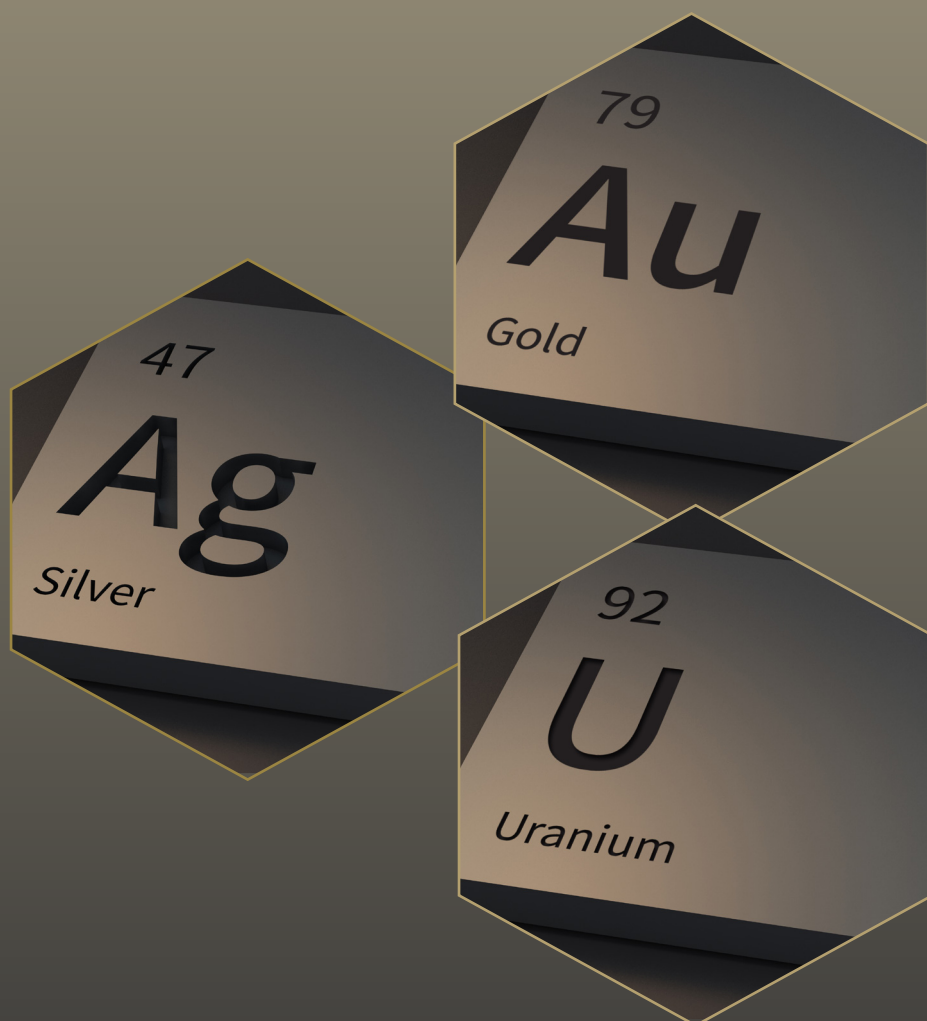


Sprott | 2021 Annual Report

Contrarian. Innovative. Aligned.



A Global Leader in Precious Metals and Real Assets Investments

Sprott is a global asset manager providing clients with access to highly-differentiated precious metals and real assets investment strategies.

We are specialists. Our in-depth knowledge, experience and relationships separate us from the generalists. Sprott's specialized investment products include innovative physical bullion and commodity trusts, managed equities, mining ETFs, as well as private equity and debt strategies. We also partner with natural resource companies to help meet their capital needs through our brokerage and resource lending activities.

Sprott has offices in Toronto, New York and London. Sprott Inc.'s common shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "SII".

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Dear fellow shareholders,

Each of Sprott's business units performed well in 2021. Our excellent results were driven by increases in our Assets Under Management ("AUM"), which reached \$20.4 billion as of December 31, 2021, up \$1.4 billion (8%) from September 30, 2021 and up \$3.1 billion (18%) from December 31, 2020. Highlights for the year included over \$3 billion of flows into our physical trusts, new capital commitments in our lending strategies and a strong year of mining equity origination in our brokerage segment. These achievements led to Sprott generating full year net income of \$33.2 million (\$1.33 per share), up 23%, or \$6.2 million (\$0.23 per share) from the year ended December 31, 2020. Additionally, adjusted base EBITDA for the year reached a record high of \$64.1 million (\$2.58 per share), up 45%, or \$19.9 million (\$0.78 per share) from the year ended December 31, 2020.

With the acquisition of Uranium Participation Corp and subsequent creation of the Sprott Physical Uranium Trust, we established ourselves as the dominant physical uranium fund manager in the world. This strategic move into an adjacent mineral asset category was a natural complement to our core expertise in precious metals investments. During the fourth quarter, we further expanded our uranium business through an agreement to acquire the exclusive rights to the index tracked by the North Shore Global Uranium Miners ETF, the second largest global uranium equity ETF, in a transaction expected to close in the first half of 2022. Investor demand for low carbon strategies is rapidly growing and Sprott is actively developing new strategies in this area.

During the fourth quarter of 2021, the Sprott Private Resource Streaming and Royalty Fund completed its final closing, raising over \$700 million. This strategy increases the scale and scope of our private resource investments area, and has expanded our institutional client base of public pension plans, foundations and family offices.

We are pleased to have generated solid 2021 results despite the lackluster performance of gold and silver throughout the year. No doubt gold was held back in 2021 by surging equity markets, a 60% increase in the 10-year Treasury rate and perceptions of an increasingly hawkish Federal Reserve.

Early in 2022, the backdrop for precious metals has become increasingly supportive. Inflation has surged above 7% and the Federal Reserve risks losing credibility if they do not act convincingly. The record \$8.7 trillion Federal Reserve balance sheet and over \$300 trillion of global debt balances have increased systematic risk and the potential for policy errors. Geopolitical tensions are rising considerably, recently culminating in the Russian invasion of Ukraine, and have heightened investor demand for safe havens. In response, the gold price has convincingly broken to the upside of its recent technical range.

The factors outlined above position Sprott to thrive in the current environment with our combination of products and investment talent. We look forward to continuing to create value for our shareholders and clients in 2022.

Sincerely,



Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Years ended December 31, 2021 and 2020

Forward looking statements

Certain statements in this Management's Discussion & Analysis ("MD&A"), and in particular the "Business Performance Highlights" section and "Outlook" section, contain forward-looking information and forward-looking statements (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable Canadian and U.S. securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the foregoing, this MD&A contains Forward-Looking Statements pertaining to: (i) our development of new strategies in low carbon strategies; (ii) the potential actions by the Fed Reserve with respect to inflation; (iii) the potential for precious metals prices to increase; (iv) our ability to thrive with our combination of products and investment talent and continuing to create value for our shareholders and clients in 2022; (v) our anticipation of another solid year of operating performance as we continue to benefit from strong gold and silver bullion markets, ongoing inflows into most of our fund products and continued success in the build out of our uranium physical trust and ETFs; (vi) our commitment to implement ESG considerations into both our investment management activities as well as our corporate operations; (vii) our agreement to acquire exclusive licensing rights to the index tracked by the North Shore Global Uranium ETF ("URNM"); (viii) expectation of the effects of COVID-19; and (ix) the declaration, payment and designation of dividends and confidence that our business will support the dividend level without impacting our ability to fund future growth initiatives.

Although the Company believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (i) the impact of increasing competition in each business in which the Company operates will not be material; (ii) quality management will be available; (iii) the effects of regulation and tax laws of governmental agencies will be consistent with the current environment; (iv) the impact of COVID-19; and (v) those assumptions disclosed herein under the heading "Critical Accounting Estimates, Judgments and Changes in Accounting Policies". Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) difficult market conditions; (ii) poor investment performance; (iii) failure to continue to retain and attract quality staff; (iv) employee errors or misconduct resulting in regulatory sanctions or reputational harm; (v) performance fee fluctuations; (vi) a business segment or another counterparty failing to pay its financial obligation; (vii) failure of the Company to meet its demand for cash or fund obligations as they come due; (viii) changes in the investment management industry; (ix) failure to implement effective information security policies, procedures and capabilities; (x) lack of investment opportunities; (xi) risks related to regulatory compliance; (xii) failure to manage risks appropriately; (xiii) failure to deal appropriately with conflicts of interest; (xiv) competitive pressures; (xv) corporate growth which may be difficult to sustain and may place significant demands on existing administrative, operational and financial resources; (xvi) failure to comply with privacy laws; (xvii) failure to successfully implement succession planning; (xviii) foreign exchange risk relating to the relative value of the U.S. dollar; (xix) litigation risk; (xx) failure to develop effective business resiliency plans; (xxi) failure to obtain or maintain sufficient insurance coverage on favourable economic terms; (xxii) historical financial information being not necessarily indicative of future performance; (xxiii) the market price of common shares of the Company may fluctuate widely and rapidly; (xxiv) risks relating to the Company's investment products; (xxv) risks relating to the Company's proprietary investments; (xxvi) risks relating to the Company's lending business; (xxvii) risks relating to the Company's brokerage business; (xxviii) the potential risk that the transaction and the related fund reorganization will not be approved by the shareholders of URNM; (xxix) failure to, in a timely manner, or at all, obtain the other necessary approvals for the transaction and related fund reorganization; (xxx) failure of the parties to otherwise satisfy the conditions to complete the transaction and related fund reorganization; (xxxi) the effect of the announcement of the transaction and related transaction on URNM generally and other customary risks associated with transactions of this nature; (xxxii) those risks described under the heading "Risk Factors" in the Company's annual information form dated February 24, 2022; and (xxxiii) those risks described under the headings "Managing Financial Risk" and "Managing Non-Financial Risk" in this MD&A. In addition, the payment of dividends is not guaranteed and the amount and timing of any dividends payable by the Company will be at the discretion of the Board of Directors of the Company and will be established on the basis of the Company's earnings, the satisfaction of solvency tests imposed by applicable corporate law for the declaration and payment of dividends, and other relevant factors. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and the Company does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

Management's discussion and analysis

This MD&A of financial condition and results of operations, dated February 24, 2022, presents an analysis of the consolidated financial condition of the Company and its subsidiaries as at December 31, 2021, compared with December 31, 2020, and the consolidated results of operations for the three and twelve months ended December 31, 2021, compared with the three and twelve months ended December 31, 2020. The board of directors approved this MD&A on February 24, 2022. All note references in this MD&A are to the notes to the Company's December 31, 2021 audited annual consolidated financial statements ("annual financial statements"), unless otherwise noted. The Company was incorporated under the Business Corporations Act (Ontario) on February 13, 2008.

Presentation of financial information

The annual financial statements, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Financial results, including related historical comparatives contained in this MD&A, unless otherwise specified herein, are based on the annual financial statements. While the Company's functional currency is the Canadian dollar, its presentation currency is the U.S. dollar. Accordingly, all dollar references in this MD&A are in U.S. dollars, unless otherwise specified. The use of the term "prior period" refers to the three and twelve months ended December 31, 2020.

Key performance indicators and non-IFRS and other financial measures

The Company measures the success of its business using a number of key performance indicators that are not measurements in accordance with IFRS and should not be considered as an alternative to net income (loss) or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Our key performance indicators and non-IFRS and other financial measures are discussed below. For quantitative reconciliations of non-IFRS financial measures to their most directly comparable IFRS financial measures please see page 10 of this MD&A.

Assets under management

Assets under management ("AUM") refers to the total net assets managed by the Company through its various investment product offerings and managed accounts.

Net inflows

Net inflows (consisting of net sales, capital calls and fee earning capital commitments) result in changes to AUM and are described individually below:

Net sales

Fund sales (net of redemptions), including 'at-the-market' transactions and secondary offerings of our physical trusts and new 'creations' of ETF units, are a key performance indicator as new assets being managed will lead to higher management fees and can potentially lead to increased carried interest and performance fee generation (as applicable) given that AUM is also the basis upon which carried interest and performance fees are calculated.

Capital calls and fee earning capital commitments

Capital calls into our lending LPs are a key source of AUM creation, and ultimately, earnings for the Company. Once capital is called into our lending LPs, it is included within the AUM of the Company as it will now earn a management fee (NOTE: it is possible for some forms of committed capital to earn a commitment fee despite being uncalled, in which case, it will also be included in AUM at that time). Conversely, once loans in our lending LPs are repaid, capital may be returned to investors in the form of a distribution, thereby reducing our AUM ("capital distributions").

Net fees

Management fees (net of trailer, sub-advisor, other fees and direct payouts) and carried interest and performance fees (net of carried interest and performance fee payouts) are key revenue indicators as they represent the net revenue contribution after directly associated costs that we generate from our AUM.⁽¹⁾

Net commissions

Commissions, net of commission expenses (internal and external), arise primarily from transaction-based service offerings of our brokerage segment and purchases and sales of uranium in our exchange listed products segment.⁽¹⁾

Net compensation

Net compensation excludes commission expenses paid to employees, other direct payouts to employees, carried interest and performance fee payouts to employees, which are all presented net of their related revenues in this MD&A, and severance and new hire accruals which are non-recurring.⁽¹⁾

Total shareholder return

Total shareholder return is the financial gain (loss) that results from a change in the Company's share price, plus any dividends paid over the period.

Return on capital

Return on capital is calculated as adjusted base EBITDA, plus gain (loss) on investments divided by capital stock plus outstanding loan facility.

⁽¹⁾ Prior period non-IFRS measures presented throughout this MD&A have been re-presented to align with these definitions

EBITDA, adjusted EBITDA, adjusted base EBITDA and operating margin

EBITDA in its most basic form is defined as earnings before interest expense, income taxes, depreciation and amortization. EBITDA is a measure commonly used in the investment industry by management, investors and investment analysts in understanding and comparing results by factoring out the impact of different financing methods, capital structures, amortization techniques and income tax rates between companies in the same industry. While other companies, investors or investment analysts may not utilize the same method of calculating EBITDA (or adjustments thereto), the Company believes its adjusted base EBITDA metric, in particular, results in a better comparison of the Company's underlying operations against its peers and a better indicator of recurring results from operations as compared to other non-IFRS financial measures.

Neither EBITDA, adjusted EBITDA or adjusted base EBITDA have standardized meaning under IFRS. Consequently, they should not be considered in isolation, nor should they be used in substitute for measures of performance prepared in accordance with IFRS.

The following table outlines how our EBITDA, Adjusted EBITDA and Adjusted base EBITDA measures are determined:

(in thousands \$)	3 months ended		12 months ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Net income for the periods	10,171	6,720	33,185	26,978
Adjustments:				
Interest expense	239	331	1,161	1,237
Provision for income taxes	3,354	2,561	12,005	7,684
Depreciation and amortization	1,136	1,023	4,552	4,052
EBITDA	14,900	10,635	50,903	39,951
Other adjustments:				
(Gain) loss on investments ⁽¹⁾	43	3,089	1,883	(5,109)
Non-cash stock-based compensation	450	1,307	1,698	2,835
Other expenses (credits) ⁽²⁾	3,304	4,266	13,217	11,035
Adjusted EBITDA	18,697	19,297	67,701	48,712
Other adjustments:				
Carried interest and performance fees	(4,298)	(10,075)	(12,235)	(10,075)
Carried interest and performance fee payouts	2,516	5,529	7,222	5,529
Trailer, sub-advisor and other fees	790	—	1,385	—
Adjusted base EBITDA	17,705	14,751	64,073	44,166
Operating margin ⁽³⁾	55 %	51 %	53 %	49 %

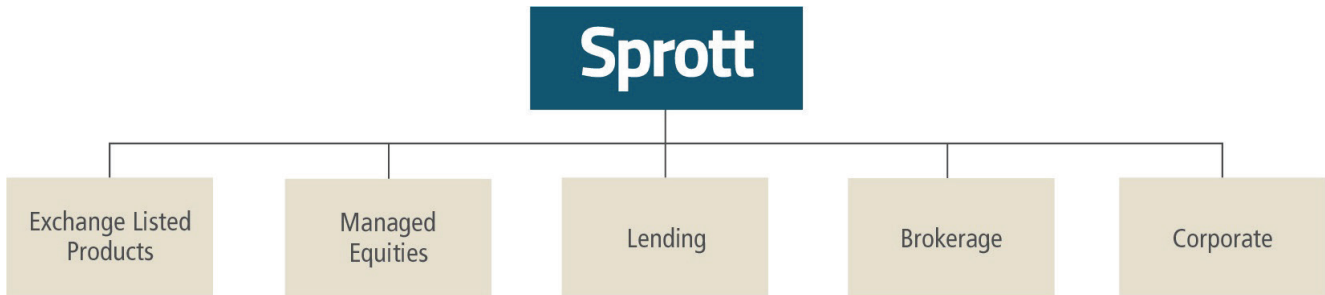
⁽¹⁾ This adjustment removes the income effects of certain gains or losses on short-term investments, co-investments, and digital gold strategies to ensure the reporting objectives of our EBITDA metric as described above are met.

⁽²⁾ In addition to the items outlined in Note 5 of the annual financial statements, this reconciliation line also includes \$0.2 million severance and new hire accruals for the 3 months ended December 31, 2021 (3 months ended December 31, 2020 - \$0.1 million) and \$0.7 million for the 12 months ended (12 months ended December 31, 2020 - \$1.3 million). This reconciliation line excludes income (loss) attributable to non-controlling interests of (\$0.2 million) for the 3 months ended (3 months ended December 31, 2020 - \$0.3 million) and \$0.1 million for the 12 months ended December 31, 2021 (12 months ended December 31, 2020 - \$0.8 million).

⁽³⁾ Calculated as adjusted base EBITDA inclusive of depreciation and amortization. This figure is then divided by revenues before gains (losses) on investments, net of direct costs as applicable.

Business overview

Our reportable operating segments are as follows:



Exchange listed products

- The Company's closed-end physical trusts and exchange traded funds ("ETFs").

Managed equities

- The Company's alternative investment strategies managed in-house and on a sub-advised basis.

Lending

- The Company's lending and streaming activities occur through limited partnership vehicles ("lending LPs").

Brokerage

- The Company's regulated broker-dealer activities (equity origination, corporate advisory, sales and trading).

Corporate

- Provides the Company's operating segments with capital, balance sheet management and other shared services.

All other segments

- Contains all non-reportable segments as per IFRS 8, *Operating Segments* ("IFRS 8"). See Note 14 of the annual financial statements for further details.

Financial highlights

(1 and 5 year performance)

+ 18% AUM from December 31, 2020 2021: \$20.4 billion 2020: \$17.4 billion	+ 196% AUM from December 31, 2016 2021: \$20.4 billion 2016: \$6.9 billion	14% Return on Capital as at December 31, 2021 2020: 11% 2016: 10%	
+ 45% Adjusted base EBITDA from December 31, 2020 2021: \$64.1 million (operating margin 53%) 2020: \$44.2 million (operating margin 49%)	+ 252% Adjusted base EBITDA from December 31, 2016 2021: \$64.1 million (operating margin 53%) 2016: \$18.2 million (operating margin 5%)	59% 1-year Total Shareholder Return as at December 31, 2021 Relative to S&P/TSX composite: Top 2 among all asset managers Top 5 among all financial institutions Top 50 overall	165% 5-year Total Shareholder Return as at December 31, 2021 S&P/TSX composite cumulative 5-year return was 61%*

* Excluding dividend reinvestment, the S&P/TSX composite cumulative 5-year return was 39%.

Outlook

After posting record adjusted base EBITDA in 2021, we are anticipating another solid year of operating performance as we continue to benefit from strong gold and silver bullion markets, ongoing inflows into most of our fund products and continued success in the build out of our uranium physical trust and ETFs.

Product and business line expansion

On November 4, we announced that we are further expanding our uranium franchise with an agreement to acquire exclusive licensing rights to the index tracked by the North Shore Global Uranium ETF ("URNM"), which has the potential to result in a transaction that would be accretive to our AUM. We believe URNM is a perfect complement to SPUT, which has quickly become the largest and most in-demand physical uranium vehicle in the world. The transaction is expected to close in the first half of 2022.

On July 19, the Company closed on the previously announced transaction with Uranium Participation Corporation ("UPC acquisition") to form the Sprott Physical Uranium Trust ("SPUT"). Under the agreement, UPC shareholders received one half of one unit of SPUT. As part of the transaction, the Company has contributed CAD\$6.7 million to UPC at closing, paid a CAD\$5.8 million termination fee to the former manager, and reimbursed CAD\$1 million in out-of-pocket expenses to UPC. At the time of closing, this transaction added \$630 million to the Company's AUM.

COVID-19 update

Our business continuity plan continues to operate effectively throughout the pandemic. Our portfolio managers, brokerage professionals, enterprise shared services teams and key outsource service providers are fully operational.

Environmental, social, governance highlights

Sprott is committed to implementing ESG considerations into both our investment management activities as well as our corporate operations. Our 2021 ESG accomplishments are noted below. Please see “Environmental, social, and governance policy” in the 2021 Annual Information Form for additional details regarding our commitment to ESG.



Responsible investing

- We completed the submission of our inaugural report to the Principles for Responsible Investment, signaling our commitment to incorporate ESG factors into our investment ownership decisions



Environmental

- This year, we completed an assessment of our offices in Canada and the United States and determined that we achieved carbon neutrality under the Carbonzero program as we sourced carbon offsets in the equivalent amount of our 2020 Scope 1 and Scope 2 Greenhouse Gas emissions
- Launched the Sprott Physical Uranium Trust, providing investors access to a vehicle focused on a form of energy generation that is one of the cleanest energy generation sources based on CO2 emissions⁽¹⁾, and a contributor to global de-carbonization goals
- We continued to build scale in the Sprott Physical Silver Trust, providing investors with the opportunity to invest in a base metal used in solar and other green technologies that are critical in the fight against climate change



Social

- This year, we made further progress towards our Diversity, Equity and Inclusion (“DEI”) goals by increasing the number of women and BIPOC individuals on the Sprott leadership team. The promotion and advancement of these deserving high achievers brings us closer to our long-term goal of at least 1/3 women and 1/3 BIPOC individuals on the leadership team over the next 36 months. Further strengthening our company as we better reflect the makeup of our shareholder base, clients and employees across the world
- Continued to deepen our relationships with organizations in the communities we operate in, including those committed to COVID-19 relief, at-risk communities in our local neighborhoods, and those advancing opportunities for women in mining and in governance roles
- Awarded the first Sprott School of Business Scholarship for women in finance at Carleton University
- Delivered mandatory company-wide training sessions on DEI, unconscious bias, and emotional intelligence
- Introduced a company-wide Truth and Reconciliation education session, developed by the Four Seasons of Reconciliation Indigenous Circle and the First Nations University of Canada
- Supported employee health and wellness through mental health & wellbeing seminars



Governance

- Added two new independent directors
- Completed an external review of our governance practices with Global Governance Advisors to identify and implement policy and disclosure enhancements
- Our compensation practices continue to incorporate a mix of pay reflecting the objectives of our shareholders that management be compensated more towards variable at-risk pay (AIP) and long-term stock incentives (LTIP)
- Hired BitSight (an independent third party Cyber Security rating firm), which ranked the Company in the top 10% of all financial services firms worldwide as it relates to cybersecurity and cybersecurity performance. The company continues to make good progress towards the finalization of our National Institute of Standards & Technology (“NIST”) audit

⁽¹⁾ Based on Greenhouse gas emissions factors from the Intergovernmental Panel on Climate Change AR5 (2014) and Pehl et al. (2017) in *Nature*.

Results of operations

Summary financial information

(In thousands \$)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Summary income statements								
Management fees	27,783	28,612	25,062	22,452	22,032	19,934	15,825	15,125
Carried interest and performance fees	4,298	—	—	7,937	10,075	—	—	—
less: Carried interest and performance fee payouts	2,516	—	126	4,580	5,529	—	—	—
less: Trailer, sub-advisor and other fees ⁽¹⁾	1,662	637	552	1,194	583	527	516	414
less: Direct payouts ⁽¹⁾	1,367	1,892	1,198	890	695	476	490	634
Net fees	26,536	26,083	23,186	23,725	25,300	18,931	14,819	14,077
Commissions	14,153	11,273	7,377	12,463	6,761	9,386	6,133	5,179
less: Commission expense - internal ⁽¹⁾	4,128	3,089	3,036	5,289	2,093	3,313	1,887	1,236
less: Commission expense - external ⁽¹⁾	3,016	2,382	49	253	98	344	161	—
Net commissions	7,009	5,802	4,292	6,921	4,570	5,729	4,085	3,943
Finance income	788	567	932	1,248	1,629	757	656	914
Gain (loss) on investments	(43)	310	2,502	(4,652)	(3,089)	4,408	8,142	(4,352)
Other income	313	529	438	303	949	914	285	113
Total net revenues	34,603	33,291	31,350	27,545	29,359	30,739	27,987	14,695
Compensation	20,632	18,001	15,452	22,636	20,193	16,280	10,991	10,125
less: Carried interest and performance fee payouts	2,516	—	126	4,580	5,529	—	—	—
less: Commission expense and direct payouts	5,495	4,981	4,234	6,179	2,788	3,789	2,377	1,870
less: Severance and new hire accruals	187	207	293	44	65	210	358	667
Net compensation	12,434	12,813	10,799	11,833	11,811	12,281	8,256	7,588
Severance and new hire accruals	187	207	293	44	65	210	358	667
Selling, general and administrative ⁽¹⁾	4,172	3,682	3,492	3,351	2,320	2,465	2,944	3,370
Interest expense	239	312	260	350	331	320	350	236
Depreciation and amortization	1,136	1,134	1,165	1,117	1,023	992	1,049	988
Other expenses (credits)	2,910	3,875	876	4,918	4,528	4,154	2,893	(1,081)
Total expenses	21,078	22,023	16,885	21,613	20,078	20,422	15,850	11,768
Net income	10,171	8,718	11,075	3,221	6,720	8,704	10,492	1,062
Net Income per share	0.41	0.35	0.44	0.13	0.27	0.36	0.43	0.04
Adjusted base EBITDA	17,705	16,713	15,050	14,605	14,751	12,024	9,204	8,187
Adjusted base EBITDA per share	0.71	0.67	0.60	0.59	0.60	0.49	0.38	0.33
Operating margin	55 %	52 %	52 %	51 %	51 %	47 %	49 %	43 %
Summary balance sheet								
Total assets	365,873	375,819	361,121	356,986	377,348	358,300	338,931	318,318
Total liabilities	74,654	84,231	64,081	67,015	86,365	81,069	70,818	65,945
Total AUM	20,443,088	19,016,313	18,550,106	17,073,078	17,390,389	16,259,184	13,893,039	10,734,831
Average AUM	20,229,119	19,090,702	18,343,846	17,188,205	16,719,815	16,705,046	13,216,415	11,007,781

⁽¹⁾ Certain comparative figures have been reclassified to conform with current year presentation.

AUM summary

AUM was \$20.4 billion as at December 31, 2021, up \$1.4 billion (8%) from September 30, 2021 and up \$3.1 billion (18%) from December 31, 2020. On a three and twelve months ended basis, we benefited from strong inflows to our physical trusts and lending strategies. We also benefited from the UPC acquisition adding \$630 million to our physical trusts in the third quarter. These increases more than offset market value depreciation across most of our fund products during the year.

3 months results						Blended management fee rate ⁽³⁾
(In millions \$)	AUM Sep. 30, 2021	Net inflows ⁽¹⁾	Market value changes	Other ⁽²⁾	AUM Dec. 31, 2021	
Exchange listed products						
- Physical trusts						
- Physical Gold Trust	4,778	39	191	—	5,008	0.35%
- Physical Gold and Silver Trust	3,921	4	169	—	4,094	0.40%
- Physical Silver Trust	3,378	59	163	—	3,600	0.45%
- Physical Uranium Trust	1,303	539	(73)	—	1,769	0.30%
- Physical Platinum & Palladium Trust	128	5	(1)	—	132	0.50%
- Exchange Traded Funds	317	6	33	—	356	0.35%
	13,825	652	482	—	14,959	0.38%
Managed equities						
- Precious metals strategies	2,017	(56)	180	—	2,141	0.80%
- Other ⁽⁴⁾	350	—	12	—	362	0.93%
	2,367	(56)	192	—	2,503	0.82%
Lending	1,383	64	3	(24)	1,426	0.79%
Other ⁽⁵⁾	1,441	125	(11)	—	1,555	0.95%
Total ⁽⁶⁾	19,016	785	666	(24)	20,443	0.51%
12 months results						
(In millions \$)	AUM Dec. 31, 2020	Net inflows ⁽¹⁾	Market value changes	Other ⁽²⁾	AUM Dec. 31, 2021	Blended management fee rate ⁽³⁾
Exchange listed products						
- Physical trusts						
- Physical Gold Trust	4,893	315	(200)	—	5,008	0.35%
- Physical Gold and Silver Trust	4,423	(17)	(312)	—	4,094	0.40%
- Physical Silver Trust	2,408	1,756	(564)	—	3,600	0.45%
- Physical Uranium Trust	—	998	141	630	1,769	0.30%
- Physical Platinum & Palladium Trust	127	37	(32)	—	132	0.50%
- Exchange Traded Funds	382	24	(50)	—	356	0.35%
	12,233	3,113	(1,017)	630	14,959	0.38%
Managed equities						
- Precious metals strategies	2,479	(52)	(286)	—	2,141	0.80%
- Other ⁽⁴⁾	352	(1)	11	—	362	0.93%
	2,831	(53)	(275)	—	2,503	0.82%
Lending	999	583	(12)	(144)	1,426	0.79%
Other ⁽⁵⁾	1,327	381	(153)	—	1,555	0.95%
Total ⁽⁶⁾	17,390	4,024	(1,457)	486	20,443	0.51%

⁽¹⁾ See 'Net inflows' in the key performance indicators and non-IFRS and other financial measures section of this MD&A.

⁽²⁾ Includes new AUM from fund acquisitions and lost AUM from fund divestitures and capital distributions of our lending LPs.

⁽³⁾ Management fee rate represents the weighted average fees for all funds in the category.

⁽⁴⁾ Includes institutional managed accounts.

⁽⁵⁾ Includes Sprott Korea Corp. and high net worth discretionary managed accounts in the U.S.

⁽⁶⁾ No performance fees are earned on exchange listed products. Performance fees are earned on all precious metals strategies (other than bullion funds) based on returns above relevant benchmarks. Other managed equities strategies primarily earn performance fees on flow-through products. Lending funds earn carried interest calculated as a pre-determined net profit over a preferred return.

Key revenue lines

Management, carried interest and performance fees

Management fees were \$27.8 million in the quarter, up \$5.8 million (26%) from the quarter ended December 31, 2020 and \$103.9 million on a full year basis, up \$31 million (43%) from the year ended December 31, 2020. Carried interest and performance fees were \$4.3 million in the quarter, down \$5.8 million (57%) from the quarter ended December 31, 2020 and \$12.2 million on a full year basis, up \$2.2 million (21%) from the year ended December 31, 2020. Net fees were \$26.5 million in the quarter, up \$1.2 million (5%) from the quarter ended December 31, 2020 and \$99.5 million on a full year basis, up \$26.4 million (36%) from the year ended December 31, 2020. Our revenue performance was primarily due to strong net inflows in our exchange listed products segment (primarily our silver bullion trust) and higher average AUM resulting from the UPC acquisition and subsequent inflows into this newly acquired fund. We also benefited from inflows in our lending and brokerage segments. Additionally, we experienced carried interest crystallization in our lending segment.

Commission revenues

Commission revenues were \$14.2 million in the quarter, up \$7.4 million from the quarter ended December 31, 2020 and \$45.3 million on a full year basis, up \$17.8 million (65%) from the year ended December 31, 2020. Net commissions were \$7 million in the quarter, up \$2.4 million (53%) from the quarter ended December 31, 2020 and \$24 million on a full year basis, up \$5.7 million (31%) from the year ended December 31, 2020. Net commissions were strong in the quarter and on a full year basis due to a combination of commissions earned on strong mining equity origination in our brokerage segment during the first half of the year and commissions earned on the purchase of uranium in our exchange listed products segment during the second half of the year.

Finance income

Finance income was \$0.8 million in the quarter, down \$0.8 million (52%) from the quarter ended December 31, 2020 and \$3.5 million on a full year basis, down \$0.4 million (11%) from the year ended December 31, 2020. Our quarterly and full year results are primarily driven by income generation in co-investment positions we hold in LPs managed in our lending segment.

Key expense lines

Compensation

Net fees, net commissions, adjusted base EBITDA and operating margins are key drivers of the company's net compensation expense and related net compensation expense ratio (net compensation divided by net fees and net commissions). Net compensation expense was \$12.4 million in the quarter, up \$0.6 million (5%) from the quarter ended December 31, 2020. This compares to net fees and commissions growth of 12% and adjusted base EBITDA growth of 20% over the same time period. Net compensation expense was \$47.9 million on a full year basis, up \$7.9 million (20%) from the year ended December 31, 2020. This compares to net fees and commissions growth of 35% and adjusted base EBITDA growth of 45% over the same time period. Our net compensation expense ratio on a full year basis was 39% compared to 44% for the year ended December 31, 2020.

Selling, general & administrative ("SG&A")

SG&A was \$4.2 million in the quarter, up \$1.9 million (80%) from the quarter ended December 31, 2020 and \$14.7 million on a full year basis, up \$3.6 million (32%) from the year ended December 31, 2020. The increase was mainly due to higher marketing, regulatory and technology costs.

Earnings

Net income was \$10.2 million (\$0.41 per share) in the quarter, up 51%, or \$3.5 million (\$0.14 per share) from the quarter ended December 31, 2020 and \$33.2 million (\$1.33 per share) on a full year basis, up 23%, or \$6.2 million (\$0.23 per share) from the year ended December 31, 2020.

Adjusted base EBITDA was \$17.7 million (\$0.71 per share) in the quarter, up 20%, or \$3 million (\$0.11 per share) from the quarter ended December 31, 2020 and a record \$64.1 million (\$2.58 per share) on a full year basis, up 45%, or \$19.9 million (\$0.78 per share) from the year ended December 31, 2020.

On a quarterly and full year basis, we benefited from strong inflows into our physical trusts (primarily silver bullion), the UPC acquisition, subsequent additional inflows into this newly acquired fund and our lending products. Finally, we saw very robust mining equity origination activity in the first half of the year, coupled with strong ongoing AUM development in our brokerage segment.

Additional revenues and expenses

Investment losses in the quarter were primarily from net market value depreciation of certain digital gold strategies that were partially offset by market value appreciation of our co-investments and equity holdings. On a full year basis, we were impacted by unrealized losses on certain co-investments that were partially offset by net gains on our digital gold strategies and equity holdings.

Other income was lower due to a decrease in income attributable to non-controlling interests.

Amortization of intangibles was largely flat from the prior period. Depreciation of property was higher from the prior period mainly due to increased depreciation expense related to leases.

Other expenses (credits) were lower during the quarter and higher on a full year basis. The decrease in the quarter was primarily due to last year's accrual of additional contingent consideration related to the Tocqueville acquisition. The increase on a full year basis was due to a \$2.6 million payment to the former owners of Central Fund of Canada Limited to cover legacy transaction costs from the 2018 acquisition.

Balance sheet

Total assets were \$365.9 million, down \$11.5 million from December 31, 2020. The decrease was primarily due to a decrease in co-investments and other assets held by the Company. Total liabilities were \$74.7 million, down \$11.7 million from December 31, 2020. The decrease was due to lower accrued liabilities on the payment of contingent consideration related to the Tocqueville acquisition. Total shareholder's equity was \$291.2 million, up \$0.2 million from December 31, 2020.

Reportable operating segments

Exchange listed products

(In thousands \$)	3 months ended		12 months ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Summary income statement				
Management fees	14,448	11,449	53,404	37,670
less: Trailer, sub-advisory and other fees	344	101	588	394
Net Fees	14,104	11,348	52,816	37,276
Commissions	5,072	—	9,577	—
less: Commission expense - internal	638	—	1,177	—
less: Commission expense - external	2,567	—	4,924	—
Net commissions ⁽¹⁾	1,867	—	3,476	—
Other income	—	1	2	10
Total net revenues	15,971	11,349	56,294	37,286
Net compensation	2,153	1,437	7,033	5,085
Severance and new hire accruals	—	—	—	73
Selling, general and administrative	879	452	2,877	1,836
Interest expense	93	76	414	338
Depreciation and amortization	251	242	1,007	940
Other expenses (credits)	21	994	2,621	485
Total expenses	3,397	3,201	13,952	8,757
Income before income taxes	12,574	8,148	42,342	28,529
Adjusted base EBITDA	12,953	9,497	46,449	30,563
Operating margin	80 %	81 %	81 %	79 %
Total AUM	14,959,109	12,233,316	14,959,109	12,233,316
Average AUM	14,771,210	11,786,235	13,513,765	9,914,709

⁽¹⁾ See 'net commissions' in the key performance indicators and non-IFRS and other financial measures section of this MD&A.

3 and 12 months ended

Income before income taxes was \$12.6 million in the quarter, up \$4.4 million (54%) from the quarter ended December 31, 2020 and was \$42.3 million on a full year basis, up \$13.8 million (48%) from the year ended December 31, 2020. Adjusted base EBITDA was \$13 million in the quarter, up \$3.5 million (36%) from the quarter ended December 31, 2020 and was \$46.4 million on a full year basis, up \$15.9 million (52%) from the year ended December 31, 2020. Our three and twelve months ended results benefited from the UPC acquisition and higher average AUM given strong inflows in our physical trust products throughout the year (particularly our silver bullion and uranium trusts). We also benefited from commissions earned on the purchase of uranium during the second half of the year.

Managed equities

(In thousands \$)	3 months ended		12 months ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Summary income statement				
Management fees	5,898	5,901	24,137	20,621
Carried interest and performance fees	374	10,075	1,082	10,075
less: Carried interest and performance fee payouts	226	5,529	752	5,529
less: Trailer, sub-advisor and other fees	364	428	1,417	1,339
less: Direct payouts	32	19	247	118
Net fees	5,650	10,000	22,803	23,710
Gain (loss) on investments	2,156	1,719	(2,091)	9,803
Other income	700	297	1,485	855
Total net revenues	8,506	12,016	22,197	34,368
Net compensation	2,632	2,268	10,058	8,116
Severance and new hire accruals	—	12	30	142
Selling, general and administrative	731	328	2,790	1,649
Interest expense	93	200	492	686
Depreciation and amortization	58	54	228	208
Other expenses (credits)	321	2,579	5,023	4,899
Total expenses	3,835	5,441	18,621	15,700
Income before income taxes	4,671	6,575	3,576	18,668
Adjusted base EBITDA	2,911	3,288	11,387	10,762
Operating margin	49 %	56 %	49 %	53 %
Total AUM	2,502,727	2,831,023	2,502,727	2,831,023
Average AUM	2,531,842	2,735,878	2,626,817	2,649,120

3 months ended

Income before income taxes was \$4.7 million in the quarter, down \$1.9 million (29%) from the three months ended December 31, 2020. Our quarterly results were primarily impacted by lower net fees, partially offset by lower other expenses. Adjusted base EBITDA was \$2.9 million in the quarter, down \$0.4 million (11%) from the quarter ended December 31, 2020. Our quarterly results were primarily impacted by higher compensation and increased SG&A.

12 months ended

Income before income taxes was \$3.6 million on a full year basis, down \$15.1 million (81%) from the year ended December 31, 2020. Our full year results were primarily impacted by unrealized losses on co-investments in the year, compared to material gains in the prior year. Adjusted base EBITDA was \$11.4 million on a full year basis, up \$0.6 million (6%) from the year ended December 31, 2020. Adjusted base EBITDA benefited from higher management fees, partially offset by higher compensation and SG&A expense.

Lending

(In thousands \$)	3 months ended		12 months ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Summary income statement				
Management fees	3,428	2,198	13,245	9,366
Carried interest and performance fees	3,924	—	11,153	—
less: Carried interest and performance fee payouts	2,290	—	6,470	—
less: Trailer, sub-advisor and other fees	820	41	1,499	192
less: Direct payouts	346	151	1,264	955
Net Fees	3,896	2,006	15,165	8,219
Finance income	773	1,629	3,447	3,838
Gain (loss) on investments	(333)	2,062	(2,429)	2,037
Other income	92	185	313	268
Total net revenues	4,428	5,882	16,496	14,362
Net compensation	1,628	1,480	6,475	4,833
Severance and new hire accruals	—	15	461	212
Selling, general and administrative	276	318	1,024	887
Interest expense	—	—	7	11
Depreciation and amortization	—	1	1	53
Other expenses (credits)	992	2,115	801	1,326
Total expenses	2,896	3,929	8,769	7,322
Income before income taxes	1,532	1,953	7,727	7,040
Adjusted base EBITDA	2,222	2,423	8,921	7,272
Operating margin	57 %	61 %	57 %	59 %
Total AUM	1,425,581	999,037	1,425,581	999,037
Average AUM	1,397,881	950,909	1,104,350	880,577

3 months ended

Income before income taxes was \$1.5 million in the quarter, down \$0.4 million (22%) from the quarter ended December 31, 2020. Our quarterly results were impacted by lower finance income and losses on co-investments, partially offset by higher net fees and lower other expenses. Adjusted base EBITDA was \$2.2 million in the quarter, down \$0.2 million (8%) from the quarter ended December 31, 2020. Our quarterly results were impacted by lower finance and other income, partially offset by higher net management fees.

12 months ended

Income before income taxes was \$7.7 million on a full year basis, up \$0.7 million (10%) from the year ended December 31, 2020. Our full year results benefited from higher net fees (which includes net carried interest), partially offset by losses on co-investments and compensation expense. Adjusted base EBITDA was \$8.9 million on a full year basis, up \$1.6 million (23%) from the year ended December 31, 2020. Our full year results benefited from higher net management fees partially offset by higher compensation expense.

Brokerage

(In thousands \$)	3 months ended		12 months ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Summary income statement				
Commissions	8,388	6,882	34,216	26,705
less: Commission expense - internal	3,490	2,363	14,336	9,702
less: Commission expense - external	449	98	776	603
Net commissions	4,449	4,421	19,104	16,400
Management fees	2,439	886	9,599	2,168
less: Trailer, sub-advisor and other fees	61	—	150	—
less: Direct payouts	989	350	3,836	1,047
Net Fees	1,389	536	5,613	1,121
Finance income	15	—	63	118
Gain (loss) on investments	259	5	12	1,590
Other income	21	24	73	102
Total net revenues	6,133	4,986	24,865	19,331
Net compensation	1,517	1,859	7,704	6,033
Severance and new hire accruals	176	30	218	680
Selling, general and administrative	1,423	1,031	4,696	4,151
Interest expense	9	12	47	45
Depreciation and amortization	177	145	690	533
Other expenses (credits)	147	494	706	660
Total expenses	3,449	3,571	14,061	12,102
Income before income taxes	2,684	1,415	10,804	7,229
Adjusted base EBITDA	2,986	2,522	12,596	8,052
Operating margin	44 %	53 %	46 %	47 %
Total AUM	778,341	529,641	778,341	529,641
Average AUM	763,401	449,199	696,980	266,946

3 months ended

Income before income taxes was \$2.7 million in the quarter, up \$1.3 million (90%) from the quarter ended December 31, 2020. Adjusted base EBITDA was \$3 million in the quarter, up \$0.5 million (18%) from the quarter ended December 31, 2020. Our quarterly results primarily benefited from increased management fee generation in our U.S. managed accounts.

12 months ended

Income before income taxes was \$10.8 million on a full year basis, up \$3.6 million (49%) from the year ended December 31, 2020. Adjusted base EBITDA was \$12.6 million on a full year basis, up \$4.5 million (56%) from the year ended December 31, 2020. Our full year results benefited from increased management fee generation in our U.S. managed accounts and from strong mining equity origination in the first half of the year in our Canadian broker-dealer.

Corporate

This segment is primarily a cost centre that provides capital, balance sheet management and shared services to the Company's subsidiaries.

(In thousands \$)	3 months ended		12 months ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Summary income statement				
Gain (loss) on investments	(2,016)	(6,793)	2,609	(7,351)
Other income	42	71	89	137
Total revenues	(1,974)	(6,722)	2,698	(7,214)
Net compensation	3,950	3,987	14,454	13,036
Severance and new hire accruals	—	—	—	52
Selling, general and administrative	513	331	2,118	1,699
Interest expense	44	43	197	157
Depreciation and amortization	521	572	2,375	2,286
Other expenses (credits)	997	389	2,106	1,336
Total expenses	6,025	5,322	21,250	18,566
Income (loss) before income taxes	(7,999)	(12,044)	(18,552)	(25,780)
Adjusted base EBITDA	(4,317)	(3,965)	(16,071)	(13,722)

3 and 12 months ended

- Investment loss in the quarter was primarily from market value depreciation of certain digital gold strategies, partially offset by market value appreciation of our equity holdings. On a full year basis, we benefited from net gains from our digital gold strategies and equity holdings.
- Net compensation was largely flat in the quarter. On a full year basis, net compensation increased primarily due to higher AIP on improved financial performance. Our corporate compensation ratio (net compensation per above divided by consolidated total net fees and net commissions) on a full year basis was 12% compared to 14% in the prior period.
- Other expenses (credits) were primarily due to FX translation movements and non recurring costs.

Dividends

The following dividends were declared by the Company during the twelve months ended December 31, 2021:

Record date	Payment Date	Cash dividend per share	Total dividend amount (in thousands \$)
March 8, 2021 - Regular dividend Q4 2020	March 23, 2021	\$0.25	6,426
May 17, 2021 - Regular dividend Q1 2021	June 1, 2021	\$0.25	6,426
August 16, 2021 - Regular dividend Q2 2021	August 31, 2021	\$0.25	6,426
November 15, 2021 - Regular dividend Q3 2021	November 30, 2021	\$0.25	6,429
Dividends ⁽¹⁾			25,707

⁽¹⁾ Subsequent to year end, on February 24, 2022, a regular dividend of \$0.25 per common share was declared for the quarter ended December 31, 2021. This dividend is payable on March 22, 2022 to shareholders of record at the close of business on March 7, 2022.

Capital stock

Including the 0.8 million unvested common shares currently held in the EPSP Trust (December 31, 2020 - 0.8 million), total capital stock issued and outstanding was 25.8 million (December 31, 2020 - 25.6 million).

Earnings per share for the current and prior periods have been calculated using the weighted average number of shares outstanding during the respective periods. Basic earnings per share was \$0.41 for the quarter and \$1.33 on a full year basis compared to \$0.27 and \$1.10 in the prior periods respectively. Diluted earnings per share was \$0.39 in the quarter and \$1.28 on a full year basis compared to \$0.26 and \$1.05 in the prior periods respectively. Diluted earnings per share reflects the dilutive effect of in-the-money stock options, unvested shares held in the EPSP Trust and outstanding restricted stock units.

A total of 162,500 stock options are outstanding pursuant to our stock option plan, all of which are exercisable.

Liquidity and capital resources

As at December 31, 2021, the Company had \$29.8 million (December 31, 2020 - \$17 million) outstanding on its credit facility, all of which is due on December 14, 2025. The increase was primarily to fund the cost of the Tocqueville and UPC acquisitions.

The Company has access to a credit facility of \$120 million with a major Canadian schedule I chartered bank. Amounts under the facility may be borrowed through prime rate loans or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans. On November 4, 2021, the Company upsized its credit facility from \$70 million for general corporate purposes.

As at December 31, 2021, the Company was in compliance with all covenants, terms and conditions under the credit facility. Key terms under the credit facility are noted below:

Structure

- 5-year, \$120 million revolver with "bullet maturity" December 14, 2025

Interest rate

- Prime rate + 0 bps or;
- Banker acceptance rate + 170 bps

Covenant terms

- Minimum AUM: 70% of AUM on November 13, 2020
- Debt to EBITDA less than or equal to 2.5:1
- EBITDA to interest expense more than or equal to 2.5:1

Commitments

Besides the Company's long-term lease agreements, there are commitments to make co-investments in lending LPs arising from our lending segment or commitments to make investments in the net investments portfolio of the Company. As at December 31, 2021, the Company had \$7.7 million in co-investment commitments from the lending segment (December 31, 2020 - \$4.6 million).

Critical accounting estimates, judgements and changes in accounting policies

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions and estimates as they occur. The Company's significant accounting policies are described in Note 2 of the annual financial statements. Certain of these accounting policies require management to make key assumptions concerning the future and consider other sources of estimation uncertainty at the reporting date. These accounting estimates are considered critical because they require subjective and/or complex judgements that may have a material impact on the value of our assets, liabilities, revenues and expenses.

Critical accounting estimates

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment annually, however, finite life intangibles are only tested for impairment to the extent indicators of impairment exist at the time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, this annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, AUM, net inflows, and asset lives. These estimates require significant judgment regarding market growth rates, fund flow assumptions, expected margins and costs, which could affect the Company's future results if estimates of future performance and fair value change.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using valuation techniques and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. These unobservable inputs include, but are not limited to, projected cash flows, discount rates, comparable recent transactions, volatility of underlying securities in warrant valuations and extraction recovery rates of mining projects. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments.

Significant judgements

Investments in other entities

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") and IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") provide for the use of judgment in determining whether an investee should be included within the consolidated financial statements of the Company and on what basis (subsidiary, joint venture, financial instrument or associate). Significant judgment is applied in evaluating facts and circumstances relevant to the Company and investee, including: (1) the extent of the Company's direct and indirect interests in the investee; (2) the level of compensation to be received from the investee for management and other services provided to it; (3) "kick out rights" available to other investors in the investee; and (4) other indicators of the extent of power that the Company has over the investee.

Managing financial risks

Market risk

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

Price risk

Price risk arises from the possibility that changes in the price of the Company's on and off-balance sheet assets and liabilities will result in changes in carrying value or recoverable amounts. The Company's revenues are also exposed to price risk since management fees, carried interests and performance fees are correlated with AUM, which fluctuates with changes in the market values of the assets in the funds and managed accounts managed by the Company.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will adversely affect the value of, or cash flows from, financial instrument assets. The Company's earnings, particularly through its lending segment, are exposed to volatility as a result of sudden changes in interest rates. Management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately managed.

Foreign currency risk

The Company enters into transactions that are denominated primarily in U.S. dollars and Canadian dollars. Foreign currency risk arises from foreign exchange rate movements that could negatively impact either the carrying value of financial assets and liabilities or the related cash flows which are denominated in currencies other than the functional currency of the Company and its subsidiaries. The Company may employ certain hedging strategies to mitigate foreign currency risk.

Credit risk

Credit risk is the risk that a borrower will not honor its commitments and a loss to the Company may result. Credit risk generally arises in the Company's investments portfolio.

Investments

The Company incurs credit risk when entering into, settling and financing transactions with counterparties. Management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately managed.

Other

The majority of accounts receivable relate to management fees, carried interest and performance fees receivable from the funds and managed accounts managed by the Company. These receivables are short-term in nature and any credit risk associated with them is managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. Additionally, the Company has access to a \$120 million committed line of credit with a major Canadian schedule I chartered bank. As part of its cash management program, the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months.

The Company's exposure to liquidity risk as it relates to our co-investments in lending LPs arises from fluctuations in cash flows from making capital calls and receiving capital distributions. The Company manages its loan co-investment liquidity risk through the ongoing monitoring of scheduled capital calls and distributions ("match funding") and through its broader treasury risk management program and enterprise capital budgeting.

Financial liabilities, including accounts payable and accrued liabilities and compensation payable, are short-term in nature and are generally due within a year.

The Company's management team is responsible for reviewing resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis and through its broader treasury risk management program. To meet any liquidity shortfalls, actions taken by the Company could include: slowing its co-investment activities; adjust or otherwise temporarily suspend AIPs; cut or temporarily suspend its dividend; drawing on the line of credit; liquidating net investments; and/or issuing common shares.

Concentration risk

A significant portion of the Company's AUM as well as its investments are focused on the natural resource sector, and in particular, precious metals related investments and transactions. In addition, from time-to-time, certain investment may be concentrated to a material degree in a single position or group of positions. Management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately managed.

Disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR")

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

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the applicable U.S. and Canadian securities laws), concluded that the Company's DC&P and ICFR were properly designed and were operating effectively as at December 31, 2021. In addition, there were no material changes to ICFR during the quarter, and the implementation of our business continuity plan as a result of COVID-19 has not prevented the normal function of our internal controls.

Managing non-financial risks

Confidentiality of information

Confidentiality is essential to the success of the Company's business, and it strives to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties. The Company keeps the affairs of its clients confidential and does not disclose the identities of clients (absent expressed client consent to do so). If a prospective client requests a reference, the Company will not provide the name of an existing client before receiving permission from that client to do so.

Conflicts of interest

The Company established a number of policies with respect to employee personal trading. Employees may not trade any of the securities held or being considered for investment by any of the Company's funds without prior approval. In addition, employees must receive prior approval before they are permitted to buy or sell securities. Speculative trading is strongly discouraged. All employees must comply with the Company's Code of Ethics. The code establishes strict rules for professional conduct including the management of conflicts of interest.

Independent review committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom all conflicts of interest matters must be referred for review and approval. The Company established an IRC for its public funds. As required by NI 81-107, the Company established written policies and procedures for dealing with conflict of interest matters and maintains records in respect of these matters and provides assistance to the IRC in carrying out its functions. The IRC is comprised of three independent members, and is subject to requirements to conduct regular assessments and provide reports to the Company and to the holders of interests in public funds in respect of its functions.

Insurance

The Company maintains appropriate insurance coverage for general business and liability risks as well as insurance coverage required by regulation. Insurance coverage is reviewed periodically to ensure continued adequacy.

Internal controls and procedures

Several of the Company's subsidiaries operate in regulated environments and are subject to business conduct rules and other rules and regulations. The Company has internal control policies related to business conduct. They include controls required to ensure compliance with the rules and regulations of relevant regulatory bodies including the OSC, IIROC, FINRA and the U.S. Securities and Exchange Commission ("SEC").

Enterprise risk management

The starting point to any enterprise risk management program ("ERM") is the articulation of a risk appetite, which is the amount and types of risk we are willing to accept in our pursuit of business objectives. A company's risk appetite is the bedrock upon which an ERM framework is established.

Our risk appetite is primarily based on specific regulatory and legal environment considerations; general environmental, social and governance responsibilities ("ESG"); the need for sound capital adequacy and treasury management processes; the preservation of our positive reputation among current and future stakeholders; the natural expectation of our shareholders that we take appropriate and reasonable levels of risk in our various business segments to maximize shareholder returns; and our overall desire to be good corporate citizens as part of our organizational culture and core values. The aforementioned considerations formed the basis for our risk appetite statements noted below:

- Regardless of loss probability, we will only accept inherent or residual risks that we have a proven, demonstrable ability to understand, diligently manage on an ongoing basis and thoroughly consider and balance relative to the outcomes; and
- Our risk appetite is low around any actions or inactions that could materially jeopardize the company's reputation, core values or commitment to its stakeholders. Furthermore, at no point would we ever accept existential inherent or residual risks, regardless of loss probability.

The ERM process involves a comprehensive drill down through the organization to its constituent parts to identify all salient risks and evaluate them through the lens of our risk appetite. The following is a summary of the ERM steps used to filter organizational risks through our risk appetite:

- Identify all major processes within each business segment (and enterprise shared services function supporting them);
- Identify materially relevant inherent risks (both quantitative and qualitative), that may arise in each major process area;
- Rate each inherent risk (in the absence of internal controls), based on the degree of event probability and impact to the organization;
- Determine our risk tolerance for each inherent risk previously identified and rated;
- Identify internal controls in place (or needed) to mitigate the inherent risks down to the appropriate “residual level” (i.e. determine the post-controls risk rating and compare it to our predetermined risk tolerance level). NOTE: we stratify our internal controls universe using the “three lines of defense” approach recommended by the Institute of Internal Auditors prior to evaluating the effectiveness of internal controls;
- Compare all residual risk ratings to their corresponding risk tolerance level to ensure the risk is being appropriately managed (i.e. there are a sufficient number of, and appropriate types of, internal controls in place to manage the risk in light of our risk tolerance), and if not, take further action;
- Test, document and report on the effectiveness of the ERM program in managing risks within the boundaries of our risk appetite.

COVID-19 risk

Our business continuity plan continues to operate effectively throughout the pandemic. Our portfolio managers, brokerage professionals, enterprise shared services teams and key outsource service providers are fully operational.

Consolidated Financial Statements

Years ended December 31, 2021 and 2020



Management's responsibility for financial reporting

The accompanying consolidated financial statements, which consolidate the financial results of Sprott Inc. (the "Company"), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis ("MD&A") for the years ended December 31, 2021 and 2020. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in Note 2 of the consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the consolidated financial statements.

The board of directors of the Company appoints the Company's audit and risk management committee annually. Among other things, the mandate of the audit & risk committee includes the review of the consolidated financial statements of the Company on a quarterly basis and the recommendation to the board of directors for approval. The audit & risk committee has access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

KPMG LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. KPMG LLP had, and has, full and unrestricted access to management of the Company, the audit & risk committee and the board of directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.



Peter Grosskopf
Chief Executive Officer



Kevin Hibbert, FCPA, FCA
Chief Financial Officer and Senior Managing Director

February 24, 2022

Management's responsibility for financial controls

The management of Sprott Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management has used the *Internal Control – Integrated Framework (2013)* to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the design and operation of the Company's internal control over financial reporting as of December 31, 2021, and has concluded that such internal control over financial reporting is effective. There are no material weaknesses that have been identified by management in this regard.

KPMG LLP, the independent auditors appointed by the shareholders of the Company, who have audited the consolidated financial statements, have also audited internal control over financial reporting and have issued their report below.



Peter Grosskopf
Chief Executive Officer



Kevin Hibbert, FCPA, FCA
Chief Financial Officer and Senior Managing Director

February 24, 2022



KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Sprott Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sprott Inc. and its subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.



We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit and risk management committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Valuation of indefinite life fund management contracts

As discussed in note 2 to the consolidated financial statements, the Company tests indefinite-life fund management contracts for impairment annually or whenever there are changes in circumstances that indicate the carrying amounts may be impaired. An indefinite-life fund management contract is considered impaired when its carrying amount is greater than its recoverable amount. The indefinite-life fund management contracts' recoverable amounts are estimated using assumptions that require significant judgement, including forecasted fund flow assumptions and discount rates, and are determined using the value-in-use method. As discussed in note 7 to the consolidated financial statements, the Company's indefinite-life fund management contracts totaled \$160,973 thousand as at December 31, 2021.

We identified the estimation of the recoverable amount of the indefinite-life fund management contracts as a critical audit matter. A higher degree of auditor judgment was required to evaluate the significant assumptions, which were determined to be fund flow assumptions and discount rates, used in determining the recoverable amount. The sensitivity of reasonably possible changes to those assumptions could have had a significant impact on the determination of the recoverable amount of the indefinite-life fund management contracts.



The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's impairment testing process, including controls over the development of the significant assumptions. We evaluated the Company's ability to forecast fund flows by comparing historical forecasts to actual results. We evaluated the forecasted fund flows by considering external market and industry outlook data. We performed a sensitivity analysis over the forecasted fund flows and discount rates to assess the impact to the Company's determination that the recoverable amount of the indefinite-life fund management contracts exceeded the carrying amount.

We involved a valuation professional with specialized skills and knowledge, who assisted in:

- assessing the discount rates used by management by comparing against discount rate ranges that were developed using publicly available market data and independently developed assumptions.
- assessing the recoverable amounts determined by management using the forecasted fund flows and discount rates by evaluating the implied earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples by comparing to publicly available EBITDA multiples for comparable companies.

We have served as the Company's auditor since 2016.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 24, 2022



KPMG LLP
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Canada
Tel 416-777-8500
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors Sprott Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Sprott Inc. and its subsidiaries (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 24, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.



We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 24, 2022

Consolidated balance sheets

As at (In thousands of US dollars)		Dec. 31 2021	Dec. 31 2020
Assets			
Current			
Cash and cash equivalents		49,805	44,106
Fees receivable		13,183	21,581
Short-term investments	(Notes 3 & 10)	6,133	9,475
Other assets	(Note 5)	6,793	9,196
Income taxes recoverable		1,613	948
Total current assets		77,527	85,306
Co-investments	(Note 4 & 10)	68,765	82,467
Other assets	(Note 5 & 10)	12,433	16,118
Property and equipment, net	(Note 6)	16,479	16,611
Intangible assets	(Note 7)	170,061	155,968
Goodwill	(Note 7)	19,149	19,149
Deferred income taxes	(Note 9)	1,459	1,729
		288,346	292,042
Total assets		365,873	377,348
Liabilities and shareholders' equity			
Current			
Accounts payable and accrued liabilities		9,362	29,702
Compensation payable		15,751	15,192
Income taxes payable		3,005	2,347
Total current liabilities		28,118	47,241
Other accrued liabilities		8,280	17,379
Loan facility	(Note 15)	29,769	16,994
Deferred income taxes	(Note 9)	8,487	4,751
Total liabilities		74,654	86,365
Shareholders' equity			
Capital stock	(Note 8)	417,425	417,758
Contributed surplus	(Note 8)	35,357	43,309
Deficit		(97,006)	(104,484)
Accumulated other comprehensive loss		(64,557)	(65,600)
Total shareholders' equity		291,219	290,983
Total liabilities and shareholders' equity		365,873	377,348
Commitments and provisions	(Note 16)		

The accompanying notes form part of the consolidated financial statements

"Ron Dewhurst"
Director

"Sharon Ranson, FCPA, FCA"
Director

Consolidated statements of operations and comprehensive income

	<i>For the years ended</i>	
<i>(In thousands of US dollars, except for per share amounts)</i>	Dec. 31 2021	Dec. 31 2020
Revenues		
Management fees	103,909	72,916
Carried interest and performance fees	12,235	10,075
Commissions	45,266	27,459
Finance income	3,535	3,956
Gain (loss) on investments	(1,883)	5,109
Other income	1,583	2,261
Total revenues	164,645	121,776
Expenses		
Compensation	76,721	57,589
Trailer, sub-advisor and other fees	9,745	2,643
Selling, general and administrative	14,697	11,099
Interest expense	1,161	1,237
Amortization of intangibles	930	869
Depreciation of property and equipment	3,622	3,183
Other expenses (credits)	12,579	10,494
Total expenses	119,455	87,114
Income before income taxes for the period	45,190	34,662
Provision for income taxes	12,005	7,684
Net income for the period	33,185	26,978
Net income per share:		
Basic	1.33	1.10
Diluted	1.28	1.05
Net income for the period	33,185	26,978
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain (loss) (taxes of \$Nil)	1,043	5,608
Total other comprehensive income (loss)	1,043	5,608
Comprehensive income	34,228	32,586

The accompanying notes form part of the consolidated financial statements

Consolidated statements of changes in shareholders' equity

	Number of shares outstanding ⁽¹⁾	Capital stock	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
<i>(In thousands of US dollars, other than number of shares)</i>						
At Dec. 31, 2020	24,789,365	417,758	43,309	(104,484)	(65,600)	290,983
Shares acquired for equity incentive plan	(Note 8) (237,172)	(10,201)	—	—	—	(10,201)
Issuance of share capital to settle contingent consideration	(Note 8) 93,023	3,000	(4,879)	—	—	(1,879)
Shares released on vesting of equity incentive plan	(Note 8) 237,626	4,382	(4,382)	—	—	—
Foreign currency translation gain (loss)	—	—	—	—	1,043	1,043
Stock-based compensation	(Note 8) —	—	3,650	—	—	3,650
Issuance of share capital on conversion of RSUs	(Note 8) 105,291	2,341	(2,341)	—	—	—
Dividends declared	(Note 12) 3,487	145	—	(25,707)	—	(25,562)
Net income	—	—	—	33,185	—	33,185
Balance, Dec. 31, 2021	24,991,620	417,425	35,357	(97,006)	(64,557)	291,219
At Dec. 31, 2019	24,417,639	407,900	43,160	(108,222)	(71,208)	271,630
Shares acquired for equity incentive plan	(Note 8) (128,304)	(2,514)	—	—	—	(2,514)
Issuance of share capital on purchase of management contracts	(Note 8) 104,720	2,500	—	—	—	2,500
Share-based contingent consideration related to the Tocqueville acquisition	(Note 8) —	—	4,879	—	—	4,879
Shares released on vesting of equity incentive plan	(Note 8) 248,883	4,361	(4,361)	—	—	—
Issuance of share capital on exercise of stock options	(Note 8) 150,000	5,159	(2,655)	—	—	2,504
Shares acquired and canceled under normal course issuer bid	(Note 8) (112,343)	(2,024)	—	—	—	(2,024)
Foreign currency translation gain (loss)	—	—	—	—	5,608	5,608
Stock-based compensation	(Note 8) —	—	4,517	—	—	4,517
Issuance of share capital on conversion of RSUs	(Note 8) 103,269	2,231	(2,231)	—	—	—
Dividends declared	(Note 12) 5,501	145	—	(23,240)	—	(23,095)
Net income	—	—	—	26,978	—	26,978
Balance, Dec. 31, 2020	24,789,365	417,758	43,309	(104,484)	(65,600)	290,983

The accompanying notes form part of the consolidated financial statements

⁽¹⁾ Amounts reflect retrospective application of the May 28, 2020 share consolidation (see Note 8).

Consolidated statements of cash flows

	<i>For the years ended</i>	
<i>(In thousands of US dollars)</i>	Dec. 31 2021	Dec. 31 2020
Operating activities		
Net income for the period	33,185	26,978
Add (deduct) non-cash items:		
(Gain) Loss on investments	1,883	(5,109)
Stock-based compensation	3,650	4,517
Depreciation and amortization of property, equipment and intangible assets	4,552	4,052
Deferred income tax expense	4,034	4,681
Current income tax expense	7,971	3,003
Other items	(1,291)	1,015
Income taxes paid	(7,838)	(795)
Changes in:		
Fees receivable	8,398	(12,899)
Other assets	2,294	(2,971)
Accounts payable, accrued liabilities and compensation payable	(5,592)	3,767
Cash provided by (used in) operating activities	51,246	26,239
Investing activities		
Purchase of investments	(15,225)	(23,634)
Sale of investments	35,843	19,728
Purchase of property and equipment	(693)	(686)
Management contract consideration	(40,559)	(12,500)
Cash provided by (used in) investing activities	(20,634)	(17,092)
Financing activities		
Acquisition of common shares for equity incentive plan	(10,201)	(2,514)
Acquisition of common shares under normal course issuer bid	—	(2,024)
Cash received on exercise of stock options	—	2,504
Repayment of lease liabilities	(1,969)	(1,904)
Contributions from non-controlling interests	892	3,518
Net advances from loan facility	12,652	1,074
Dividends paid	(25,562)	(23,095)
Cash provided by (used in) financing activities	(24,188)	(22,441)
Effect of foreign exchange on cash balances	(725)	2,652
Net increase (decrease) in cash and cash equivalents during the period	5,699	(10,642)
Cash and cash equivalents, beginning of the period	44,106	54,748
Cash and cash equivalents, end of the period	49,805	44,106
Cash and cash equivalents:		
Cash	44,087	43,901
Short-term deposits	5,718	205
	49,805	44,106

The accompanying notes form part of the consolidated financial statements

1 Corporate information

Sprott Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on February 13, 2008. Its registered office is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2600, Toronto, Ontario M5J 2J1.

2 Summary of significant accounting policies

Statement of compliance

These annual audited consolidated financial statements for the years ended December 31, 2021 and 2020 ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

They have been authorized for issue by a resolution of the board of directors of the Company on February 24, 2022 and include all subsequent events up to that date.

Basis of presentation

These financial statements have been prepared on a going concern basis and on a historical cost basis, except for financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), both of which have been measured at fair value. The financial statements are presented in US dollars and all values are rounded to the nearest thousand (\$000), except when indicated otherwise.

Principles of consolidation

These financial statements of the Company are prepared on a consolidated basis so as to include the accounts of all limited partnerships and corporations the Company is deemed to control under IFRS. Controlled limited partnerships and corporations ("subsidiaries") are consolidated from the date the Company obtains control. All intercompany balances with subsidiaries are eliminated upon consolidation. Subsidiary financial statements are prepared over the same reporting period as the Company and are based on accounting policies consistent with that of the Company.

The Company records third-party interests in the funds which do not qualify to be equity due to redeemable or limited life features, as non-controlling interest liabilities. Such interests are initially recognized at fair value, with any changes recorded in the Other expenses (credits) line of the consolidated statements of operations and comprehensive income.

Control exists if the Company has power over the entity, exposure or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of returns the Company receives. In many, but not all instances, control will exist when the Company owns more than one half of the voting rights of a corporation, or is the sole limited and general partner of a limited partnership.

SPROTT INC.

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

The Company currently controls the following principal subsidiaries:

- Sprott Asset Management LP ("SAM");
- Sprott Capital Partners LP ("SCP");
- Sprott Asia LP ("Sprott Asia") and Sprott Korea Corporation ("Sprott Korea");
- Sprott U.S. Holdings Inc. ("SUSHI"), parent of: (1) SGRIL Holdings Inc. ("SGRIL Holdings"); (2) Sprott Global Resource Investments Ltd. ("SGRIL"); (3) Sprott Asset Management USA Inc. ("SAM US"); and (4) Resource Capital Investment Corporation ("RCIC"). Collectively, the interests of SUSHI are referred to as "US entities" in these financial statements;
- Sprott Resource Streaming and Royalty Corporation and Sprott Private Resource Streaming and Royalty (Management) Corp ("SRSR");
- Sprott Resource Lending Corp. ("SRLC"); and
- Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust").

Cash and cash equivalents

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

Investments

Investments classified as short-term, including equity kickers received as consideration for mining finance transactions occurring primarily in our lending and brokerage segments, are held with the primary intention of short-term liquidity and capital management. Investments classified as long-term are primarily joint-venture interests or equity stakes in companies held for strategic purposes.

Co-investments

Co-investments are investments we make alongside clients of our various fund strategies to demonstrate the commitment and confidence we have in investment strategies we promote and operate.

Financial instruments

Classification and measurement of financial assets

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at FVTPL, amortized cost or FVOCI.

Financial assets are measured at amortized cost if the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and it is held within a business model whose objective is to hold assets to collect contractual cash flows.

Financial assets are measured at FVOCI if the contractual terms of the instrument give rise to cash flows that are solely for payments of principal and interest on the principal amount outstanding and it is held within a business model whose objective is to hold assets to collect contractual cash flow and to sell financial assets. For equity instruments that are not held for trading, the Company may also elect to irrevocably elect, on an investment by investment basis, to present changes in the fair value of an investment through OCI.

All financial assets that are not measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets the Company may hold.

SPROTT INC.

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Valuation of investments

Investments include public equities, share purchase warrants, fixed income securities, mutual funds, private companies and alternative investment strategies, while co-investments are investments held in the funds managed by the Company. Public equities, share purchase warrants and fixed income securities are measured at fair value and are accounted for on a trade-date basis. Mutual fund and alternative investment strategy investments are valued using the net asset value per unit of the fund, which represents the underlying net assets at fair values determined using closing market prices. These investments are generally made in the process of launching a new fund and are redeemed (if open-end) or sold (if closed-end) as third party investors subscribe. The balance represents the Company's maximum exposure to loss associated with the investments. Private holdings include private company investments which are classified as FVTPL and carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the private companies, which may include operating results, subsequent rounds of financing and other appropriate information. Any change in fair value is recognized in gain (loss) on investments on the consolidated statements of operations and comprehensive income.

Fair value hierarchy

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

- Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2: valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means; and
- Level 3: valuation techniques with significant unobservable market inputs.

The Company will transfer financial instruments into or out of levels in the fair value hierarchy to the extent the instrument no longer satisfies the criteria for inclusion in the category in question. Level 3 valuations are prepared by the Company and reviewed and approved by management at each reporting date. Valuation results, including the appropriateness of model inputs, are compared to actual market transactions to the extent readily available. Valuations of level 3 assets are also discussed with the Audit and Risk Management Committee as deemed necessary by the Company.

Offsetting of financial instruments

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

Impairment of financial assets

Expected credit losses are a probability-weighted estimate of future credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows the Company expects to receive.

Recognition of income and related expenses

The Company receives variable consideration in the form of management fees, which are allocated to distinct time periods in which the management services are being provided. Management fees are recognized when they are no longer susceptible to market factors and no longer subject to a significant reversal in revenue.

The Company may also earn variable consideration in the form of carried interest and performance fees. These fees are recognized when they are no longer susceptible to market factors or subject to significant reversal in revenue, which is determined subject to agreements with the underlying funds.

Commission income is recognized when the related services are rendered and no longer subject to a significant reversal in revenue.

Finance income, which includes co-investment income from lending LP units and interest income from brokerage client accounts, is recognized on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated rate in the loan or debenture documents. The effective interest rate is the rate required to discount the future value of all loan or debenture cash flows to their present value and is adjusted for the receipt of cash and non-cash items in connection with the loan.

Costs related to obtaining a contract with clients ("placement fees") are amortized on a systematic basis related to the transfer of services to those clients.

Property and equipment

Property and equipment are recorded at cost and are amortized on a declining balance basis over the expected useful life which ranges from 1 to 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Artwork is not amortized since it does not have a determinable useful life. The residual values, useful life and methods of amortization for property and equipment are reviewed at each reporting date and adjusted prospectively, if necessary. Any loss resulting from impairment of property and equipment is expensed in the period the impairment is identified.

Intangible assets

The useful life of an intangible asset is either finite or indefinite. Intangible assets other than goodwill are recognized when they are separable or arise from contractual or other legal rights, and have fair values that can be reliably measured.

Intangible assets that are purchased are measured at the acquisition date and include the fair value of considerations transferred, and include an estimate for contingent consideration where applicable.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment indicators at each reporting date, or more frequently if changes in circumstances indicate that the carrying value is greater than its recoverable amount. Intangible assets with finite lives are only tested for impairment if indicators of impairment exist at the time of an impairment assessment. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense and any impairment losses on intangible assets with finite lives are recognized in the consolidated statements of operations.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment indicators at each reporting date, or more frequently if changes in circumstances indicate that the carrying value is greater than its recoverable amount. In addition to impairment indicator assessments, indefinite life intangibles must be tested annually for impairment. The indefinite life of an intangible asset is reviewed annually to determine whether the indefinite life continues to be supportable. If no longer supportable, changes in useful life from indefinite to finite are made prospectively.

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For the years ended December 31, 2021 and 2020

Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified. Any gain resulting from an impairment reversal of intangible assets is recognized in the period the impairment reversal is identified but cannot exceed the carrying amount that would have been determined (net of amortization and impairment) had no impairment loss been recognized for the intangible asset in prior periods.

Business combinations and goodwill

The purchase price of an acquisition accounted for under the acquisition method is allocated based on the fair values of the net identifiable assets acquired. The excess of the purchase price over the fair values of such identifiable net assets is recorded as goodwill.

Goodwill, which is measured at cost less any accumulated impairment losses, is not amortized, but rather, is assessed for impairment indicators at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. In addition to quarterly impairment indicator assessments, goodwill must be tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash generating units ("CGUs") that are expected to benefit from the acquisition. The recoverable amount of a CGU is compared to its carrying value plus any goodwill allocated to the CGU. If the recoverable amount of a CGU is less than its carrying value plus allocated goodwill, an impairment charge is recognized, first against the carrying value of the goodwill, with any remaining difference being applied against the carrying value of assets contained in the impacted CGUs. Impairment losses on goodwill are recorded in the consolidated statements of operations and comprehensive income and cannot be subsequently reversed.

Income taxes

Income tax is comprised of current and deferred tax.

Income tax is recognized in the consolidated statements of operations and comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income or elsewhere in equity, in which case, the related taxes are also recognized in other comprehensive income (loss) or elsewhere in equity.

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

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

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

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

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Notes to the consolidated financial statements

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

Share-based payments

The Company uses the fair value method to account for equity settled share-based payments with employees and directors. Compensation expense is determined using the Black-Scholes option valuation model for stock options.

Compensation expense for the share incentive program is determined based on the fair value of the benefit conferred on the employee. Compensation expense for deferred stock units ("DSU") is determined based on the value of the Company's common shares at the time of grant. Compensation expense for earn-out shares is determined using appropriate valuation models. Compensation expense related to the Company's Employee Profit Sharing Plan is determined based on the value of the Company's common shares purchased by the Trust as of the grant date.

Compensation expense is recognized over the vesting period with a corresponding increase to contributed surplus other than for the Company's DSUs where the corresponding increase is to liabilities. Stock options and common shares held by the Trust vest in installments which require a graded vesting methodology to account for these share-based awards. On the exercise of stock options for shares, the contributed surplus previously recorded with respect to the exercised options and the consideration paid is credited to capital stock. On the issuance of the earn-out shares, the contributed surplus previously recorded with respect to the issued earn-out shares is credited to capital stock. On the vesting of common shares in the Trust, the contributed surplus previously recorded is credited to capital stock. On the exercise of DSUs, the liability previously recorded is credited to cash.

Earnings per share

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

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

Lease commitments

The Company recognizes a right-to-use asset and a lease liability as at the lease commencement date. The right-to-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment. The lease liability is initially measured at the present value of future lease payments over the anticipated lease term, discounted using the Company's incremental borrowing rate. The right-to-use asset is presented in the property and equipment line of the consolidated balance sheets and the short and long-term portions of the lease liability are presented in the accounts payable and accrued liabilities line and other accrued liabilities line, respectively, of the consolidated balance sheets. The Company used the practical expedient when applying IFRS 16, *Leases* for short-term leases under 12 months and low-value assets such as IT equipment, with lease payments being expensed as they are incurred.

Segment reporting

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

Significant accounting judgments and estimates

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using valuation techniques and models. Model inputs are taken from observable markets where possible, but where this is not feasible, unobservable inputs may be used. These unobservable inputs include, but are not limited to, projected cash flows, discount rates, comparable recent transactions, volatility of underlying securities in warrant valuations and extraction recovery rates of mining projects. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent it is probable that sufficient taxable profit will be generated in order to utilize the losses. In addition, taxable income is subject to estimation as a portion of performance fee revenue is an allocation of partnership income. Such allocations involve a certain degree of estimation and income tax estimates could change as a result of: (1) changes in tax laws and regulations, both domestic and foreign; (2) an amendment to the calculation of partnership income allocation; or (3) a change in foreign affiliate rules. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Investments in other entities

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") and IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") provide for the use of judgment in determining whether an investee should be included within the consolidated financial statements of the Company and on what basis (subsidiary, joint venture or associate). Significant judgment is applied in evaluating facts and circumstances relevant to the Company and investee, including: (1) the extent of the Company's direct and indirect interests in the investee; (2) the level of compensation to be received from the investee for management and other services provided to it; (3) "kick out rights" available to other investors in the investee; and (4) other indicators of the extent of power that the Company has over the investee.

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment, however, finite life intangibles are only tested for impairment to the extent indications of impairment exist at time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. The recoverable amounts associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives, and are determined using the value-in-use method. These estimates require significant judgment regarding market growth rates, discount rates, fund flow assumptions, expected margins and costs which could affect the Company's future results if estimates of future performance and fair value change.

Foreign currency translation

Accounts in the financial statements of the Company's subsidiaries are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is the functional currency of the Company. The Canadian dollar is also the functional currency of all its subsidiaries, with the exception of U.S. entities, which uses the U.S. dollar as their functional currency. Accordingly, the assets and liabilities of U.S. entities are translated into Canadian dollars using the rate in effect on the date of the consolidated balance sheets. Revenue and expenses are translated at the average rate over the reporting period. Foreign currency translation gains and losses arising from the Company's translation of its net investment in U.S. entities companies, including goodwill and the identified intangible assets, are included in accumulated other comprehensive income or loss as a separate component within shareholders' equity until there has been a realized reduction in the value of the underlying investment.

3 Short-term investments

Primarily consist of equity investments in public and private entities we receive as consideration during lending, managed equities and brokerage segment activities (in thousands \$):

	Classification and measurement criteria	Dec. 31, 2021	Dec. 31, 2020
Public equities and share purchase warrants	FVTPL	4,113	6,751
Fixed income securities	FVTPL	—	731
Private holdings	FVTPL	2,020	1,993
Total short-term investments		6,133	9,475

Gains and losses on financial assets and liabilities classified at FVTPL are included in the Gain (loss) on investments line in the consolidated statements of operations and comprehensive income.

4 Co-investments

Consists of the following (in thousands \$):

	Classification and measurement criteria	Dec. 31, 2021	Dec. 31, 2020
Co-investments in funds	FVTPL	68,765	82,467
Total co-investments		68,765	82,467

Gains and losses on co-investments in funds are included in the Gain (loss) on investments line in the consolidated statements of operations and comprehensive income.

5 Other assets, income, expenses and non-controlling interest

Other assets

Consist of the following (in thousands \$):

	Dec. 31, 2021	Dec. 31, 2020
Digital gold strategies ⁽¹⁾	7,060	11,518
Fund recoveries and investment receivables	2,509	6,043
Assets attributable to non-controlling interests	3,780	3,518
Prepaid expenses	3,637	2,316
Other ⁽²⁾	2,240	1,919
Total other assets	19,226	25,314

⁽¹⁾ Digital gold strategies are financial instruments classified at FVTPL. Gains and losses are included in the Gain (loss) on investments line in the consolidated statements of operations and comprehensive income.

⁽²⁾ Includes miscellaneous third-party receivables.

Other income

Consist of the following (in thousands \$):

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
Investment income ⁽¹⁾	1,490	1,502
Income attributable to non-controlling interest	93	759
Total other income	1,583	2,261

⁽¹⁾ Primarily includes miscellaneous investment fund income, syndication and trailer fee income.

Other expenses (credits)

Consist of the following (in thousands \$):

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
Costs related to energy assets	—	798
Foreign exchange (gain) loss	470	772
Increase in contingent consideration related to the Tocqueville transaction ⁽¹⁾	4,449	4,717
Other ⁽²⁾	7,660	4,207
Total other expenses (credits)	12,579	10,494

⁽¹⁾ During the first quarter, the contingent consideration was successfully renegotiated, re-measured and settled as part of the previously announced amendment to the purchase agreement.

⁽²⁾ Includes net income attributable to non-controlling interest of \$93 thousand for the year ended December 31, 2021 (year ended December 31, 2020 - \$759 thousand) as well as non-recurring professional fees, transaction and new fund start-up costs. During the year, the Company also made a \$2.6 million payment to the former owners of Central Fund of Canada Limited to cover legacy transaction costs from the 2018 acquisition.

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

Non-controlling interest

Non-controlling interest consist of third-party interest in our consolidated co-investments in funds. The following table provide a summary of amounts attributable to this non-controlling interest (in thousands \$):

	Dec. 31, 2021	Dec. 31, 2020
Assets	3,780	3,518
Liabilities - current ⁽¹⁾	(10)	(640)
Liabilities - long-term ⁽¹⁾	(3,770)	(2,878)

⁽¹⁾ Current and long-term liabilities attributable to non-controlling interest are included in accounts payable and accrued liabilities and other accrued liabilities, respectively.

6 Property and equipment

Consist of the following (in thousands \$):

	Artwork	Furniture and fixtures	Computer hardware and software	Leasehold improvements	Right of use assets	Total
Cost						
At Dec. 31, 2019	7,352	2,527	2,706	5,332	7,484	25,401
Additions	—	279	153	254	2,435	3,121
Net exchange differences	167	70	71	135	322	765
At Dec. 31, 2020	7,519	2,876	2,930	5,721	10,241	29,287
Additions	—	95	101	497	2,937	3,630
Disposals	—	—	—	(196)	(372)	(568)
Net exchange differences	54	10	5	4	84	157
At Dec. 31, 2021	7,573	2,981	3,036	6,026	12,890	32,506
Accumulated amortization						
At Dec. 31, 2019	—	(2,402)	(2,510)	(2,617)	(1,642)	(9,171)
Depreciation charge for the year	—	(68)	(205)	(970)	(1,940)	(3,183)
Net exchange differences	—	(26)	(59)	(133)	(104)	(322)
At Dec. 31, 2020	—	(2,496)	(2,774)	(3,720)	(3,686)	(12,676)
Depreciation charge for the year	—	(101)	(93)	(1,077)	(2,351)	(3,622)
Disposals	—	—	—	196	168	364
Net exchange differences	—	18	(15)	31	(127)	(93)
At Dec. 31, 2021	—	(2,579)	(2,882)	(4,570)	(5,996)	(16,027)
Net book value at:						
Dec. 31, 2020	7,519	380	156	2,001	6,555	16,611
Dec. 31, 2021	7,573	402	154	1,456	6,894	16,479

7 Goodwill and intangible assets

Consist of the following (in thousands \$):

	Goodwill	Fund management contracts (indefinite life)	Fund management contracts (finite life)	Total
Cost				
At Dec. 31, 2019	132,251	103,470	36,308	272,029
Additions	—	36,107	—	36,107
Net exchange differences	—	6,454	198	6,652
At Dec. 31, 2020	132,251	146,031	36,506	314,788
Additions	—	13,559	—	13,559
Net exchange differences	—	1,383	81	1,464
At Dec. 31, 2021	132,251	160,973	36,587	329,811
Accumulated amortization				
At Dec. 31, 2019	(113,102)	—	(25,700)	(138,802)
Amortization charge for the year	—	—	(869)	(869)
At Dec. 31, 2020	(113,102)	—	(26,569)	(139,671)
Amortization charge for the period	—	—	(930)	(930)
At Dec. 31, 2021	(113,102)	—	(27,499)	(140,601)
Net book value at:				
Dec. 31, 2020	19,149	146,031	9,937	175,117
Dec. 31, 2021	19,149	160,973	9,088	189,210

Impairment assessment of goodwill

The Company has identified 5 cash generating units ("CGU") as follows:

- Exchange listed products
- Managed equities
- Lending
- Brokerage
- Corporate

As at December 31, 2021, the Company had allocated \$19.1 million (December 31, 2020 - \$19.1 million) of goodwill on a relative value approach basis to the exchange listed products and managed equities CGUs.

In the normal course, goodwill is tested for impairment once per annum, which for the Company is during the fourth quarter of each year or earlier if there are indicators of impairment. During the impairment testing process, there was no impairment in either the exchange listed products or the managed equities CGUs.

Impairment assessment of indefinite life fund management contracts

As at December 31, 2021, the Company had indefinite life intangibles related to fund management contracts of \$161 million (December 31, 2020 - \$146 million). There was no impairment as at December 31, 2021. The addition during the year was due to the Uranium Participation Corporation transaction ("UPC acquisition").

Impairment assessment of finite life fund management contracts

As at December 31, 2021, the Company had exchange listed fund management contracts within the exchange listed products CGU of \$9.1 million (December 31, 2020 - \$9.9 million). There was no impairment as at December 31, 2021.

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

8 Shareholders' equity

On May 28, 2020, the Company successfully completed a 10:1 common share consolidation. Shareholders received 1 post-consolidation share for every 10 pre-consolidation shares. All information pertaining to shares and per-share amounts in the financial statements for periods before May 28, 2020 reflect retrospective treatment of this share consolidation.

Capital stock and contributed surplus

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

	Number of shares	Stated value (in thousands \$)
At Dec. 31, 2019	24,417,639	407,900
Shares acquired for equity incentive plan	(128,304)	(2,514)
Issuance of share capital on purchase of management contracts	104,720	2,500
Shares released on vesting of equity incentive plan	248,883	4,361
Issuance of share capital on exercise of stock options	150,000	5,159
Shares acquired and cancelled under normal course issuer bid	(112,343)	(2,024)
Issuance of share capital on conversion of RSUs	103,269	2,231
Issuance of share capital under dividend reinvestment program	5,501	145
At Dec. 31, 2020	24,789,365	417,758
Shares acquired for equity incentive plan	(237,172)	(10,201)
Issuance of share capital to settle contingent consideration	93,023	3,000
Shares released on vesting of equity incentive plan	237,626	4,382
Issuance of share capital on conversion of RSUs	105,291	2,341
Issuance of share capital under dividend reinvestment program	3,487	145
At Dec. 31, 2021	24,991,620	417,425

Contributed surplus consists of: stock option expense; earn-out shares expense; equity incentive plans' expense; and additional purchase consideration.

	Stated value (in thousands \$)
At Dec. 31, 2019	43,160
Stock-based compensation	4,517
Issuance of share capital on conversion of RSUs	(2,231)
Share-based contingent consideration related to the Tocqueville acquisition	4,879
Released on exercise of stock option plan	(2,655)
Released on vesting of common shares for equity incentive plan	(4,361)
At Dec. 31, 2020	43,309
Issuance of share capital to settle contingent consideration	(4,879)
Shares released on vesting of equity incentive plan	(4,382)
Stock-based compensation	3,650
Issuance of share capital on conversion of RSUs	(2,341)
At Dec. 31, 2021	35,357

Stock option plan

The Company has an option plan (the "Plan") intended to provide incentives to directors, officers and employees of the Company and its wholly owned subsidiaries. The aggregate number of shares issuable upon the exercise of all options granted under the Plan and under all other stock-based compensation arrangements including the Trust and Equity Incentive Plan ("EIP") cannot exceed 10% of the issued and outstanding shares of the Company as at the date of grant. The options may be granted at a price that is not less than the market price of the Company's common shares at the time of grant. The options typically vest annually over a three-year period and may be exercised during a period not to exceed 10 years from the date of grant.

There were no stock options issued during the year ended December 31, 2021 (year ended December 31, 2020 - Nil). There were no stock options exercised during the year ended December 31, 2021 (year ended December 31, 2020 - 150,000).

For valuing share option grants, the fair value method of accounting is used. The fair value of option grants is determined using the Black-Scholes option-pricing model, which takes into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Compensation cost is recognized over the vesting period, assuming an estimated forfeiture rate, with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to capital stock.

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

	Number of options	Weighted average exercise price (CAD \$)
Options outstanding, Dec. 31, 2019	327,500	25.70
Options exercisable, Dec. 31, 2019	257,500	26.00
Options outstanding, Dec. 31, 2020	162,500	23.61
Options exercisable, Dec. 31, 2020	162,500	23.61
Options outstanding, Dec. 31, 2021	162,500	23.61
Options exercisable, Dec. 31, 2021	162,500	23.61

Options outstanding and exercisable as at December 31, 2021 are as follows:

Exercise price (CAD \$)	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
23.30	150,000	4.1	150,000
27.30	12,500	4.4	12,500
23.30 to 27.30	162,500	4.1	162,500

SPROTT INC.**Notes to the consolidated financial statements**

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Equity incentive plan

For employees in Canada, the Trust has been established and the Company will fund the Trust with cash, which will be used by the trustee to purchase: (1) on the open market, common shares of the Company that will be held in the Trust until the awards vest and are distributed to eligible members; and (2) from treasury, common shares of the Company that will be held in the Trust until the awards vest and are distributed to eligible employees. For employees in the U.S. under the EIP plan, the Company will allot common shares of the Company as either: (1) restricted stock; (2) unrestricted stock; or (3) restricted stock units ("RSUs"), the resulting common shares of which will be issued from treasury.

There were 1,182 RSUs granted during the year ended December 31, 2021 (year ended December 31, 2020 - 104,858). The Trust acquired 237,172 shares in the year ended December 31, 2021 (year ended December 31, 2020 - 128,304).

	Number of common shares
Unvested common shares held by the Trust, Dec. 31, 2019	895,438
Acquired	128,304
Released on vesting	(248,883)
Unvested common shares held by the Trust, Dec. 31, 2020	774,859
Acquired	237,172
Released on vesting	(237,626)
Unvested common shares held by the Trust, Dec. 31, 2021	774,405

Of the \$76.7 million compensation expense for the year ended December 31, 2021 (December 31, 2020 - \$57.6 million), \$3.7 million (December 31, 2020 - \$4.5 million) relates to stock-based compensation, details of which are presented in the table below (in thousands \$):

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
Stock option plan	—	10
EIP	3,650	4,507
Total stock-based compensation	3,650	4,517

Basic and diluted earnings per share

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

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
Numerator (in thousands \$):		
Net income - basic and diluted	33,185	26,978
Denominator (Number of shares in thousands):		
Weighted average number of common shares	25,695	25,464
Weighted average number of unvested shares purchased by the Trust	(817)	(976)
Weighted average number of common shares - basic	24,878	24,488
Weighted average number of dilutive stock options	163	163
Weighted average number of unvested shares under EIP	867	1,132
Weighted average number of common shares - diluted	25,908	25,783
Net income per common share		
Basic	1.33	1.10
Diluted	1.28	1.05

Capital management

The Company's objectives when managing capital are:

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

The Company's capital is comprised of equity, including capital stock, contributed surplus, retained earnings (deficit) and accumulated other comprehensive income (loss). SCP is a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), SAM is a registrant of the Ontario Securities Commission ("OSC") and the U.S. Securities and Exchange Commission ("SEC") and SGRIL is a member of the Financial Industry Regulatory Authority ("FINRA"). As a result, all of these entities are required to maintain a minimum level of regulatory capital. To ensure compliance, management monitors regulatory and working capital on a regular basis. SAM US and RCIC are also registered with the SEC. As at December 31, 2021 and December 31, 2020, all entities were in compliance with their respective capital requirements.

9 Income taxes

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

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
<i>Current income tax expense</i>		
Based on taxable income of the current period	7,835	2,901
Adjustments in respect to previous years	136	102
Total current income tax expense	7,971	3,003
<i>Deferred income tax expense</i>		
Origination and reversal of temporary differences	5,010	5,373
Adjustments in respect to previous years	(976)	(692)
Total deferred income tax expense	4,034	4,681
Income tax expense reported in the consolidated statements of operations	12,005	7,684

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

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
Income before income taxes	45,190	34,662
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,079	9,324
Tax effects of:		
Non-deductible stock-based compensation	221	356
Non-taxable capital (gains) and losses	161	841
Intangibles	78	(458)
Adjustments in respect of previous periods	(840)	(590)
Temporary difference not currently utilized and (not benefited previously)	87	(1,563)
Rate differences and other	219	(226)
Tax charge	12,005	7,684

The weighted average statutory tax rate was 26.7% (December 31, 2020 - 26.9%). The Company has \$2 million of capital tax losses from prior years that will begin to expire in 2024. The benefit of these capital losses has not been recognized.

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. The movement in significant components of the Company's deferred income tax assets and liabilities is as follows (in thousands \$):

For the year ended December 31, 2021

	Dec. 31, 2020	Recognized in income	Exchange rate differences	Dec. 31, 2021
Deferred income tax assets				
Stock-based compensation	3,821	333	23	4,177
Non-capital and capital losses	2,270	(1,240)	31	1,061
Other	435	140	2	577
Total deferred income tax assets	6,526	(767)	56	5,815
Deferred income tax liabilities				
Fund management contracts	9,446	4,477	18	13,941
Unrealized gains (losses)	118	(1,109)	13	(978)
Other	(16)	(101)	(3)	(120)
Total deferred income tax liabilities	9,548	3,267	28	12,843
Net deferred income tax assets (liabilities) ⁽¹⁾	(3,022)	(4,034)	28	(7,028)

For the year ended December 31, 2020

	Dec. 31, 2019	Recognized in income	Exchange rate differences	Dec. 31, 2020
Deferred income tax assets				
Stock-based compensation	4,117	(368)	72	3,821
Non-capital and capital losses	3,432	(1,195)	33	2,270
Other	247	230	(42)	435
Total deferred income tax assets	7,796	(1,333)	63	6,526
Deferred income tax liabilities				
Fund management contracts	6,809	2,360	277	9,446
Unrealized gains (losses)	(910)	997	31	118
Other	40	(9)	(47)	(16)
Total deferred income tax liabilities	5,939	3,348	261	9,548
Net deferred income tax assets (liabilities) ⁽¹⁾	1,857	(4,681)	(198)	(3,022)

(1) Deferred tax assets of \$1.5 million (December 31, 2020 - \$1.7 million) and deferred tax liabilities of \$8.5 million (December 31, 2020 - \$4.8 million) are presented on the balance sheet net by legal jurisdiction.

10 Fair value measurements

The following tables present the Company's recurring fair value measurements within the fair value hierarchy. The Company did not have non-recurring fair value measurements as at December 31, 2021 and December 31, 2020 (in thousands \$).

Short-term investments

Dec. 31, 2021	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	1,790	2,188	135	4,113
Private holdings	—	—	2,020	2,020
Total net recurring fair value measurements	1,790	2,188	2,155	6,133

Dec. 31, 2020	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	5,101	1,379	271	6,751
Fixed income securities	—	731	—	731
Private holdings	—	—	1,993	1,993
Total net recurring fair value measurements	5,101	2,110	2,264	9,475

Co-investments

Dec. 31, 2021	Level 1	Level 2	Level 3	Total
Co-investments in funds	—	68,765	—	68,765
Total net recurring fair value measurements	—	68,765	—	68,765

Dec. 31, 2020	Level 1	Level 2	Level 3	Total
Co-investments in funds	—	76,026	6,441	82,467
Total net recurring fair value measurements	—	76,026	6,441	82,467

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

Other assets

Dec. 31, 2021	Level 1	Level 2	Level 3	Total
Digital gold strategies	—	—	7,060	7,060
Total net recurring fair value measurements	—	—	7,060	7,060

Dec. 31, 2020	Level 1	Level 2	Level 3	Total
Digital gold strategies	—	—	11,518	11,518
Total net recurring fair value measurements	—	—	11,518	11,518

The following tables provides a summary of changes in the fair value of Level 3 financial assets (in thousands \$):

Short-term investments

Changes in the fair value of Level 3 measurements - Dec. 31, 2021					
	Dec. 31, 2020	Purchases and reclassifications	Sales	Net unrealized gains (losses) included in net income	Dec. 31, 2021
Share purchase warrants	271	61	(3)	(194)	135
Private holdings	1,993	—	—	27	2,020
	2,264	61	(3)	(167)	2,155

Changes in the fair value of Level 3 measurements - Dec. 31, 2020					
	Dec. 31, 2019	Purchases and reclassifications	Sales	Net unrealized gains (losses) included in net income	Dec. 31, 2020
Private holdings	1,864	—	(15)	144	1,993
Fixed income securities	766	(783)	—	17	—
Share purchase warrants	—	271	—	—	271
	2,630	(512)	(15)	161	2,264

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

Co-investments

Changes in the fair value of Level 3 measurements - Dec. 31, 2021					
	Dec. 31, 2020	Purchases and reclassifications	Sales	Net unrealized gains (losses) included in net income	Dec. 31, 2021
Co-investments in funds	6,441	(6,441)	—	—	—
	6,441	(6,441)	—	—	—

Changes in the fair value of Level 3 measurements - Dec. 31, 2020					
	Dec. 31, 2019	Purchases and reclassifications	Sales	Net unrealized gains (losses) included in net income	Dec. 31, 2020
Co-investments in funds	4,530	1,628	—	283	6,441
	4,530	1,628	—	283	6,441

Other assets

Changes in the fair value of Level 3 measurements - Dec. 31, 2021					
	Dec. 31, 2020	Purchases and reclassifications	Sales	Net unrealized gains (losses) included in net income	Dec. 31, 2021
Digital gold strategies	11,518	100	(2,000)	(2,558)	7,060
	11,518	100	(2,000)	(2,558)	7,060

Changes in the fair value of Level 3 measurements - Dec. 31, 2020					
	Dec. 31, 2019	Purchases and reclassifications	Sales	Net unrealized gains (losses) included in net income	Dec. 31, 2020
Digital gold strategies	18,913	500	—	(7,895)	11,518
	18,913	500	—	(7,895)	11,518

During the year ended December 31, 2021, the Company transferred public equities of \$Nil (December 31, 2020 - \$0.5 million) from Level 2 to Level 1 within the fair value hierarchy. For the year ended December 31, 2021, the Company purchased level 3 investments of \$0.1 million (December 31, 2020 - \$2.1 million) and sold level 3 investments of \$2 million (December 31, 2020 - \$Nil). Total proceeds from the sale were \$6.5 million, with the \$4.5 million gain recorded in gain (loss) on investments in the consolidated statements of operations and comprehensive income. For the year ended December 31, 2021, the Company transferred \$Nil (December 31, 2020 - \$Nil) from Level 3 to Level 1 within the fair value hierarchy. For the year ended December 31, 2021, the Company transferred \$0.1 million (December 31, 2020 - \$0.3 million) from level 2 to level 3 due to the impact of volatility of the underlying security on the fair value of share purchase warrants. For the year ended December 31, 2021, the Company transferred \$6.5 million (December 31, 2020 - \$0.8 million) from Level 3 to Level 2 within the fair value hierarchy.

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

The following table presents the valuation techniques used by the Company in measuring fair values:

Type	Valuation technique
Public equities and share purchase warrants	Fair values are determined using pricing models which incorporate all available market-observable inputs.
Alternative funds and private equity funds	Fair values are based on the last available net asset value.
Fixed income securities	Fair values are based on independent market data providers or third-party broker quotes.
Private holdings (including digital gold strategies)	Fair values based on variety of valuation techniques, including discounted cash flows, comparable recent transactions and other techniques used by market participants.

The Company's Level 3 securities consist of private holdings, private equity funds, share purchase warrants and fixed income securities of private companies. The significant unobservable inputs used in these valuation techniques can vary considerably over time, and include grey market financing prices, volatility, discount rates and extraction recovery rates of mining projects. A significant change in any of these inputs in isolation would result in a material impact in fair value measurement. The potential impact of a 5% change in the significant unobservable inputs on profit or loss would be approximately \$0.5 million (December 31, 2020 - \$1 million).

Financial instruments not carried at fair value

The carrying amounts of fees receivable, other assets, accounts payable and accrued liabilities and compensation payable represents a reasonable approximation of fair value.

11 Related party transactions

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

	<i>For the years ended</i>	
	Dec. 31, 2021	Dec. 31, 2020
Fixed salaries and benefits	3,932	3,247
Variable incentive-based compensation	11,991	8,715
Share-based compensation	738	1,817
	16,661	13,779

The DSU plan for independent directors of the Company vests annually over a three-year period and may only be settled in cash upon retirement. DSUs issued in lieu of directors' fees and dividends vest immediately. There were 10,592 DSUs issued during the year (December 31, 2020 - 3,559).

12 Dividends

The following dividends were declared by the Company during the year ended December 31, 2021:

Record date	Payment Date	Cash dividend per share	Total dividend amount (in thousands \$)
March 8, 2021 - Regular dividend Q4 2020	March 23, 2021	\$0.25	6,426
May 17, 2021 - Regular dividend Q1 2021	June 1, 2021	\$0.25	6,426
August 16, 2021 - Regular dividend Q2 2021	August 31, 2021	\$0.25	6,426
November 15, 2021 - Regular dividend Q3 2021	November 30, 2021	\$0.25	6,429
Dividends ⁽¹⁾			25,707

⁽¹⁾ Subsequent to year end, on February 24, 2022, a regular dividend of \$0.25 per common share was declared for the quarter ended December 31, 2021. This dividend is payable on March 22, 2022 to shareholders of record at the close of business on March 7, 2022.

13 Risk management activities

The Company's exposure to market, credit, liquidity, concentration, and COVID-19 risks are described below:

Market risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of an asset. The Company's financial instruments are classified as FVTPL. Therefore, certain changes in fair value or permanent impairment, if any, affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Company manages market risk through regular monitoring of its investments and co-investments. The Company separates market risk into three categories: price risk, interest rate risk and foreign currency risk.

Price risk

Price risk arises from the possibility that changes in the price of the Company's investments and co-investments will result in changes in carrying value. If the market values of investments and co-investments classified as FVTPL increased or decreased by 5%, with all other variables held constant, this would have resulted in an increase or decrease in net income before tax of approximately \$4.1 million for the year (December 31, 2020 - \$5.2 million). For more details about the Company's investments and co-investments, refer to Note 3, Note 4 and Note 5.

The Company's revenues are also exposed to price risk since management fees, carried interest and performance fees are all correlated with assets under management, which fluctuates with changes in the market values of the assets in the funds and managed accounts managed by SAM, SRLC, SRSR, RCIC and SAM US.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will adversely affect the value of, or cash flows from, financial instrument assets. The Company's earnings, particularly through its co-investment in lending LPs, are exposed to volatility as a result of sudden changes in interest rates.

As at December 31, 2021, the Company had no fixed income securities (December 31, 2020 - \$0.7 million).

Foreign currency risk

Foreign currency risk arises from foreign exchange rate movements that could negatively impact either the carrying value of financial assets and liabilities or the related cash flows when translating those balances into the Company's functional currency, Canadian dollars. The Company's primary foreign currency is the United States dollar ("USD"). The Company may employ certain hedging strategies to mitigate foreign currency risk.

The US entities assets are all denominated in USD with their translation impact being reported as part of other comprehensive income in the financial statements. Excluding the impact of the US entities, as at December 31, 2021, approximately \$59.1 million (December 31, 2020 - \$74.1 million) of total Canadian assets were invested in proprietary investments priced in USD. A total of \$13 million (December 31, 2020 - \$12.2 million) of cash, \$6 million (December 31, 2020 - \$8.1 million) of accounts receivable and \$3.4 million (December 31, 2020 - \$1.5 million) of other assets were denominated in USD. As at December 31, 2021, if the exchange rate between USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease in net income would have been approximately \$4.1 million for the year (December 31, 2020 - \$4.8 million).

Credit risk

Credit risk is the risk that a borrower will not honour its commitments and a loss to the Company may result.

Loans receivable

The Company incurs credit risk indirectly through co-investments made in the lending LPs managed by SRLC and SRSR. During the loan origination process, management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately mitigated. These include:

- emphasis on first priority and/or secured financings;
- the investigation of the creditworthiness of borrowers;
- the employment of qualified and experienced loan professionals;
- a review of the sufficiency of the borrower's business plans including plans that will enhance the value of the underlying security;
- frequent and documented status updates provided on business plans;
- engagement of qualified independent advisors (e.g. lawyers, engineers and geologists) to protect Company interests;
- legal reviews that are performed to ensure that all due diligence requirements are met prior to funding.

The Company may syndicate loans in certain circumstances if it wishes to reduce its exposure to a borrower or comply with loan exposure maximums. The Company reviews its policies regarding its lending limits on an ongoing basis.

Net investments

The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2021 and 2020, the Company's most significant proprietary investments counterparty was National Bank Independent Network Inc. ("NBIN"), the carrying broker of SCP, which also acts as a custodian for most of the Company's proprietary investments. NBIN is registered as an investment dealer subject to regulation by IIROC; and as a result, it is required to maintain minimum levels of regulatory capital at all times.

Other

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

The US entities incur credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2021 and 2020, the US entities' most significant counterparty was RBC Capital Markets, LLC ("RBCCM"), the carrying broker of SGRIL and custodian of the net assets of the funds managed by RCIC and SAM US. RBCCM is registered as a broker-dealer and registered investment advisor subject to regulation by FINRA and the SEC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. Additionally, the Company has access to a \$120 million committed line of credit with a major Canadian Schedule I bank. As part of its cash management program, the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months. As at December 31, 2021, the Company had \$49.8 million or 14% (December 31, 2020 - \$44.1 million or 12%) of its total assets in cash and cash equivalents. In addition, approximately \$26 million or 32% (December 31, 2020 - \$35.1 million or 38%) of proprietary investments held by the Company are readily marketable and are recorded at their fair value.

The Company's exposure to liquidity risk as it relates to our co-investments in lending LPs arises from fluctuations in cash flows from making capital calls and receiving capital distributions. The Company manages its loan co-investment liquidity risk through the ongoing monitoring of scheduled capital calls and distributions ("match funding") and through its broader treasury risk management program and enterprise capital budgeting. As at December 31, 2021, the Company had \$7.7 million in co-investment commitments from the lending segment (December 31, 2020 - \$4.6 million). Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within a year.

The following are the remaining contractual maturities of financial liabilities as at December 31, 2021 (in thousands \$):

Contractual obligations	Carrying Amount	Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligation	7,081	2,373	3,176	1,532	—
Compensation payable	15,751	15,751	—	—	—
Operating accounts payable	6,989	6,989	—	—	—
Loan facility	29,769	—	—	29,769	—
	59,590	25,113	3,176	31,301	—

The Company's management team is responsible for reviewing resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis. To meet any liquidity shortfalls, actions taken by the Company could include: drawing on the line of credit; liquidating investments and co-investments and/or issuing common shares.

Concentration risk

The majority of the Company's AUM, as well as its investments and co-investments are focused on the natural resource sector, and in particular, precious metals & mining.

COVID-19 risk

The changing economic and market climate as a result of COVID-19 has led to the Company implementing its business continuity plan. Our portfolio managers, brokerage professionals, enterprise shared services teams and key outsource service providers are fully operational.

14 Segmented information

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

- **Exchange listed products** (reportable), which provides management services to the Company's closed-end physical trusts and exchange traded funds ("ETFs"), both of which are actively traded on public securities exchanges;
- **Managed equities** (reportable), which provides asset management and sub-advisory services to the Company's branded funds, fixed-term LPs and managed accounts;
- **Lending** (reportable), which provides lending and streaming activities through limited partnership vehicles;
- **Brokerage** (reportable), which includes the activities of our Canadian and U.S. broker-dealers;
- **Corporate** (reportable), which provides capital, balance sheet management and enterprise shared services to the Company's subsidiaries;
- **All other segments** (non-reportable), which do not meet the definition of reportable segments per IFRS 8.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on earnings before interest expense, income taxes, amortization and impairment of intangible assets and goodwill, gains and losses on proprietary investments (as if such gains and losses had not occurred), foreign exchange gains and losses, one time non-recurring expenses, non-cash and non-recurring stock-based compensation, carried interest and performance fees and carried interest and performance fee payouts (adjusted base EBITDA).

Adjusted base EBITDA is not a measurement in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

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

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

For the year ended December 31, 2021

	Exchange listed products	Managed equities	Lending	Brokerage	Corporate	Consolidation, elimination and all other segments	Consolidated
Total revenue	62,983	24,613	25,729	43,963	2,698	4,659	164,645
Total expenses	20,641	21,037	18,002	33,159	21,250	5,366	119,455
Income (loss) before income taxes	42,342	3,576	7,727	10,804	(18,552)	(707)	45,190
Adjusted base EBITDA	46,449	11,387	8,921	12,596	(16,071)	791	64,073

SPROTT INC.**Notes to the consolidated financial statements**

For the years ended December 31, 2021 and 2020

For the year ended December 31, 2020

	Exchange listed products	Managed equities	Lending	Brokerage	Corporate	Consolidation, elimination and all other segments	Consolidated
Total revenue	37,680	41,354	15,509	30,683	(7,214)	3,764	121,776
Total expenses	9,151	22,686	8,469	23,454	18,566	4,788	87,114
Income (loss) before income taxes	28,529	18,668	7,040	7,229	(25,780)	(1,024)	34,662
Adjusted base EBITDA	30,563	10,762	7,272	8,052	(13,722)	1,239	44,166

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

	For the years ended	
	Dec. 31, 2021	Dec. 31, 2020
Canada	146,616	95,962
United States	18,029	25,814
	164,645	121,776

15 Loan facility

As at December 31, 2021, the Company had \$29.8 million (December 31, 2020 - \$17 million) outstanding on its credit facility, all of which is due on December 14, 2025. The increase was primarily to fund the cost of the Tocqueville and UPC acquisition.

The Company has access to a credit facility of \$120 million with a major Canadian schedule I chartered bank. Amounts under the facility may be borrowed through prime rate loans or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans. On November 4, 2021, the Company upsized its credit facility from \$70 million for general corporate purposes.

As at December 31, 2021, the Company was in compliance with all covenants, terms and conditions under the credit facility. Key terms under the credit facility are noted below:

Structure

- 5-year, \$120 million revolver with "bullet maturity" December 14, 2025

Interest Rate

- Prime rate + 0 bps or;
- Banker acceptance rate + 170 bps

Covenant Terms

- Minimum AUM: 70% of AUM on November 13, 2020
- Debt to EBITDA less than or equal to 2.5:1
- EBITDA to interest expense more than or equal to 2.5:1

16 Commitments and provisions

Besides the Company's long-term lease agreement, there are commitments to make investments in the investment and co-investment portfolio of the Company. As at December 31, 2021, the Company had \$7.7 million in co-investment commitments from the lending segment, all due within one year (December 31, 2020 - \$4.6 million).

Corporate Information

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Stock Information

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

Annual General Meeting

Friday, May 6, 2022 at 12pm

Sprott

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