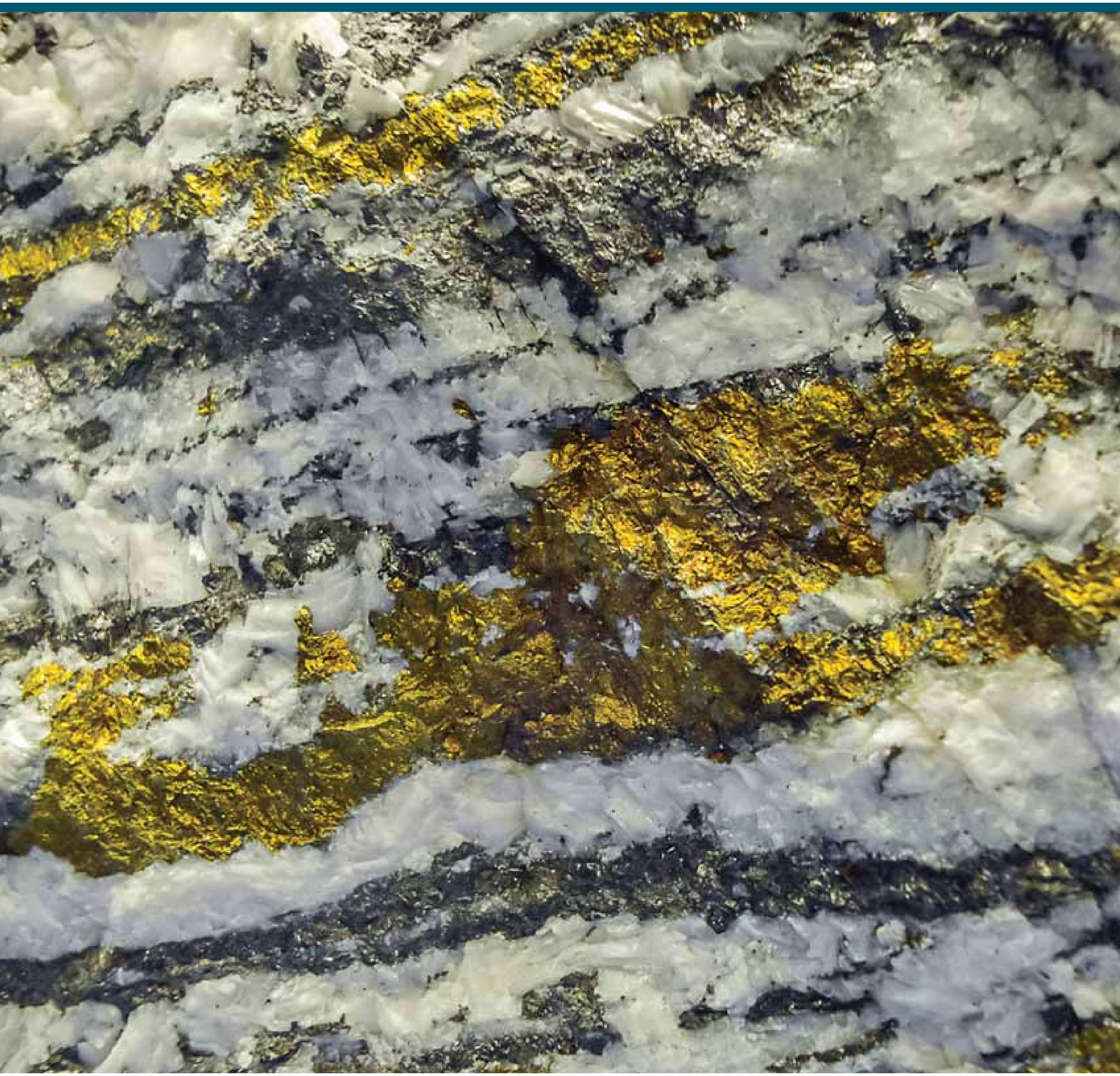
Sprott | 2019 Third Quarter Report



Contrarian. Innovative. Aligned.

Table of Contents

Dear Shareholders,

Gold performed well in the third quarter of 2019, surpassing $1,500 and remaining in a close range since then. After hitting a peak of more than $12 billion in August, Sprott's Assets Under Management ("AUM") finished the third quarter at $11.3 billion. Key drivers of AUM growth during the period were our exchange listed products segment, which benefited from stronger gold and silver prices, as well as new fund flows into our Physical Trusts. Within our lending segment, capital calls and the addition of new commitment fee earning assets more than offset capital distributions on a year-to-date basis. Adjusted base EBITDA in the quarter was $10 million, up $0.3 million (4%) from the prior period.

Gold's performance this year has been impressive, particularly considered in the context of a reasonable economy and buoyant equity markets throughout 2019. In our view, gold has become a mandatory portfolio diversification asset in an environment where the global debt pool has become so large that economic growth alone cannot out-run it. Rather, the provision of artificially low rates is now required for the system to stay afloat. Constant loosening of the money supply is also required, as evidenced by the recent unexpected Federal Reserve accommodation in the overnight repo markets. Statements from Fed Chairman Jerome Powell that this money printing is "in no sense QE" do not hold water.

Meanwhile, gold is a crisis risk offset asset of institutional quality, by all traditional measurements: performance (via fiat currencies), liquidity and Sharpe ratio (volatility vs performance). It displays low correlation to traditional asset classes and provides protection against portfolio drawdowns, which are increasingly likely in the late innings of the current market and economic expansion.

At Sprott, we have continued to invest in expanding our global footprint and attracting the industry's best talent. In August, we announced an agreement to acquire the Tocqueville gold strategies in a transaction that will add more than $2 billion in assets to our managed equities segment. This acquisition is expected to close in January 2020 and the Sprott and Hathaway teams are already working closely together to ensure a seamless transition.

Client inflows to Sprott's institutional business continue to grow, validating our investments in sales and building a global platform. Our private resource strategies alone are expected to have more than $1.5 billion in available capital by early 2020. The majority of our segments are transitioning to growth this year.

Sprott is uniquely positioned to benefit from the current market environment, with the ability to offer both institutional and retail investors access to the full spectrum of precious metals investment strategies, ranging from physical bullion to specialized private debt and equity strategies.

Thank you for your continued support. We look forward to reporting to you on our progress in the months ahead.

Sincerely,

Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Three and nine months ended September 30, 2019

FORWARD LOOKING STATEMENTS

Certain statements in this Management's Discussion & Analysis ("MD&A"), and in particular the "Business Highlights and Growth Initiatives" section and "Outlook" subsection, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable 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 forgoing, this MD&A contains Forward-Looking Statements pertaining to: (i) expectations regarding deployment of capital called into our lending LPs in 2019; (ii) expectation that Lending net capital calls will occur over the mid-to-long term life of our funds; (iii) expectation that the strong finish to the price of gold last year will carry forward to 2019; (iv) expectations regarding our legacy balance sheet loans; (v) anticipation that earnings from the managed equities business will be relatively flat year-over-year; (vi) expectation of a challenging equity origination environment, similar to what was experienced in 2018; (vii) expectation that we will see a material decrease in corporate expenses in 2019; (viii) the acquisition of the Tocqueville gold strategies asset management business, including that the acquisition will be completed and the timing thereof, the AUM to be added as a result of the acquisition, certain portfolio managers joining Sprott upon the completion of the acquisition and the impact of the acquisition on the Company’s business and strategies; and (ix) the declaration, payment and designation of dividends.

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; and (iv) those assumptions disclosed herein under the heading "Significant Accounting Judgments, Estimates 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 merchant bank and advisory business; (xxviii) those risks described under the heading "Risk Factors" in the Company’s annual information form dated February 27, 2019; and (xxix) those risks described under the headings "Managing Risk: Financial" and "Managing Risk: Non-Financial" 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. There are also risks that are inherent in the nature of a transaction such as the acquisition of the Tocqueville gold strategies asset management business, including: failure to realize anticipated synergies; risks regarding integration; incorrect assessments of the values of the acquired assets; and failure to obtain any required security holder, regulatory, stock exchange and other approvals (or to do so in a timely manner). The anticipated timeline for completion of the acquisition of the Tocqueville gold strategies asset management business may change for a number of reasons, including the inability to secure necessary security holder, regulatory, stock exchange and other approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the acquisition. As a result of the foregoing, readers should not place undue reliance on the forward-looking statements contained in this MD&A concerning the completion of the acquisition or the timing thereof. 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 Canadian securities laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of financial condition and results of operations, dated November 7, 2019, presents an analysis of the consolidated financial condition of the Company and its subsidiaries as at September 30, 2019, compared with December 31, 2018, and the consolidated results of operations for the three and nine months ended September 30, 2019, compared with the three and nine months ended September 30, 2018. The Board of Directors approved this MD&A on November 7, 2019. All note references in this MD&A are to the notes to the Company's September 30, 2019 unaudited interim condensed consolidated financial statements ("interim financial statements"), unless otherwise noted. The Company was incorporated under the Business Corporations Act (Ontario) on February 13, 2008.

PRESENTATION OF FINANCIAL INFORMATION

The interim 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 interim financial statements. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the interim financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the three and nine months ended September 30, 2018.

KEY PERFORMANCE INDICATORS (NON-IFRS 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 include:

Assets Under Management

Assets Under Management ("AUM") refers to the total net assets managed by the Company through its various investment product offerings, managed accounts and managed companies.

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 commitments

Capital calls into our lending LPs is 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 and sub-advisor fees) 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.

Net Commissions

Commissions, net of commission expenses, arise from the transaction based service offerings of our brokerage segment.

Compensation

Compensation excludes commissions, carried interest and performance fee payouts, which are presented net of their related revenues in this MD&A, and severance and new hire accruals which are non-recurring.

EBITDA, Adjusted EBITDA and Adjusted base EBITDA

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 measures are determined:

	3 months ended		9 months ended	
(in thousands $)	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
Net income (loss) for the periods	5,723	1,975	11,623	21,547
Adjustments:				
Interest expense	393	26	1,019	107
Provision (recovery) for income taxes	1,945	35	2,368	(2,105)
Depreciation and amortization	1,180	457	3,378	1,601
EBITDA	9,241	2,493	18,388	21,150
Other adjustments:				
(Gains) losses on net investments [(1)]	(791)	4,765	(478)	9,694
(Gains) losses on foreign exchange	(426)	809	1,482	(283)
Non-cash stock-based compensation	1,597	1,025	4,266	3,461
Net proceeds from sale transaction	—	—	—	(4,200)
Unamortized placement fees [(2)]	—	(273)	—	(814)
Other expenses[(3)]	428	888	4,984	2,299
Adjusted EBITDA	10,049	9,707	28,642	31,307
Other adjustments:				
Carried interest and performance fees	—	—	—	(1,802)
Carried interest and performance fee related expenses	—	—	—	915
Adjusted base EBITDA	10,049	9,707	28,642	30,420

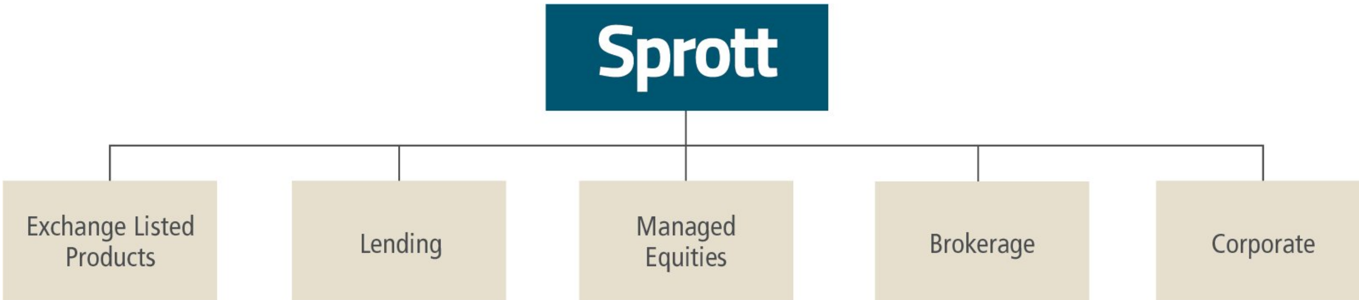
(1) This adjustment removes the income effects of certain gains or losses on proprietary and long-term investments to ensure the reporting objectives of our EBITDA metric as described above are met.

(2) The prior period comparative figures contained a placement fee amortization adjustment to ensure the 2018 results were comparable to 2017 in light of the 2018 adoption of IFRS 15.

(3) See Other expenses in Note 6 of the interim financial statements. In addition to the items outlined in Note 6, Other expenses also includes severance and new hire accruals of \$0.2 million for the 3 months ended (3 months ended September 30, 2018 - \$0.4 million) and \$1.2 million for the 9 months ended (9 months ended September 30, 2018 - \$0.5 million).

BUSINESS OVERVIEW

Our reportable operating segments are as follows:



Exchange Listed Products

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

Lending

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

Managed Equities

- The Company's alternative investment strategies (open-end, closed-end, etc.) managed in-house and on a sub-advised basis. Prior to Q1 2019, the Company's fixed-term LP vehicles formed part of the "global segment" (which historically housed all of our U.S. business activities). Effective Q1 2019, the global segment no longer satisfied the qualitative tests of IFRS 8 as the geographic location of the U.S. businesses is no longer a relevant consideration by management in the allocation of resources and assessment of product and service performance. Consequently, the global segment has been deconstructed and its fixed-term LP assets and earnings reallocated to the managed equities segment given that it is now at the managed equities level that the allocation of resources and assessment of product and service performance occurs by management.

Brokerage

- Formerly "Merchant Banking & Advisory Services", this segment has been renamed to reflect the inclusion of our U.S. broker-dealer alongside our Canada based broker-dealer as the Company's "brokerage segment". Prior to Q1 2019 , the Company's U.S. broker-dealer formed part of the "global segment" (which historically housed all of our U.S. business activities). Effective Q1 2019, the global segment no longer satisfied the qualitative tests of IFRS 8 as the geographic location of the U.S. businesses is no longer a relevant consideration by management in the allocation of resources and assessment of product and service performance. Consequently, the global segment has been deconstructed and its U.S. broker-dealer assets and earnings reallocated to the brokerage segment given that it is now at the brokerage level (independent of geography) that the allocation of resources and assessment of product and service performance occurs by management.

Corporate

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

All Other Segments

- Contains all non-reportable segments as per IFRS 8. See Note 11 of the interim financial statements for further details.

For a detailed account of the underlying principal subsidiaries within our reportable business segments, refer to the Company's Annual Information Form and Note 2 of the annual consolidated financial statements.

BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

Investment Performance

Market value appreciation was $640 million during the quarter and $783 million on a year-to-date basis as the Company benefited from stronger precious metals prices throughout the year.

Product and Business Line Expansion

On August 7, the Company (via its wholly-owned subsidiary, Sprott Asset Management LP) entered into a definitive agreement regarding the purchase of Tocqueville Asset Management's gold strategies. The transaction cost is US$15 million (US$10 million in cash and Sprott Inc. common shares valued at US$5 million). Contingent consideration valued up to an additional US$35 million in cash and Sprott Inc. shares is payable subject to the achievement of certain financial performance conditions over two years following the closing of the transaction.

Based on current asset levels, the transaction will add over $2 billion to Sprott's AUM. On closing of the transaction, Senior Portfolio Manager, John Hathaway and Portfolio Managers, Douglas Groh and Ryan McIntyre will join the company. Subject to security holder approval for certain acquired strategies, regulatory and stock exchange approvals and other customary conditions to closing, the transaction is expected to close in January 2020.

Outlook

Exchange Listed Products

We continue to expect the strong finish to the price of gold from last year to carry forward to 2019. However, the benefit of higher gold prices will be somewhat offset by starting 2019 with a lower AUM base given our 2018 redemption experience, which continued through to the first quarter of 2019.

Lending

We continue to anticipate coming in at the low end of our previously communicated range of net capital deployments this year (US$200 million - US$400 million). This is primarily the result of higher than anticipated capital distributions on early loan repayments in our lending LPs. Higher capital distributions ended up offsetting capital calls more than anticipated this year. Our long-term view on lending fund AUM continues to be constructive as we work through the eventual deployment of more than US$990 million of committed capital. Once this occurs, we expect the volatility of this segment's AUM to dissipate. As expected, the majority of our legacy balance sheet loans have now run-off.

Managed Equities

We continue to expect flat earnings from this business year-over-year.

Brokerage

We continue to expect a challenging equity origination environment, similar to what was experienced in 2018.

Corporate

We continue to expect a material decrease in corporate expenses in 2019, primarily due to: (1) lower LTIP amortization as the graded vesting schedule of the 2017 grants reach the low points of the amortization schedule; and (2) slightly flat to lower SG&A as we continue our cost containment efforts.

SUMMARY FINANCIAL INFORMATION

(In thousands $)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
SUMMARY INCOME STATEMENT								
Management fees	13,964	13,329	13,558	13,182	13,722	14,559	14,056	10,247
Carried interest and performance fees	—	—	—	—	—	685	1,117	3,584
less: Trailer and sub-advisor fees	65	89	—	38	45	49	47	225
less: Carried interest and performance fee payouts	—	—	—	—	—	356	559	2,267
Net Fees	13,899	13,240	13,558	13,144	13,677	14,839	14,567	11,339
Commissions	7,995	4,406	4,409	6,414	4,573	7,516	8,857	7,366
less: Commission expense	3,505	1,814	1,844	2,704	2,447	2,701	3,667	2,855
Net Commissions	4,490	2,592	2,565	3,710	2,126	4,815	5,190	4,511
Interest income	3,381	4,595	3,918	4,244	4,824	3,293	3,066	3,588
Gains (losses) on proprietary investments	(474)	(2,160)	73	3,912	(4,765)	(3,050)	(1,879)	(63)
Gains (losses) on long-term investments	1,265	1,614	(67)	3,007	(151)	(72)	56	3,639
Other income (loss)	604	(559)	(644)	2,453	(275)	3,683	6,242	1,144
Total Net Revenues	23,165	19,322	19,403	30,470	15,436	23,508	27,242	24,158
Compensation [(1)]	9,098	7,317	8,387	11,163	8,167	10,634	9,485	10,631
Compensation - severance and new hire accruals	222	855	146	38	359	—	149	2,193
Placement and referral fees	150	336	78	368	223	148	204	833
Selling, general and administrative	4,191	4,354	4,069	4,171	3,404	4,905	4,586	5,739
Interest expense	393	302	324	312	26	15	66	22
Amortization and impairment charges [(2)]	1,180	1,097	1,101	598	457	456	688	1,386
Other expenses	263	3,399	637	606	790	802	1,179	2,069
Total Expenses	15,497	17,660	14,742	17,256	13,426	16,960	16,357	22,873
Net Income (Loss)	5,723	2,116	3,784	9,831	1,975	5,916	13,657	2,519
Net Income (Loss) per share	0.02	0.01	0.02	0.04	0.01	0.02	0.06	0.01
Adjusted base EBITDA	10,049	9,409	9,184	10,092	9,707	10,686	10,027	7,524
Adjusted base EBITDA per share	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03
SUMMARY BALANCE SHEET								
Total Assets	431,178	445,776	444,325	428,215	401,366	403,985	407,177	409,849
Total Liabilities	68,596	79,019	72,172	55,094	36,486	36,372	42,417	65,985
Cash	89,431	60,593	48,193	47,252	41,452	37,974	52,097	156,120
less: syndicate cash holdings	(154)	(10,119)	(12,218)	(10,421)	(967)	(796)	(932)	(776)
Net cash	89,277	50,474	35,975	36,831	40,485	37,178	51,165	155,344
Proprietary and long-term investments	110,699	122,607	134,681	129,271	115,744	120,853	96,352	114,327
less: obligations related to securities sold short	—	—	—	(255)	—	(2,927)	(8,543)	(24,993)
Net investments	110,699	122,607	134,681	129,016	115,744	117,926	87,809	89,334
Loans receivable	2,871	32,011	32,360	36,021	36,532	40,208	50,467	48,673
Investable Capital	202,847	205,092	203,016	201,868	192,761	195,312	189,441	293,351
Total Enterprise AUM	11,326,546	10,670,982	10,569,449	10,578,426	10,066,112	11,126,042	11,591,213	7,323,382

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

(2) Starting Q1 2019, in order to comply with the new IFRS 16 Leases accounting standard ("IFRS 16"), certain lease assets have now been capitalized and depreciated over their expected lease term. See Note 2, Changes in Accounting Policies of the interim financial statements.

SUMMARY MANAGEMENT FEE BREAKDOWN

Below is a detailed list of management fee rates on our fund products as at September 30, 2019 (in millions $):

FUND	AUM	BLENDED NET MANAGEMENT FEE RATE	CARRIED INTEREST AND PERFORMANCE FEE CRITERIA
Exchange Listed Products			
Sprott Physical Gold and Silver Trust	3,750	0.40%	N/A [1]
Sprott Physical Gold Trust	3,143	0.35%	N/A [1]
Sprott Physical Silver Trust	1,347	0.45%	N/A [1]
Sprott Gold Miner's ETF	239	0.35%	N/A [1]
Sprott Physical Platinum & Palladium Trust	136	0.50%	N/A [1]
Sprott Jr. Gold Miner's ETF	75	0.35%	N/A [1]
Total	8,690	0.39%	
Lending			
Sprott Private Resource Lending LPs	586	1.25%	15-70% of net profits over preferred return
Managed Equities: In-house			
Sprott U.S. Value Strategies	281	1.00%	N/A
Fixed Term Limited Partnerships	220	1.70%	15-30% over preferred return
Separately Managed Accounts [2]	53	1.00%	N/A
Sprott Hathaway Special Situations Fund [3]	38	0.75%	20% of net profits over preferred return
Total	592	1.20%	
Managed Equities: Sub-advised			
Bullion Funds [3]	320	0.51%	5% excess over applicable benchmark indices
Corporate Class Funds [3]	143	0.75%	5% excess over applicable benchmark indices
Flow-through LPs [3]	72	0.70%	10% of all net profits in excess of the HWM
Total	535	0.60%	
Other			
Managed Companies [4]	626	0.50%	20% of net profits over preferred return
Separately Managed Accounts [5]	298	0.61%	20% of net profits over preferred return
Total	924	0.54%	
Total AUM	11,327	0.50%	

[1] Exchange listed products do not generate performance fees, however the management fees they generate are closely correlated to precious metals prices.

[2] Institutional managed accounts.

[3] Management fee rate represents the net amount received by the Company.

[4] Includes Sprott Resource Holdings Inc. and Sprott Korea Corp.

[5] Includes our private equity strategy in Sprott Asia and high net worth discretionary managed accounts in the U.S.

RESULTS OF OPERATIONS

AUM SUMMARY

AUM was $11.3 billion as at September 30, 2019, up $0.7 billion (6%) from June 30, 2019 and up $0.7 billion (7%) from December 31, 2018. On a three and nine months ended basis we benefited from strong precious metals price appreciation in our exchange listed products segment. We also benefited from capital calls and new commitment fee earning assets being added to our lending LPs throughout the year, which more than offset capital distributions on a year-to-date basis.

3 months results

(In millions $)	AUM Jun. 30, 2019	Net Inflows [1]	Market Value Changes	Other [2]	AUM Sep. 30, 2019
Exchange Listed Products					
- Physical Trusts	7,714	92	570	—	8,376
- ETFs	301	4	9	—	314
	8,015	96	579	—	8,690
Lending	646	53	12	(125)	586 [3]
Managed Equities					
- In-house	586	2	4	—	592
- Sub-advised	511	(10)	34	—	535
	1,097	(8)	38	—	1,127
Other	913	—	11	—	924
Total	10,671	141	640	(125)	11,327

9 months results

(In millions $)	AUM Dec. 31, 2018	Net Inflows [1]	Market Value Changes	Other [2]	AUM Sep. 30, 2019
Exchange Listed Products					
- Physical Trusts	7,927	(248)	697	—	8,376
- ETFs	237	18	59	—	314
	8,164	(230)	756	—	8,690
Lending	498	384	(17)	(279)	586 [3]
Managed Equities					
- In-house	538	31	23	—	592
- Sub-advised	505	(8)	38	—	535
	1,043	23	61	—	1,127
Other	873	68	(17)	—	924
Total	10,578	245	783	(279)	11,327

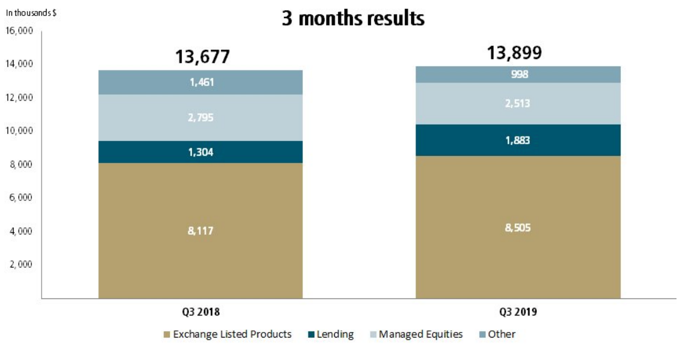
(1) See 'Net Inflows' in the key performance indicators (non-IFRS financial measures) section of this MD&A.

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

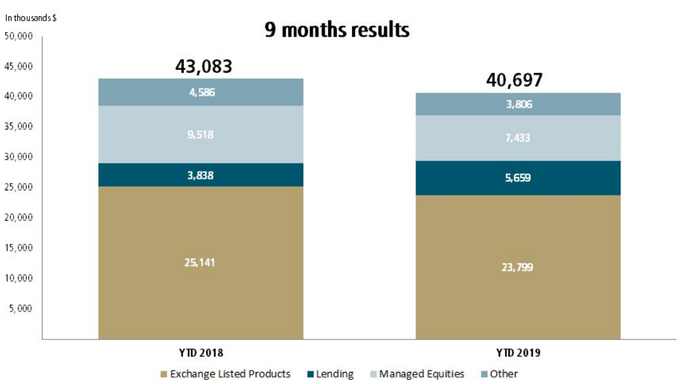
(3) $1,311 million (US$990 million) of committed capital remains uncalled, of which $277 million (US$209 million) earns a commitment fee (AUM), and $1,034 million (US$781 million) does not (future AUM).

KEY REVENUE LINES

Net Fees in the quarter were $13.9 million, up $0.2 million (2%) from the prior period and were $40.7 million on a year-to-date basis, down $2.4 million (6%).



Net fees increased in the quarter due to higher average AUM in our exchange listed products segment given strong precious metals price appreciation. We also benefited from higher fees in our lending segment as we continue to grow AUM in this area.



Net fees decreased on a year-to-date basis despite strong precious metals price appreciation in the quarter as redemptions of our exchange listed products throughout last year and the first quarter of this year, lead to lower average AUM year-to-date from this segment. In addition, lower AUM valuations were experienced in our managed equities segment. These declines more than offset increased fee generation in our lending segment.

Interest Income in the quarter was $3.4 million, down $1.4 million (30%) from the prior period and was $11.9 million on a year-to-date basis, up $0.7 million (6%).

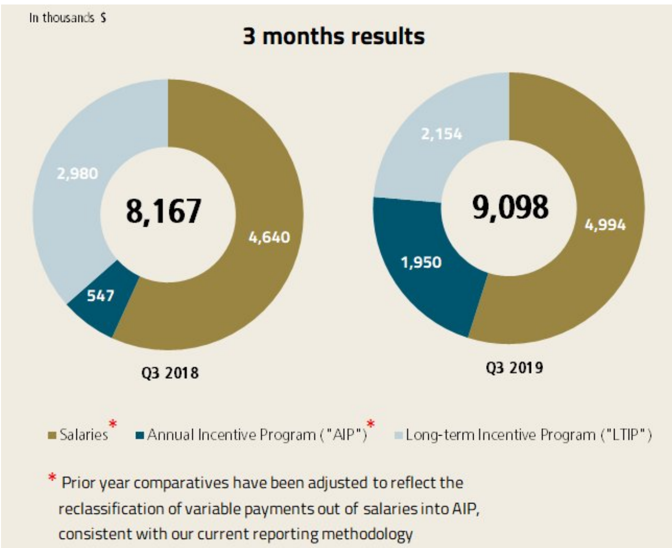
The decrease in the quarter was due to accelerated deferred interest income being included in last year's results relating to the early repayment of a loan. The increase on a year-to-date basis was due to interest income earned in certain legacy managed accounts of our brokerage segment.

Net Commissions in the quarter were $4.5 million, up $2.4 million from the prior period and were $9.6 million on a year-to-date basis, down $2.5 million.

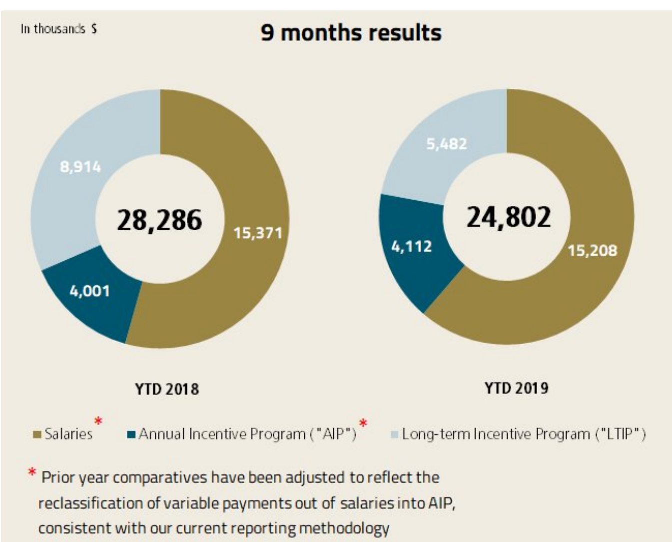
The increase in the quarter was due to improved equity origination activity in our brokerage segment. The decrease on a year-to-date basis was due to lower equity origination activity in the first half of the year that over shadowed the recent increase in origination activity this quarter.

KEY EXPENSE LINES

Compensation, excluding commissions, carried interest and performance fee payouts, which are presented net of their related revenues in this MD&A, and severance and new hire accruals which are non-recurring, was $9.1 million, up $0.9 million (11%) from the prior period and was $24.8 million on a year-to-date basis, down $3.5 million (12%).



Compensation increased in the quarter due to higher AIP accruals in the quarter. We now accrue AIP earlier in the year versus our previous practice of truing up AIP accruals at year end. Higher AIP accruals in the quarter more than offset lower LTIP amortization.



Compensation decreased on a year-to-date basis due to lower LTIP amortization.

SG&A was $4.2 million in the quarter, up $0.8 million (23%) from the prior period and was $12.6 million on a year-to-date basis, down $0.3 million (2%).

The increase in the quarter was due to lower than normal operating expenses this time last year. Our current quarter SG&A is consistent with our run rate quarterly SG&A. The decrease on a year-to-date basis was due primarily to the adoption of IFRS 16.

ADJUSTED BASED EBITDA

Adjusted base EBITDA in the quarter was $10.0 million, up $0.3 million (4%) from the prior period and was $28.6 million on a year-to-date basis, down $1.8 million (6%).

Our quarterly results benefited from higher fee income in our exchange listed products segment as average AUM in this area was positively impacted by the strong precious metals pricing environment. We also experienced higher net commissions in our brokerage segment given the improved equity origination environment this quarter. These increases were partially offset by lower income in our lending segment given the inclusion of accelerated deferred interest income in last year's results relating to the early repayment of a loan.

Our year-to-date results were primarily impacted by lower fee income earned in our exchange listed products segment due to last year's redemption experience that continued through to the first quarter of this year. Additional challenges to this year include lower net commissions from our brokerage segment as the weak equity origination environment in the first half of the year weighed down our year-to-date results, lower AUM valuations in our managed equities segment and lower income in our lending segment as last year's results were positively impacted by accelerated interest accruals and fee payments on the early settlement of loans.

ADDITIONAL REVENUES AND EXPENSES

Proprietary investments losses were due to market value depreciation of certain resource equity holdings.

Long-term investments gains were due to market value appreciation of certain long-term investments.

Other income was higher in the quarter and lower on a year-to-date basis. The increase in the quarter was mainly due to FX translation gains (USD-to-CAD). On a year-to-date basis, the decrease was due to net sales proceeds received on last year's sale transaction in the fist quarter of 2018, income earned on the early settlement of a loan last year and FX translation losses (USD-to-CAD) in the current period.

Placement and referral fees were lower in the quarter and on a year-to-date basis. They mainly include referral fees paid in our brokerage segment.

Interest expense was higher in the quarter and on a year-to-date basis due to interest accruals on leases from the adoption of IFRS 16 and the draw down of our loan facility in the first quarter of this year (see Note 12 of the interim financial statements).

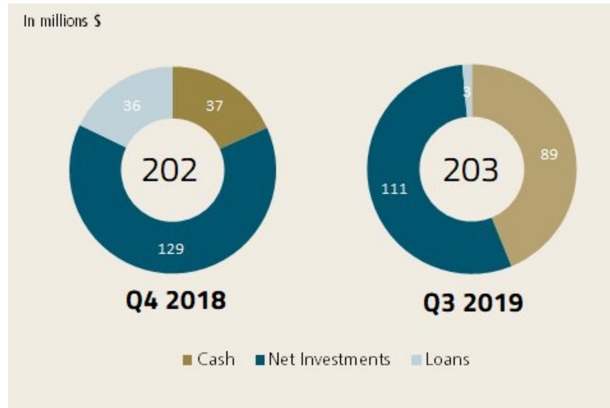
Amortization of intangibles did not change in the quarter and was lower on a year-to-date basis due to finite life fund management contracts related to fixed term LPs in our managed equities segment being fully amortized by the end of the first quarter of the prior period.

Amortization of property and equipment was higher in the quarter and on a year-to-date basis mainly due to increased depreciation expense related to leases that were capitalized on the adoption of IFRS 16.

Other expenses were lower in the quarter and higher on a year-to-date basis. The decrease in the quarter was mainly due to lower costs related to our energy assets. The increase on a year-to-date basis was due to higher non-recurring professional fees and transaction costs accrued in the second quarter.

BALANCE SHEET

Investable Capital was $203 million, up $1 million from December 31, 2018.



Total Assets were $431 million, up $3 million (1%) from December 31, 2018. The increase was primarily due to higher undeployed cash balances from the draw down of our loan facility, as well as the capitalization of leases on adoption of IFRS 16.

Total Liabilities were $69 million, up $14 million (25%) from December 31, 2018. The increase was primarily due to the draw down of our loan facility to help fund anticipated investment activities of the Company over the next 12-18 months. The increase was also due to the recording of a lease liability on adoption of IFRS 16. These increases were partially offset by the payment of prior year's accrued liabilities.

Total Shareholder's Equity was $363 million, down $11 million (3%) from December 31, 2018.

REPORTABLE OPERATING SEGMENTS

Exchange Listed Products

	3 months ended		9 months ended	
(In thousands $)	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
SUMMARY INCOME STATEMENT				
Management fees	8,505	8,117	23,799	25,141
Other income (loss)	265	(178)	(416)	108
Total Revenues	8,770	7,939	23,383	25,249
Compensation	1,355	981	3,571	3,426
Selling, general and administrative	854	838	2,785	2,493
Interest expense	336	—	828	—
Amortization and impairment charges	315	315	948	943
Other expenses	—	—	—	30
Total Expenses	2,860	2,134	8,132	6,892
Net Income before income taxes	5,910	5,805	15,251	18,357
Adjusted base EBITDA	6,593	6,324	17,824	19,248
Total AUM	8,689,979	7,560,651	8,689,979	7,560,651

3 and 9 months ended

Adjusted base EBITDA in the quarter was $6.6 million, up $0.3 million (4%) from the prior period and was $17.8 million on a year-to-date basis, down $1.4 million (7%).

Our three months ended results were positively impacted by higher average AUM given strong precious metals price appreciation this quarter. However on a year-to-date basis, the strong pricing environment of the third quarter was more than offset by the redemption experience we encountered last year which continued through to the first quarter of this year.

Non-EBITDA highlights:

- Other income in the quarter and other loss on a year-to-date basis were due to FX translation movements (USD-to-CAD).
- Interest expense relates to the draw down of our loan facility in the first quarter of this year (see Note 12 of the interim financial statements).

Lending

	3 months ended		9 months ended	
(In thousands $)	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
SUMMARY INCOME STATEMENT				
Management fees	1,883	1,304	5,659	3,509
Carried interest and performance fees	—	—	—	685
less: Carried interest and performance fee payouts	—	—	—	356
Net Fees	1,883	1,304	5,659	3,838
Interest income [1]	2,911	4,407	10,244	10,265
Gains (losses) on proprietary investments	638	(1,142)	(1,392)	(1,617)
Gains on long-term investments	6	(9)	(16)	16
Other income (loss)	609	(669)	(850)	4,624
Total Net Revenues	6,047	3,891	13,645	17,126
Compensation	1,858	1,524	4,985	3,882
Placement and referral fees	10	46	38	108
Selling, general and administrative	236	178	739	927
Interest expense	6	—	41	—
Amortization and impairment charges	36	36	107	41
Other expenses	—	—	—	30
Total Expenses	2,146	1,784	5,910	4,988
Net Income before income taxes	3,901	2,107	7,735	12,138
Adjusted base EBITDA	3,115	3,999	10,989	12,137
Total AUM [2]	585,926	492,968	585,926	492,968

[1] Includes: (1) interest income from on-balance sheet loans; and (2) co-investment income from lending LP units held as part of our long-term investments portfolio.

[2] $1,311 million (US$990 million) of committed capital remains uncalled, of which $277 million (US$209 million) earns a commitment fee (AUM), and $1,034 million (US$781 million) does not (future AUM).

3 and 9 months ended

Adjusted base EBITDA in the quarter was $3.1 million, down $0.9 million (22%) from the prior period and was $11.0 million on a year-to-date basis, down $1.1 million (9%).

Our three and nine months ended results were primarily impacted by the inclusion of accelerated deferred interest income and early loan repayment fees in last year's results (interest income and other income lines, respectively). This more than offset increased management fees and co-investment income as we continue to grow AUM in this segment.

Non-EBITDA highlights:

- Proprietary investment gains in the quarter and losses on a year-to-date basis were due to equity kicker valuations.

- Other income in the quarter and other loss on a year-to-date basis were due to FX translation movements (USD-to-CAD).

Managed Equities*

	3 months ended		9 months ended	
(In thousands $)	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
SUMMARY INCOME STATEMENT				
Management fees	2,622	2,884	7,715	9,294
Carried interest and performance fees	—	—	—	1,061
less: Trailer and sub-advisor fees	109	89	282	278
less: Carried interest and performance fee payouts	—	—	—	559
Net Fees	2,513	2,795	7,433	9,518
Gains (losses) on proprietary investments	—	13	177	31
Gains (losses) on long-term investments	1,191	(98)	2,991	(262)
Other income (loss)	414	398	785	(114)
Total Net Revenues	4,118	3,108	11,386	9,173
Compensation	1,234	1,566	4,674	4,642
Selling, general and administrative	682	477	1,676	1,486
Amortization and impairment charges	68	68	213	467
Other expenses	—	362	338	360
Total Expenses	1,984	2,473	6,901	6,955
Net Income before income taxes	2,134	635	4,485	2,218
Adjusted base EBITDA	1,187	1,012	3,158	3,476
Total AUM	1,126,938	1,137,885	1,126,938	1,137,885

*See "Managed Equities" in the business overview section on page 7 of this MD&A.

3 and 9 months ended

Adjusted base EBITDA in the quarter was $1.2 million, up $0.2 million (17%) from the prior period, and was $3.2 million on a year-to-date basis, down $0.3 million (9%).

Our three months ended results were higher year-over-year despite lower management fees on lower average AUM (mainly due to lower fixed-term LP valuations) as compensation expense accruals were lower in the quarter. On a year-to-date basis, the impact of lower fixed-term LP valuations was more pronounced.

Non-EBITDA highlights:

- Proprietary investments gains on a year-to-date basis were due to market value appreciation of certain holdings.
- Long-term investments gains were due to market value appreciation of certain long-term investments.
- Year-to-date compensation includes a non-recurring stock based compensation expense on a new hire in the first quarter.

Brokerage*

	3 months ended		9 months ended	
(In thousands $)	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
SUMMARY INCOME STATEMENT				
Commissions	7,552	4,717	16,221	20,354
less: Commission expense	3,469	2,694	7,134	9,141
Net Commissions	4,083	2,023	9,087	11,213
Management fees	456	449	1,250	1,301
Interest income	470	417	1,650	918
Gains (losses) on proprietary investments	(450)	(35)	(367)	(872)
Other income (loss)	5	258	122	4,641
Total Net Revenues	4,564	3,112	11,742	17,201
Compensation [(1)]	2,320	2,182	6,923	7,841
Placement and referral fees	114	140	425	366
Selling, general and administrative	1,516	1,463	4,603	4,613
Interest expense	19	—	60	—
Amortization and impairment charges	181	24	472	51
Other expenses	—	2	7	344
Total Expenses	4,150	3,811	12,490	13,215
Net Income (Loss) before income taxes	414	(699)	(748)	3,986
Adjusted base EBITDA	1,861	(37)	2,094	3,486

*See "Brokerage" in the business overview section on page 7 of this MD&A.

(1) Compensation is presented excluding commission expense, which is reported net of commission revenue.

3 and 9 months ended

Adjusted base EBITDA in the quarter was $1.9 million, up $1.9 million from the prior period, and was $2.1 million on a year-to-date basis, down $1.4 million.

Our three months ended results were positively impacted by an improved equity origination environment this quarter. However, the weak equity origination environment encountered in the first half of the year over shadowed the recent increase in origination activity on a year-to-date basis.

Non-EBITDA highlights:

- Proprietary investment losses in the quarter and on a year-to-date basis were the result of equity kicker valuations.

- Other income in the prior period was primarily related to net sales proceeds received on last year's sale transaction in the first quarter of 2018. See Note 6 of the interim financial statements.

Corporate

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

	3 months ended		9 months ended	
(In thousands $)	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
SUMMARY INCOME STATEMENT				
Gains (losses) on proprietary investments	9	(1,804)	(582)	(3,093)
Gains (losses) on long-term investments	68	(44)	(163)	79
Other income (loss)	(131)	(22)	373	287
Total Revenues	(54)	(1,870)	(372)	(2,727)
Compensation	2,063	1,596	5,071	6,286
Selling, general and administrative	434	112	2,070	2,302
Interest expense	32	—	90	81
Amortization and impairment charges	571	10	1,611	83
Other expenses	146	228	742	1,196
Total Expenses	3,246	1,946	9,584	9,948
Net Income (Loss) before income taxes	(3,300)	(3,816)	(9,956)	(12,675)
Adjusted base EBITDA	(2,303)	(1,637)	(6,975)	(7,962)

3 and 9 months ended

- Proprietary investments gains in the quarter and losses on a year-to-date basis were due to market value fluctuations of certain resource equity holdings.

- Long-term investments gains in the quarter and losses on a year-to-date basis were due to market value fluctuations of certain long-term investments.

- Compensation was higher in the quarter primarily due to AIP accruals. We now accrue AIP earlier in the year versus our previous practice of truing up AIP accruals at year end. This increase in AIP accruals more than offset lower LTIP amortization. The decrease on a year-to-date basis was primarily due to lower LTIP amortization.

- SG&A increased in the quarter due to lower than normal operating expenses this time last year. Our current quarter SG&A is consistent with our run rate quarterly SG&A. The decrease on a year-to-date basis was primarily due to the adoption of IFRS 16.

- Higher amortization was due to increased depreciation expense related to capitalized leases on the adoption of IFRS 16.

Dividends

The following dividends were declared by the Company during the 9 months ended September 30, 2019:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount (in thousands $)
March 08, 2019 - Regular Dividend Q4 - 2018	March 25, 2019	0.03	7,602
May 21, 2019 - Regular Dividend Q1 - 2019	June 5, 2019	0.03	7,605
August 19, 2019 - Regular Dividend Q2 - 2019	September 3, 2019	0.03	7,614
Dividends (1)			22,821

(1) Subsequent to quarter-end, on November 7, 2019, a regular dividend of $0.03 per common share was declared for the quarter ended September 30, 2019. This dividend is payable on December 3, 2019 to shareholders of record at the close of business on November 18, 2019.

Capital Stock

Including the 10.5 million unvested common shares currently held in the EPSP Trust (December 31, 2018 - 9.9 million), total capital stock issued and outstanding was 253.8 million (December 31, 2018 - 253.0 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 and diluted earnings per share were $0.02 and $0.05 for the quarter and nine months ended respectively, compared to $0.01 and $0.09 in the respective prior periods. 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 3.3 million stock options are outstanding pursuant to our stock option plan, of which 2.6 million are exercisable.

Liquidity and Capital Resources

As at September 30, 2019, the Company had $21.3 million (December 31, 2018 - $Nil) outstanding on its credit facility, $5 million of which is due within 12 months and $16.3 million is due after 12 months (December 31, 2018 - $Nil and $Nil respectively).

The Company has a 5 year, $90 million credit facility with a major Canadian schedule I chartered bank. The facility consists of a $25 million term loan and a $65 million revolving line of credit. Amounts may be borrowed under the facility through prime rate loans or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans. In the first quarter, the Company drew $25 million on the term loan portion of the credit facility to avoid its expiry and to partially fund anticipated growth in the business over the next 12-18 months. As at September 30, 2019, 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, $65 million revolver with "bullet maturity" December 31, 2022
- 5-year, $25 million term loan with 5% of principal amortizing quarterly

Interest Rate

- Prime rate + 0 bps or;
- Banker Acceptance Rate + 170 bps

Covenant Terms

- Minimum AUM: $8.2 billion
- Debt to EBITDA less than 2.5:1
- EBITDA to interest expense more than 2.5:1

Commitments

Besides the Company's long-term lease agreements, there may be commitments to provide loans or 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 September 30, 2019, the Company had $15.2 million in co-investment commitments from the lending segment (December 31, 2018 - $38.7 million).

Significant Accounting Judgments, Estimates and Changes in Accounting Policies

The interim financial statements have been prepared in accordance with IFRS standards in effect as at September 30, 2019, specifically, IAS 34 *Interim Financial Reporting*.

Compliance with IFRS requires the Company to exercise judgment, make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary. Except as otherwise noted, significant accounting judgments and estimates are described in Note 2 of the December 31, 2018 annual audited financial statements and have been applied consistently to the interim financial statements as at and for the three and nine months ended September 30, 2019.

In Q1, 2019 the Company adopted IFRS 16 and IFRIC 23 *Uncertainty over Income Tax Treatments ("IFRIC 23")*. As a result, the Company changed its accounting policies. As permitted by the transition provision of IFRS 16, the Company elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with previous accounting policies. The adoption of IFRS 16 and IFRIC 23 did not have a material impact on the Company's consolidated financial statements.

Managing Risk: Financial

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

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 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.

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 on balance sheet loans, co-investments in lending LPs and its net investments portfolio.

Loans receivable

The Company incurs credit risk primarily in the on-balance sheet loans of its lending segment and through co-investments made in the lending LPs of the lending segment. In addition to the relative default probability of SRLC borrowers (both directly via on balance sheet loans and indirectly via borrowers of the lending LPs we co-invest with), credit risk is also dependent on loss given default, which can increase credit risk if the values of the underlying assets securing the Company's loans and co-investments decline to levels approaching or below the loan amounts. A decrease in commodity prices may delay the development of the underlying security or business plans of the borrower and could adversely affect the value of the Company's security against a loan. Additionally, the value of the Company's underlying security in a loan can be negatively affected if the actual amount or quality of the commodity proves to be less than originally estimated, or the ability to extract the commodity proves to be more difficult or more costly than originally estimated. 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 managed.

Collectability of loans

Besides the above noted measures we take to manage credit risk, the Company will report on credit risk in the notes to the annual consolidated financial statements and records expected credit loss provisions to ensure that on-balance sheet loans are recorded at their estimated recoverable amount (i.e. net of impairment risk we believe to exist as at the balance sheet date and in accordance with IFRS). Actual losses incurred in the on-balance sheet loan portfolio could differ materially from our provisions. Management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately managed.

Net 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, managed accounts and managed companies 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 $90 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 loans receivable arises from fluctuations in cash flows from making loan advances and receiving loan repayments (both directly via on balance sheet loans and indirectly via borrowers of the lending LPs we co-invest with). The Company manages its loan commitment liquidity risk through the ongoing monitoring of scheduled loan fundings and repayments ("match funding") and through its broader treasury risk management program and enterprise capital budgeting.

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

The Company's management team is responsible for reviewing resources to ensure funds are readily available to meet its financial obligations (e.g. dividend payments) 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: syndicating a portion of its loans; slowing its lending activities; cutting 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 net investments and loans are focused on the natural resource sector, and in particular, precious metals related investments and transactions. In addition, from time-to-time, certain net investment and loan positions 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.

Consistent with *National Instrument 52-109*, the Company's CEO and CFO evaluate quarterly the DC&P and ICFR. As at September 30, 2019, the Company's CEO and CFO concluded that the Company's DC&P and ICFR were properly designed and were operating effectively. In addition, there were no material changes to ICFR during the quarter.

Managing Risk: Non-financial

For details around other risks managed by the Company (e.g. confidentiality of information, conflicts of interest, etc.) refer to the Company's annual report as well as the Annual Information Form available on SEDAR at www.sedar.com.

Consolidated Financial Statements

Three and nine months ended September 30, 2019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(In thousands of Canadian dollars)*		Sept. 30 2019	Dec. 31 2018
Assets			
Current			
Cash and cash equivalents		89,431	47,252
Fees receivable		8,802	8,635
Loans receivable	*(Note 5)*	—	15,275
Proprietary investments	*(Note 3)*	18,358	26,711
Other assets	*(Note 6)*	11,270	10,774
Income taxes recoverable		3,072	2,379
Total current assets		130,933	111,026
Loans receivable	*(Note 5)*	2,871	20,746
Long-term investments	*(Note 3)*	92,341	102,560
Other assets	*(Note 6)*	1,765	1,214
Property and equipment, net		22,504	12,334
Intangible assets	*(Note 4)*	149,269	148,324
Goodwill	*(Note 4)*	25,371	26,115
Deferred income taxes	*(Note 8)*	6,124	5,896
		300,245	317,189
Total assets		431,178	428,215
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		30,105	41,641
Compensation payable		6,612	9,466
Obligations related to securities sold short	*(Note 3)*	—	255
Loan facility	*(Note 12)*	5,000	—
Income taxes payable		47	607
Total current liabilities		41,764	51,969
Other accrued liabilities		6,112	—
Loan facility	*(Note 12)*	16,250	—
Deferred income taxes	*(Note 8)*	4,470	3,125
Total liabilities		68,596	55,094
Shareholders' equity			
Capital stock	*(Note 7)*	411,805	412,938
Contributed surplus	*(Note 7)*	46,482	43,383
Deficit		(128,399)	(117,201)
Accumulated other comprehensive income		32,694	34,001
Total shareholders' equity		362,582	373,121
Total liabilities and shareholders' equity		431,178	428,215
Commitments and provisions	*(Note 13)*		

The accompanying notes form part of the financial statements

"Ron Dewhurst"
Director

"Sharon Ranson, FCPA, FCA"
Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

(In thousands of Canadian dollars, except for per share amounts)		*For the three months ended* Sept. 30 2019	Sept. 30 2018	*For the nine months ended* Sept. 30 2019	Sept. 30 2018
Revenues					
Management fees		13,964	13,722	40,851	42,337
Carried interest and performance fees		—	—	—	1,802
Commissions		7,995	4,573	16,810	20,946
Interest income		3,381	4,824	11,894	11,183
Gain (loss) on proprietary investments	*(Note 3)*	(474)	(4,765)	(2,561)	(9,694)
Gain (loss) on long-term investments	*(Note 3)*	1,265	(151)	2,812	(167)
Other income (loss)	*(Note 6)*	604	(275)	(599)	9,650
Total revenue		26,735	17,928	69,207	76,057
Expenses					
Compensation		10,671	7,993	27,706	29,611
Stock-based compensation	*(Note 7)*	2,154	2,980	5,482	8,914
Trailer and sub-advisor fees		65	45	154	141
Placement and referral fees		150	223	564	575
Selling, general and administrative		4,191	3,404	12,614	12,895
Interest expense		393	26	1,019	107
Amortization of intangibles	*(Note 4)*	292	292	875	1,139
Amortization of property and equipment		888	165	2,503	462
Other expenses	*(Note 6)*	263	790	4,299	2,771
Total expenses		19,067	15,918	55,216	56,615
Income before income taxes for the period		7,668	2,010	13,991	19,442
Provision (recovery) for income taxes	*(Note 8)*	1,945	35	2,368	(2,105)
Net income for the period		5,723	1,975	11,623	21,547
Basic earnings per share	*(Note 7)*	$ 0.02	$ 0.01	$ 0.05	$ 0.09
Diluted earnings per share	*(Note 7)*	$ 0.02	$ 0.01	$ 0.05	$ 0.09
Net income for the period		5,723	1,975	11,623	21,547
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation gain (loss) on foreign operations (taxes of $Nil)		540	(779)	(1,307)	2,004
Total other comprehensive income (loss)		540	(779)	(1,307)	2,004
Comprehensive income		6,263	1,196	10,316	23,551

The accompanying notes form part of the financial statements

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

(In thousands of Canadian dollars, other than number of shares)		Number of Shares Outstanding	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
At Dec. 31, 2018		243,062,337	412,938	43,383	(117,201)	34,001	373,121
Shares acquired for equity incentive plan	*(Note 7)*	(1,498,124)	(5,530)	—	—	—	(5,530)
Shares released on vesting of equity incentive plan	*(Note 7)*	915,136	2,199	(2,199)	—	—	—
Foreign currency translation gain on foreign operations		—	—	—	—	(1,307)	(1,307)
Stock-based compensation	*(Note 7)*	—	—	5,482	—	—	5,482
Issuance of share capital on conversion of RSUs and other share based considerations	*(Note 7)*	765,735	2,053	(184)	—	—	1,869
Dividends declared	*(Note 10)*	44,186	145	—	(22,821)	—	(22,676)
Net income		—	—	—	11,623	—	11,623
Balance, Sep. 30, 2019		243,289,270	411,805	46,482	(128,399)	32,694	362,582
At Dec. 31, 2017		234,098,634	392,556	39,907	(118,272)	29,673	343,864
IFRS 9 transition adjustment		—	—	—	(50)	—	(50)
Shares acquired for equity incentive plan		(2,362,500)	(7,058)	—	—	—	(7,058)
Shares released on vesting of equity incentive plan		678,815	1,666	(1,666)	—	—	—
Shares released on exercise of stock option plan		558,048	1,217	(1,217)			—
Foreign currency translation loss on foreign operations		—	—	—	—	2,004	2,004
Issuance of share capital on purchase of management contracts		6,997,387	17,284	—	—	—	17,284
Stock-based compensation		—	—	8,914	—	—	8,914
Issuance of share capital on conversion of RSUs and other share based considerations		439,401	1,025	(662)	—	—	363
Dividends declared		215,625	684	—	(22,672)	—	(21,988)
Net income		—	—	—	21,547	—	21,547
Balance, Sep. 30, 2018		240,625,410	407,374	45,276	(119,447)	31,677	364,880

The accompanying notes form part of the financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands of Canadian dollars)	*For the nine months ended* Sept. 30 2019	Sept. 30 2018
Operating Activities		
Net income for the period	11,623	21,547
Add (deduct) non-cash items:		
Loss (gain) on proprietary investments	2,561	9,694
Loss (gain) on Long-term investments	(2,812)	167
Stock-based compensation	5,482	8,914
Amortization of property, equipment and intangible assets	3,378	1,601
Current portion of lease liability	(2,133)	—
Deferred income tax recovery	1,090	(3,133)
Current income tax expense	1,278	1,028
Other items	550	(190)
Income taxes paid	(2,523)	(3,196)
Changes in:		
Fees receivable	(167)	3,838
Loans receivable	33,150	12,141
Other assets	(1,047)	14,899
Accounts payable, accrued liabilities and compensation payable	(14,390)	(1,748)
Cash provided by operating activities	36,040	65,562
Investing Activities		
Purchase of investments	(30,700)	(61,909)
Sale of investments	48,718	25,826
Purchase of property and equipment	(3,965)	(1,139)
Purchase of intangible assets	—	(115,221)
Cash provided by (used in) investing activities	14,053	(152,443)
Financing Activities		
Acquisition of common shares for equity incentive plan	(5,530)	(7,058)
Net advances from loan facility	21,250	—
Dividends paid	(22,676)	(21,988)
Cash provided by (used in) financing activities	(6,956)	(29,046)
Effect of foreign exchange on cash balances	(958)	1,259
Net increase (decrease) in cash and cash equivalents during the period	42,179	(114,668)
Cash and cash equivalents, beginning of the period	47,252	156,120
Cash and cash equivalents, end of the period	89,431	41,452
Cash and cash equivalents:		
Cash	84,154	41,191
Short-term deposits	5,277	261
	89,431	41,452
Supplementary disclosure of cash flow information		
Amount of interest received during the period	4,779	3,355

The accompanying notes form part of the 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

The interim financial statements have been prepared in accordance with IFRS standards in effect as at September 30, 2019, specifically, IAS 34 *Interim Financial Reporting*.

Compliance with IFRS requires the Company to exercise judgment and make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary. Except as otherwise noted, significant accounting judgments and estimates are described in Note 2 of the December 31, 2018 annual audited financial statements and have been applied consistently to the interim financial statements as at and for the three and nine months ended September 30, 2019.

Basis of presentation

These interim 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 Canadian dollars and all values are rounded to the nearest thousand ($000), except when indicated otherwise.

Principles of consolidation

These interim 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.

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.

The Company currently controls the following principal subsidiaries:

- Sprott Asset Management LP ("SAM");
- Sprott Capital Partners LP ("SCP");
- Sprott Consulting LP ("SC");
- Sprott Asia LP ("Sprott Asia") and Sprott Korea Corporation ("Sprott Korea");
- Sprott U.S. Holdings Inc. ("SUSHI"), parent of: (1) Rule Investments Inc. ("RII") (2) Sprott Global Resource Investments Ltd. ("SGRIL"); (3) Sprott Asset Management USA Inc. ("SAM US"); and (4) Resource Capital Investment Corporation ("RCIC");
- Sprott Resource Lending Corp. ("SRLC");
- Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust")

Changes in accounting policies

In the first quarter of the year, the Company adopted IFRS 16 *Leases* ("IFRS 16") and IFRIC 23 *Uncertainty over Income Tax Treatments ("IFRIC 23")*. The adoption of IFRIC 23 did not have a material effect on the Company's consolidated financial statements. As permitted by the transition provisions of IFRS 16, the Company applied a modified retrospective approach. Accordingly, the Company elected not to restate comparative period results and there was no impact to opening retained earnings. Below is a summary of the IFRS 16 impacts.

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. Upon transition to IFRS 16, a right-to-use asset and lease liability of $9.8 million were recorded. The right-to-use asset is presented on the property and equipment line of the consolidated balance sheet and the short and long-term portions of the lease liability are presented on the accounts payable and accrued liabilities line and other accrued liabilities line, respectively, of the consolidated balance sheet.

The Company used the practical expedient when applying IFRS 16 for short-term leases under 12 months and low-value assets such as IT equipment, with lease payments being expensed as they are occurred.

Prior to the adoption of IFRS 16, the Company classified its lease obligation as operating leases, with the lease payments being presented within the selling, general and administrative line of the consolidated statements of operations. Upon transition to IFRS 16, the right-to-use asset is amortized on a straight-line basis over the term of the lease with the amortization expense being presented on the amortization of property and equipment line of the consolidated statements of operations. The lease liability is subsequently remeasured at amortized cost using the effective interest rate method, with the interest charge on the incremental borrowing rate being presented on the interest expense line of the consolidated statements of operations.

Other accounting policies

All other accounting policies, judgments, and estimates described in the annual audited financial statements have been applied consistently to these consolidated interim financial statements unless otherwise noted.

3 PROPRIETARY INVESTMENTS, OBLIGATIONS RELATED TO SECURITIES SOLD SHORT AND LONG-TERM INVESTMENTS

Proprietary investments and Obligations related to securities sold short

Consist of the following (in thousands $):

	Classification and measurement criteria	Sept. 30, 2019	Dec. 31, 2018
Public equities and share purchase warrants	FVTPL	11,156	19,066
Fixed income securities	FVTPL	2,627	2,796
Private holdings:			
- Private investments	FVTPL	2,750	2,830
- Energy contracts	Non-financial instrument	1,825	2,019
Total proprietary investments		18,358	26,711
Obligations related to securities sold short	FVTPL	—	255

Long-term investments

Consists of the following (in thousands $):

	Classification and measurement criteria	Sept. 30, 2019	Dec. 31, 2018
Co-investments in funds	FVTPL	64,684	72,739
Private holdings			
- Private investments	FVTPL	27,657	29,821
Total long-term investments		92,341	102,560

Realized gains and losses on financial assets classified at FVTPL are included in the gain (loss) on proprietary investments and gain (loss) on long-term investments, as applicable, on the consolidated statements of operations.

4 GOODWILL AND INTANGIBLE ASSETS

Consist of the following (in thousands $):

	Goodwill	Fund management contracts (indefinite life)	Fund management contracts (finite life)	Total
Cost				
At December 31, 2017	166,882	—	47,416	214,298
Additions	—	133,303	—	133,303
Net exchange differences	13,482	—	—	13,482
At December 31, 2018	180,364	133,303	47,416	361,083
Additions	—	1,830	—	1,830
Net exchange differences	(4,798)	(10)	—	(4,808)
At September 30, 2019	175,566	135,123	47,416	358,105
Accumulated amortization				
At December 31, 2017	(142,859)	—	(30,964)	(173,823)
Amortization charge for the period	—	—	(1,431)	(1,431)
Net exchange differences	(11,390)	—	—	(11,390)
At December 31, 2018	(154,249)	—	(32,395)	(186,644)
Amortization charge for the period	—	—	(875)	(875)
Net exchange differences	4,054	—	—	4,054
At September 30, 2019	(150,195)	—	(33,270)	(183,465)
Net book value at:				
December 31, 2018	26,115	133,303	15,021	174,439
September 30, 2019	25,371	135,123	14,146	174,640

Impairment assessment of goodwill

Previously, the Company reported seven cash generating units ("CGU") for goodwill impairment assessment and testing purposes:

- Exchange Listed Products
- Alternative Asset Management
- Global
- Lending
- Consulting
- Merchant Banking & Advisory
- Corporate

During the first quarter of 2019, as the Company completed the reorganization of its reportable segments, the assets that were previously aggregated to create the global CGU no longer met the requirements of a CGU as they no longer generated independent cash flows. As a result, these assets were disaggregated from the global CGU, and were reallocated to existing CGUs with similar assets that generate largely independent cash flows (brokerage assets within the brokerage CGU and fixed term LP assets within the managed equities CGU). The Company CGUs are now as follows:

- Exchange Listed Products
- Lending
- Managed Equities
- Brokerage
- Corporate

As at September 30, 2019, the Company had allocated $25.4 million (December 31, 2018 - $26.1 million) of goodwill on a relative value approach basis to the exchange listed products and managed equities CGUs (previously called the alternative asset management CGU).

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 impairement. During the quarter, there were no indicators of impairment in either the exchange listed products CGU or the managed equities CGU.

Impairment assessment of indefinite life fund management contracts

As at September 30, 2019, the Company had an exchange listed fund management contract within the exchange listed products CGU of $135.1 million related to Central Fund of Canada (December 31, 2018 - $133.3 million). There were no indicators of impairment as at September 30, 2019.

Impairment assessment of finite life fund management contracts

As at September 30, 2019, the Company had exchange listed fund management contracts within the exchange listed products CGU of $14.1 million (December 31, 2018 - $15.0 million). There were no indicators of impairment as at September 30, 2019.

5 LOANS RECEIVABLE

Components of loans receivable

Loans are reported at their amortized cost using the effective interest method. Loans are reported net of any expected credit loss provisions on the expected credit loss provisions line of the consolidated statements of operations. Total carrying value consists of the following (in thousands $):

	Sept. 30, 2019	Dec. 31, 2018
Loans		
Loan principal	2,903	37,873
Accrued interest	89	14
Deferred revenue	(71)	(1,816)
Amortized cost	2,921	36,071
Expected credit loss provision	(50)	(50)
Less: current portion	—	(15,275)
Total carrying value of non-current loans receivable	2,871	20,746

Expected credit losses ("ECL")

When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the net realizable value of the loan. Interest income is thereafter recognized on this net realizable value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further losses, or the reversal of previous losses, which would also impact the amount of subsequent interest income recognized.

As at September 30, 2019, the Company performed a comprehensive review of each loan measured at amortized cost in its portfolio to determine the requirement for an ECL provision. There was no increase in credit risk in the period and therefore, no further credit loss provision was required.

Interest income on impaired loans and the changes in expected credit loss provisions are as follows (in thousands $):

	For the nine months ended	
	Sept. 30, 2019	Sept. 30, 2018
Interest on impaired loans	—	—
Expected credit loss provisions		
Balance, beginning of the year	50	—
Transition adjustment	—	50
Revised balance, beginning of the year	50	50
Expected credit loss provision (recovery)	—	—
Net exchange differences	—	—
Balance, end of period	50	50

Sector distribution of loan principal

Distribution of the Company's outstanding loan principal balances by sector:

	Sept. 30, 2019		Dec. 31, 2018	
	Number of Loans	(in thousands $)	Number of Loans	(in thousands $)
Loans				
Metals and mining	—	—	1	34,931
Energy and other	2	2,903	2	2,942
Total loan principal	2	2,903	3	37,873

Geographic distribution of loan principal

Distribution of the Company's outstanding loan principal balances by geographic location of the underlying security:

	Sept. 30, 2019		Dec. 31, 2018	
	Number of Loans	(in thousands $)	Number of Loans	(in thousands $)
Loans				
Canada	1	1,578	1	1,578
United States of America	1	1,325	2	36,295
Total loan principal	2	2,903	3	37,873

6 OTHER ASSETS, INCOME AND EXPENSES

Other assets

Consist of the following (in thousands $):

	Sept. 30, 2019	Dec. 31, 2018
Fund recoveries and investment receivables	6,396	4,722
Prepaid expenses	4,948	5,369
Other [1]	1,691	1,897
Total Other assets	13,035	11,988

(1) Other includes miscellaneous third-party receivables.

Other income (loss)

Consist of the following (in thousands $):

	For the three months ended		For the nine months ended	
	Sep. 30, 2019	Sep. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
Net proceeds from sale transaction [1]	—	—	—	4,200
Other investment income [2]	121	273	345	4,187
Foreign exchange gain (losses)	426	(809)	(1,482)	283
Total Other income (loss) [3]	547	(536)	(1,137)	8,670

(1) Gross proceeds of $5.0 million, net of transaction costs of $0.8 million. This relates to the January 29, 2018 closing of the sale of our non-core private wealth client business.

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

(3) Excludes royalty income of $0.1 million on a three month ended basis (September 30, 2018 - $0.3 million) and $0.5 million on a nine month ended basis (September 30, 2018 - $1.0 million), which is presented net of operating, depletion and impairment charges below.

Other expenses

Consist of the following (in thousands $):

	For the three months ended		For the nine months ended	
	Sep. 30, 2019	Sep. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
Costs (recoveries) related to energy assets [1]	60	(34)	62	(138)
Other [2]	146	563	3,699	1,929
Total Other expenses	206	529	3,761	1,791

(1) Includes operating, depletion and impairment charges, net of royalty income of $0.1 million on a three month ended basis (September 30, 2018 - $0.3 million) and $0.5 million on a nine month ended basis (September 30, 2018 - $1.0 million).

(2) Includes non-recurring professional fees and transaction costs.

7 SHAREHOLDERS' EQUITY

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, 2017	234,098,634	392,556
Issuance of share capital under dividend reinvestment program	338,628	1,015
Issuance of share capital on purchase of management contracts	6,997,387	17,284
Released on exercise of stock option plan	558,048	1,217
Issuance of share capital on conversion of RSUs	635,939	1,581
Acquired for equity incentive plan	(2,402,500)	(7,161)
Released on vesting of equity incentive plan	2,836,201	6,446
At Dec. 31, 2018	243,062,337	412,938
Issuance of share capital under dividend reinvestment program	44,186	145
Issuance of share capital on conversion of RSUs and other share based considerations	765,735	2,053
Acquired for equity incentive plan	(1,498,124)	(5,530)
Released on vesting of equity incentive plan	915,136	2,199
At Sept. 30, 2019	243,289,270	411,805

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, 2017	39,907
Expensing of Stock-based compensation over the vesting period	12,358
Issuance of share capital on conversion of RSUs	(1,219)
Released on exercise of stock option plan	(1,217)
Released on vesting of common shares for equity incentive plan	(6,446)
At Dec. 31, 2018	43,383
Expensing of Stock-based compensation over the vesting period	5,482
Issuance of share capital on conversion of RSUs and other share based considerations	(184)
Released on vesting of common shares for equity incentive plan	(2,199)
At Sept. 30, 2019	46,482

Stock option plan

The Company has an option plan (the "Plan") intended to provide incentives to directors, officers, employees and consultants of the Company and its wholly owned subsidiaries. The aggregate number of shares issuable upon the exercise of all options granted under the Plan and under all other 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 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 for the three and nine months ended September 30, 2019 (three months ended September 30, 2018 - Nil and nine months ended September 30, 2018 - 750,000). There were no options exercised for the three and nine months ended September 30, 2019 (three months ended September 30, 2018 - 1,330,000 options and nine months ended September 30, 2018 - 2,000,000 options). There were no options forfeited for the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - Nil).

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 (in thousands)	Weighted average exercise price ($)
Options outstanding, December 31, 2017	6,975	5.14
Options exercisable, December 31, 2017	5,625	5.79
Options issued	750	2.33
Options exercised	(2,000)	2.33
Options expired	(2,450)	10.00
Options outstanding, December 31, 2018	3,275	2.57
Options exercisable, December 31, 2018	1,875	2.70
Options outstanding, September 30, 2019	3,275	2.57
Options exercisable, September 30, 2019	2,575	2.60

Options outstanding and exercisable as at September 30, 2019 are as follows:

Exercise price ($)	Number of outstanding options (in thousands)	Weighted average remaining contractual life (years)	Number of options exercisable (in thousands)
6.60	150	1.1	150
2.33	3,000	6.3	2,300
2.73	125	6.6	125
2.33 to 6.60	3,275	6.1	2,575

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; or (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; and (3) from time-to-time, purchases from 2176423 Ontario Ltd., a company controlled by Eric Sprott, pursuant to the terms and conditions of a previously announced share transaction. 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 23,143 RSUs granted during the three months ended September 30, 2019 (three months ended September 30, 2018 - 100,000) and 699,549 RSUs granted during the nine months ended September 30, 2019 (nine months ended September 30, 2018 - 439,401). The Trust purchased 1.3 million shares in the three months ended September 30, 2019 (three months ended September 30, 2018 - nil) and 1.5 million shares in the nine months ended September 30, 2019 (nine months ended September 30, 2018 - 2.4 million shares).

	Number of common shares
Common shares held by the Trust, December 31, 2017	10,365,957
Acquired	2,402,500
Released on vesting	(2,836,201)
Unvested common shares held by the Trust, December 31, 2018	9,932,256
Acquired	1,498,124
Released on vesting	(915,136)
Unvested common shares held by the Trust, September 30, 2019	10,515,244

The table below provides a breakdown of the share-based compensation expense and the corresponding increase to contributed surplus:

	For the three months ended		For the nine months ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
Stock option plan	57	58	188	349
EPSP / EIP	2,097	2,922	5,294	8,565
	2,154	2,980	5,482	8,914

Basic and diluted earnings per share

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

	For the three months ended		For the nine months ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
Numerator (in thousands $):				
Net income (loss) - basic and diluted	5,723	1,975	11,623	21,547
Denominator (Number of shares in thousands):				
Weighted average number of common shares	253,656	252,327	253,523	251,516
Weighted average number of unvested shares purchased by the Trust	(9,718)	(12,051)	(9,399)	(11,535)
Weighted average number of common shares - basic	243,938	240,276	244,124	239,981
Weighted average number of dilutive stock options	3,125	3,125	3,125	3,125
Weighted average number of unvested shares purchased by the Trust	9,718	12,051	9,399	11,535
Weighted average number of common shares - diluted	256,781	255,452	256,648	254,641
Net income per common share				
Basic	$ 0.02	$ 0.01	$ 0.05	$ 0.09
Diluted	$ 0.02	$ 0.01	$ 0.05	$ 0.09

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"), SAM US is registered with the 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. As at September 30, 2019 and 2018, all entities were in compliance with their respective capital requirements.

8 INCOME TAXES

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

	For the nine months ended	
	Sept. 30, 2019	Sept. 30, 2018
Current income tax expense (recovery)		
Based on taxable income of the current period	1,278	1,159
Other	—	(131)
	1,278	1,028
Deferred income tax expense (recovery)		
Total deferred income tax expense	1,090	(3,133)
Income tax expense reported in the consolidated statements of operations	2,368	(2,105)

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 nine months ended	
	Sept. 30, 2019	Sept. 30, 2018
Income before income taxes	13,991	19,442
Tax calculated at domestic tax rates applicable to profits in the respective countries	3,737	5,183
Tax effects of:		
Non-deductible stock-based compensation	120	229
Non-taxable capital (gains) and losses	(217)	(124)
Intangibles	85	(5,122)
Adjustments in respect of previous periods	66	(131)
Other temporary differences not benefited	(29)	(341)
Non-capital losses not benefited previously	(1,427)	(2,540)
Rate differences and other	33	741
Tax charge	2,368	(2,105)

The weighted average statutory tax rate was 26.7% (September 30, 2018 - 26.7%). The Company has $12 million of capital tax losses from prior years that will begin to expire in 2019. The benefit of these capital losses has not been recognized.

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 nine months ended September 30, 2019

	Dec. 31, 2018	Recognized in income	Recognized in other comprehensive income	Sept. 30, 2019
Deferred income tax assets				
Stock-based compensation	4,300	465	—	4,765
Non-capital losses	5,018	1	(27)	4,992
Unrealized gains	386	(364)		22
Other	513	28	—	541
Total deferred income tax assets	10,217	130	(27)	10,320
Deferred income tax liabilities				
Fund management contracts	7,317	1,526	—	8,843
Proceeds receivable	70	(70)	—	—
Other	59	(236)	—	(177)
Total deferred income tax liabilities	7,446	1,220	—	8,666
Net deferred income tax assets	2,771	(1,090)	(27)	1,654

For the year ended December 31, 2018

	Dec. 31, 2017	Recognized in income	Recognized in other comprehensive income	Dec. 31, 2018
Deferred income tax assets				
Other stock-based compensation	2,588	1,712	—	4,300
Non-capital losses	820	4,185	13	5,018
Unrealized gains	481	(95)	—	386
Other	485	28	—	513
Total deferred income tax assets	4,374	5,830	13	10,217
Deferred income tax liabilities				
Fund management contracts	431	6,886	—	7,317
Proceeds receivable	279	(209)	—	70
Other	(116)	175	—	59
Total deferred income tax liabilities	594	6,852	—	7,446
Net deferred income tax assets	3,780	(1,022)	13	2,771

9 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 September 30, 2019 and December 31, 2018 (in thousands $).

Proprietary Investments

Sept. 30, 2019	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	8,792	2,364	—	11,156
Fixed income securities	—	1,627	1,000	2,627
Private holdings	—	—	2,750	2,750
Obligations related to securities sold short	—	—	—	—
Total net recurring fair value measurements	8,792	3,991	3,750	16,533

Dec. 31, 2018	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	13,680	5,386	—	19,066
Fixed income securities	—	1,796	1,000	2,796
Private holdings	—	—	2,830	2,830
Obligations related to securities sold short	(255)	—	—	(255)
Total net recurring fair value measurements	13,425	7,182	3,830	24,437

Long-term investments

Sept. 30, 2019	Level 1	Level 2	Level 3	Total
Co-investments in funds	—	60,056	4,628	64,684
Private holdings	—	—	27,657	27,657
Total net recurring fair value measurements	—	60,056	32,285	92,341

Dec. 31, 2018	Level 1	Level 2	Level 3	Total
Co-investments in funds	—	72,739	—	72,739
Private holdings	—	—	29,821	29,821
Total net recurring fair value measurements	—	72,739	29,821	102,560

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

Proprietary Investments

	Changes in the fair value of Level 3 measurements - Sep. 30 2019				
	Dec. 31, 2018	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Sept. 30, 2019
Private holdings	2,830	100	(57)	(123)	2,750
Fixed income securities	1,000	—	—	—	1,000
	3,830	100	(57)	(123)	3,750

	Changes in the fair value of Level 3 measurements - Dec. 31, 2018				
	Dec. 31, 2017	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Dec. 31, 2018
Private holdings	4,269	2,135	(3,680)	106	2,830
Fixed income securities	—	1,000	—	—	1,000
	4,269	3,135	(3,680)	106	3,830

Long-term investments

	Changes in the fair value of Level 3 measurements - Sep. 30, 2019				
	Dec. 31, 2018	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Sept. 30, 2019
Private holdings	24,945	3,424	—	(712)	27,657
Co-investments in funds	4,876	—	—	(248)	4,628
	29,821	3,424	—	(960)	32,285

	Changes in the fair value of Level 3 measurements - Dec. 31, 2018				
	Dec. 31, 2017	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Dec. 31, 2018
Private holdings	12,152	13,145	—	4,524	29,821
	12,152	13,145	—	4,524	29,821

During the nine months ended September 30, 2019, the Company transferred public equities of $3.6 million (December 31, 2018 - $0.7 million) from Level 2 to Level 1 within the fair value hierarchy due to the release of trading restrictions by the issuer. For the nine months ended September 30, 2019, the Company purchased level 3 investments of $3.5 million (December 31, 2018 - $16.3 million). For the nine months ended September 30, 2019, the Company transferred $Nil (December 31, 2018 - $Nil) from Level 3 to Level 1 within the fair value hierarchy.

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.
Co-investments in 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.

The Company's Level 3 securities consist of private holdings, co-investment in funds and fixed income securities of private companies. The Company determines fair value using a variety of valuation techniques, including discounted cash flows, comparable recent transactions and other techniques used by market participants. The significant unobservable input used in these valuation techniques can vary considerably over time, and include grey market financing prices, 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 $1.2 million (December 31, 2018 - $1.2 million).

Financial instruments not carried at fair value

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

10 DIVIDENDS

The following dividends were declared by the Company during the nine months ended September 30, 2019:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount (in thousands $)
March 08, 2019 - Regular Dividend Q4 - 2018	March 25, 2019	0.03	7,602
May 21, 2019 - Regular Dividend Q1 - 2019	June 5, 2019	0.03	7,605
August 19, 2019 - Regular Dividend Q2 - 2019	September 3, 2018	0.03	7,614
Dividends (1)			22,821

(1) Subsequent to the quarter-end, on November 7, 2019, a regular dividend of $0.03 per common share was declared for the quarter ended September 30, 2019. This dividend is payable on December 3, 2019 to shareholders of record at the close of business on November 18, 2019.

11 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;
- **Lending** (reportable), which provides lending activities through limited partnership vehicles as well as through direct lending activities using the Company's balance sheet;
- **Managed Equities** (reportable), which provides asset management and sub-advisory services to the Company's branded funds, fixed-term LPs and managed accounts;
- **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 as 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 three months ended September 30, 2019

	Exchange Listed Products	Lending	Managed Equities	Brokerage	Corporate	Elimination and all other segments	Consolidated
Total revenue	8,770	6,047	4,227	8,033	(54)	(288)	26,735
Total expenses	2,860	2,146	2,093	7,619	3,246	1,103	19,067
Pre-tax Income (loss)	5,910	3,901	2,134	414	(3,300)	(1,391)	7,668
Adjusted base EBITDA	6,593	3,115	1,187	1,861	(2,303)	(404)	10,049

For the three months ended September 30, 2018

	Exchange Listed Products	Lending	Managed Equities (1)	Brokerage (1)	Corporate	Elimination and all other segments (1)	Consolidated
Total revenue	7,939	3,891	3,197	5,806	(1,870)	(1,035)	17,928
Total expenses	2,134	1,784	2,562	6,505	1,946	987	15,918
Pre-tax Income (loss)	5,805	2,107	635	(699)	(3,816)	(2,022)	2,010
Adjusted base EBITDA	6,324	3,999	1,012	(37)	(1,637)	46	9,707

(1) Prior year figures have been restated to reflect the changes in operating segments.

For the nine months ended September 30, 2019

	Exchange Listed Products	Lending	Managed Equities	Brokerage	Corporate	Elimination and all other segments	Consolidated
Total revenue	23,383	13,645	11,668	18,876	(372)	2,007	69,207
Total expenses	8,132	5,910	7,183	19,624	9,584	4,783	55,216
Pre-tax Income (loss)	15,251	7,735	4,485	(748)	(9,956)	(2,776)	13,991
Adjusted base EBITDA	17,824	10,989	3,158	2,094	(6,975)	1,552	28,642

For the nine months ended September 30, 2018

	Exchange Listed Products	Lending	Managed Equities (1)	Brokerage (1)	Corporate	Elimination and all other segments (1)	Consolidated
Total revenue	25,249	17,482	10,010	26,342	(2,727)	(299)	76,057
Total expenses	6,892	5,344	7,792	22,356	9,948	4,283	56,615
Pre-tax Income (loss)	18,357	12,138	2,218	3,986	(12,675)	(4,582)	19,442
Adjusted base EBITDA	19,248	12,137	3,476	3,486	(7,962)	35	30,420

(1) Prior year figures have been restated to reflect the changes in operating segments.

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 three months ended		For the nine months ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
Canada	23,407	13,783	59,409	64,350
United States	3,328	4,145	9,798	11,707
	26,735	17,928	69,207	76,057

12 LOAN FACILITY

As at September 30, 2019, the Company had $21.3 million (December 31, 2018 - $Nil) outstanding on its credit facility, $5 million of which is due within 12 months and $16.3 million is due after 12 months (December 31, 2018 - $Nil and $Nil respectively).

The Company has a 5 year, $90 million credit facility with a major Canadian schedule I chartered bank. The facility consists of a $25 million term loan and a $65 million revolving line of credit. Amounts may be borrowed under the facility through prime rate loans or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans. In the first quarter, the Company drew $25 million on the term loan portion of the credit facility to avoid its expiry and to partially fund anticipated growth in the business over the next 12-18 months. As at September 30, 2019, 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, $65 million revolver with "bullet maturity" December 31, 2022
- 5-year, $25 million term loan with 5% of principal amortizing quarterly

Interest Rate
- Prime rate + 0 bps or;
- Banker Acceptance Rate + 170 bps

Covenant Terms
- Minimum AUM: $8.2 billion
- Debt to EBITDA less than 2.5:1
- EBITDA to interest expense more than 2.5:1

13 COMMITMENTS AND PROVISIONS

Besides the Company's long-term lease agreement, there may be commitments to provide loans arising from the lending business or commitments to make investments in the net investments portfolio of the Company. As at September 30, 2019, the Company had $15.2 million in co-investment commitments from the lending segment (December 31, 2018 - $38.7 million).

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