

Sprott | 2021 Second Quarter Report

Contrarian. Innovative. Aligned.

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Dear fellow shareholders,

Sprott's business performed well during the second quarter of 2021, despite weaker precious metals prices during the month of June. During the quarter, our Assets Under Management ("AUM") increased by 9% to \$18.6 billion. Adjusted base EBITDA in the quarter was \$15.1 million (\$0.60 per share), up 64% or \$5.8 million (\$0.22 per share) from the same time last year, and was \$29.7 million (\$1.19 per share) on a year-to-date basis, up 71%, or \$12.3 million (\$0.48 per share) this time last year. Throughout the first half of 2021, Sprott benefited from increased fees in each of our divisions, led by strong net inflows into our exchange listed products segment and higher average AUM in our managed equities segment. In addition, our brokerage segment has delivered both higher client fees from managed products and higher revenues from investment banking activities.

Subsequent to the quarter end, on July 19, Sprott successfully completed its previously announced arrangement with Uranium Participation Corporation to launch the Sprott Physical Uranium Trust. This transaction added a further \$630 million to Sprott's total AUM. Most importantly, it provides us with a start in the high growth clean energy metals investment area. We have a constructive view on uranium and believe this new trust presents a compelling opportunity to create value for our shareholders by expanding our offerings into areas that benefit from our global platform in precious metals.

Our conviction continues to be that precious metals should serve a role in any investment portfolio. Governments globally have committed to providing economies and financial markets with support through fiscal deficits and monetary accommodation, while inflation is allowed to surge. In the US, the Congressional Budget Office has forecast that interest rates will lag inflation until 2028, and that budget deficits will extend for years. These policies will likely require rampant money supply growth, while investors are repressed through negative real interest rates. This environment provides a long runway for the accumulation and expected outperformance of gold.

Turning to current conditions, we believe markets everywhere are priced for perfection. Investors are banking on strong growth through 2022, which we believe may be difficult to achieve on top of the post-Covid recovery of 2021. Gold is coming back from a correction during which its sentiment indicators plummeted to cycle lows, and still remains unloved. We believe the setting is right for gold to perform well in the back half of 2021 as investors take a closer look at the risks present in the markets, government finance, and economic performance. We believe mining equities are particularly attractive on fundamental and relative metrics.

I am proud of the talented team at Sprott and how they have performed during the uncertainties of the pandemic. We have been fully operational remotely throughout, aided by the guidance of our Covid-committee, and kept in close contact through constant online interaction. With this as a backdrop, we were able to manage our record growth over the past year. I am now pleased to say that we have opened our US offices without a hitch, and expect to re-open our Canadian offices in September.

Our business continues to be well-positioned in this environment and we are experiencing growth in all our divisions. For now, we are busy managing this growth by continuing to add clients and high quality talent to service them. We expect our exchange-listed products, managed equities and brokerage segments to post strong numbers in the back-half of the year, resulting in continued earnings growth and industry -leading operating margins for our company.



Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Three and six months ended June 30, 2021

Forward looking statements

Certain statements in this Management's Discussion & Analysis ("MD&A"), and in particular the "Business Performance Highlights" section and "Outlook" section, contain forward-looking information and forward-looking statements (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable Canadian and U.S. securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the foregoing, this MD&A contains Forward-Looking Statements pertaining to: (i) expectations that our exchange listed products, managed equities and brokerage segments will post strong numbers in the back-half of the year, resulting in continued earnings growth and industry leading operating margins for our company; (ii) our belief that the uranium trust presents a compelling opportunity to create value for our shareholders by expanding our offerings into areas that benefit from our global platform in precious metals (iii) our belief that precious metals should serve a role in any investment portfolio; (iv) our belief that we may see rampant money supply growth, while investors are repressed through negative real interest rates, (v) our belief that the environment provides a long runway for the accumulation and expected outperformance of gold; (vi) our belief that the setting is right for gold to perform well in the back half of 2021 as investors take a closer look at the risks present in the markets, government finance, and economic performance and that mining equities are particularly attractive on fundamental and relative metrics; (vii) expectation of the effects of COVID-19; and (viii) the declaration, payment and designation of dividends and confidence that our business will support the dividend level without impacting our ability to fund future growth initiatives.

Although the Company believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (i) the impact of increasing competition in each business in which the Company operates will not be material; (ii) quality management will be available; (iii) the effects of regulation and tax laws of governmental agencies will be consistent with the current environment; (iv) the impact of COVID-19; and (v) those assumptions disclosed herein under the heading "Critical Accounting Estimates, Judgments and Changes in Accounting Policies". Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) difficult market conditions; (ii) poor investment performance; (iii) failure to continue to retain and attract quality staff; (iv) employee errors or misconduct resulting in regulatory sanctions or reputational harm; (v) performance fee fluctuations; (vi) a business segment or another counterparty failing to pay its financial obligation; (vii) failure of the Company to meet its demand for cash or fund obligations as they come due; (viii) changes in the investment management industry; (ix) failure to implement effective information security policies, procedures and capabilities; (x) lack of investment opportunities; (xi) risks related to regulatory compliance; (xii) failure to manage risks appropriately; (xiii) failure to deal appropriately with conflicts of interest; (xiv) competitive pressures; (xv) corporate growth which may be difficult to sustain and may place significant demands on existing administrative, operational and financial resources; (xvi) failure to comply with privacy laws; (xvii) failure to successfully implement succession planning; (xviii) foreign exchange risk relating to the relative value of the U.S. dollar; (xix) litigation risk; (xx) failure to develop effective business resiliency plans; (xxi) failure to obtain or maintain sufficient insurance coverage on favourable economic terms; (xxii) historical financial information being not necessarily indicative of future performance; (xxiii) the market price of common shares of the Company may fluctuate widely and rapidly; (xxiv) risks relating to the Company's investment products; (xxv) risks relating to the Company's proprietary investments; (xxvi) risks relating to the Company's lending business; (xxvii) risks relating to the Company's brokerage business; (xxviii) those risks described under the heading "Risk Factors" in the Company's annual information form dated February 25, 2021; and (xxix) those risks described under the headings "Managing Financial Risk" and "Managing Non-Financial Risk" in this MD&A. In addition, the payment of dividends is not guaranteed and the amount and timing of any dividends payable by the Company will be at the discretion of the Board of Directors of the Company and will be established on the basis of the Company's earnings, the satisfaction of solvency tests imposed by applicable corporate law for the declaration and payment of dividends, and other relevant factors. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and the Company does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

Management's discussion and analysis

This MD&A of financial condition and results of operations, dated August 5, 2021, presents an analysis of the consolidated financial condition of the Company and its subsidiaries as at June 30, 2021, compared with December 31, 2020, and the consolidated results of operations for the three and six months ended June 30, 2021, compared with the three and six months ended June 30, 2020. The board of directors approved this MD&A on August 5, 2021. All note references in this MD&A are to the notes to the Company's June 30, 2021 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. While the Company's functional currency is the Canadian dollar, its presentation currency is the U.S. dollar. Accordingly, all dollar references in this MD&A are in U.S. dollars, unless otherwise specified. The use of the term "prior period" refers to the three and six months ended June 30, 2020.

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 are discussed below:

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

Net fees

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

Net commissions

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

Net compensation

Net compensation excludes commissions, other direct payouts, 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.⁽¹⁾

Total shareholder return

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

Return on capital

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

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

EBITDA, adjusted EBITDA, adjusted base EBITDA and operating margin

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

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

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

(in thousands \$)	3 months ended		6 months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Net income for the periods	11,075	10,492	14,296	11,554
Adjustments:				
Interest expense	260	350	610	586
Provision for income taxes	3,390	1,645	6,101	3,510
Depreciation and amortization	1,165	1,049	2,282	2,037
EBITDA	15,890	13,536	23,289	17,687
Other adjustments:				
(Gain) loss on investments ⁽¹⁾	(2,502)	(8,142)	2,150	(3,790)
Non-cash stock-based compensation	423	559	796	657
Other expenses (credits) ⁽²⁾	1,113	3,251	6,056	2,837
Adjusted EBITDA	14,924	9,204	32,291	17,391
Other adjustments:				
Carried interest and performance fees	—	—	(7,937)	—
less: Carried interest and performance fee payouts	126	—	4,706	—
less: Trailer, sub-advisor and placement fees	—	—	595	—
Adjusted base EBITDA	15,050	9,204	29,655	17,391
Operating margin ⁽³⁾	52 %	49 %	51 %	46 %

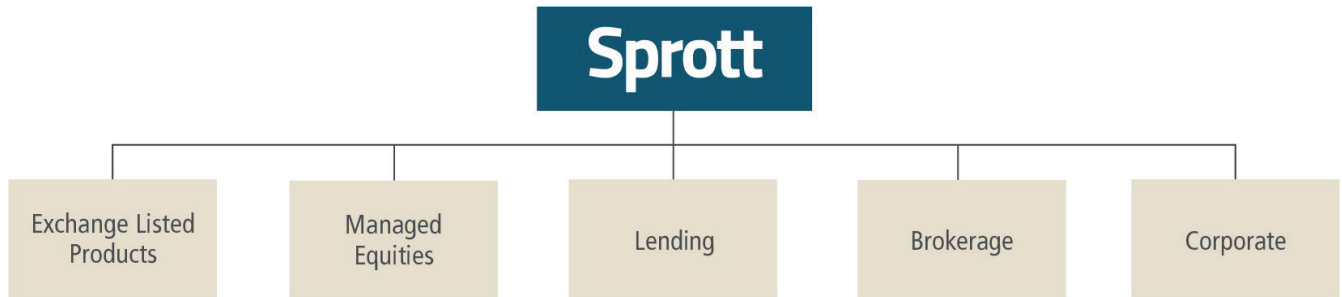
⁽¹⁾ This adjustment removes the income effects of certain gains or losses on short-term investments, co-investments, and digital gold strategies to ensure the reporting objectives of our EBITDA metric as described above are met.

⁽²⁾ In addition to the items outlined in Note 5 of the interim financial statements, this reconciliation line also includes \$0.3 million severance and new hire accruals for the 3 months ended (3 months ended June 30, 2020 - \$0.4 million) and \$0.3 million for the 6 months ended (6 months ended June 30, 2020 - \$1 million). This reconciliation line excludes income attributable to non-controlling interests of \$0.1 million for the 3 and 6 months ended (3 and 6 months ended June 30, 2020 - \$nil).

⁽³⁾ Calculated as adjusted base EBITDA inclusive of depreciation and amortization, and excluding income related to legacy balance sheet loans. This figure is then divided by revenues before gains (losses) on investments, net of direct costs as applicable.

Business overview

Our reportable operating segments are as follows:



Exchange listed products

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

Managed equities

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

Lending

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

Brokerage

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

Corporate

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

All other segments

- Contains all non-reportable segments as per IFRS 8, *Operating Segments* ("IFRS 8"). See Note 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 financial statements.

Outlook

Our businesses

Despite weaker precious metals prices to close out the month of June, our six months ended performance remained strong. We continue to expect our exchange listed products, managed equities and brokerage segments to post strong numbers in the back-half of the year, resulting in continued earnings growth and industry leading operating margins for our company.

Product and business line expansion

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

COVID-19 update

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

Summary financial information

(In thousands \$)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Summary income statements								
Management fees	25,062	22,452	22,032	19,934	15,825	15,125	10,685	10,577
Carried interest and performance fees	—	7,937	10,075	—	—	—	1,811	—
less: Carried interest and performance fee payouts	126	4,580	5,529	—	—	—	86	—
less: Trailer fees, sub-advisor fees and other ⁽¹⁾	1,750	2,084	1,278	1,003	1,006	1,048	1,405	618
Net fees	23,186	23,725	25,300	18,931	14,819	14,077	11,005	9,959
Commissions	7,377	12,463	6,761	9,386	6,133	5,179	6,599	6,056
less: Commission expense	3,036	5,289	2,093	3,313	1,887	1,236	2,454	2,331
Net commissions	4,341	7,174	4,668	6,073	4,246	3,943	4,145	3,725
Finance income ⁽²⁾	932	1,248	1,629	757	656	914	2,481	2,561
Gain (loss) on investments	2,502	(4,652)	(3,089)	4,408	8,142	(4,352)	(1,252)	600
Other income	438	303	949	914	285	113	364	91
Total net revenues	31,399	27,798	29,457	31,083	28,148	14,695	16,743	16,936
Compensation	15,452	22,636	20,193	16,280	10,991	10,125	10,269	9,714
less: Carried interest and performance fee payouts	126	4,580	5,529	—	—	—	86	—
less: Commission expense and direct payouts	4,234	6,179	2,788	3,789	2,377	1,870	2,658	2,654
less: Severance and new hire accruals	293	44	65	210	358	667	157	168
Net compensation	10,799	11,833	11,811	12,281	8,256	7,588	7,368	6,892
Severance and new hire accruals	293	44	65	210	358	667	157	168
Referral fees	49	253	98	344	161	—	355	86
Selling, general and administrative	3,492	3,351	2,320	2,465	2,944	3,370	2,830	2,958
Interest expense	260	350	331	320	350	236	269	297
Depreciation and amortization	1,165	1,117	1,023	992	1,049	988	1,254	893
Other expenses (credits)	876	4,918	4,528	4,154	2,893	(1,081)	2,117	(167)
Total expenses	16,934	21,866	20,176	20,766	16,011	11,768	14,350	11,127
Net income	11,075	3,221	6,720	8,704	10,492	1,062	1,445	4,336
Net Income per share	0.44	0.13	0.27	0.36	0.43	0.04	0.06	0.18
Adjusted base EBITDA	15,050	14,605	14,751	12,024	9,204	8,187	7,441	7,612
Adjusted base EBITDA per share	0.60	0.59	0.60	0.49	0.38	0.33	0.31	0.31
Operating margin	52 %	51 %	51 %	47 %	49 %	43 %	38 %	36 %
Summary balance sheet								
Total assets	361,121	356,986	377,348	358,300	338,931	318,318	324,943	325,442
Total liabilities	64,081	67,015	86,365	81,069	70,818	65,945	53,313	51,774
Total AUM	18,550,106	17,073,078	17,390,389	16,259,184	13,893,039	10,734,831	9,252,515	8,548,982
Average AUM	18,343,846	17,188,205	16,719,815	16,705,046	13,216,415	11,007,781	8,932,651	8,608,001

⁽¹⁾ Other includes placement fees, fund operating costs and direct payouts

⁽²⁾ Finance income includes: (1) co-investment income from lending LP units; (2) ancillary income earned directly or indirectly from lending activities; and (3) interest income from on-balance sheet loans and brokerage client accounts

Results of operations

AUM summary

AUM was \$18.6 billion as at June 30, 2021, up \$1.5 billion (9%) from March 31, 2021 and up \$1.2 billion (7%) from December 31, 2020. In the second quarter, we experienced market value appreciation across the majority of our fund products while continuing to generate strong inflows into our physical trusts. This helped offset the market value depreciation we experienced on a year-to-date basis.

3 months results						Blended management fee rate ⁽³⁾
(In millions \$)	AUM Mar. 31, 2021	Net inflows ⁽¹⁾	Market value changes	Other ⁽²⁾	AUM Jun. 30, 2021	
Exchange listed products						
- Physical trusts						
- Physical Gold Trust	4,457	128	151	—	4,736	0.35%
- Physical Gold and Silver Trust	4,004	(10)	189	—	4,183	0.40%
- Physical Silver Trust	3,233	503	202	—	3,938	0.45%
- Physical Platinum & Palladium Trust	153	10	—	—	163	0.50%
- Exchange Traded Funds	346	(2)	24	—	368	0.35%
	12,193	629	566	—	13,388	0.40%
Managed equities						
- Precious metals strategies	2,180	3	120	—	2,303	0.79%
- Other ⁽⁴⁾	345	(1)	18	—	362	0.92%
	2,525	2	138	—	2,665	0.81%
Lending	961	13	(10)	(5)	959	1.00%
Other ⁽⁵⁾	1,394	49	95	—	1,538	0.79%
Total ⁽⁶⁾	17,073	693	789	(5)	18,550	0.52%
6 months results						
(In millions \$)	AUM Dec. 31, 2020	Net inflows ⁽¹⁾	Market value changes	Other ⁽²⁾	AUM Jun. 30, 2021	Blended management fee rate ⁽³⁾
Exchange listed products						
- Physical trusts						
- Physical Gold Trust	4,893	192	(349)	—	4,736	0.35%
- Physical Gold and Silver Trust	4,423	(21)	(219)	—	4,183	0.40%
- Physical Silver Trust	2,408	1,652	(122)	—	3,938	0.45%
- Physical Platinum & Palladium Trust	127	27	9	—	163	0.50%
- Exchange Traded Funds	382	19	(33)	—	368	0.35%
	12,233	1,869	(714)	—	13,388	0.40%
Managed equities						
- Precious metals strategies	2,479	30	(206)	—	2,303	0.79%
- Other ⁽⁴⁾	352	(20)	30	—	362	0.92%
	2,831	10	(176)	—	2,665	0.81%
Lending	999	80	(12)	(108)	959	1.00%
Other ⁽⁵⁾	1,327	156	55	—	1,538	0.79%
Total ⁽⁶⁾	17,390	2,115	(847)	(108)	18,550	0.52%

⁽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⁾ Management fee rate represents the net amount received by the Company.

⁽⁴⁾ Includes institutional managed accounts.

⁽⁵⁾ Includes Sprott Korea Corp., private equity strategy in Sprott Asia and high net worth discretionary managed accounts in the U.S.

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

Key revenue lines

Management fees

Management fees were \$25.1 million in the quarter, up \$9.2 million (58%) from the prior period and \$47.5 million on a year-to-date basis, up \$16.6 million (54%). Carried interest and performance fees were nil in the quarter and \$7.9 million on a year-to-date basis, up \$7.9 million from the prior period. Net fees were \$23.2 million in the quarter, up \$8.4 million (56%) from the prior period and \$46.9 million on a year-to-date basis, up \$18 million (62%). The revenue increases were primarily due to higher average AUM from strong net inflows in our exchange listed products segment. We also benefited from higher average AUM in our managed equities segment, brokerage segment and carried interest crystallization in the first quarter of the year in our lending segment.

Commission revenues

Commission revenues were \$7.4 million in the quarter, up \$1.2 million (20%) from the prior period and \$19.8 million on a year-to-date basis, up \$8.5 million (75%). Net commissions were \$4.3 million in the quarter, up \$0.1 million (2%) from the prior period and \$11.5 million on a year-to-date basis, up \$3.3 million (41%). The increase was due to strong equity origination in our brokerage segment.

Finance income

Finance income was \$0.9 million in the quarter, up \$0.3 million (42%) from the prior period and \$2.2 million on a year-to-date basis, up \$0.6 million (39%). The increase was mainly due to higher co-investment income in our lending segment.

Key expense lines

Compensation

Compensation was \$15.5 million in the quarter, up \$4.5 million (41%) from the prior period and \$38.1 million on a year-to-date basis, up \$17 million (80%). Higher total compensation was primarily due to continued strong commission revenues (which drives our commission expense) and the crystallization of carried interest in our lending funds in the first quarter (which led to carried interest payouts to portfolio managers). Net compensation (which excludes the commission and carried interest payouts previously mentioned) was \$10.8 million in the quarter, up \$2.5 million (31%) from the prior period and \$22.6 million on a year-to-date basis, up \$6.8 million (43%). The increase was primarily due to higher annual incentive compensation ("AIP") on improved financial performance and higher base salaries on new hires. Our compensation ratio (net compensation / net fees & net commissions) on a year-to-date basis was 39% compared to 43% in the prior period.

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

SG&A was \$3.5 million in the quarter, up \$0.5 million (19%) from the prior period and \$6.8 million on a year-to-date basis, up \$0.5 million (8%). The increase was mainly due to higher insurance, regulatory and technology costs.

Earnings

Net income was \$11.1 million (\$0.44 per share) in the quarter, up 6%, or \$0.6 million (\$0.01 per share) from the prior period and \$14.3 million (\$0.57 per share) on a year-to-date basis, up 24%, or \$2.7 million (\$0.10 per share). Adjusted base EBITDA was \$15.1 million (\$0.60 per share) in the quarter, up 64%, or \$5.8 million (\$0.22 per share) from the prior period and \$29.7 million (\$1.19 per share) on a year-to-date basis, up 71%, or \$12.3 million (\$0.48 per share). During the quarter and on a year-to-date basis, we benefited from increased fees due to strong net inflows in our exchange listed products segment and higher average AUM in our managed equities segment. We also benefited from increased commission and management fee revenues in our brokerage segment.

Additional revenues and expenses

Investment gains in the quarter were mainly due to market value appreciation of co-investments and certain equity holdings that resulted in the partial recovery of unrealized losses experienced in the first quarter.

Other income was higher in the quarter due to the consolidation of certain feeder funds.

Referral fees were lower in the quarter and higher on a year-to-date basis. Referral fees are paid on certain equity originations in our brokerage segment. Interest expense was largely flat from the prior period.

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

Other expenses (credits) were lower in the quarter mainly due to a decrease in FX translation losses. On a year-to-date basis, other expenses were higher primarily due to the increase in contingent consideration related to the successfully renegotiated terms and conditions of last year's acquisition of Tocqueville Asset Management's gold fund strategies (the "Tocqueville acquisition").

Balance sheet

Total assets were \$361 million, down \$16.2 million (4%) from December 31, 2020. The decrease was primarily due to the payment of contingent consideration related to the Tocqueville acquisition.

Total liabilities were \$64 million, down \$22.3 million (26%) from December 31, 2020. The decrease was primarily due to lower accrued liabilities on the payment of contingent consideration related to the Tocqueville acquisition.

Total shareholder's equity was \$297 million, up \$6 million (2%) from December 31, 2020.

Reportable operating segments

Exchange listed products

(In thousands \$)	3 months ended		6 months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Summary income statement				
Management fees	13,296	8,141	25,237	15,013
less: Trailer, sub-advisor and other	84	96	153	241
Net Fees	13,212	8,045	25,084	14,772
Other income	—	3	1	8
Total revenues	13,212	8,048	25,085	14,780
Net compensation	1,581	1,163	3,217	2,160
Severance and new hire accruals	—	66	—	73
Selling, general and administrative	653	510	1,192	972
Interest expense	101	82	203	198
Depreciation and amortization	257	228	506	461
Other expenses (credits)	—	370	28	(656)
Total expenses	2,592	2,419	5,146	3,208
Income (loss) before income taxes	10,620	5,629	19,939	11,572
Adjusted base EBITDA	10,998	6,388	20,709	11,670
Operating margin	81 %	77 %	81 %	76 %
Total AUM	13,387,983	9,508,553	13,387,983	9,508,553
Average AUM	13,176,786	8,882,678	12,786,931	7,976,054

3 and 6 months ended

Income before income taxes was \$10.6 million in the quarter, up \$5 million (89%) from the prior period and was \$19.9 million on a year-to-date basis, up \$8.4 million (72%). Adjusted base EBITDA was \$11 million in the quarter, up \$4.6 million (72%) from the prior period and was \$20.7 million on a year-to-date basis, up \$9 million (77%). Our three and six month results benefited from higher average AUM given strong inflows in our physical trust products (particularly PSLV).

Managed equities

(In thousands \$)	3 months ended		6 months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Summary income statement				
Management fees	6,347	4,598	12,378	8,779
Carried interest and performance fees	—	—	708	—
less: Carried interest and performance fee payouts	—	—	526	—
less: Trailer, sub-advisor and other	388	405	881	662
Net fees	5,959	4,193	11,679	8,117
Gain (loss) on investments	2,574	6,544	(1,930)	3,844
Other income	190	285	621	356
Total net revenues	8,723	11,022	10,370	12,317
Net compensation	2,558	1,982	4,944	3,404
Severance and new hire accruals	—	96	30	96
Selling, general and administrative	634	374	1,446	992
Interest expense	101	232	281	314
Depreciation and amortization	58	51	114	101
Other expenses (credits)	(85)	372	4,700	(775)
Total expenses	3,266	3,107	11,515	4,132
Income (loss) before income taxes	5,457	7,915	(1,145)	8,185
Adjusted base EBITDA	3,026	2,280	5,863	4,333
Operating margin	51 %	49 %	50 %	49 %
Total AUM	2,665,558	2,555,648	2,665,558	2,555,648
Average AUM	2,715,369	2,587,497	2,708,392	2,494,446

3 months ended

Income before income taxes was \$5.5 million in the quarter, down \$2.5 million (31%) from the prior period. Our quarterly results were impacted by lower unrealized gains which were partially offset by higher management fees. Adjusted base EBITDA was \$3 million in the quarter, up \$0.7 million (33%) from the prior period. Adjusted base EBITDA benefited from increased management fees on higher average AUM.

6 months ended

Loss before income taxes was \$1.1 million on a year-to-date basis, down \$9.3 million from the prior period. Our year-to-date results were impacted by unrealized losses on co-investments and higher other expenses from increased contingent consideration related to the Tocqueville acquisition. In the first quarter, contingent consideration was successfully renegotiated, re-measured and settled as part of the previously announced amendment to the Tocqueville purchase agreement. Adjusted base EBITDA was \$5.9 million on a year-to-date basis, up \$1.5 million (35%) from the prior period. Adjusted base EBITDA benefited from increased management fees on higher average AUM.

Lending

(In thousands \$)	3 months ended		6 months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Summary income statement				
Management fees	2,152	2,047	3,950	4,947
Carried interest and performance fees	—	—	7,229	—
less: Carried interest and performance fee payouts	126	—	4,180	—
less: Trailer, sub-advisor and other	223	320	855	747
Net Fees	1,803	1,727	6,144	4,200
Finance income ⁽¹⁾	918	652	2,148	1,452
Gain (loss) on investments	(1,036)	(1,011)	(1,722)	426
Other income	169	37	177	75
Total revenues	1,854	1,405	6,747	6,153
Net compensation	1,337	998	2,673	2,149
Severance and new hire accruals	279	163	279	163
Selling, general and administrative	244	181	492	375
Interest expense	—	3	7	6
Depreciation and amortization	1	26	1	52
Other expenses (credits)	629	1,054	394	(1,270)
Total expenses	2,490	2,425	3,846	1,475
Income (loss) before income taxes	(636)	(1,020)	2,901	4,678
Adjusted base EBITDA	1,631	1,289	3,225	3,327
Operating margin	57 %	50 %	57 %	56 %
Total AUM	959,432	893,463	959,432	893,463
Average AUM	961,562	867,645	938,785	835,358

⁽¹⁾ Co-investment income from lending LP units held as part of our co-investment portfolio.

3 months ended

Loss before income taxes was \$0.6 million in the quarter, down \$0.4 million (38%) from the prior period. Our quarterly results benefited from higher net management fees, finance income and lower FX translation losses in the current period. Adjusted base EBITDA was \$1.6 million in the quarter, up \$0.3 million (27%) from the prior period. Adjusted base EBITDA benefited from higher net management fees and finance income.

6 months ended

Income before income taxes was \$2.9 million on a year-to-date basis, down \$1.8 million (38%) from the prior period. Our year-to-date results were primarily impacted by market value depreciation on co-investments and FX translation losses in the current period, partially offset by higher net fees and finance income. Adjusted base EBITDA was \$3.2 million on a year-to-date basis, down \$0.1 million (3%) from the prior period. Adjusted base EBITDA was primarily impacted by lower management fees, partially offset by higher finance income.

Brokerage

(In thousands \$)	3 months ended		6 months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Summary income statement				
Commissions	7,190	5,854	19,223	10,625
less: Commission expense	3,036	2,224	8,296	3,921
Net commissions	4,154	3,630	10,927	6,704
Management fees	2,579	325	4,551	725
less: Trailer, sub-advisor and other	984	153	1,688	326
Net Fees	1,595	172	2,863	399
Finance income	14	4	32	118
Gain on investments	632	1,369	862	1,152
Other income	4	47	41	75
Total net revenues	6,399	5,222	14,725	8,448
Net compensation	1,926	1,313	4,285	2,397
Severance and new hire accruals	14	20	28	637
Referral fees	49	161	302	161
Selling, general and administrative	1,109	977	2,045	2,163
Interest expense	12	11	28	23
Depreciation and amortization	175	128	343	258
Other expenses (credits)	310	71	396	108
Total expenses	3,595	2,681	7,427	5,747
Income (loss) before income taxes	2,804	2,541	7,298	2,701
Adjusted base EBITDA	2,707	1,547	7,269	2,500
Operating margin	44 %	47 %	51 %	34 %
Total AUM	753,290	238,284	753,290	238,284
Average AUM	710,087	182,133	639,203	163,477

3 and 6 months ended

Income before income taxes was \$2.8 million in the quarter, up \$0.3 million (10%) from the prior period and was \$7.3 million on a year-to-date basis, up \$4.6 million. Adjusted base EBITDA was \$2.7 million in the quarter, up \$1.2 million (75%) from the prior period and was \$7.3 million on a year-to-date basis, up \$4.8 million. Our three and six month results benefited from strong equity origination in Canada and increased management fee generation in our U.S. managed accounts.

Corporate

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

(In thousands \$)	3 months ended		6 months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Summary income statement				
Gain (loss) on investments	348	1,341	617	(873)
Other income	21	29	23	41
Total revenues	369	1,370	640	(832)
Net compensation	2,903	2,280	6,527	4,389
Severance and new hire accruals	—	9	—	52
Selling, general and administrative	486	529	1,079	1,104
Interest expense	46	22	91	45
Depreciation and amortization	633	609	1,235	1,152
Other expenses (credits)	(289)	412	(432)	900
Total expenses	3,779	3,861	8,500	7,642
Income (loss) before income taxes	(3,410)	(2,491)	(7,860)	(8,474)
Adjusted base EBITDA	(3,263)	(2,612)	(7,377)	(5,167)

3 and 6 months ended

- Investment gains were due to market value appreciation of certain equity holdings.
- Net compensation increased primarily due to temporary timing differences on incentive accruals. On a full year basis, management anticipates net compensation expense being lower in this segment year-over-year.
- Other expenses (credits) were primarily due to FX translation movements.

Dividends

The following dividends were declared by the Company during the six months ended June 30, 2021:

Record date	Payment Date	Cash dividend per share	Total dividend amount (in thousands \$)
March 8, 2021 - Regular dividend Q4 2020	March 23, 2021	0.25	6,426
May 17, 2021 - Regular dividend Q1 2021	June 1, 2021	0.25	6,426
Dividends ⁽¹⁾			12,852

⁽¹⁾ Subsequent to quarter-end, on August 5, 2021, a regular dividend of \$0.25 per common share was declared for the quarter ended June 30, 2021. This dividend is payable on August 31, 2021 to shareholders of record at the close of business on August 16, 2021.

Capital stock

Including the 0.8 million unvested common shares currently held in the EPSP Trust (December 31, 2020 - 0.8 million), total capital stock issued and outstanding was 25.7 million (December 31, 2020 - 25.6 million).

Earnings per share for the current and prior periods have been calculated using the weighted average number of shares outstanding during the respective periods. Basic earnings per share was \$0.44 for the quarter and \$0.57 on a year-to-date basis compared to \$0.43 and \$0.47 in the prior periods respectively. Diluted earnings per share was \$0.43 in the quarter and \$0.55 on a year-to-date basis compared to \$0.41 and \$0.45 in the prior periods respectively. Diluted earnings per share reflects the dilutive effect of in-the-money stock options, unvested shares held in the EPSP Trust and outstanding restricted stock units.

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

Liquidity and capital resources

As at June 30, 2021, the Company had \$22 million (December 31, 2020 - \$17 million) outstanding on its credit facility, all of which is due on December 14, 2025. The increase was primarily to fund the cost of the Tocqueville acquisition.

The Company has access to a credit facility of \$70 million with a major Canadian schedule I chartered bank. Amounts under the facility may be borrowed through prime rate loans or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans. As at June 30, 2021, the Company was in compliance with all covenants, terms and conditions under the credit facility. Key terms under the credit facility are noted below:

Structure

- 5-year, \$70 million revolver with "bullet maturity" December 14, 2025

Interest rate

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

Covenant terms

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

Commitments

Besides the Company's long-term lease agreements, there are commitments to make co-investments in lending LPs arising from our lending segment or commitments to make investments in the net investments portfolio of the Company. As at June 30, 2021, the Company had \$4.2 million in co-investment commitments from the lending segment (December 31, 2020 - \$4.6 million).

Critical accounting estimates, judgements and changes in accounting policies

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions and estimates as they occur. The Company's significant accounting policies are described in Note 2 of the December 31, 2020 audited annual financial statements. Certain of these accounting policies require management to make key assumptions concerning the future and consider other sources of estimation uncertainty at the reporting date. These accounting estimates are considered critical because they require subjective and/or complex judgements that may have a material impact on the value of our assets, liabilities, revenues and expenses.

Critical accounting estimates

Impairment of goodwill and intangible assets

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

Fair value of financial instruments

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

Significant judgements

Investments in other entities

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

Managing financial risks

Market risk

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

Price risk

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

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

Investments

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

Other

The majority of accounts receivable relate to management fees, carried interest and performance fees receivable from the funds, 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 \$70 million committed line of credit with a major Canadian schedule I chartered bank. As part of its cash management program, the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months.

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

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

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

Concentration risk

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

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

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

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the applicable U.S. and Canadian securities law), concluded that the Company's DC&P and ICFR were properly designed and were operating effectively as at June 30, 2021. In addition, there were no material changes to ICFR during the quarter, and the implementation of our business continuity plan as a result of COVID-19 has not prevented the normal function of our internal controls.

Managing non-financial risks

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 EDGAR at www.edgar.com and SEDAR at www.sedar.com.

Consolidated Financial Statements

Three and six months ended June 30, 2021



Interim condensed consolidated balance sheets (unaudited)

As at (In thousands of US dollars)		Jun. 30 2021	Dec. 31 2020
Assets			
Current			
Cash and cash equivalents		47,735	44,106
Fees receivable		10,477	21,581
Short-term investments	(Notes 3 & 9)	10,080	9,475
Other assets	(Note 5)	7,952	9,196
Income taxes recoverable		826	948
Total current assets		77,070	85,306
Co-investments	(Note 4 & 9)	70,529	82,467
Other assets	(Note 5 & 9)	17,038	16,118
Property and equipment, net		15,486	16,611
Intangible assets	(Note 6)	160,339	155,968
Goodwill	(Note 6)	19,149	19,149
Deferred income taxes	(Note 8)	1,510	1,729
		284,051	292,042
Total assets		361,121	377,348
Liabilities and shareholders' equity			
Current			
Accounts payable and accrued liabilities		10,924	29,702
Compensation payable		12,230	15,192
Income taxes payable		6,387	2,347
Total current liabilities		29,541	47,241
Other accrued liabilities		7,371	17,379
Loan facility	(Note 12)	22,049	16,994
Deferred income taxes	(Note 8)	5,120	4,751
Total liabilities		64,081	86,365
Shareholders' equity			
Capital stock	(Note 7)	419,809	417,758
Contributed surplus	(Note 7)	38,478	43,309
Deficit		(103,040)	(104,484)
Accumulated other comprehensive loss		(58,207)	(65,600)
Total shareholders' equity		297,040	290,983
Total liabilities and shareholders' equity		361,121	377,348
Commitments and provisions	(Note 13)		

The accompanying notes form part of the consolidated financial statements

"Ron Dewhurst"
Director

"Sharon Ranson, FCPA, FCA"
Director

Interim condensed consolidated statements of operations and comprehensive income (unaudited)

	For the three months ended		For the six months ended	
	Jun. 30 2021	Jun. 30 2020	Jun. 30 2021	Jun. 30 2020
<i>(In thousands of US dollars, except for per share amounts)</i>				
Revenues				
Management fees	25,062	15,825	47,514	30,950
Carried interest and performance fees	—	—	7,937	—
Commissions	7,377	6,133	19,840	11,312
Finance income	932	656	2,180	1,570
Gain (loss) on investments	2,502	8,142	(2,150)	3,790
Other income	438	285	741	398
Total revenue	36,311	31,041	76,062	48,020
Expenses				
Compensation	15,452	10,991	38,088	21,116
Trailer, sub-advisor and placement fees	552	516	1,746	930
Selling, general and administrative	3,492	2,944	6,843	6,314
Referral fees	49	161	302	161
Interest expense	260	350	610	586
Amortization of intangibles	238	211	468	426
Depreciation of property and equipment	927	838	1,814	1,611
Other expenses (credits)	876	2,893	5,794	1,812
Total expenses	21,846	18,904	55,665	32,956
Income before income taxes for the period	14,465	12,137	20,397	15,064
Provision for income taxes	3,390	1,645	6,101	3,510
Net income for the period	11,075	10,492	14,296	11,554
Net income per share:				
Basic	\$ 0.44	\$ 0.43	\$ 0.57	\$ 0.47
Diluted	\$ 0.43	\$ 0.41	\$ 0.55	\$ 0.45
Net income for the period	11,075	10,492	14,296	11,554
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation gain (loss) (taxes of \$Nil)	3,693	7,501	7,393	(11,195)
Total other comprehensive income (loss)	3,693	7,501	7,393	(11,195)
Comprehensive income	14,768	17,993	21,689	359

The accompanying notes form part of the consolidated financial statements

Interim condensed consolidated statements of changes in shareholders' equity (unaudited)

<i>(In thousands of US dollars, other than number of shares)</i>	Number of shares outstanding ⁽¹⁾	Capital stock	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
At Dec. 31, 2020						
Shares acquired for equity incentive plan	24,789,365	417,758	43,309	(104,484)	(65,600)	290,983
Issuance of share capital to settle contingent consideration	(55,737)	(2,179)	—	—	—	(2,179)
Shares released on vesting of equity incentive plan	93,023	3,000	(4,879)	—	—	(1,879)
Foreign currency translation gain (loss)	14,322	369	(369)	—	—	—
Stock-based compensation	—	—	—	—	7,393	7,393
Issuance of share capital on conversion of RSUs	45,833	796	(796)	—	—	1,213
Dividends declared	1,435	65	—	(12,852)	—	(12,787)
Net income	—	—	—	14,296	—	14,296
Balance, Jun. 30, 2021	24,888,241	419,809	38,478	(103,040)	(58,207)	297,040
At Dec. 31, 2019						
Shares acquired for equity incentive plan	24,417,639	407,900	43,160	(108,222)	(71,208)	271,630
Issuance of share capital on purchase of management contracts	(122,304)	(2,274)	—	—	—	(2,274)
Share-based contingent consideration related to the Tocqueville acquisition	104,720	2,500	—	—	—	2,500
Shares released on vesting of equity incentive plan	—	—	4,879	—	—	4,879
Issuance of share capital on exercise of stock options	10,084	288	(288)	—	—	—
Shares acquired and canceled under normal course issuer bid	150,000	5,159	(2,655)	—	—	2,504
Foreign currency translation gain (loss)	(112,343)	(2,024)	—	—	—	(2,024)
Stock-based compensation	—	—	—	—	(11,195)	(11,195)
Issuance of share capital on conversion of RSUs	50,879	976	(976)	—	—	1,422
Dividends declared	3,119	64	—	(10,947)	—	(10,883)
Net income	—	—	—	11,554	—	11,554
Balance, Jun. 30, 2020	24,501,794	412,589	45,542	(107,615)	(82,403)	268,113

The accompanying notes form part of the consolidated financial statements

(1) Amounts reflect retrospective application of the May 28, 2020 share consolidation (see Note 7).

Interim condensed consolidated statements of cash flows (unaudited)

<i>(In thousands of US dollars)</i>	<i>For the six months ended</i>	
	Jun. 30 2021	Jun. 30 2020
Operating activities		
Net income for the period	14,296	11,554
Add (deduct) non-cash items:		
(Gain) Loss on investments	2,150	(3,790)
Stock-based compensation	1,213	1,422
Depreciation and amortization of property, equipment and intangible assets	2,282	2,037
Deferred income tax expense	492	3,131
Current income tax expense	5,609	379
Other items	(767)	(932)
Income taxes paid	(1,417)	—
Changes in:		
Fees receivable	11,104	832
Other assets	1,080	4,670
Accounts payable, accrued liabilities and compensation payable	(7,309)	(2,547)
Cash provided by (used in) operating activities	28,733	16,756
Investing activities		
Purchase of investments	(10,819)	(14,565)
Sale of investments	22,570	11,265
Purchase of property and equipment	(277)	(323)
Management contract consideration	(27,000)	(12,500)
Cash provided by (used in) investing activities	(15,526)	(16,123)
Financing activities		
Acquisition of common shares for equity incentive plan	(2,179)	(2,274)
Acquisition of common shares under normal course issuer bid	—	(2,024)
Cash received on exercise of stock options	—	2,504
Repayment of lease liabilities	(1,116)	(927)
Contributions from non-controlling interests	907	—
Net advances from loan facility	5,000	3,234
Dividends paid	(12,787)	(10,883)
Cash provided by (used in) financing activities	(10,175)	(10,370)
Effect of foreign exchange on cash balances	597	(4,724)
Net increase (decrease) in cash and cash equivalents during the period	3,629	(14,461)
Cash and cash equivalents, beginning of the period	44,106	54,748
Cash and cash equivalents, end of the period	47,735	40,287
Cash and cash equivalents:		
Cash	41,872	36,442
Short-term deposits	5,863	3,845
	47,735	40,287

The accompanying notes form part of the consolidated financial statements

1 Corporate information

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

2 Summary of significant accounting policies

Statement of compliance

These interim condensed consolidated financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") in effect as at June 30, 2021, specifically, IAS 34 *Interim Financial Reporting*.

Compliance with IFRS requires the Company to exercise judgement and make estimates and assumptions that effect 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 judgements and estimates are described in Note 2 of the December 31, 2020 annual audited consolidated financial statements and have been applied consistently to the interim financial statements as at and for the three and six months ended June 30, 2021.

The interim financial statements have been authorized for issue by a resolution of the board of directors of the Company on August 5, 2021 and include all subsequent events up to that date.

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 interim financial statements are presented in U.S. 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.

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

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

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

The Company currently controls the following principal subsidiaries:

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

Other accounting policies

All other accounting policies, judgments, and estimates described in the December 31, 2020 annual audited consolidated financial statements have been applied consistently to these interim financial statements unless otherwise noted.

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

3 Short-term investments

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

	Classification and measurement criteria	Jun. 30, 2021	Dec. 31, 2020
Public equities and share purchase warrants	FVTPL	8,088	6,751
Fixed income securities	FVTPL	—	731
Private holdings	FVTPL	1,992	1,993
Total short-term investments		10,080	9,475

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

4 Co-investments

Consists of the following (in thousands \$):

	Classification and measurement criteria	Jun. 30, 2021	Dec. 31, 2020
Co-investments in funds	FVTPL	70,529	82,467
Total co-investments		70,529	82,467

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

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

Other assets

Consist of the following (in thousands \$):

	Jun. 30, 2021	Dec. 31, 2020
Digital gold strategies ⁽¹⁾	11,602	11,518
Fund recoveries and investment receivables	4,630	6,043
Assets attributable to non-controlling interests	3,818	3,518
Prepaid expenses	2,613	2,316
Other ⁽²⁾	2,327	1,919
Total other assets	24,990	25,314

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

(2) Includes miscellaneous third-party receivables.

Other income

Consist of the following (in thousands \$):

	For the three months ended		For the six months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Investment income ⁽¹⁾	382	285	666	398
Income attributable to non-controlling interest	56	—	75	—
Total other income	438	285	741	398

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

Other expenses (credits)

Consist of the following (in thousands \$):

	For the three months ended		For the six months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Costs related to energy assets	—	—	—	798
Foreign exchange (gain) loss	169	1,086	(177)	(1,128)
Increase in contingent consideration related to the Tocqueville acquisition ⁽¹⁾	—	—	4,449	—
Other ⁽²⁾	707	1,807	1,522	2,142
Total other expenses (credits)	876	2,893	5,794	1,812

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

(2) Includes net income attributable to non-controlling interest of \$56 thousand for the three months ended June 30, 2021 and \$75 thousand for the six months ended June 30, 2021 (3 and 6 months ended June 30, 2020 - \$Nil) as well as non-recurring professional fees and transaction costs.

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

Non-controlling interest

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

	Jun. 30, 2021	Dec. 31, 2020
Assets	3,818	3,518
Liabilities - current ⁽¹⁾	(33)	(640)
Liabilities - long-term ⁽¹⁾	(3,785)	(2,878)

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

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

6 Goodwill and intangible assets

Consist of the following (in thousands \$):

	Goodwill	Fund management contracts (indefinite life)	Fund management contracts (finite life)	Total
Cost				
At Dec. 31, 2019	132,251	103,470	36,308	272,029
Additions	—	36,107	—	36,107
Net exchange differences	—	6,454	198	6,652
At Dec. 31, 2020	132,251	146,031	36,506	314,788
Additions	—	—	—	—
Net exchange differences	—	4,534	305	4,839
At Jun. 30, 2021	132,251	150,565	36,811	319,627
Accumulated amortization				
At Dec. 31, 2019	(113,102)	—	(25,700)	(138,802)
Amortization charge for the year	—	—	(869)	(869)
At Dec. 31, 2020	(113,102)	—	(26,569)	(139,671)
Amortization charge for the period	—	—	(468)	(468)
At Jun. 30, 2021	(113,102)	—	(27,037)	(140,139)
Net book value at:				
Dec. 31, 2020	19,149	146,031	9,937	175,117
Jun. 30, 2021	19,149	150,565	9,774	179,488

Impairment assessment of goodwill

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

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

As at June 30, 2021, the Company had allocated \$19.1 million (December 31, 2020 - \$19.1 million) of goodwill on a relative value approach basis to the exchange listed products and managed equities CGUs.

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

Impairment assessment of indefinite life fund management contracts

As at June 30, 2021, the Company had indefinite life intangibles related to fund management contracts of \$150.6 million (December 31, 2020 - \$146 million). There were no indicators of impairment as at June 30, 2021.

Impairment assessment of finite life fund management contracts

As at June 30, 2021, the Company had exchange listed fund management contracts within the exchange listed products CGU of \$9.8 million (December 31, 2020 - \$9.9 million). There were no indicators of impairment as at June 30, 2021.

7 Shareholders' equity

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

Capital stock and contributed surplus

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

	Number of shares	Stated value (in thousands \$)
At Dec. 31, 2019	24,417,639	407,900
Shares acquired for equity incentive plan	(128,304)	(2,514)
Issuance of share capital on purchase of management contracts	104,720	2,500
Shares released on vesting of equity incentive plan	248,883	4,361
Issuance of share capital on exercise of stock options	150,000	5,159
Shares acquired and cancelled under normal course issuer bid	(112,343)	(2,024)
Issuance of share capital on conversion of RSU	103,269	2,231
Issuance of share capital under dividend reinvestment program	5,501	145
At Dec. 31, 2020	24,789,365	417,758
Shares acquired for equity incentive plan	(55,737)	(2,179)
Issuance of share capital to settle contingent consideration	93,023	3,000
Shares released on vesting of equity incentive plan	14,322	369
Issuance of share capital on conversion of RSUs	45,833	796
Issuance of share capital under dividend reinvestment program	1,435	65
At Jun. 30, 2021	24,888,241	419,809

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

	Stated value (in thousands \$)
At Dec. 31, 2019	43,160
Stock-based compensation	4,517
Issuance of share capital on conversion of RSUs	(2,231)
Share-based contingent consideration related to the Tocqueville acquisition	4,879
Released on exercise of stock option plan	(2,655)
Released on vesting of common shares for equity incentive plan	(4,361)
At Dec. 31, 2020	43,309
Issuance of share capital to settle contingent consideration	(4,879)
Shares released on vesting of equity incentive plan	(369)
Stock-based compensation	1,213
Issuance of share capital on conversion of RSUs	(796)
At Jun. 30, 2021	38,478

Stock option plan

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

There were no stock options issued during the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - Nil). There were no stock options exercised during the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - 150,000).

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

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

	Number of options	Weighted average exercise price (CAD \$)
Options outstanding, Dec. 31, 2019	327,500	25.70
Options exercisable, Dec. 31, 2019	257,500	26.00
Options outstanding, Dec. 31, 2020	162,500	23.61
Options exercisable, Dec. 31, 2020	162,500	23.61
Options outstanding, Jun. 30, 2021	162,500	23.61
Options exercisable, Jun. 30, 2021	162,500	23.61

Options outstanding and exercisable as at June 30, 2021 are as follows:

Exercise price (CAD \$)	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
23.30	150,000	4.6	150,000
27.30	12,500	4.9	12,500
23.30 to 27.30	162,500	4.6	162,500

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

Equity incentive plan

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

There were 1,182 RSUs granted during the three and six months ended June 30, 2021 (three months ended June 30, 2020 - 21,648 and six months ended June 30, 2020 - 86,927). The Trust acquired 49,337 shares in the three months ended June 30, 2021 (three months ended June 30, 2020 - Nil) and 55,737 shares in the six months ended June 30, 2021 (six months ended June 30, 2020 - 122,304 shares).

	Number of common shares
Common shares held by the Trust, Dec. 31, 2019	895,438
Acquired	128,304
Released on vesting	(248,883)
Unvested common shares held by the Trust, Dec. 31, 2020	774,859
Acquired	55,737
Released on vesting	(14,322)
Unvested common shares held by the Trust, Jun. 30, 2021	816,274

Of the \$38.1 million compensation expense for the six months ended June 30, 2021, \$1.2 million relates to stock-based compensation, details of which are presented in the table below (in thousands \$):

	For the three months ended		For the six months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Stock option plan	—	—	—	10
EIP	631	867	1,213	1,412
Total stock-based compensation	631	867	1,213	1,422

Basic and diluted earnings per share

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

	For the three months ended		For the six months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Numerator (in thousands \$):				
Net income - basic and diluted	11,075	10,492	14,296	11,554
Denominator (Number of shares in thousands):				
Weighted average number of common shares	25,704	25,402	25,679	25,397
Weighted average number of unvested shares purchased by the Trust	(768)	(1,004)	(765)	(939)
Weighted average number of common shares - basic	24,936	24,398	24,914	24,458
Weighted average number of dilutive stock options	163	163	163	163
Weighted average number of unvested shares under EIP	877	1,004	874	939
Weighted average number of common shares - diluted	25,976	25,565	25,951	25,560
Net income per common share				
Basic	0.44	0.43	0.57	0.47
Diluted	0.43	0.41	0.55	0.45

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 June 30, 2021 and 2020, all entities were in compliance with their respective capital requirements.

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

8 Income taxes

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

	For the six months ended	
	Jun. 30, 2021	Jun. 30, 2020
<i>Current income tax expense</i>		
Based on taxable income of the current period	5,609	379
Total current income tax expense	5,609	379
<i>Deferred income tax expense</i>		
Origination and reversal of temporary differences	492	3,131
Total deferred income tax expense	492	3,131
Income tax expense reported in the consolidated statements of operations	6,101	3,510

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 six months ended	
	Jun. 30, 2021	Jun. 30, 2020
Income before income taxes	20,397	15,064
Tax calculated at domestic tax rates applicable to profits in the respective countries	5,456	4,009
Tax effects of:		
Non-deductible stock-based compensation	109	136
Non-taxable capital (gains) and losses	107	(524)
Intangibles	39	58
Non-capital losses and other temporary differences not benefited previously	145	(22)
Rate differences and other	245	(147)
Tax charge	6,101	3,510

The weighted average statutory tax rate was 26.8% (June 30, 2020 - 26.6%). The Company has \$5 million of capital tax losses from prior years that will begin to expire in 2022. The benefit of these capital losses has not been recognized.

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

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

For the six months ended June 30, 2021

	Dec. 31, 2020	Recognized in income	Exchange rate differences	Jun. 30, 2021
Deferred income tax assets				
Stock-based compensation	3,821	(257)	117	3,681
Non-capital and capital losses	2,270	(585)	67	1,752
Other	435	(13)	16	438
Total deferred income tax assets	6,526	(855)	200	5,871
Deferred income tax liabilities				
Fund management contracts	9,446	(276)	292	9,462
Unrealized gains (losses)	118	(47)	4	75
Other	(16)	(40)	—	(56)
Total deferred income tax liabilities	9,548	(363)	296	9,481
Net deferred income tax assets (liabilities) ⁽¹⁾	(3,022)	(492)	(96)	(3,610)

For the year ended December 31, 2020

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

(1) Deferred tax assets of \$1.5 million (December 31, 2020 - \$1.7 million) and deferred tax liabilities of \$5.1 million (December 31, 2020 - \$4.8 million) are presented on the balance sheet net by legal jurisdiction.

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 June 30, 2021 and December 31, 2020 (in thousands \$).

Short-term investments

Jun. 30, 2021	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	4,071	3,704	313	8,088
Private holdings	—	—	1,992	1,992
Total net recurring fair value measurements	4,071	3,704	2,305	10,080

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

Co-investments

Jun. 30, 2021	Level 1	Level 2	Level 3	Total
Co-investments in funds	—	70,529	—	70,529
Total net recurring fair value measurements	—	70,529	—	70,529

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

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

Other assets

Jun. 30, 2021	Level 1	Level 2	Level 3	Total
Digital gold strategies	—	—	11,602	11,602
Total net recurring fair value measurements	—	—	11,602	11,602

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

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

Short-term investments

Changes in the fair value of Level 3 measurements - Jun. 30, 2021					
	Dec. 31, 2020	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Jun. 30, 2021
Share purchase warrants	271	67	(2)	(23)	313
Private holdings	1,993	—	—	(1)	1,992
	2,264	67	(2)	(24)	2,305

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

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

Co-investments

Changes in the fair value of Level 3 measurements - Jun. 30, 2021					
	Dec. 31, 2020	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Jun. 30, 2021
Co-investments in funds	6,441	(6,441)	—	—	—
	6,441	(6,441)	—	—	—

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

Other assets

Changes in the fair value of Level 3 measurements - Jun. 30, 2021					
	Dec. 31, 2020	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Jun. 30, 2021
Digital gold strategies	11,518	—	—	84	11,602
	11,518	—	—	84	11,602

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

During the six months ended June 30, 2021, the Company transferred public equities of \$Nil (December 31, 2020 - \$0.5 million) from Level 2 to Level 1 within the fair value hierarchy. For the six months ended June 30, 2021, the Company purchased level 3 investments of \$Nil (December 31, 2020 - \$2.1 million). For the six months ended June 30, 2021, the Company transferred \$Nil (December 31, 2020 - \$Nil) from Level 3 to Level 1 within the fair value hierarchy. For the six months ended June 30, 2021, the Company transferred \$0.2 million (December 31, 2020 - \$0.3 million) from level 2 to level 3 due to the impact of volatility of the underlying security on the fair value of share purchase warrants. For the six months ended June 30, 2021, the Company transferred \$6.5 million (December 31, 2020 - \$0.8 million) from Level 3 to Level 2 within the fair value hierarchy.

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

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

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

The Company's Level 3 securities consist of private holdings, private equity funds and fixed income securities of private companies. The significant unobservable inputs used in these valuation techniques can vary considerably over time, and include grey market financing prices, discount rates and extraction recovery rates of mining projects. A significant change in any of these inputs in isolation would result in a material impact in fair value measurement. The potential impact of a 5% change in the significant unobservable inputs on profit or loss would be approximately \$0.7 million (December 31, 2020 - \$1 million).

Financial instruments not carried at fair value

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

10 Dividends

The following dividends were declared by the Company during the three and six months ended June 30, 2021:

Record date	Payment Date	Cash dividend per share	Total dividend amount (in thousands \$)
March 8, 2021 - Regular dividend Q4 2020	March 23, 2021	0.25	6,426
May 17, 2021 - Regular dividend Q1 2021	June 1, 2021	0.25	6,426
Dividends ⁽¹⁾			12,852

⁽¹⁾ Subsequent to quarter end, on August 5, 2021, a regular dividend of \$0.25 per common share was declared for the quarter ended June 30, 2021. This dividend is payable on August 31, 2021 to shareholders of record at the close of business on August 16, 2021.

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;
- **Managed equities** (reportable), which provides asset management and sub-advisory services to the Company's branded funds, fixed-term LPs and managed accounts;
- **Lending** (reportable), which provides lending and streaming activities through limited partnership vehicles as well as through direct lending activities using the Company's balance sheet;
- **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 June 30, 2021

	Exchange listed products	Managed equities	Lending	Brokerage	Corporate	Consolidation, elimination and all other segments	Consolidated
Total revenue	13,296	9,111	2,203	10,419	369	913	36,311
Total expenses	2,676	3,654	2,839	7,615	3,779	1,283	21,846
Income (loss) before income taxes	10,620	5,457	(636)	2,804	(3,410)	(370)	14,465
Adjusted base EBITDA	10,998	3,026	1,631	2,707	(3,263)	(49)	15,050

SPROTT INC.**Notes to the interim condensed consolidated financial statements (unaudited)**

For the three and six months ended June 30, 2021 and 2020

For the three months ended June 30, 2020

	Exchange listed products	Managed equities	Lending	Brokerage	Corporate	Consolidation, elimination and all other segments	Consolidated
Total revenue	8,144	11,427	1,725	7,599	1,370	776	31,041
Total expenses	2,515	3,512	2,745	5,058	3,861	1,213	18,904
Income (loss) before income taxes	5,629	7,915	(1,020)	2,541	(2,491)	(437)	12,137
Adjusted base EBITDA	6,388	2,280	1,289	1,547	(2,612)	312	9,204

For the six months ended June 30, 2021

	Exchange listed products	Managed equities	Lending	Brokerage	Corporate	Consolidation, elimination and all other segments	Consolidated
Total revenue	25,238	11,777	11,782	24,709	640	1,916	76,062
Total expenses	5,299	12,922	8,881	17,411	8,500	2,652	55,665
Income (loss) before income taxes	19,939	(1,145)	2,901	7,298	(7,860)	(736)	20,397
Adjusted base EBITDA	20,709	5,863	3,225	7,269	(7,377)	(34)	29,655

For the six months ended June 30, 2020

	Exchange listed products	Managed equities	Lending	Brokerage	Corporate	Consolidation, elimination and all other segments	Consolidated
Total revenue	15,021	12,979	6,900	12,695	(832)	1,257	48,020
Total expenses	3,449	4,794	2,222	9,994	7,642	4,855	32,956
Income (loss) before income taxes	11,572	8,185	4,678	2,701	(8,474)	(3,598)	15,064
Adjusted base EBITDA	11,670	4,333	3,327	2,500	(5,167)	728	17,391

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 six months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Canada	30,360	27,290	67,171	41,091
United States	5,951	3,751	8,891	6,929
	36,311	31,041	76,062	48,020

12 Loan facility

As at June 30, 2021, the Company had \$22 million (December 31, 2020 - \$17 million) outstanding on its credit facility, all of which is due on December 14, 2025. The increase was primarily to fund the cost of the Tocqueville acquisition.

The Company has access to a credit facility of \$70 million with a major Canadian schedule I chartered bank. Amounts under the facility may be borrowed through prime rate loans or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans. As at June 30, 2021, the Company was in compliance with all covenants, terms and conditions under the credit facility. Key terms under the credit facility are noted below:

Structure

- 5-year, \$70 million revolver with "bullet maturity" December 14, 2025

Interest Rate

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

Covenant Terms

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

13 Commitments and provisions

Besides the Company's long-term lease agreement, there are commitments to make investments in the net investments portfolio of the Company. As at June 30, 2021, the Company had \$4.2 million in co-investment commitments from the lending segment, all due within one year (December 31, 2020 - \$4.6 million).

14 Subsequent events

Subsequent to the quarter end, on July 19, the Company closed on the previously announced transaction with Uranium Participation Corporation ("UPC") to form the Spratt Physical Uranium Trust (the "Trust"). Under the agreement, UPC shareholders received one half of one unit of the newly formed Trust. As part of the transaction, the Company has contributed CAD\$6.7 million to UPC at closing, paid an approximate CAD\$5.8 million termination fee to the former manager, and reimbursed CAD\$1 million in out-of-pocket expenses to UPC. This transaction added \$630 million to the Company's AUM.

Corporate Information

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Stock Information

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

Sprott

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