31, 2020 as compared to 2019.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metrics

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 3,291,197	100.000 %	$ 2,499,087	100.000 %	$ 792,110	31.7 %
Performance Metrics						
Gold ounces sold	1,169,000		986,000		183,000	18.6 %
Silver ounces sold	44,890,000		34,696,000		10,194,000	29.4 %

Revenues for the six months ended December 31, 2020 increased $792.1 million, or 31.7%, to $3.291 billion from $2.499 billion in 2019. Excluding the decrease in forward sales of $136.1 million, revenues increased $928.2 million or by 44.9%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the six months ended December 31, 2020 increased 183,000 ounces, or 18.6%, to 1,169,000 ounces from 986,000 ounces in 2019. Silver ounces sold for the six months ended December 31, 2020 increased 10,194,000 ounces, or 29.4%, to 44,890,000 ounces from 34,696,000 ounces in 2019. On average, the selling prices for gold increased by 28.7% and selling prices for silver increased by 37.5% during the six months ended December 31, 2020 as compared to 2019.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Gross Profit — Wholesale Sales & Ancillary Services

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metric

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Gross profit	$ 13,245	0.896 %	$ 6,597	0.635 %	$ 6,648	100.8 %
Performance Metric						
Wholesale Sales ticket volume	29,797		30,554		(757)	(2.5 %)

Gross profit for the three months ended December 31, 2020 increased by $6.6 million, or 100.8%, to $13.2 million from $6.6 million in 2019. The overall gross profit increase was primarily due to higher sales volumes and increased spreads.

This segment's profit margin percentage increased by 26.1 basis points, or 41.1% to 0.896% from 0.635% in 2019. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, and lower forward sales.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

The Wholesale Sales ticket volume for the three months ended December 31, 2020 decreased by 757 tickets, or 2.5%, to 29,797 tickets from 30,554 tickets in 2019. The decrease in our Wholesale Sales ticket volume reflects that more ounces were sold per ticket compared to 2019.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metric

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Gross profit	$ 43,867	1.333 %	$ 13,357	0.534 %	$ 30,510	228.4 %
Performance Metric						
Wholesale Sales ticket volume	65,138		66,802		(1,664)	(2.5 %)

Gross profit for the six months ended December 31, 2020 increased by $30.5 million, or 228.4%, to $43.9 million from $13.4 million in 2019. The overall gross profit increase was primarily due to higher sales volumes and increased spreads.

This segment's profit margin percentage increased by 79.9 basis points, or 149.6% to 1.333% from 0.534% in 2019. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, and lower forward sales.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

The Wholesale Sales ticket volume for the six months ended December 31, 2020 decreased by 1,664 tickets, or 2.5%, to 65,138 tickets from 66,802 tickets in 2019. The decrease in our Wholesale Sales ticket volume reflects that more ounces were sold per ticket compared to 2019.

Selling, General and Administrative Expenses — Wholesale Sales & Ancillary Services

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general, and administrative expenses	$ (6,685)	(0.452)%	$ (5,477)	(0.528)%	$ 1,208	22.1%

Selling, general and administrative expenses for the three months ended December 31, 2020 increased $1.2 million, or 22.1%, to $6.7 million from $5.5 million in 2019. The change was primarily due to increases in insurance costs of $0.5 million, financial and tax consulting costs of $0.4 million, compensation expense (including performance-based accruals) of $0.4 million, and advertising expense of $0.1 million.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general, and administrative expenses	$ (14,292)	(0.434)%	$ (11,279)	(0.451)%	$ 3,013	26.7%

Selling, general and administrative expenses for the six months ended December 31, 2020 increased $3.0 million, or 26.7%, to $14.3 million from $11.3 million in 2019. The change was primarily due to increases in compensation expense (including performance-based accruals) of $2.2 million, insurance costs of $0.4 million, financial and tax consulting costs of $0.4 million, and advertising expense of $0.2 million.

Interest Income — Wholesale Sales & Ancillary Services

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest income	$ 2,498	0.169%	$ 2,230	0.215%	$ 268	12.0%

Interest income for the three months ended December 31, 2020 increased $0.3 million, or 12.0%, to $2.5 million from $2.2 million in 2019. The overall increase is primarily due to $0.4 million interest earned from repurchase agreements.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest income	$ 4,936	0.150%	$ 4,492	0.180%	$ 444	9.9%

Interest income for the six months ended December 31, 2020 increased $0.4 million, or 9.9%, to $4.9 million from $4.5 million in 2019. The overall increase is primarily due to $0.6 million interest earned from repurchase agreements, partially offset by a reduction of $0.1 million of interest income earned from spot deferred trade orders.

Interest Expense — Wholesale Sales & Ancillary Services

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest expense	$ (2,915)	(0.197)%	$ (2,444)	(0.235)%	$ 471	19.3%

Interest expense for the three months ended December 31, 2020 increased $0.5 million, or 19.3% to $2.9 million from $2.4 million in 2019. The increase was primarily due greater product financing arrangements activity, which increased $0.4 million against the comparable period.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest expense	$ (5,863)	(0.178)%	$ (5,270)	(0.211)%	$ 593	11.3%

Interest expense for the six months ended December 31, 2020 increased $0.6 million, or 11.3% to $5.9 million from $5.3 million in 2019. The increase was primarily due to product financing arrangements, which increased $0.5 million, and liabilities on borrowed metals activity, which increased $0.1 million compared to the same year ago period.

Other Income, net — Wholesale Sales & Ancillary Services

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other income, net	$ 2,362	0.160%	$ 102	0.010%	$ 2,260	2,215.7%

Other income, net for the three months ended December 31, 2020 increased $2.3 million or 2215.7% to $2.4 million from $0.1 million in 2019. The aggregate increase was primarily due to an increase in the Company’s proportionate share of our equity-method investees' earnings of $2.3 million compared to the prior comparable quarter.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other income, net	$ 6,488	0.197%	$ 114	0.005%	$ 6,374	5,591.2%

Other income, net for the six months ended December 31, 2020 increased $6.4 million, or 5591.2% to $6.5 million from $0.1 million in 2019. The aggregate increase was primarily related to an increase in the Company’s proportionate share of our equity-method investees' earnings of $6.4 million compared to the prior comparable period.

Results of Operations — Secured Lending Segment

The Company operates its Secured Lending segment through its wholly-owned subsidiaries, Collateral Finance Corporation LLC. ("CFC") and AM Capital Funding, LLC. ("AMCF"). AMCF was formed in September 2018, and its financial activity was incorporated into the Secured Lending segment's results thereafter.

Overview of Results of Operations for the Three Months Ended December 31, 2020 and 2019

— *Secured Lending Segment*

The operating results of our Secured Lending segment for the three months ended December 31, 2020 and 2019 are as follows:

in thousands, except performance metrics

Three Months Ended December 31,	2020		2019		$	%
	$	% of interest income	$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	$ 2,035	100.000 %	$ 4,002	100.000 %	$ (1,967)	(49.2 %)
Interest expense	(2,122)	(104.275)%	(2,637)	(65.892)%	$ (515)	(19.5 %)
Selling, general and administrative expenses	(507)	(24.914)%	(384)	(9.595)%	$ 123	32.0 %
Other income, net	205	10.074 %	47	1.174 %	$ 158	336.2 %
Net (loss) income before provision for income taxes	$ (389)	(19.115)%	$ 1,028	25.687 %	$ 1,417	137.8 %
Performance Metric:						
Number of secured loans at period end(1)	1,324		3,725		(2,401)	(64.5 %)

(1) Number of outstanding secured loans to customers at the end of the period.

Overview of Results of Operations for the Six Months Ended December 31, 2020 and 2019

— *Secured Lending Segment*

The operating results of our Secured Lending segment for the six months ended December 31, 2020 and 2019 are as follows:

in thousands, except performance metrics

Six Months Ended December 31,	2020		2019		$	%
	$	% of interest income	$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	$ 3,580	100.000 %	$ 7,508	100.000 %	$ (3,928)	(52.3 %)
Interest expense	(3,467)	(96.844)%	(4,953)	(65.970)%	$ (1,486)	(30.0 %)
Selling, general and administrative expenses	(1,003)	(28.017)%	(732)	(9.750)%	$ 271	37.0 %
Other income, net	564	15.754 %	89	1.185 %	$ 475	533.7 %
Net (loss) income before provision for income taxes	$ (326)	(9.106)%	$ 1,912	25.466 %	$ 2,238	117.1 %
Performance Metric:						
Number of secured loans at period end(1)	1,324		3,725		(2,401)	(64.5 %)

(1) Number of outstanding secured loans to customers at the end of the period.

Interest Income — Secured Lending

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metric **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest income	$ 2,035	100.000 %	$ 4,002	100.000 %	$ (1,967)	(49.2 %)
Performance Metric						
Number of secured loans at period-end	1,324		3,725		(2,401)	(64.5 %)

Interest income for the three months ended December 31, 2020 decreased $2.0 million, or 49.2%, to $2.0 million from $4.0 million in 2019. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period.

The number of secured loans outstanding decreased by 64.5% to 1,324 from 3,725 in 2019. Typically, the number of loans increases during periods of increasing precious metal prices and decrease during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. The Company did not incur loan losses related to the margin calls or borrower loan liquidations during this or the comparable period. In the three successive quarters, as silver prices rebounded, the Company experienced growth in the number of loans in the portfolio.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metric **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest income	$ 3,580	100.000 %	$ 7,508	100.000 %	$ (3,928)	(52.3 %)
Performance Metric						
Number of secured loans at period-end	1,324		3,725		(2,401)	(64.5 %)

Interest income for the six months ended December 31, 2020 decreased $3.9 million, or 52.3%, to $3.6 million from $7.5 million in 2019. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period.

The number of secured loans outstanding decreased by 64.5% to 1,324 from 3,725 in 2019. Typically, the number of loans increases during periods of increasing precious metal prices and decrease during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. The Company did not incur loan losses related to the margin calls or borrower loan liquidations during this or the comparable period. In the three successive quarters, as silver prices rebounded, the Company experienced growth in the number of loans in the portfolio.

Interest Expense — Secured Lending

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest expense	$ (2,122)	(104.275)%	$ (2,637)	(65.892)%	$ (515)	(19.5 %)

Interest expense for the three months ended December 31, 2020 decreased $0.5 million, or 19.5% to $2.1 million from $2.6 million in 2019. The change in interest expense is driven by the value of our secured loan portfolio, which is primarily financed

through our notes payable and Trading Credit Facility. As compared to the same year-ago period, interest expense related to loan servicing costs decreased $0.4 million as fewer loans were outstanding.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Interest expense	$ (3,467)	(96.844)%	$ (4,953)	(65.970)%	$ (1,486)	(30.0%)

Interest expense for the six months ended December 31, 2020 decreased $1.5 million, or 30.0% to $3.5 million from $5.0 million in 2019. The change in interest expense is driven by the value of our secured loan portfolio, which is primarily financed through our notes payable and Trading Credit Facility. As compared to the same year-ago period, interest expense related to loan servicing costs decreased $0.6 million and interest expense related to our notes payable and Trading Credit Facility decreased in aggregate, by $0.8 million.

Selling, General and Administrative Expenses — Secured Lending

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general, and administrative expenses	$ (507)	(24.914)%	$ (384)	(9.595)%	$ 123	32.0%

Selling, general and administrative expenses for the three months ended December 31, 2020 was comparable to the prior year period.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general, and administrative expenses	$ (1,003)	(28.017)%	$ (732)	(9.750)%	$ 271	37.0%

Selling, general and administrative expenses for the six months ended December 31, 2020 increased $0.3 million, or 37.0%, to $1.0 million from $0.7 million in 2019. The increase was primarily due to an increase in depreciation and amortization expense.

Other Income, net — Secured Lending

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other income, net	$ 205	10.074%	$ 47	1.174%	$ 158	336.2%

Other income, net for the three months ended December 31, 2020 increased $0.2 million, or 336.2%, to $0.2 million from $47 thousand in 2019. The increase was primarily due to increase in royalty income.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of interest income**	**$**	**% of interest income**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other income, net	$ 564	15.754 %	$ 89	1.185 %	$ 475	533.7 %

Other income, net for the six months ended December 31, 2020 increased $0.5 million, or 533.7%, to $0.6 million from $0.1 million in 2019. The increase was primarily due to increase in royalty income.

Results of Operations — Direct Sales Segment

The Company operates its Direct Sales segment through its wholly-owned subsidiaries Goldline Inc. (“Goldline”) and AM IP LLC. ("AMIP"), and through its 50%-owned subsidiary Precious Metals Purchasing Partners, LLC. ("PMPP"). In fiscal 2018, management commenced our reporting of Direct Sales segment as a result of the acquisition of Goldline. In connection with our formation of AMIP in May 2018, the financial activity of AMIP was incorporated into the Direct Sales segment's fiscal 2019 results. In connection with the commencement PMPP’s operation in July 2019, the financial activity of PMPP was incorporated into the fiscal 2020 Direct Sales segment's results.

Overview of Results of Operations for the Three Months Ended December 31, 2020 and 2019

— Direct Sales Segment

The operating results of our Direct Sales segment for the three months ended December 31, 2020 and 2019 are as follows:

in thousands, except performance metrics **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 41,255 (a)	100.000 %	$ 17,436 (c)	100.000 %	$ 23,819	136.6 %
Gross profit	5,506	13.346 % (b)	1,534	8.798 % (d)	$ 3,972	258.9 %
Selling, general and administrative expenses	(1,841)	(4.462)%	(2,009)	(11.522)%	$ (168)	(8.4)%
Other income, net	—	0.000 %	1	0.006 %	$ (1)	(100.0)%
Net income (loss) before provision for income taxes	$ 3,665	8.884 %	(474)	(2.719)%	$ 4,139	873.2 %
Performance Metrics:						
Gold ounces sold(1)	14,000		8,000		6,000	75.0 %
Silver ounces sold(2)	273,000		126,000		147,000	116.7 %
Direct Sales ticket volume(3)	6,952		4,903		2,049	41.8 %

(a) Includes $2.1 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(b) Gross profit percentage realized from sales, excluding inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, is 14.082% for the period.
(c) Includes $4.8 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(d) Gross profit percentage realized from sales, excluding inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, is 11.025% for the period.
(1) Gold ounces sold represents the ounces of gold product sold during the three-month period.
(2) Silver ounces sold represents the ounces of silver product sold during the three-month period.
(3) Direct Sales segment ticket volume represents the total number of product orders processed by Goldline and PMPP.

Overview of Results of Operations for the Six Months Ended December 31, 2020 and 2019

— Direct Sales Segment

The operating results of our Direct Sales segment for the six months ended December 31, 2020 and 2019 are as follows:

in thousands, except performance metrics **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 93,663 (a)	100.000 %	$ 37,517 (c)	100.000 %	$ 56,146	149.7 %
Gross profit	11,029	11.775 % (b)	3,114	8.300 % (d)	$ 7,915	254.2 %
Selling, general and administrative expenses	(3,744)	(3.997)%	(4,129)	(11.006)%	$ (385)	(9.3)%
Other expense, net	—	—	(219)	(0.584)%	$ (219)	(100.0)%
Net income (loss) before provision for income taxes	$ 7,285	7.778 %	(1,234)	(3.289)%	$ 8,519	690.4 %
Performance Metrics:						
Gold ounces sold[1]	31,000		18,000		13,000	72.2 %
Silver ounces sold[2]	603,000		317,000		286,000	90.2 %
Direct Sales ticket volume[3]	11,559		8,379		3,180	38.0 %

(a) Includes $6.9 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(b) Gross profit percentage, excluding inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, is 12.801% for the period.
(c) Includes $13.1 million of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment.
(d) Gross profit percentage, excluding inter-segment company sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, is 11.167% for the period.
(1) Gold ounces sold represents the ounces of gold product sold during the period.
(2) Silver ounces sold represents the ounces of silver product sold during the period.
(3) Direct Sales segment ticket volume represents the total number of product orders processed by Goldline and PMPP.

Revenues — Direct Sales

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metrics

Three Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 41,255	100.000 %	$ 17,436	100.000 %	$ 23,819	136.6 %
Performance Metrics:						
Gold ounces sold	14,000		8,000		6,000	75.0 %
Silver ounces sold	273,000		126,000		147,000	116.7 %

Revenues for the three months ended December 31, 2020 increased $23.8 million, or 136.6%, to $41.3 million from $17.4 million in 2019. Excluding inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, revenues for the three months ended December 31, 2020 increased $26.5 million or 210.3% to $39.1 million from $12.6 million as compared to 2019.

Gold ounces sold for the three months ended December 31, 2020 increased 6,000 ounces, or 75.0%, to 14,000 ounces from 8,000 ounces in 2019. Silver ounces sold for the three months ended December 31, 2020 increased 147,000 ounces, or 116.7%, to 273,000 ounces from 126,000 ounces in 2019. On average, the selling prices for gold increased by 39.8% and selling prices for silver increased by 47.7% during the three months ended December 31, 2020 as compared to 2019.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metrics

Six Months Ended December 31,	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Revenues	$ 93,663	100.000 %	$ 37,517	100.000 %	$ 56,146	149.7 %
Performance Metrics:						
Gold ounces sold	31,000		18,000		13,000	72.2 %
Silver ounces sold	603,000		317,000		286,000	90.2 %

Revenues for the six months ended December 31, 2020 increased $56.1 million, or 149.7%, to $93.7 million from $37.5 million in 2019. Excluding inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, revenues for the six months ended December 31, 2020 increased $62.4 million or 255.7% to $86.8 million from $24.4 million in 2019.

Gold ounces sold for the six months ended December 31, 2020 increased 13,000 ounces, or 72.2%, to 31,000 ounces from 18,000 ounces in 2019. Silver ounces sold for the six months ended December 31, 2020 increased 286,000 ounces, or 90.2%, to 603,000 ounces from 317,000 ounces in 2019. On average, the selling prices for gold increased by 42.1% and selling prices for silver increased by 45.6% during the six months ended December 31, 2020 as compared to 2019.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Gross Profit — Direct Sales

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands, except performance metric **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Gross profit	$ 5,506	13.346 %	$ 1,534	8.798 %	$ 3,972	258.9 %
Performance Metric:						
Direct Sales ticket volume	6,952		4,903		2,049	41.8 %

Gross profit for the three months ended December 31, 2020 increased by $4.0 million, or 258.9%, to $5.5 million from $1.5 million in 2019. The Company's profit margin percentage increased by 51.7% to 13.346% from 8.798% in 2019. Excluding the impact of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, the Direct Sales segment's gross profit margin percentage increased by 27.7% to 14.082% from 11.025% in 2019.

The Direct Sales ticket volume for the three months ended December 31, 2020 increased by 2,049 tickets, or 41.8%, to 6,952 tickets from 4,903 tickets in 2019. The increase in Direct Sales ticket volume was primarily due to higher demand as compared to2019.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands, except performance metric **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Gross profit	$ 11,029	11.775 %	$ 3,114	8.300 %	$ 7,915	254.2 %
Performance Metric:						
Direct Sales ticket volume	11,559		8,379		3,180	38.0 %

Gross profit for the six months ended December 31, 2020 increased by $7.9 million, or 254.2%, to $11.0 million from $3.1 million in 2019. For the six months ended December 31, 2020, the Company's profit margin percentage increased by 41.9% to 11.775% from 8.300% in 2019. Excluding the impact of inter-segment sales from the Direct Sales segment to the Wholesale Sales & Ancillary Services segment, the Direct Sales segment's gross profit margin percentage increased by 14.6% to 12.801% from 11.167% in 2019.

The Direct Sales ticket volume for the six months ended December 31, 2020 increased by 3,180 tickets, or 38.0%, to 11,559 tickets from 8,379 tickets in 2019. The increase in Direct Sales ticket volume was primarily due to higher demand as compared to 2019.

Selling, General and Administrative Expense — Direct Sales

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

in thousands **Three Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general and administrative expenses	$ (1,841)	(4.462)%	$ (2,009)	(11.522)%	$ (168)	(8.4)%

Selling, general and administrative expenses for the three months ended December 31, 2020 decreased $0.2 million, or 8.4%, to $1.8 million from $2.0 million in 2019. The decrease in selling, general and administrative expenses was primarily due to cost reduction efforts implemented at Goldline, resulting in reductions of personnel costs of $0.1 million, legal costs of $0.1 million, and computer consulting costs of $0.1 million, which were partially offset by increases in PMPP operating costs of $0.1 million and advertising costs of $0.1 million.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Selling, general and administrative expenses	$ (3,744)	(3.997)%	$ (4,129)	(11.006)%	$ (385)	(9.3)%

Selling, general and administrative expenses for the six months ended December 31, 2020 decreased $0.4 million, or 9.3%, to $3.7 million from $4.1 million in 2019. The decrease in selling, general and administrative expenses was primarily due to cost reduction efforts implemented at Goldline, resulting in reductions of personnel costs of $0.2 million, legal costs of $0.3 million, and computer consulting costs of $0.2 million, which were partially offset by increases in PMPP operating costs of $0.1 million and advertising costs of $0.3 million.

Other income (expense) — Direct Sales

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

There was no significant activity for the current or comparable quarterly period.

Six Months Ended December 31, 2020 Compared to Six Months Ended December 31, 2019

in thousands **Six Months Ended December 31,**	**2020**		**2019**		**$**	**%**
	$	**% of revenue**	**$**	**% of revenue**	**Increase/ (decrease)**	**Increase/ (decrease)**
Other expense, net	$ —	—	$ (219)	(0.584)%	$ (219)	(100.0)%

For the six months ended December 31, 2019, the other expense activity of $0.2 million was related to a one-time charge in connection with the settlement of the purchase price related to the acquisition of Goldline. There was no activity for the current comparable period.

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, 2020, approximately 94.2% of our assets consisted of cash, receivables, derivative assets, secured loans receivables, precious metals held under financing arrangements and inventories, 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: (i) purchasing inventory from its suppliers by utilizing our own capital and lines of credit; (ii) borrowing precious metals from its suppliers under short-term arrangements which may bear interest at a designated rate, and (iii) 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 earning interest income. The Company enters into secured loans and secured financing structures with its customers under which it charges interest. 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 agreements whereby the customer agrees to repurchase our precious metals at the prevailing spot price for delivery of the product at a specific point in time in the future; interest income is earned from the 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 draws upon and pays down its lines of credit so as to minimize interest expense.

The Company believes that the Trading Credit Facility (as defined below), the notes payable, liabilities on borrowed metals, and product financing arrangements provide adequate means to capital for its operations. (See Note 14 of the notes to condensed consolidated financial statements.)

Lines of Credit

in thousands

	December 31, 2020	June 30, 2020	December 31, 2020 Compared to June 30, 2020
Lines of credit	$ 175,000	$ 135,000	$ 40,000

Effective March 27, 2020, through an amendment and restatement of the applicable credit documents, A-Mark renewed its uncommitted demand borrowing facility ("Trading Credit Facility") with a syndicate of banks. Under the agreements, Coöperatieve Rabobank U.A. acts as joint lead lender and administrative agent and Natixis acts as joint lead arranger and syndication agent for the syndicate. As of December 31, 2020, the Trading Credit Facility provided the Company with access up to $270.0 million, featuring a $257.5 million base, with a $12.5 million accordion option. The maturity date of the credit facility is March 26, 2021. The Trading Credit Facility was formed on March 31, 2016, and the Company has successfully amended and extended the terms of the Trading Credit Facility each year since its inception.

A-Mark routinely uses funds drawn under the Trading Credit Facility to purchase metals from its suppliers and for other operating cash flow purposes. Our CFC subsidiary also uses the funds drawn under the Trading Credit Facility to finance its lending activities.

Notes Payable

in thousands

	December 31, 2020	June 30, 2020	December 31, 2020 Compared to June 30, 2020
Notes payable	$ 92,874	$ 92,517	$ 357

On September 14, 2018, AM Capital Funding, LLC. ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of $28.0 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023.

As of December 31, 2020, the consolidated aggregate carrying balance of the Notes was $92.9 million (which excludes the $5.0 million Note that the Company retained), and the remaining unamortized loan cost balance was approximately $2.1 million, which is amortized using the effective interest method through the maturity date. (See Note 14 of the notes to condensed consolidated financial statements.)

Liabilities on Borrowed Metals

in thousands

	December 31, 2020	June 30, 2020	December 31, 2020 Compared to June 30, 2020
Liabilities on borrowed metals	$ 141,796	$ 168,206	$ (26,410)

We borrow precious metals from our suppliers and customers under short-term arrangements using other precious metal from our inventory or precious metals held under financing arrangements as collateral. Amounts under these arrangements require repayment either in the form of precious metals or cash. Liabilities also arise from unallocated metal positions held by customers in our inventory. Typically, these positions are due on demand, in a specified physical form, based on the total ounces of metal held in the position.

Product Financing Arrangements

in thousands

	December 31, 2020	June 30, 2020	December 31, 2020 Compared to June 30, 2020
Product financing arrangements	$ 272,531	$ 74,678	$ 197,853

The Company has agreements with financial institutions and other third parties that allow the Company to transfer its gold and silver inventory to the third party at an agreed-upon price based on the spot price, 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 as 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 sheets 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.

Secured Loans Receivable

in thousands

	December 31, 2020	June 30, 2020	December 31, 2020 Compared to June 30, 2020
Secured loans receivable	$ 95,817	$ 63,710	$ 32,107

CFC is a California licensed finance lender that makes and acquires commercial loans secured by bullion and numismatic coins that affords our customers a convenient means of financing their inventory or collections. (See Note 5 of the notes to condensed consolidated financial statements.) AMCF also purchases and holds secured loans from CFC to meet its collateral requirements related to the Notes. (See Note 14 of the notes to condensed consolidated financial statements.) Most of the Company's secured loans are short-term in nature. 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

On September 3, 2020, the Company's Board of Directors declared a non-recurring special dividend of $1.50 per share to common stock shareholders of record at the close of business on September 21, 2020. On October 29, 2020, the Company's Board of Directors declared a non-recurring special dividend of $1.50 per share to common stock shareholders of record at the close of business on November 23, 2020. In the aggregate, the Company paid $21.2 million in dividends for the six months ended December 31, 2020.

Cash Flows

The majority of the Company’s trading activities involve two day value trades under which payment is received in advance of delivery or product is received in advance of payment. The high volume, rapid rate of inventory turnover, 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 by 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 thesix months ended December 31, 2020 and 2019:

in thousands

Year Ended	December 31, 2020	December 31, 2019	December 31, 2020 Compared to December 31, 2019
Net cash (used in) provided by operating activities	$ (207,775)	$ 43,356	$ (251,131)
Net cash used in investing activities	$ (47,156)	$ (38,379)	$ (8,777)
Net cash provided by (used in) financing activities	$ 217,528	$ (1,739)	$ 219,267

Our principal capital requirements have been to fund (i) working capital and (ii) investing activity. 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) provided by operating activities

Operating activities used $207.8 million and provided $43.4 million in cash for the six months ended December 31, 2020 and 2019, respectively, representing a $251.1 million decrease in the source of cash compared to the six months ended December 31, 2019. This period over period decrease in the source of cash was primarily due to changes in the balances of: inventories, receivables, liabilities on borrowed metals, derivative assets and income taxes payable; offset by changes in the balances of: derivative liabilities, precious metals held under financing arrangements, and secured loans.

Net cash used in investing activities

Investing activities used $47.2 million and used $38.4 million in cash for the six months ended December 31, 2020 and 2019, respectively, representing a $8.8 million decrease in the source of cash compared to the six months ended December 31, 2019. This period over period decrease was due to the change in the balance of long term investments of $6.8 million, as the Company acquired a 31.2% ownership interest in a supplier and counterparty, secured loans of $6.2 million, as a higher number of loans were acquired in the current period, partially offset by the change in the balance of other long term assets (long term loans to customers) of $4.5 million.

Net cash provided by (used in) financing activities

Financing activities provided $217.5 million and used $1.7 million in cash for the six months ended December 31, 2020 and 2019, respectively, representing a $219.3 million increase in the source of cash compared to the six months ended December 31, 2019. This period over period increase was primarily due to changes in the balance of product financing arrangements of $212.6 million, the change in the balance of the Trading Credit Facility of $27.0 million, cash received from employee stock option exercises of $1.4 million; offset by the payment of two non-recurring special dividends of $21.2 million, in aggregate, and the change in debt issuance costs of $0.6 million.

CAPITAL RESOURCES

We believe that our current cash availability under the Trading Credit Facility, product financing arrangements, financing derived from borrowed metals and the 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 inventory consists of, and our trading activities involve, precious metals and precious metal products, whose prices are linked to the corresponding precious metal commodity prices. Inventory purchased or borrowed by us are subject to price changes. Inventory borrowed is considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier or deliver metals to the customer.

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. Our forwards contracts open at December 31, 2020 are scheduled to settle within 60 days. Futures positions do not have settlement dates. The Company typically uses futures contracts for its shorter-term hedge positions and forward contracts for longer term hedge positions.

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".) Unrealized 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 derivative assets or liabilities. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales and the net realized gains and losses for futures are recorded in cost of sales.

The Company’s net losses on derivative instruments for the three months ended December 31, 2020 and 2019, totaled $95.1 million and $11.0 million, respectively. The Company’s net losses on derivative instruments for the six months ended December 31, 2020 and 2019, totaled $121.7 million and $2.4 million, respectively. These net losses on derivative instruments were substantially offset by the changes in fair market value of the 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.

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, 2020 and June 30, 2020:

in thousands

	December 31, 2020	June 30, 2020
Inventories	$ 517,682	$ 321,281
Precious metals held under financing arrangements	160,255	178,577
	677,937	499,858
Less unhedgeable inventories:		
Commemorative coin inventory, held at lower of cost or net realizable value	(9)	(17)
Premium on metals position	(11,967)	(3,684)
Precious metal value not hedged	(11,976)	(3,701)
	665,961	496,157
Commitments at market:		
Open inventory purchase commitments	723,536	514,553
Open inventory sales commitments	(309,332)	(309,134)
Margin sale commitments	(6,102)	(14,652)
In-transit inventory no longer subject to market risk	(6,728)	(3,605)
Unhedgeable premiums on open commitment positions	4,948	2,779
Borrowed precious metals	(141,796)	(168,206)
Product financing arrangements	(272,531)	(74,678)
Advances on industrial metals	696	318
	(7,309)	(52,625)
Precious metal subject to price risk	658,652	443,532
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	126,154	73,948
Precious metals futures contracts at market values	532,044	369,842
Total market value of derivative financial instruments	658,198	443,790
Net precious metals subject to commodity price risk	$ 454	$ (258)

We are exposed to the risk of default of the counterparties 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, 2020, 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 information relating Company's commitments and contingencies.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2020 and June 30, 2020, 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, 2020	June 30, 2020
Purchase commitments	$ 723,536	$ 514,553
Sales commitments	$ (309,332)	$ (309,134)
Margin sale commitments	$ (6,102)	$ (14,652)
Open forward contracts	$ 126,154	$ 73,948
Open futures contracts	$ 532,044	$ 369,842
Foreign exchange forward contracts	$ 2,302	$ 4,599

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 the trade amount measured on the date the contract was transacted. The fair value of the open derivative contracts is shown as a component of derivative assets or derivative liabilities 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 of the underlying precious metals inventory position, including our open sale and purchase commitments. The Company records the derivatives at the trade date, and any 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 daily until the transactions are physically settled. (See Note 11 of the notes to condensed consolidated financial statements.)

CRITICAL ACCOUNTING POLICIES

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 of the Notes to condensed consolidated financial statements. 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

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 the trade and settlement dates, the Company has 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 any corresponding unrealized gain (loss), shown as component of cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are settled, the unrealized gains and losses are reversed, and revenue is recognized for contracts that are physically settled. For contracts that are net settled, the realized gains and losses are recorded in cost of sales, with the exception of forward contracts, where their associated realized gains and losses are recorded in revenue and cost of sales, respectively.

Also, the Company recognizes its storage, logistics, licensing, and other services revenues in accordance with the FASB's release ASU 2014-09 *Revenue From Contracts With* Customers Topic 606 and subsequent related amendments ("ASC 606"), which follows five basic steps to determine whether revenue can be recognized: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Inventories

The Company's inventory primarily includes bullion and bullion coins, which is acquired and initially recorded at cost and then marked to fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (i) published market values attributable to the cost of the raw precious metal, and (ii) 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 Company's inventory, except for certain lower of cost or net realizable value basis products (as described below), is subsequently recorded at their fair market values. 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 inventory is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or net realizable value, 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.

Inventory includes amounts borrowed from suppliers and customers arising from various arrangements including unallocated metal positions held by customers in the Company's inventory, amounts due to suppliers for the use of consigned inventory, metals held by suppliers as collateral on advanced pool metals, as well as shortages in unallocated metal positions held by the Company in the supplier's inventory. 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. The Company mitigates market risk of its physical inventory and open commitments through commodity hedge transactions. (See Note 11 of the notes to condensed consolidated financial statements.)

The Company enters into product financing agreements for the transfer and subsequent option to reacquire its gold and silver inventory at an agreed-upon price based on the spot 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, charged by the third party finance company. During the term of the financing agreement, the third party company holds the inventory as collateral, and both parties intend for the inventory to be returned 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 as interest expense. These transactions do not qualify as sales and have been accounted for as financing arrangements in accordance with ASC 470-40 *Product Financing Arrangements,* and are reflected in the condensed consolidated balance sheets as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory (which is restricted) are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income.

The Company periodically loans metals to customers on a short-term consignment basis. Such inventory is 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.

Goodwill and Other Purchased Intangible Assets

We evaluate goodwill and other indefinite-lived 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-lived 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 quantitative impairment test is performed. This step requires us to determine the fair value of the business, and compare the calculated fair value of a reporting unit with its carrying amount, including goodwill. If through this quantitative analysis the Company determines the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not to be impaired. If the Company concludes that the fair value of the reporting unit is less than its carrying value, a goodwill impairment will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

The Company also performs impairment reviews on its indefinite-lived intangible assets (i.e., trade names and trademarks). In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional

tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through a quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is considered not to be impaired. If the Company concludes that the fair value of an indefinite-lived intangible asset is less than its carrying value, an impairment will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

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 has adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognizes the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's condensed consolidated balance sheets. See Note 12 for more information on the Company's accounting for income taxes.

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. Based on our assessment, it appears more likely than not that all of the net deferred tax assets will be realized through future taxable 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 financial position or results of operations, see Note 2 of the notes to condensed consolidated financial statements.

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 quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have not experienced any material impact to our internal control over financial reporting during the COVID-19 pandemic. Many of our employees worked remotely during the period in which we prepared these financial statements and, accordingly, we ensured ongoing related oversight and monitoring procedures continued during the financial close and reporting process. We did not compromise our disclosure controls and procedures. We are continually monitoring and assessing our disclosure controls to ensure disclosure controls and procedures continue to be effective.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time involved in legal proceedings, claims, or investigations that are incidental to the conduct of our business.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including our assessment of the merits of the particular claim, we do not expect that these legal proceedings or claims will have any material adverse impact on our future consolidated financial position, results of operations, or cash flows.

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. The Trading Credit Facility (as further described and defined below) provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is an uncommitted demand facility provided by a syndicate of financial institutions (the "Trading Credit Lenders"), and is currently scheduled to mature on March 26, 2021. A-Mark routinely uses funds drawn under the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the funds drawn under the Trading Credit Facility to finance its lending activities.

Pursuant to the terms of the Trading Credit Facility, each Trading Credit Lender may, at any time in its sole discretion (subject to certain notice requirements), decline to make loans to us. If we are unable to access funds under the Trading Credit Facility, we may be limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs.

The Trading Credit Facility requires us to maintain certain financial ratios and to comply with various operational and other covenants. Upon the occurrence of an event of default under the Trading Credit Facility that was not cured or waived pursuant to the terms of the Trading Credit Facility, the Trading Credit Lenders could elect to declare all amounts outstanding under the Trading Credit Facility to be due and payable immediately. Further, Trading Credit Lenders holding 50% or more of the indebtedness under the Trading Credit Facility may require us to repay all outstanding indebtedness under the Trading Credit Facility at any time, even if we are in compliance with the financial and other covenants under the Trading Credit Facility.

We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, including the Trading Credit Facility, upon demand or acceleration, or at maturity, 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. We have pledged a significant portion of our assets as collateral under the Trading Credit Facility, and if we were unable to repay the amounts outstanding thereunder, the administrative agent under the Trading Credit Facility could proceed against the collateral granted to secure such indebtedness.

We are subject to fluctuations in interest rates based on the variable interest terms of the Trading Credit Facility 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 Trading Credit Facility. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus (i) 2.50% for revolving credit line loans and (ii) 4.50% for loans extended in excess of the then-available revolving credit line. The LIBOR was approximately 0.14% as of December 31, 2020.

Uncertainty about the future of LIBOR may adversely affect our business.

Borrowings under our revolving credit agreement bear interest at rates that are calculated based on LIBOR. On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calibration of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR in its current form cannot be assured after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. In the United States, the Alternative Reference Rates Committee (the "ARRC") has proposed the Secured Overnight Financing Rate ("SOFR") as an alternative to LIBOR for use in contracts that are currently indexed to United States dollar LIBOR, and has proposed a paced market transition plan to SOFR. It is not presently known whether SOFR or any other alternative reference rates that have been proposed will attain market acceptance as replacements of LIBOR.

The Company utilizes its Trading Credit Facility to purchase and finance precious metals and for operating cash flow purposes. Effective as ofMarch 27, 2020, the Trading Credit Facility was amended to include contingency provisions for the discontinuation of LIBOR. Under these provisions, the Company and the administrative agent for the facility may jointly select an alternative benchmark rate, giving due consideration to recommendations of replacement rates by governmental bodies and prevailing market conventions. Although alternative reference rates have been proposed, it is unknown whether these alternative reference rates will attain market acceptance as replacements of LIBOR.

If, as currently anticipated, LIBOR is replaced by alternative rates, the method and rate used to calculate our variable-rate debt in the future, particularly under our Trading Credit facility, may result in interest rates and/or payments that are higher than, lower than, or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR was available in its current form. Because arrangements for the anticipated replacement of LIBOR have not yet been finalized, the potential effect of the replacement of LIBOR on our cost of capital, financial results, and cash flows cannot yet be determined.

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 certain 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 some maturities on-demand and others 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, including as a consequence of the current COVID-19 pandemic, (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.

CFC may in certain circumstances be required to repurchase loans that it has securitized.

CFC has entered into a securitization financing whereby it has transferred, and may continue from time to time to transfer, to its subsidiary AMCF loans secured by precious metal coins or bullion. AMCF has issued 4.98% Class A Notes due 2023 and 5.98% Class B Notes due 2023 which are secured by these loans and related assets. While the notes are not recourse to the Company or CFC, CFC is required to provide certain warranties concerning the loans and the security interest in the metals collateral securing the loans. In the event the warranties made with respect to any loan are breached and the breach materially and adversely affects the interests of the noteholders, CFC is required to either cure the breach or repurchase the loan within specified a timeframe. If CFC were to default on its repurchase obligations, this could materially adversely affect the business of CFC, and could adversely affect the Company’s future ability to access the credit markets.

CFC and the Company have exposure to the performance of AM Capital Funding.

Regulation RR of the SEC requires the sponsor of an asset-backed securitization transaction, or certain of its affiliates, to retain an economic interest in the transaction. In compliance with this rule, CFC retained the equity interest in AMCF and the Company currently holds $5.0 million of Class B Notes, which are subordinated to the Class A Notes. In addition, CFC and the Company may, from time to time, also contribute cash or sell precious metals to AMCF in exchange for subordinated, deferred payment obligations from AMCF. If the performance of AMCF were to suffer such that AMCF were unable to service its notes, CFC and the Company could lose part or all of their investments in AMCF.

Under the terms of the servicing arrangements for the precious metals loan securitization, CFC may be required to liquidate the collateral securing securitized loans, even if this would impair relationships with its customers.

CFC is the servicer for the loans transferred to AMCF in the securitization transaction. If, under certain circumstances, the equity levels of the obligors on particular loans falls below a specified level and those obligors fail to pay in additional equity, CFC is required to liquidate the metals collateral securing those loans within a specified time period. CFC does not have the flexibility to defer or refrain from the liquidation, even if CFC were to determine that it would be in its best interests to do so. This requirement could impair valuable relationships that the Company may otherwise have with its customers whose loans have been securitized.

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. Two customers represented 27.9% of A-Mark's revenues for the six months ended December 31, 2020. The same two customers represented 21.9% of A-Mark's revenues for the six months ended December 31, 2019. If our relationships 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.

Our business could be adversely affected by the COVID-19 pandemic.

On March 11, 2020, the World Health Organization announced that infections of COVID-19had become pandemic, and on March 13, COVID-19 was declared a national emergency on account of the spread of the disease in the United States. The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States, and has severely constricted the level of economic activity worldwide. While there have been certain positive effects of the market reaction to the outbreak on our business, as precious metals prices have experienced increased volatility resulting in enhanced pricing spreads and improved profitability, we cannot tell how long these effects will continue or predict their future magnitude. The disruption in the financial markets has also had, and could in the future, have adverse effects on our businesses, including the following:

- We maintain facilities for our clients' and our own precious metal and numismatic inventories, where we receive and store these products and from which we make shipments for physical settlement in our trading activity. We have implemented strict procedures at these facilities to insure social distancing and minimize the risk of infected personnel. Nonetheless, there can be no assurance that we will not experience an outbreak of infection at these facilities, which could necessitate their closure or the curtailment of their activity.
- We engage in transactions with numerous financial counterparties. If these parties were to experience significant financial reversals, for example as a result of investments in sectors that have suffered severe downturns as a result of the COVID-19 pandemic, these parties may be unable to comply with their financial obligations to us, may cease transacting business with us or could curtail or terminate the credit that they extend to us. While we deal with a significant number of counterparties, we nonetheless have concentration in our customer base, with 27.9% of our revenues in the six months ended December 31, 2020 being attributable to two customers. To the extent that the COVID-19 pandemic were to materially and adversely affect the financial condition of customers responsible for a material portion of our revenues, our business could be correspondingly impaired.
- We require a regular supply of newly minted coins and other numismatics in the conduct of our coin and bar and retail Goldline businesses. We conduct the AMST joint venture, which supplies a portion of our requirements for silver products. We are also dependent on the production of gold and silver mints around the world for the supply of the majority of our product requirements. A number of mints, and refineries that supply gold and silver for the mints, reduced the capacity of their operations during the COVID-19 crisis, and as a result we have recently experienced periods when precious metals products were unavailable to us. The uncertainty regarding the availability of coin and other products could make it difficult for us to commit to future delivery, could make it more difficult for us to forecast and plan for our coin and bar operations and could otherwise adversely impact this aspect of our business.
- We rely on specialized, armored vehicles provided by third party commercial services to transport precious metals and numismatics to and from our customers and from the mints and our other suppliers. If these vehicles were deemed essential to other customers in the current crisis, such that we were unable to obtain adequate use of the vehicles, our ability to make physical settlement of our trading activity, to provide storage services to our customer, and to obtain necessary inventory would be curtailed and could be suspended entirely.

We have significant operations outside the United States.

We derive a significant portion 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.

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 Brian Aquilino, our COO, which both expire on June 30, 2023, and with Thor Gjerdrum, our President, which expires on June 30, 2022. 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 have a materially 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.

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 main sources of liquidity are the cash that we generate from operations, our borrowing availability under the Trading Credit Facility and the proceeds from our securitization transaction through AMCF. 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 entail 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.

Our Logistics depository is subject to authorization.

Our Trading Credit Lenders have 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.

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 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 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 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 Business Oversight. 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 Business Oversight may audit the books and records of CFC to determine whether CFC is in compliance with the terms of its lending license. In addition, the Commodity Futures Trading Commission and other federal and state agencies may assert oversight over aspects of CFC's operations.

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.

Changes in U.S. tax law could adversely affect our business and financial condition.

The laws, rules, and regulations dealing with U.S. federal, state, and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. In recent years, many changes have been made to applicable tax laws and changes are likely to continue to occur in the future. It cannot be predicted whether, when, in what form, or with what effective dates, new tax laws may be enacted, or regulations and rulings may be enacted, promulgated or issued under existing or new tax laws, which could result in an increase in our tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law or in the interpretation thereof.

One or more states or municipalities could assert that the Company is liable for sales and use, commerce, or similar type of taxes, which could adversely affect our business.

In *South Dakota v. Wayfair, Inc. et al* ("Wayfair"), the U.S. Supreme Court ruled that states may charge tax on purchases made from out-of-state sellers, even if the seller does not have a physical presence in the taxing state. The effect of Wayfair was to uphold economic nexus principles in determining sales and use tax nexus. As a result of the decision, most states have adopted laws that require an out-of-state retailer to register and collect sales and use or other non-income type taxes upon meeting certain economic nexus standards regardless of whether the company has physical presence in the state. Although the Company believes it is complying with these new requirements, our interpretation and application of the newly enacted legislation may differ from the states, which could result in the states' attempt to impose additional tax liabilities, including potential penalties and interest. Furthermore, the requirements by state or local governments on out-of-state sellers to collect sales and use taxes could deter futures sales, which could have an impact on our business, financial condition, and results of operations.

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 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 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.

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 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.

Compliance with new data protection/privacy statutes could increase our costs and expose the Company to possible sanctions for violation.

In 2016, the European Union ("EU") adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation (“GDPR”), which went into effect in May 2018. The EU data protection regime expands the scope of the EU data protection law to all foreign companies processing personal data of EU residents, imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover or €20 million, and includes new rights such as the “portability” of personal data. Although the GDPR will apply across the EU without a need for local implementing legislation, EU member states have the ability to interpret the GDPR opening clauses, which permit region-specific data protection legislation and have the potential to create inconsistencies on a country-by-country basis.

The Company has an office in Vienna, Austria that provides marketing support services for our international (including EU) customers. Although our international operations are currently modest compared to our business in the United States, our international business could grow over time. We have evaluated the new regulation and its requirements, and believe we are currently in compliance with the GDPR in all material respects. Going forward, however, the expansion of our international operations could require us to change our business practices and may increase the costs and complexity of compliance. Also, a violation by the Company of the new regulation could expose us to penalties and sanctions under the regulation.

On June 28, 2018, California passed the California Consumer Privacy Act of 2018 (“CCPA”), effective on January 1, 2020. The new law provides California consumers with a greater level of transparency and broader rights and choices with respect to their personal information than those contained in any existing state and federal laws in the U.S. The “personal information” regulated by CCPA is broadly defined to include identification or association with a California consumer or household, including demographics,

usage, transactions and inquiries, preferences, inferences drawn to create a profile about a consumer, and education information. Compliance with CCPA requires the implementation of a series of operational measures such as preparing data maps, inventory, or other records of all personal information pertaining to California residents, households and devices, as well as information sources, usage, storage, and sharing, maintaining and updating detailed disclosures in privacy policies, establishing mechanisms (including, at a minimum, a toll-free telephone number and an online channel) to respond to consumers' data access, deletion, portability, and opt-out requests, providing a clear and conspicuous "Do Not Sell My Personal Information" link on the home page of the business' website, etc. CCPA prohibits businesses from discriminating against consumers who have opted out of the sale of their personal information, subject to a narrow exception. It allows companies to provide financial incentives to California consumers in order to obtain their consent to the collection and use of their personal information. Violations of CCPA will result in civil penalties up to $7,500 per violation.CCPA further allows consumers to file lawsuits against a business if a data breach has occurred and the California Attorney General does not prosecute the business.

In addition, on May 29, 2019, Nevada's governor approved a bill (the "Amendment Bill"), effective on October 1, 2019. The Amendment Bill provides amendments to an existing law that requires operators of websites and online services to post a notice on their websites regarding their privacy practices. The Amendment Bill requires operators of internet websites or online services to establish a designated request address through which a consumer may submit a verified request directing such operators not to make any sale of covered information collected about the consumer. The "covered information" regulated by the Amendment Bill is defined to include an enumerated list of items of personally identifiable information (including names, addresses, email addresses, phone numbers, social security numbers and identifiers that allow a specific person to be contacted).

The changes introduced by the CCPA and the Amendment Bill, and any similar regulations enacted by other jurisdictions, will subject the Company to additional costs and complexity of compliance, by requiring, among other things, changes to the Company's security systems, policies, procedures and practices. In addition, a violation by the Company of the new regulations could expose us to penalties and sanctions.

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.

One of our longer-term goals is to implement a new ERP system across our segments. 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.

We have in the past engaged, and continue to engage, in transactions with Stack's Bowers, an affiliate of the Company, which could be perceived as not being made at arms-length.

Stack's-Bowers Numismatics LLC. ("Stack's Bowers"), which is primarily engaged in the business of auctions of high-value and rare coins and in coin retailing, is a wholly-owned subsidiary of SGI, our former parent and a related party. We have engaged in the past, and continue to engage, in transactions with Stack's Bowers, some of which are presently on-going. These transactions include secured lending transactions in which Stack's Bowers is the borrower, and other transactions involving the purchase and sale of rare coins. The Company and SGI have two officers and a director in common. In addition, a majority of the board of directors of the Company has retained an ownership interest in SGI that in the aggregate represents a controlling interest in SGI. All transactions between the Company and Stack's Bowers are approved by our Audit Committee, and we believe that all such transactions are on terms no less favorable to the Company than would be obtained from an unaffiliated third party. Nonetheless, these transactions could be perceived as being conflicted.

The Company's direct-to-client sales business could be subject to accusations of improper sales practices.

Through its Goldine subsidiary, the Company sells precious metals and numismatics directly to the retail investor community. Goldline markets its precious metal products on television, radio, and over the internet, and through telephonic sales efforts. Prior to its acquisition by the Company, Goldline had been accused of improper sales practices, and was the subject of a state enforcement action that was subsequently settled. Other retailers of precious metal products have similarly been the subject of accusations regarding their sales practices, including claims of misrepresentation, excessive product markups, pressured sales tactics and product switching. The Company believes that the sales practices of its Goldline subsidiary conform to applicable legal and ethical standards, and that there is no material basis for claims against Goldline in this regard. Nevertheless, given the nature of the retail precious metals business, the possibility that investors in precious metals may lose a substantial portion of their investment as a result of adverse market trends and the vulnerability of certain retail precious metal investors to economic loss, there can be no assurance that claims will not be made regarding Goldline's business practices or that, if made, such claims will not attract the attention of

governmental and private sector consumer advocates. Were this to occur, the Company could suffer adverse publicity, be subject to governmental enforcements actions or be forced to modify the sales and marketing practices of its direct-to-client sales business.

The Company's joint venture, Precious Metals Purchasing Partners LLC, is subject to risks which may affect our ability to successfully operate the joint venture.

The Company owns 50% of Precious Metals Purchasing Partners LLC, ("PMPP"), a joint venture which commenced operations in the first quarter of fiscal year 2020. PMPP purchases products from primarily from end-user retail customers, which are then sold to the Company, related parties of the Company or third parties.

The Company's interest in PMPP 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 the joint venture partner to meet its obligations, and (iii) disputes between the joint venturers or litigation regarding joint venture matters. Each of these risks could have a material adverse impact on the viability of PMPP, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

In addition, because PMPP engages in transaction with retail customers, it could be subject to risks and accusations similar to those discussed above with respect to the Company's direct-to-client sales business.

The Company is subject to risks relating to its AMST operations.

In August 2016, the Company formed a joint venture, AM&ST Associates, LLC. ("AMST"), with SilverTowne, L.P., an Indiana-based fabricator of silver bullion products, for the purpose of acquiring and operating SilverTowne, L.P.'s minting business unit ("SilverTowne Mint" or the "Mint"). The Company owns a majority interest in AMST.

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.

The Company is a party to an exclusive distribution agreement with AMST with respect to the silver products produced by AMST. Under this agreement, which terminates in August 2021 unless automatically renewed for an additional two years (subject to early termination under certain circumstances) the Company is currently required to order no less than 200,000 ounces of silver products per week (which amount is subject to re-evaluation as may be mutually agreed by the parties .) The price paid per ounce is mutually determined by the parties as may be mutually agreed, taking into consideration the manufacturing premiums then existing in the marketplace.

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.

AMST's ability to continue to expand the scope of its services and customer base 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.

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 inventory is 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.

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

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 comply 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 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.

We are not currently paying regular dividends and may not pay any dividends in the future.

The Company suspended its regular dividend policy in the third quarter of fiscal 2019. The declaration of cash dividends is subject to the determination each quarter by the Board of Directors, based on its assessment of 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.

See Note 16 for information about two non-recurring special dividends both declared by the Board of Directors in fiscal 2021.

There can be no assurance that the Company will resume paying 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 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 acquirors 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 could 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 approximately 33% 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.

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

Share Repurchase Program

In April 2018, the Company's Board of Directors approved a share repurchase program which authorized the Company to purchase up to 500,000 shares of its common stock from time to time, either in the open market or in block purchase transactions. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. As of December 31, 2020, no shares had been repurchased under the program.

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 Table Item No.	Description of Exhibit
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

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.

Date: February 10, 2021	**A-MARK PRECIOUS METALS, INC.** **By:** ***/s/ Gregory N. Roberts*** **Name:** Gregory N. Roberts **Title:** Chief Executive Officer *(Principal Executive Officer)*
Date: February 10, 2021	**A-MARK PRECIOUS METALS, INC.** **By:** ***/s/ Kathleen Simpson-Taylor*** **Name:** Kathleen Simpson-Taylor **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 10, 2021
/s/ Kathleen Simpson-Taylor Kathleen Simpson-Taylor	Chief Financial Officer *(Principal Financial Officer)*	February 10, 2021

Exhibit 31.1

CERTIFICATION

I, Gregory N. Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of A-Mark Precious Metals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2021

/s/ Gregory N. Roberts

Name: Gregory N. Roberts
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kathleen Simpson-Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of A-Mark Precious Metals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2021

/s/ Kathleen Simpson-Taylor

Name: Kathleen Simpson-Taylor
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with A-Mark Precious Metals, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 10, 2021

/s/ Gregory N. Roberts

Name: Gregory N. Roberts

Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with A-Mark Precious Metals, Inc.'s (the “Company”) Quarterly Report on Form 10-Q for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Accounting Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 10, 2021

/s/ Kathleen Simpson-Taylor

Name: Kathleen Simpson-Taylor

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.