Sprott | 2017 Annual Report

Contrarian. Innovative. Aligned.

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March 1, 2018

Dear Shareholders,

In 2017, Sprott accomplished much and enjoyed the best year in recent memory. Over the course of the year, we completed the repositioning of the Company to focus on our historical strengths in precious metal and real asset investments. We sold our Canadian diversified assets for $46 million, completed a total capital raise of US$640 million in our inaugural Private Resource Lending LPs, successfully launched our resource-focused merchant bank and completed the strategic acquisition of Central Fund of Canada ("CFCL") in a transaction that added $4.3 billion in assets to our physical bullion franchise after year-end.

As we have refocused the business to our core strengths, we have also delivered steadily improving financial results. Over the past three years, we have shifted our asset base to higher EBITDA margin products, causing our EBITDA to more than double from $16.6 million in 2015 to $40.2 million in 2017. We continue to grow our asset base both organically and through strategic acquisitions and our Assets Under Management ("AUM") currently stand at approximately $11.5 billion, 90% of which is concentrated in precious metal and natural resource investments.

Looking ahead, one of our priorities for 2018 is to build scale in all of our businesses, including our institutional strategies. During the fundraising process for our first private lending LPs, we established strong relationships with leading global institutions and endowments. We will seek to build on the success of our inaugural fund launches by expanding these relationships and introducing our resource investment strategies to the growing ranks of institutions seeking real asset alternatives with low correlation to the broader financial markets. Also, with the addition of CFCL (now re-named Sprott Physical Gold and Silver Trust) we have more than 150,000 mostly retail investors who have entrusted Sprott to manage their precious metal and resource investments.

During 2017, we closely watched the rise of cryptocurrencies and share the desire of their users to seek alternatives to central bank-controlled currencies. While we remain skeptical of the long term viability of cryptocurrencies, we are convinced that blockchain technology is ideally suited to the digitization of physical gold and that this conversion will be the single most important development within the gold universe in decades.

One way in which we have chosen to participate in the digitization of gold is through our investment in Tradewind. Tradewind is a financial technology company launching a new digital gold platform that combines the world-class exchange technology of IEX Group with a tailored blockchain application offering secure physical vaulting with significant advances in the trading, settlement, and ownership of physical gold. Sprott will also be involved with the distribution of digital precious metals directly to clients.

We remain steadfast in our conviction that gold and other resource investments will provide a valuable form of insurance from the gyrations and corrections of other markets as investors digest a normalization of interest rates and the likely re-emergence of inflation. Our mission is to build the world's preeminent specialist firm in precious metals and related areas. We believe that this is a great time to be in our position as both institutional and retail investor interest in resource investments continues to rise. Our focus this year will therefore be to generate profitable growth in each of our operating segments, while selectively evaluating opportunities to cement our leadership position through complementary acquisitions and strategic partnerships.

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

Sincerely,

Peter Grosskopf
Chief Executive Officer

Management's Discussion and Analysis

Year ended December 31, 2017

FORWARD LOOKING STATEMENTS

Certain statements in this Management's Discussion & Analysis ("MD&A"), and in particular the "Business Highlights and Growth Initiatives" and "Outlook" sections, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the forgoing, this MD&A contains Forward-Looking Statements pertaining to: (i) expectations regarding the Sprott-Ceres joint venture; (ii) our view on gold and silver and our expectations regarding investor demand for certain strategies; (iii) expectations regarding building scale in our Private Resources business; (iv) our belief that management fees and interest income will continue to be sufficient to satisfy ongoing operating needs and that we hold sufficient cash and liquid securities to meet any other operating and capital requirements; and (v) the declaration, payment and designation of dividends.

Although the Company believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (i) the impact of increasing competition in each business in which the Company operates will not be material; (ii) quality management will be available; (iii) the effects of regulation and tax laws of governmental agencies will be consistent with the current environment; and (iv) those assumptions disclosed herein under the heading "Significant Accounting Judgments and Estimates". 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 could result in regulatory sanctions or reputational harm; (v) performance fee fluctuations; (vi) changes in the investment management industry; (vii) failure to implement effective information security policies, procedures and capabilities; (viii) lack of investment opportunities; (ix) risks related to regulatory compliance; (x) failure to manage risks appropriately; (xi) failure to deal appropriately with conflicts of interest; (xii) competitive pressures; (xiii) corporate growth may be difficult to sustain and may place significant demands on existing administrative, operational and financial resources; (xiv) failure to successfully implement succession planning; (xv) foreign exchange risk relating to the relative value of the U.S. dollar; (xvi) litigation risk; (xvii) failure to develop effective business resiliency plans; (xviii) failure to obtain or maintain sufficient insurance coverage on favourable economic terms; (xix) historical financial information is not necessarily indicative of future performance; (xx) the market price of common shares of the Company may fluctuate widely and rapidly; (xxi) risks relating to the Company’s investment products; (xxii) risks relating to the Company's proprietary investments; (xxiii) risks relating to the Company's lending business; (xxiv) risks relating to the Company’s merchant bank and advisory business; (xxv) those risks described under the heading "Risk Factors" in the Company’s annual information form dated March 2, 2018; and (xxvi) those risks described under the headings "Managing Risk: Financial" and "Managing Risk: Non-Financial" in this MD&A. In addition, the payment of dividends is not guaranteed and the amount and timing of any dividends payable by the Company will be at the discretion of the Board of Directors of the Company and will be established on the basis of the Company’s earnings, the satisfaction of solvency tests imposed by applicable corporate law for the declaration and payment of dividends, and other relevant factors. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and the Company does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of financial condition and results of operations, dated March 1, 2018, presents an analysis of the consolidated financial condition of the Company and its subsidiaries as at December 31, 2017, compared with December 31, 2016, and the consolidated results of operations for the three and twelve months ended December 31, 2017, compared with the three and twelve months ended December 31, 2016. The Board of Directors approved this MD&A on March 1, 2018. All note references in this MD&A are to the notes to the Company's December 31, 2017 annual audited consolidated financial statements ("annual financial statements"), unless otherwise noted. The Company was incorporated under the Business Corporations Act (Ontario) on February 13, 2008.

PRESENTATION OF FINANCIAL INFORMATION

The annual financial statements, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Financial results, including related historical comparatives contained in this MD&A, unless otherwise specified herein, are based on the annual financial statements. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the annual financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the three months ended December 31, 2016 as applicable.

KEY PERFORMANCE INDICATORS (NON-IFRS FINANCIAL MEASURES)

The Company measures the success of its business using a number of key performance indicators that are not measurements in accordance with IFRS and should not be considered as an alternative to net income (loss) or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Our key performance indicators include:

Assets Under Management

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

Net Sales

Sales, net of redemptions, is another key performance indicator as the amount of new net assets being added to the total AUM of the Company will lead to higher management fees and can potentially lead to increased performance fee generation given that AUM is also the basis upon which performance fees and carried interests are calculated.

Net Fees

Management and performance fees, net of performance fee payouts, trailer fees and sub-advisor fees, is a key revenue indicator as it represents the net revenue contribution after directly associated costs that we generate from our AUM.

Net Commissions

Commissions, net of commission expenses, is an increasingly significant performance measure for the Company given the ongoing growth of our merchant banking and advisory business.

EBITDA relevant Net Revenues

EBITDA relevant Net Revenues include revenue items with the exception of: (1) gains (losses) on proprietary investments, (2) gains (losses) on foreign exchange, (3) performance fees, net of performance fee payouts, (4) income from energy assets, and (5) other non-recurring revenues. EBITDA relevant Net Revenues are used in this MD&A for certain key ratio calculations.

Selling, general and administrative ("SG&A") Expense Ratio

The SG&A Expense Ratio refers to total SG&A expenses as a percentage of EBITDA relevant Net Revenues. The Company uses this ratio to monitor and manage the impact of SG&A on adjusted base EBITDA.

EBITDA, Adjusted EBITDA and Adjusted base EBITDA

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

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

The following table outlines how our EBITDA measures are determined:

	3 months ended		12 months ended	
($ in thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net income (loss) for the periods	2,519	754	37,532	31,538
Adjustments:				
Interest expense	22	5	201	5
Provision for income taxes	(1,234)	775	5,774	6,305
Depreciation and amortization	1,386	1,836	6,427	7,421
EBITDA	2,693	3,370	49,934	45,269
Other adjustments:				
Impairment (reversal) of intangibles	—	—	—	3,006
(Gains) losses on proprietary investments	63	8,030	5,189	(27,894)
General loan loss provisions (recoveries)	—	(1,200)	—	(1,200)
(Gains) losses on foreign exchange	(340)	(2,095)	7,412	3,498
Non-cash stock-based compensation	1,275	850	1,662	3,589
Net proceeds from Sale Transaction [1]	915	—	(31,691)	—
Unamortized Placement Fees [2]	349	2,009	5,057	3,572
Other [3]	3,886	483	4,788	1,806
Adjusted EBITDA	8,841	11,447	42,351	31,646
Other adjustments:				
Performance fees	(3,584)	(19,935)	(4,676)	(21,407)
Performance fee related expenses	2,267	13,203	2,489	13,821
Adjusted base EBITDA	7,524	4,715	40,164	24,060

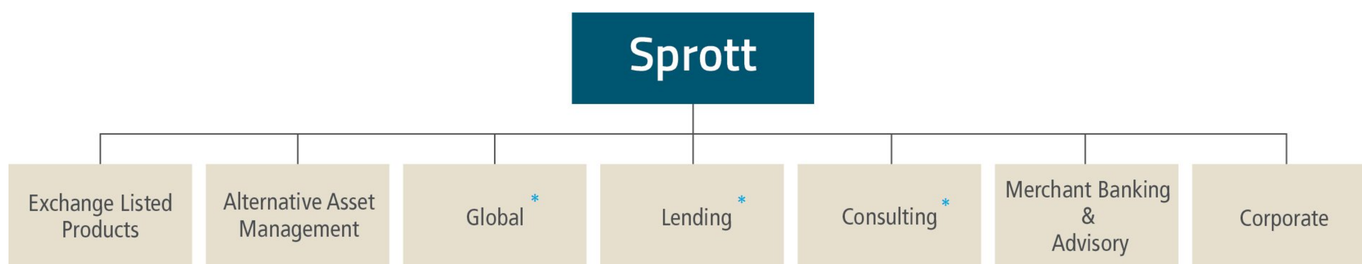
[1] See Note 7 of the annual financial statements for further details.

[2] Unamortized upfront placement fees, primarily in the Lending segment were previously included as part of Other.

[3] Other consists of: (1) one-time severance accruals of $2.2 million on a three months ended basis (3 months ended December 31, 2016 - $0.3 million) and $2.5 million on a twelve months ended basis (12 months ended December 31, 2016 - $0.5 million); and (2) Other Expenses (see Note 7 of the annual financial statements for further details).

BUSINESS OVERVIEW

Our operating segments are as follows:



* These operating segments collectively form our "Private Resource Investments" Platform

Exchange Listed Products

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

Alternative Asset Management

- The Company's full suite of public mutual funds (including our Canadian diversified fund assets), alternative investment strategies and sub-advised products. On August 1, 2017, the Company completed the sale of the majority of this business' AUM to a management led group.

Global

- The Company's U.S operations, including: (1) fixed-term limited partnership vehicles; (2) discretionary managed accounts; and (3) U.S.-based broker-dealer.

Lending

- The Company's lending activities occur through a combination of limited partnership vehicles ("lending LPs") as well as through direct lending activities using the Company's balance sheet. Balance sheet lending continues to wind-down as we grow the AUM in our suite of lending LPs.

Consulting

- The Company's private equity and debt style investment management activities.

Merchant Banking & Advisory Services

- The Company's Canadian merchant banking and advisory services activities through Sprott Capital Partners ("SCP"), a division of Sprott Private Wealth LP ("SPW"). Effective Q1 2017, we now report the results of our Canadian broker-dealer operations separately from the Corporate segment. This was necessary due to the increased materiality of this business as we build scale in SCP.

Corporate

- Provides the Company's various operating segments with capital, balance sheet management and other enterprise shared services. As noted above, this segment is now reported separately from the results of SCP and SPW.

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

BUSINESS HIGHLIGHTS AND GROWTH INITIATIVES

Investment Performance

Market value appreciation was $167 million in the quarter and $103 million year-to-date. Most of this performance was in our Physical Trusts due to improved precious metals prices at the beginning and end of the year.

Product and Business Line Expansion

- On June 29, 2017, the Company participated in a secondary offering of Sprott Inc. shares, whereby it purchased 12.5 million shares directly from Mr. Eric Sprott, which included: (1) 5 million shares being purchased for cancellation; and (2) 7.5 million shares being purchased for the seeding of a re-initiated long-term incentive plan ("LTIP") to replace the previous 2016 LTIP. See page 12 of this MD&A for further details.
- As part of the strategic refocusing of the company to our precious metals and real assets core competencies, on August 1, 2017, the Company completed the sale of its non-core Canadian diversified funds business. Subsequent to year-end, on January 29th, the Company completed the sale of its non-core private wealth client business (collectively, the "Sale Transaction").
- On October 5, 2017, the Company announced a joint venture with Ceres Partners LLC. Ceres is an experienced farmland manager that is focused exclusively on food and agriculture. The Sprott-Ceres joint venture will be focused on making investments to acquire and actively lease farmland in North America and exploring related opportunities.
- With strong equity financing and advisory mandates in its first full year of operations, SCP's contribution to the Company has gotten off to a strong start.
- Subsequent to year-end, on January 16th, 2018, the Company successfully closed on the acquisition of Central Fund of Canada Limited ("CFCL") for $120 million, plus a contingent earn-out. This transaction increased total company AUM after the year-end by $4.3 billion.

OUTLOOK

During 2017, we took steps to reposition our business and increase our focus on precious metals and real assets investments. After giving effect to the Sale Transaction and CFCL, more than 90% of our AUM will be concentrated in precious metals investments, consistent with our renewed focus on our core competencies. Our view on gold and silver remains constructive and we expect investor demand for these strategies to remain strong. In 2018, we expect to continue building scale in our Private Resource businesses following the successful US$640 million total raise in our first Private Resource Lending LPs in 2017. We believe our natural resource focus positions us well in the competitive landscape and allows us to offer investors a unique vehicle through which they can access the sector.

SUMMARY FINANCIAL INFORMATION

(In $ thousands)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
SUMMARY INCOME STATEMENT								
Management fees	10,247	13,597	20,460	20,677	21,895	22,586	20,524	19,315
Performance fees	3,584	835	126	131	19,935	239	1,146	87
less: Trailer fees	225	617	2,762	2,944	3,110	3,325	3,167	3,016
less: Sub-advisor fees	—	426	1,124	1,060	10,552	1,233	1,107	999
less: Performance fee payouts	2,267	—	12	16	3,702	31	358	31
Net Fees	11,339	13,389	16,688	16,788	24,466	18,236	17,038	15,356
Commissions	7,366	4,746	8,878	8,200	2,959	5,265	4,478	1,133
less: Commission expense	2,855	1,553	3,364	3,208	1,209	920	921	317
Net Commissions	4,511	3,193	5,514	4,992	1,750	4,345	3,557	816
Interest income	3,588	2,789	3,387	5,829	3,594	2,787	3,864	3,917
Gains (losses) on proprietary investments	(63)	(3,770)	613	(1,969)	(8,030)	6,809	17,629	11,486
Gains (losses) on long-term investments [1]	3,639	—	—	—	—	—	—	—
Other income (loss)	1,144	31,487	(2,648)	1,338	4,847	3,695	1,286	(4,259)
Total Net Revenues	24,158	47,088	23,554	26,978	26,627	35,872	43,374	27,316
Compensation [2]	10,631	5,655	11,784	12,461	14,112	11,099	11,836	10,550
Compensation - severance accruals	2,193	62	196	1	283	27	(26)	191
Placement and referral fees	833	782	4,628	68	2,169	497	1,717	145
Selling, general and administrative	5,761	5,208	6,163	6,566	6,949	7,386	7,887	7,263
Loan loss provisions (recoveries)	—	—	—	(4,942)	(911)	114	346	192
Amortization and impairment charges	1,386	1,473	1,778	1,790	1,836	1,844	1,844	4,903
Other expenses	2,069	703	289	934	660	502	(284)	2,215
Total Expenses	22,873	13,883	24,838	16,878	25,098	21,469	23,320	25,459
SG&A Expense Ratio	23%	24%	20%	20%	26%	27%	30%	32%
Net Income (Loss)	2,519	29,804	(3,606)	8,815	754	12,531	16,946	1,307
Net Income (Loss) per share (basic & diluted)	0.01	0.12	(0.01)	0.04	0.00	0.05	0.07	0.01
Adjusted base EBITDA	7,524	8,007	8,751	15,882	4,715	8,431	5,753	5,161
Adjusted base EBITDA per share (basic & diluted)	0.03	0.03	0.04	0.06	0.02	0.03	0.02	0.02
SUMMARY BALANCE SHEET								
Total Assets	409,849	408,093	387,636	426,647	440,024	431,149	428,209	412,547
Total Liabilities	65,985	61,707	62,925	64,113	79,710	66,336	67,059	61,987
Cash	156,120	152,952	96,572	113,882	123,955	100,704	111,252	92,496
less: syndicate cash holdings	(776)	(649)	(477)	(3,838)	(394)	(651)	(2,675)	(1,093)
Net cash	155,344	152,303	96,095	110,044	123,561	100,053	108,577	91,403
Proprietary investments	114,327	134,306	137,505	156,097	147,545	166,126	152,059	133,603
less: obligations related to securities sold short	(24,993)	(25,988)	(26,577)	(30,157)	(29,810)	(36,782)	(38,641)	(31,653)
Net proprietary investments	89,334	108,318	110,928	125,940	117,735	129,344	113,418	101,950
Loans receivable	48,673	46,215	67,804	73,336	67,678	82,470	81,638	101,253
Investable Capital	293,351	306,836	274,827	309,320	308,974	311,867	303,633	294,606
ASSETS UNDER MANAGEMENT								
Exchange Listed Products	4,634,068	4,539,751	4,591,479	4,758,403	4,411,640	4,943,224	4,829,986	4,169,716
Alternative Asset Management	1,115,114	1,177,214	3,323,611	3,529,068	3,653,851	3,937,898	3,816,298	3,476,701
Private Resource Investments [3]	1,574,200	1,474,547	1,391,367	1,404,955	1,182,492	1,207,598	1,154,718	1,153,099
Total Enterprise AUM	7,323,382	7,191,512	9,306,457	9,692,426	9,247,983	10,088,720	9,801,002	8,799,516

[1] See "Long-term investments" section of Note 2 of the annual financial statements.

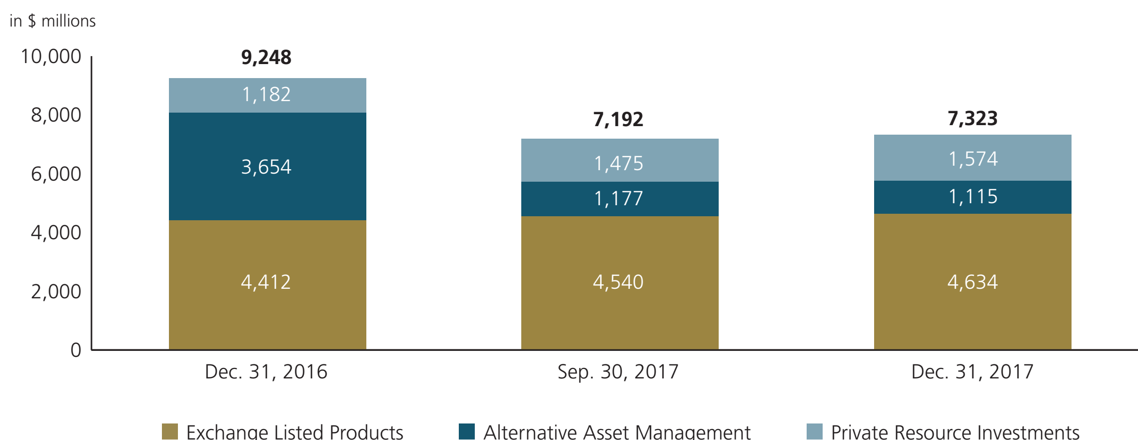
[2] Compensation includes stock-based compensation, but excludes Commission expense and Performance fee payouts, which are reported net of commission revenue and performance revenue, respectively.

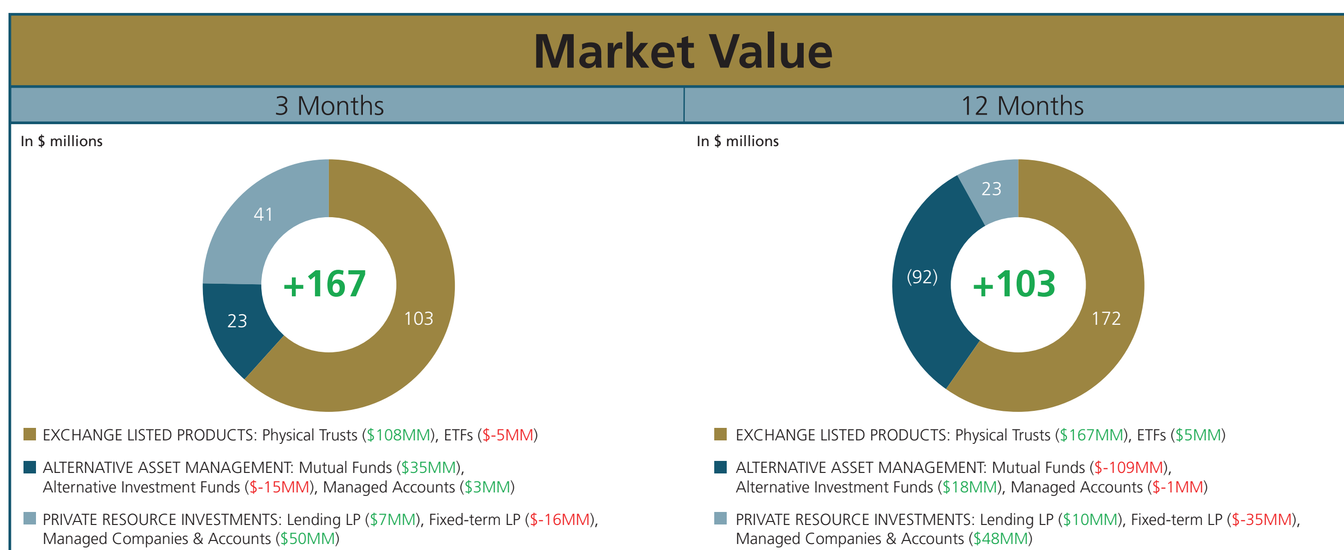
[3] Includes the AUM of our Global, Lending and Consulting segments, collectively our "Private Resource Investments" platform.

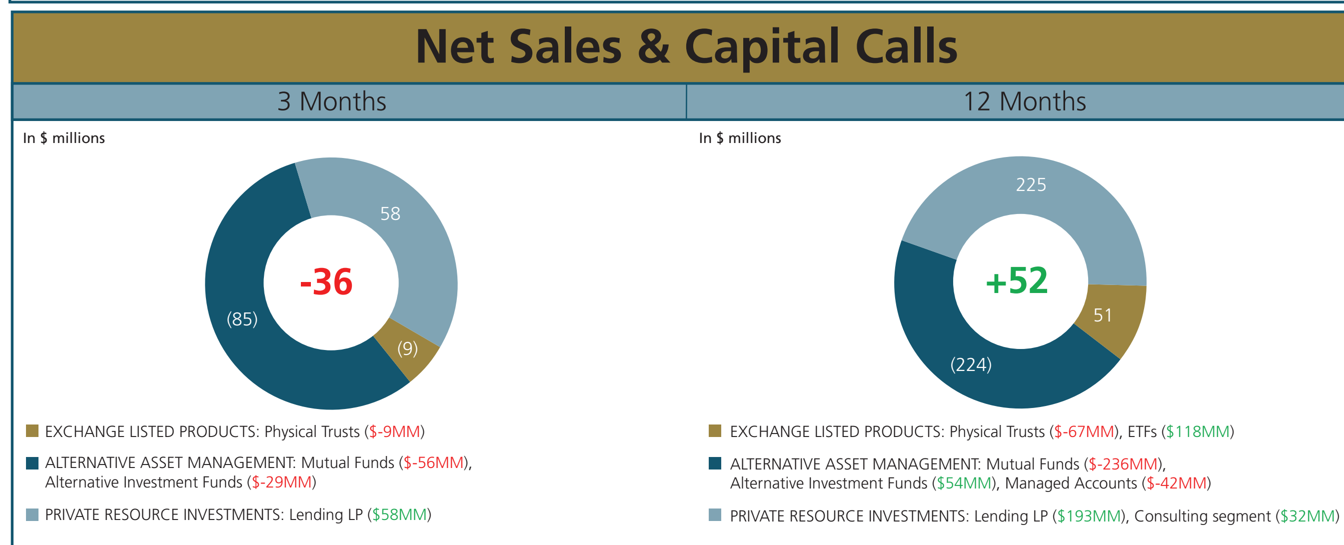
RESULTS OF OPERATIONS

AUM SUMMARY

AUM was $7.3 billion as at December 31, 2017, up $0.1 billion (2%) from September 30, 2017 and down $1.9 billion (21%) from December 31, 2016. The slight increase on a three months ended basis was due to improved precious metals pricing in the quarter. The decrease on a year-over-year basis was due primarily to the Sale Transaction.

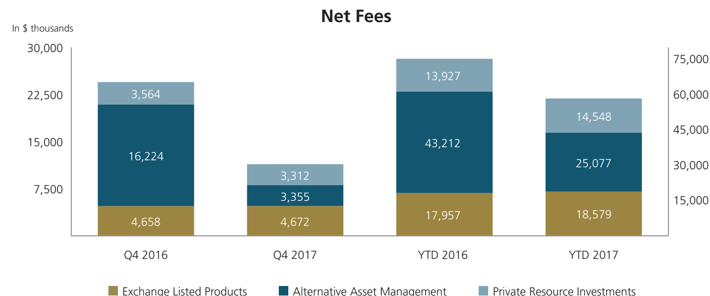




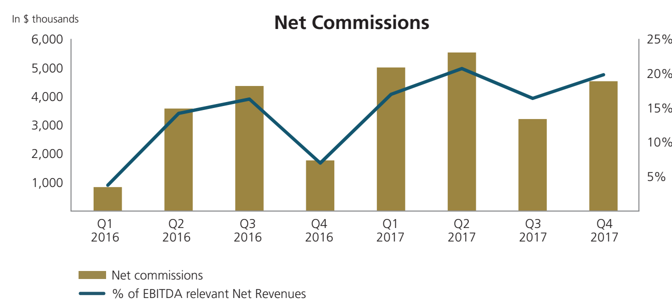


NET REVENUES

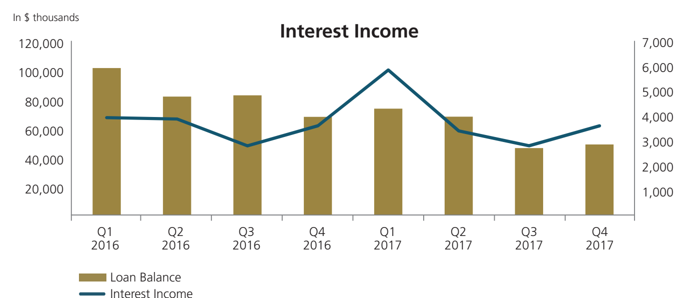
Net Fees in the quarter were $11.3 million, down $13.1 million (54%) from the prior period and were $58.2 million on a full year basis, down $16.9 million (22%). The decline was due to lower management and performance fees related to the Sale Transaction in Q3. The decline in fee generating AUM due to the Sale Transaction was partially offset by new fee generation from the deployment of committed capital in our lending LPs and higher fees from improved precious metals prices in our Exchange Listed products.



Net Commissions in the quarter were $4.5 million, up $2.8 million from the prior period and were $18.2 million on a full year basis, up $7.7 million. The increase was largely due to robust placement and advisory activity in SCP as it completed a successful first year. Our US broker-dealer also generated increased private placement activity during the first half of the year.



Interest Income in the quarter was $3.6 million, flat from the prior period and was $15.6 million on a full year basis, up $1.4 million (10%). During the quarter, co-investment income from our seed investment in lending LPs was offset by the on-going run-off of our on-balance sheet loan book as we work to deploy committed capital in our lending LPs in the form of fee generating AUM. On a full year basis, the increase was largely due to the Q1 2017 recognition of interest income on a previously impaired loan which more than offset the effects of the loan book run-off mentioned above.

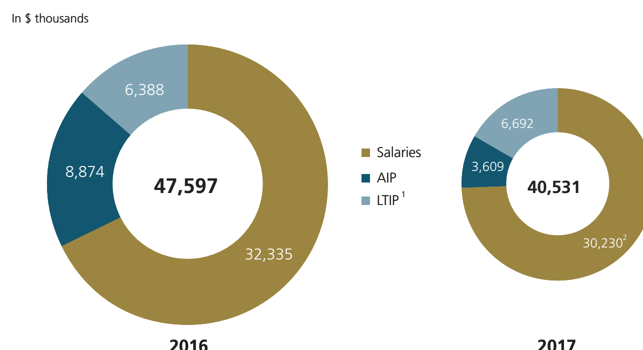


Expenses

Compensation

Compensation Trend

Excluding commissions and performance fee payouts, which are presented net of their related revenues in this MD&A, and severance accruals which are non recurring, Compensation in the quarter was $10.6 million, down $3.5 million (25%) from the prior period and was $40.5 million on a full year basis, down $7.1 million (15%). The decrease was due to a combination of lower head count after the Sale Transaction as well as lower annual incentive program ("AIP") payouts due to the re-launch of the LTIP. The new LTIP introduced in the year as a replacement for the 2016 program contributed to: (1) lower AIP payouts; and (2) a higher portion of overall compensation expense being in the form of upfront equity amortization. Over time, the equity amortization expense will drop due to the graded vesting accounting requirements of IFRS 2. See Note 2 of the annual financial statements for further details.



(1) Upfront amortization of equity grants using the graded vesting method required under IFRS 2. Over time, equity amortization expense will drop under the methodology.

(2) Includes 7 months of salary related to employees exited as part of the Sale Transaction.

New LTIP

During the year, the Company re-launched the LTIP for senior executives and certain key employees. Since the strategy of the Company has been refocused and a new executive committee was selected to execute and manage the strategy, the LTIP was restructured to incent and align the management and employee base with the new strategy and its expected future results. The majority of the executives participating under the old LTIP, as well as the executives who left the Company as a result of the Sale Transaction, forfeited their unvested entitlements under the previous LTIP. The Company has restructured the LTIP with the objective of further cementing management and key employee alignment with shareholders by setting more stringent, and performance-based goals than the predecessor program. Features of the new LTIP vs. the old LTIP are summarized here:

LTIP	"Old"	"New"
Program Seed	13 million options(1)	7.5 million shares(2)
Vesting	3 to 4 years	5 years
Performance Condition	"Static" performance conditions (targets set at inception)	"Dynamic" Performance conditions (targets set annually)
	Cumulative (Could be earned at any point in the 3 to 4 years)	Non-cumulative (Requires in-year "earn it or lose it")
AIP Impact	No Impact	Reduced
Forfeiture Risk	Low (Limited forfeiture triggers)	High (Multiple forfeiture triggers)

(1) The CEO of the Company retained 3.25 million options from the old LTIP with the performance conditions amended to align with the performance conditions of the new LTIP.

(2) 7.5 million shares were purchased by the EPSP Trust as part of the secondary offering by Eric Sprott on June 29, 2017.

SG&A

SG&A was $5.8 million in the quarter, down $1.2 million (17%) from the prior period and was $23.7 million on a full year basis, down $5.8 million (20%). This was due primarily to the positive effects of the Sale Transaction.

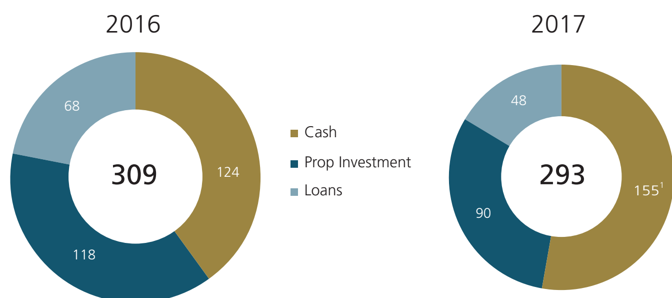
Adjusted Base EBITDA

Adjusted Base EBITDA in the quarter was $7.5 million, up $2.8 million (60%) from the prior period, and was $40.2 million on a full year basis, up $16.1 million (67%). The increase in the quarter was due to: (1) New Management fees in our Lending segment as well as net asset value ("NAV") appreciation on units held as co-investments in the lending LPs, (2) Higher merchant banking fees on good Q4 transaction flow by SCP; and (3) market value appreciation of strategic long-term investments in our Corporate segment. These increases were only partially offset by slightly lower performance in our Alternative Asset Management and Exchange Listed Products platforms in the quarter. On a full year basis, the increase in EBITDA was due to: (1) increased Net Commissions in SCP as described above, (2) the reversal of a loan loss provision and recognition of the related interest income on that previously impaired loan, (3) lower SG&A due to the Sale Transaction; and (4) lower compensation expense due to both the Sale Transaction and changes to our AIP and LTIP. These increases were only partially offset by lower Management Fees as a result of the Sale Transaction noted above.

Adjusted Base EBITDA by Operating Segment

Balance Sheet

Investable Capital was $293 million, down $16 million (5%) from December 31, 2016. The decrease was primarily due to the net impact of the following: (1) the Company's participation in the secondary offering of Sprott Inc. shares by Mr. Eric Sprott, (2) the payment of corporate dividends; and (3) other operating outflows (e.g. cash taxes). These decreases were only partially offset by proceeds received on the Sale Transaction.



(1) Subsequent to year-end, on January 16, 2018, cash of $105MM was used to acquire the assets of CFCL.

Total Assets were $410 million, down $30 million (7%) from December 31, 2016. The decrease was primarily due to the decline in investable capital previously described, coupled with a reduction in fees receivable as a result of the Sale Transaction and ongoing amortization of intangible assets.

Total Liabilities were $66 million, down $14 million (17%) from December 31, 2016. The decrease was largely due to: (1) the payment of last year's accrued sub-advisor performance fees in the current year, and (2) the timing and payment of current year compensation accruals.

OPERATING SEGMENTS

Exchange Listed Products

Since Q2 of this year, the results of this segment were reported separately from the results of our Alternative Asset Management segment.

	3 months ended		12 months ended	
(In $ thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Management fees	4,672	4,658	18,579	17,957
Other income (loss)	94	45	(595)	284
Total Revenues	4,766	4,703	17,984	18,241
Compensation	1,708	1,192	3,669	3,254
Selling, general and administrative	588	538	2,655	2,842
Amortization and impairment charges	340	345	1,369	1,294
Other expenses	—	—	—	38
Total Expenses	2,636	2,075	7,693	7,428
Net Income (Loss) before income taxes	2,130	2,628	10,291	10,813
Adjusted base EBITDA	2,376	2,928	12,255	11,861
Total AUM	4,634,068	4,411,640	4,634,068	4,411,640

3 months ended

Adjusted base EBITDA in the quarter was $2.4 million, down $0.6 million (19%) from the prior period:

- Primarily due to higher Compensation expense as a result of upfront amortization expense related to the new LTIP. LTIP amortization is recognized using the graded-vesting method under IFRS 2 which results in higher expense recognition in the early years of a stock-based compensation program and materially lower expense recognition in the latter years.

Non-EBITDA highlights:

- Other income was mainly driven by FX gains in the quarter on U.S. dollar denominated cash and receivables.

12 months ended

Adjusted base EBITDA was $12.3 million, up $0.4 million (3%) from the prior year:

- Primarily due to higher Management Fees on improved precious metals pricing and ETF fund unit creations which more than offset the increase in Compensation expense as a result of upfront amortization expense related to the new LTIP.

Non-EBITDA highlights:

- Other loss was mainly driven by FX losses on U.S. dollar denominated cash and receivables as the U.S. dollar weakened over the year.

Alternative Asset Management

Since Q2 of this year, the results of this segment were reported separately from the results of our Exchange Listed Products segment.

	3 months ended		12 months ended	
(In $ thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Management fees	2,078	14,146	32,901	54,431
Performance fees	3,584	19,935	4,676	21,407
less: Trailer fees	40	3,602	7,594	14,612
less: Sub-advisor fees	—	10,553	2,611	13,891
less: Performance fee payouts	2,267	3,702	2,295	4,123
Net Fees	3,355	16,224	25,077	43,212
Gains (losses) on proprietary investments	(34)	439	532	11,108
Other income (loss)	(294)	1,561	34,833	3,590
Total Net Revenues	3,027	18,224	60,442	57,910
Compensation	1,585	7,255	11,120	23,104
Selling, general and administrative	1,810	3,443	8,030	13,810
Referral Fees	—	1,270	—	1,270
Amortization and impairment charges	37	501	1,105	5,209
Other expenses	9	193	52	194
Total Expenses	3,441	12,662	20,307	43,587
Net Income (Loss) before income taxes	(414)	5,562	40,135	14,323
Adjusted base EBITDA	376	901	7,614 (1)	4,382 (1)
Total AUM	1,115,114	3,653,851	1,115,114	3,653,851

(1) Approximately 75% was generated by the Canadian diversified assets that were sold on August 1 (December 31, 2016 - 50%)

3 months ended

Adjusted base EBITDA in the quarter was $0.4 million, down $0.5 million from the prior period:

- Primarily due to lower Management fees as we exited this segment's Canadian diversified funds business in Q3. This more than offset lower Compensation accruals and SG&A that resulted from the sale.

Non-EBITDA highlights:

- Loss on proprietary investments related to the monetization of seed capital in certain fund holdings.

12 months ended

Adjusted base EBITDA was $7.6 million, up $3.2 million (74%) from the prior year:

- Primarily due to lower Compensation from reduced head count and increased equity grant forfeitures upon completion of the Sale Transaction in Q3, coupled with lower SG&A spend that more than offset lower management fee generation post Sale Transaction.

Non-EBITDA highlights:

- Gain on proprietary investments was due to the monetization of seed capital in funds sold pursuant to the Sale Transaction.
- Other income primarily related to the net sale proceeds received on the Sale Transaction. See Note 7 of the financial statements.

Global*

(In $ thousands)	3 months ended Dec. 31, 2017	3 months ended Dec. 31, 2016	12 months ended Dec. 31, 2017	12 months ended Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Management fees	1,804	1,904	7,097	7,527
less: Sub-advisor fees	46	46	183	176
Net Fees	1,758	1,858	6,914	7,351
Commissions	1,632	2,004	11,487	9,016
less: Commission expense	519	674	4,073	2,604
Net Commissions	1,113	1,330	7,414	6,412
Gains (losses) on proprietary investments	(242)	(594)	770	1,180
Gains (losses) on long-term investments [1]	199	—	199	—
Other income (loss)	54	145	863	369
Total Net Revenues	2,882	2,739	16,160	15,312
Compensation [2]	683	1,267	4,749	5,016
Placement and referral fees	39	37	157	240
Selling, general and administrative	1,120	1,052	4,430	4,436
Amortization and impairment charges	990	958	3,849	3,798
Other expenses	17	18	114	247
Total Expenses	2,849	3,332	13,299	13,737
Net Income (Loss) before income taxes	33	(593)	2,861	1,575
Adjusted base EBITDA	1,304	1,203	5,655	4,601
Total AUM	474,550	480,678	474,550	480,678

* This segment, along with our Lending and Consulting segments collectively make up our "Private Resource Investments" platform.

[1] See "Long-term investments" section of Note 2 of the annual financial statements.

[2] Compensation is presented excluding commission expense, which is reported net of commission revenue.

3 months ended

Adjusted base EBITDA in the quarter was $1.3 million, up $0.1 million (8%) from the prior period:

- Lower Compensation expense on lower AIP accruals more than offset slightly lower Net Commissions on decreased private placement activity in the U.S broker-dealer component of this segment and lower management fees on lower fixed-term LP AUM.

Non-EBITDA highlights:

- Losses on proprietary investments in the period were due to market value depreciation on resource-focused warrants and other equity kickers received in certain transactions of our U.S. broker-dealer.

12 months ended

Adjusted base EBITDA was $5.7 million, up $1.1 million (23%) from the prior year:

- Higher Net Commissions on increased private placement activity during the first half of the year in the U.S broker-dealer component of this segment, as well as lower AIP accruals at the end of the year, were the largest contributor to the increase in this segment.

Non-EBITDA highlights:

- Gains on proprietary investments were due to market value appreciation on resource focused warrants and other equity kickers received in certain transactions of our U.S. broker-dealer.

Lending*

	3 months ended		12 months ended	
(In $ thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Management fees	622	67	1,323	67
Interest income [1]	3,079	3,171	13,860	12,489
Gains (losses) on proprietary investments	(302)	(599)	(488)	7,106
Gains (losses) on long-term investments [2]	491	—	491	—
Other income (loss)	511	2,122	(4,150)	142
Total Revenues	4,401	4,761	11,036	19,804
Compensation [3]	2,855	753	4,947	3,196
Placement and referral fees	617	800	5,888	2,439
Selling, general and administrative	324	320	1,003	937
Loan loss provision (recovery)	—	(911)	(4,942)	(259)
Amortization and impairment charges	2	—	6	—
Total Expenses	3,798	962	6,902	6,313
Net Income (Loss) before income taxes	603	3,799	4,134	13,491
Adjusted base EBITDA	3,014	2,173	16,962	9,558
Total AUM [4]	252,151	49,214	252,151	49,214

* This segment, along with our Global and Consulting segments collectively make up our "Private Resource Investments" platform.

[1] Includes interest income from: (1) on-balance sheet loans; and (2) co-investment income from lending LP units.

[2] See "Long-term investments" section of Note 2 of the annual financial statements.

[3] Includes one-time severance accruals of $2.1 million for the 3 and 12 months ended December 31, 2017 (December 31, 2016 - $nil)

[4] The lending LPs have US$640 million in total firm commitments, US$196 million of which has been deployed and earn management fees.

3 months ended

Adjusted base EBITDA was $3.0 million, up $0.8 million (39%) from the prior period:

- Primarily the result of new Management fees earned as we deploy capital as fee generating AUM in our lending LPs. We also experienced NAV appreciation on our lending LP units held as co-investments alongside our lending LP clients.

Non-EBITDA highlights:

- Losses on proprietary investments were due to market value depreciation on certain resource focused equity kickers received on certain loan arrangements.
- Other income was mainly driven by lower FX gains on U.S. dollar denominated cash, receivables and loans.
- Placement fees of $0.6 million were incurred in the quarter to acquire clients for our lending LPs.

12 months ended

Adjusted base EBITDA was $17.0 million, up $7.4 million (77%) from the prior year:

- Primarily the result of new Management fees earned as we deploy capital as fee generating AUM in our lending LPs and generate co-investment income and NAV appreciation from our seed investment in lending LP units. We also benefited from the commencement of interest income recognition in Q1 of this year on a previously impaired loan as well as the reversal of the related loan loss provision. These increases were only partially offset by the rest of the loan book being in run-off as we continue to reduce the average loan balance on our balance sheet.

Non-EBITDA highlights:

- Losses on proprietary investments were due to market value depreciation on certain resource focused equity kickers received on certain loan arrangements.
- Other loss was mainly driven by FX losses on U.S. dollar denominated cash, receivables and loans.
- Placement fees of $5.9 million were incurred on a full year basis to acquire clients for our lending LPs.

Consulting*

	3 months ended		12 months ended	
(In $ thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Management fees	1,120	1,033	4,908	4,009
Gains (losses) on proprietary investments	4	—	352	—
Other income (loss)	679	236	2,039	1,708
Total Revenues	1,803	1,269	7,299	5,717
Compensation	1,030	738	3,805	2,513
Placement and referral fees	35	21	75	108
Selling, general and administrative	361	369	1,347	1,565
Amortization and impairment charges	5	15	28	50
Other expenses	1,257	448	2,509	2,214
Total Expenses	2,688	1,591	7,764	6,450
Net Income (Loss) before income taxes	(885)	(322)	(465)	(733)
Adjusted base EBITDA	(140)	(90)	167	(62)
Total AUM	847,500	652,600	847,500	652,600

* This segment, along with our Global and Lending segments collectively make up our "Private Resource Investments" platform.

3 and 12 months ended

Adjusted base EBITDA was negative $0.1 million in the quarter and was $0.2 million on a full year basis due primarily to improved Management fees on higher AUM, coupled with slightly lower SG&A expenses. This increase more than offset increased compensation expense resulting from upfront amortization expense on the new LTIP. LTIP amortization is recognized using the graded-vesting method under IFRS 2 which results in higher expense recognition in the early years of a stock-based compensation program and materially lower expense recognition in the latter years.

Non-EBITDA highlights:

Higher Other expenses were due to higher operating, depletion and impairment charges taken on the energy asset component of our proprietary investment holdings.

Merchant Banking and Advisory Services

Prior to fiscal 2017, the results of this operating segment were reported with the results of the Corporate segment. Given the increased materiality of this operating segment as a result of the new SCP business, it is now material enough to require separate presentation as its own reportable segment.

	3 months ended		12 months ended	
(In $ thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Commissions	5,118	955	17,321	4,819
less: Commission Expense	1,951	534	8,214	762
Net Commissions	3,167	421	9,107	4,057
Management fees	89	87	356	329
Interest income	509	424	1,733	1,673
Gains (losses) on proprietary investments	376	(247)	118	598
Other income (loss)	508	608	2,027	2,327
Total Net Revenues	4,649	1,293	13,341	8,984
Compensation [1]	2,011	852	4,977	3,272
Placement and referral fees	142	41	191	471
Selling, general and administrative	833	485	2,948	2,298
Amortization and impairment charges	4	3	19	14
Other expenses	21	—	137	150
Total Expenses	3,011	1,381	8,272	6,205
Net Income (Loss) before income taxes	1,638	(88)	5,069	2,777
Adjusted base EBITDA	1,434	163	5,699	2,425

[1] Compensation is presented excluding commission expense, which is reported net of commission revenue.

3 months ended

Adjusted base EBITDA in the quarter was $1.4 million, a $1.3 million increase from the prior period:

- Primarily the result of higher Net Commissions as SCP successfully completed the last quarter of a successful first year of operations. This more than offset the increase in Compensation expense on higher AIP payouts to SCP employees.

Non-EBITDA highlights:

- Gains on proprietary investments were the result of market value appreciation on certain resource-focused equity kickers earned on private placement transactions.

12 months ended

Adjusted base EBITDA was $5.7 million, more than doubling our prior year results:

- Primarily due to higher Net Commissions on placement and advisory activity as SCP successfully completed its first full year of operations. This more than offset higher Compensation expense on AIP payouts to SCP employees.

Non-EBITDA highlights:

- Gains on proprietary investments were the result of market value appreciation on certain resource-focused equity kickers earned on private placement transactions.

Corporate

This segment is primarily a cost centre that provides capital, balance sheet management and enterprise shared services to the Company's subsidiaries. In previous quarters, this segment's results were reported on a combined basis with that of our Merchant Banking & Advisory Services operating segment.

	3 months ended		12 months ended	
(In $ thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUMMARY INCOME STATEMENT				
Gains (losses) on proprietary investments	135	(7,029)	(6,473)	7,902
Gains (losses) on long-term investments [1]	2,949	—	2,949	—
Other income (loss)	(303)	668	(2,244)	(679)
Total Revenues	2,781	(6,361)	(5,768)	7,223
Compensation	3,103	2,340	8,409	7,717
Selling, general and administrative	725	742	3,308	3,597
Amortization and impairment charges	8	14	51	62
Other expenses	765	—	1,183	250
Total Expenses	4,601	3,096	12,951	11,626
Net Income (Loss) before income taxes	(1,820)	(9,457)	(18,719)	(4,403)
Adjusted base EBITDA	(840)	(2,563)	(8,188)	(8,705)

[1] See "Long-term investments" section of Note 2 of the annual financial statements.

3 and 12 months ended

- Gains on proprietary investments were nominal on a 3 months ended basis. Loss on proprietary investments for the 12 months ended was due to market value depreciation of specific resource-focused equity holdings.

- Gains on long-term investments were primarily due to the market value appreciation of a specific private holding, and to a lesser extent, a gain on a strategic public holding.

- Other loss was due to FX losses as the U.S dollar continued to weaken in the year. Other expenses related to non-recurring legal and other expenses incurred in the year.

- Compensation expense increased due to upfront equity amortization on the new LTIP. LTIP amortization is recognized using the graded-vesting method under IFRS 2 which results in higher expense recognition in the early years of a stock-based compensation program and materially lower expense recognition in the latter years.

Dividends

The following dividends were declared by the Company during the 12 months ended December 31, 2017:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount ($ in thousands)
March 10, 2017 - regular dividend Q4 - 2016	March 27, 2017	0.03	7,457
May 18, 2017 - regular dividend Q1 - 2017	June 2, 2017	0.03	7,457
August 21, 2017 - regular dividend Q2 - 2017	September 5, 2017	0.03	7,313
November 17, 2017 - regular dividend Q3 - 2017	December 4, 2017	0.03	7,313
Dividends [(1)]			29,540

[(1)] Subsequent to the year-end, on March 1, 2018, a regular dividend of $0.03 per common share was declared for the quarter ended December 31, 2018. This dividend is payable on March 27, 2018 to shareholders of record at the close of business on March 12, 2018.

Capital Stock

Including the 10.4 million unvested common shares currently held in the EPSP Trust (December 31, 2016 - 5.3 million), total capital stock issued and outstanding was 244.5 million (December 31, 2016 - 248.5 million). The decrease from December 31, 2016 was primarily due to the Company's participation in the secondary offering of Sprott Inc. in which we purchased 5 million shares from Mr. Eric Sprott for cancellation.

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 were $0.01 and $0.16 for the three and twelve months ended respectively compared to $0.00 and $0.13 in the respective prior periods. Diluted earnings per share were $0.01 and $0.15 for the three and twelve months ended respectively, compared to $0.00 and $0.13 in the respective prior periods. Diluted earnings per share reflects the dilutive effect of in-the-money stock options, shares held in the EPSP Trust for the equity incentive plan, estimated earn-out shares being accrued over the earn-out vesting period, and outstanding restricted stock units.

A total of 7.0 million stock options are outstanding pursuant to our stock option plan, of which 5.6 million are exercisable.

Liquidity and Capital Resources

Management fees and interest income can be projected and forecasted with a higher degree of certainty than performance fees and carried interests, and are therefore used as a base for budgeting and planning by the Company. Management fees and interest income are generally collected monthly or quarterly, which aids the Company's ability to manage cash flow. The Company believes that Management fees and Interest income will continue to be sufficient to satisfy ongoing operating needs, including expenditures on corporate infrastructure, business development and information systems. In addition, the Company holds sufficient cash and liquid securities to meet any other operating and capital requirements, if any, including its contractual commitments. The nature of the Company's operations ensures that the largest outflows, such as Trailer fees and monthly compensation, are correlated with cash inflows such as Management fees and Interest income.

As at December 31, 2017, the Company had an undrawn credit facility with a major Canadian chartered bank. Amounts may be borrowed under the facility through prime rate loans, or bankers' acceptances. Amounts may also be borrowed in U.S. dollars through base rate loans.

SPW and SAM are required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of the Investment Industry Regulatory Organization of Canada ("IIROC") and of the Ontario Securities Commission ("OSC"), respectively. In addition, Sprott Global Resource Investment Ltd. is registered with the Financial Industry Regulatory Authority ("FINRA") in the United States and is required to maintain a minimum amount of regulatory capital calculated in accordance with the rules of FINRA and the Securities Exchange Commission.

Commitments

Besides the Company's long-term lease agreements, there may be commitments to provide loans arising from the Lending segment of our Private Resource Investments platform or commitments to make investments in the proprietary investments portfolio of the Company. As at December 31, 2017, the Company had direct on-balance sheet loan commitments of $9.9 million arising from the Lending segment (December 31, 2016 - $Nil) and $7.8 million of co-investment commitments from the Lending segments (December 31, 2016 - $35.5 million).

Significant Accounting Judgments and Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. The Company based its assumptions and estimates on parameters available when the annual 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.

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment, however, finite life intangibles are only tested for impairment to the extent indications of impairment exist at time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates 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.

Impairment of energy sector assets

By their nature, estimates of discovered and probable energy reserves, as they pertain to royalties and working interests, including the estimates of future energy prices, costs, related future cash flows and the selection of a post-tax discount rate relevant to the assets in question are all subject to measurement uncertainty.

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. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments.

Share-based payments

The Company measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including (in the case of options grants) the expected life of the option, volatility, and dividend yields, (and in the case of performance-based equity grants), the probability of a subsidiary or executive attaining certain performance targets, the future stock price of the Company and the future employment of a senior employee.

Deferred tax assets

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

Provisions, including provisions for loan losses and debentures

Due to the nature of provisions (both specific and collective loan loss assessments), a considerable part of their determination is based on estimates and judgments, including assumptions concerning the likelihood of future events occurring. The actual outcome of these uncertain events may be materially different from the initial provision in the Company's financial statements. Management exercises judgment to determine whether indicators of loan or debenture impairment exist (on either a specific or collective basis), and if so, management must estimate the timing and amount of future cash flows from loans receivable and debentures.

Investments in other entities

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

Managing Risk: Financial

Market risk

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

Price risk

Price risk arises from the possibility that changes in the price of the Company's proprietary investments will result in changes in carrying value or recoverable amounts. The Company's revenues are also exposed to price risk since management fees, performance fees and carried interests 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. Commodity price risk refers to uncertainty of future market values caused by fluctuation in the price of a commodity. The Company may, from time to time: (i) hold certain investments linked to the market prices of precious metals or energy assets; and (ii) enter into certain precious metal loans, where loan repayments are notionally tied to a specific commodity spot price.

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.

Foreign currency risk

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

Credit risk

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

Loans receivable

The Company incurs credit risk primarily in the loan portfolio of Sprott Resource Lending Corporation ("SRLC"). In addition to the relative default probability of SRLC borrowers, credit risk is also dependent on loss given default, which can increase credit risk if the values of the underlying assets securing the Company's loans decline to levels approaching or below the loan amounts. A decrease in commodity prices may delay the development of the underlying security or business plans of the borrower and could adversely affect the value of the Company's security against a resource loan or resource debenture. Additionally, the value of the Company's underlying security in a resource loan or resource debenture can be negatively affected if the actual amount or quality of the commodity proves to be less than originally estimated, or the ability to extract the commodity proves to be more difficult or more costly than originally estimated. During the resource loan and resource debenture origination process, management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately mitigated.

Collectability of loans

Besides the above noted measures we take to manage credit risk, the Company will report on credit risk in the notes to the annual financial statements and records loan loss provisions (both specific and general) to ensure the loans are recorded at their estimated recoverable amount (i.e. net of impairment risk we believe to exist as at the balance sheet date and in accordance with IFRS). Actual losses incurred in the loan portfolio could differ materially from our provisions.

Proprietary investments

The Company incurs credit risk when entering into, settling and financing various proprietary transactions.

Other

The majority of accounts receivable relate to management 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 committed line of credit with its primary lender. As part of its cash management program, the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months.

The Company's exposure to liquidity risk as it relates to loans receivable arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The Company manages its loan commitment liquidity risk through the ongoing monitoring of scheduled loan fundings and repayments and through its broader treasury risk management program.

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

The Company's management team is responsible for reviewing resources to ensure funds are readily available to meet its financial obligations (e.g. dividend payments) as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis and through its broader treasury risk management program. To meet any liquidity shortfalls, actions taken by the Company could include: syndicating a portion of its loans; slowing its lending activities; cutting its dividend; drawing on available loan facilities; liquidating proprietary investments; and/or issuing common shares.

Concentration risk

A significant portion of the Company's AUM as well as its proprietary investments and loans are focused on the natural resource sector. In addition, from time-to-time, certain proprietary and loan positions may be concentrated to a material degree in a single position or group of positions.

Disclosure Controls and Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR")

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

Consistent with *National Instrument 52-109*, the Company's CEO and CFO evaluate quarterly the DC&P and ICFR. As at December 31, 2017, the Company's CEO and CFO concluded that the Company's DC&P and ICFR were properly designed and were operating effectively. In addition, there were no material changes to ICFR during the quarter.

Managing Risk: Non-financial

Managing Risk: Non-financial

Confidentiality of Information

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

Conflicts of Interest

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

Independent Review Committee

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

Insurance

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

Internal Controls and Procedures

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

Consolidated Financial Statements

Year ended December 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, which consolidate the financial results of Sprott Inc. (the "Company"), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2017. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

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

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

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

Peter Grosskopf
Chief Executive Officer

Kevin Hibbert, CPA, CA
Chief Financial Officer and Senior Managing Director

March 1, 2018

Independent auditors' Report

To the Shareholders of Sprott Inc.

We have audited the accompanying consolidated financial statements of Sprott Inc., which comprise the consolidated balance sheets as at December 31, 2017 and 2016, the consolidated statements of operation and comprehensive income (loss), changes in shareholder's equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sprott Inc. as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

March 1, 2018
Toronto, Canada

CONSOLIDATED BALANCE SHEETS

As at *(In $ thousands of Canadian dollars)*		Dec. 31 2017	Dec. 31 2016
Assets			
Current			
Cash and cash equivalents		156,120	123,955
Fees receivable		13,776	26,070
Loans receivable	*(Note 6)*	17,218	11,631
Proprietary investments	*(Note 3)*	64,564	147,545
Other assets	*(Note 7)*	23,161	9,893
Income taxes recoverable		1,356	1,511
Total current assets		276,195	320,605
Loans receivable	*(Note 6)*	31,455	56,047
Long-term investments	*(Note 3)*	49,763	—
Other assets	*(Note 7)*	1,448	2,957
Property and equipment, net		5,299	6,311
Intangible assets	*(Note 5)*	16,452	23,059
Goodwill	*(Note 5)*	24,023	25,710
Deferred income taxes	*(Note 9)*	5,214	5,335
		133,654	119,419
Total assets		409,849	440,024
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		15,812	24,491
Compensation payable		10,667	13,258
Obligations related to securities sold short	*(Note 3)*	24,993	29,810
Note Payable	*(Note 11)*	9,900	—
Income taxes payable		3,179	8,480
Total current liabilities		64,551	76,039
Deferred income taxes	*(Note 9)*	1,434	3,671
Total liabilities		65,985	79,710
Shareholders' equity			
Capital stock	*(Note 8)*	392,556	411,231
Contributed surplus	*(Note 8)*	39,907	41,802
Deficit		(118,272)	(126,264)
Accumulated other comprehensive income		29,673	33,545
Total shareholders' equity		343,864	360,314
Total liabilities and shareholders' equity		409,849	440,024
Commitments and provisions	*(Note 15)*		

The accompanying notes form part of the financial statements

"Jack C. Lee"
Director

"James Roddy"
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(In $ thousands of Canadian dollars, except for per share amounts)		*For the years ended* Dec. 31 2017	Dec. 31 2016
Revenues			
Management fees		64,981	84,320
Performance fees		4,676	21,407
Commissions		29,190	13,835
Interest income		15,593	14,162
Gains (losses) on proprietary investments		(5,189)	27,894
Gains (losses) on long-term investments		3,639	—
Other income	*(Note 7)*	31,321	5,569
Total revenue		144,211	167,187
Expenses			
Compensation		49,566	49,174
Stock-based compensation	*(Note 8)*	6,692	6,387
Trailer fees		6,548	12,618
Sub-advisor fees		2,610	13,891
Placement and referral fees		6,311	4,528
Loan loss provisions (recoveries)	*(Note 6)*	(4,942)	(259)
Selling, general and administrative		23,698	29,485
Amortization of intangibles	*(Note 5)*	5,600	6,501
Impairment of intangibles	*(Note 5)*	—	3,006
Amortization of property and equipment		827	920
Other expenses	*(Note 7)*	3,995	3,093
Total expenses		100,905	129,344
Income before income taxes for the year		43,306	37,843
Provision for income taxes	*(Note 9)*	5,774	6,305
Net income for the period		37,532	31,538
Basic and diluted earnings per share	*(Note 8)*	$ 0.16	$ 0.13

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In $ thousands of Canadian dollars)	*For the years ended* Dec. 31 2017	Dec. 31 2016
Net income for the year	37,532	31,538
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain (loss) on foreign operations (taxes of $Nil)	(3,872)	(1,660)
Total other comprehensive income (loss)	(3,872)	(1,660)
Comprehensive income	33,660	29,878

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In $ thousands of Canadian dollars, other than number of shares)		Number of Shares Outstanding	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
At Dec. 31, 2016		243,190,293	411,231	41,802	(126,264)	33,545	360,314
Shares acquired for equity incentive plan	*(Note 8)*	(8,100,000)	(17,882)	—	—	—	(17,882)
Shares released on vesting of equity incentive plan	*(Note 8)*	3,021,795	7,938	(7,938)	—	—	—
Foreign currency translation loss on foreign operations		—	—	—	—	(3,872)	(3,872)
Cancellation of repurchased shares	*(Note 8)*	(5,000,000)	(11,000)	—	—	—	(11,000)
Stock-based compensation	*(Note 8)*	—	—	6,692	—	—	6,692
Issuance of share capital on conversion of RSUs and other share based considerations	*(Note 8)*	755,413	1,728	(649)	—	—	1,079
Dividends declared	*(Note 12)*	231,133	541	—	(29,540)	—	(28,999)
Net income		—	—	—	37,532	—	37,532
Balance, Dec. 31, 2017		234,098,634	392,556	39,907	(118,272)	29,673	343,864
At Dec. 31, 2015		243,996,605	412,344	38,749	(128,056)	35,205	358,242
Shares acquired for equity incentive plan		(1,850,000)	(4,473)	—	—	—	(4,473)
Shares released on vesting of equity incentive plan		1,033,426	3,334	(3,334)	—	—	—
Foreign currency translation loss on foreign operations		—	—	—	—	(1,660)	(1,660)
Stock-based compensation		—	—	6,387	—	—	6,387
Dividends declared		10,262	26	—	(29,746)	—	(29,720)
Net income		—	—	—	31,538	—	31,538
Balance, Dec. 31, 2016		243,190,293	411,231	41,802	(126,264)	33,545	360,314

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In $ thousands of Canadian dollars, other than number of shares)	*For the years ended* Dec. 31 2017	Dec. 31 2016
Operating Activities		
Net income for the period	37,532	31,538
Add (deduct) non-cash items:		
Losses (gains) on proprietary investments	5,189	(27,894)
Losses (gains) on Long-term investments	(3,639)	—
Stock-based compensation	6,692	6,387
Amortization of property, equipment and intangible assets	6,427	7,421
Sale of property, equipment and intangible assets	2,063	—
Impairment of intangible assets	—	3,006
Loan loss provisions (recoveries)	(4,942)	(259)
Deferred income tax recovery	(2,055)	(6,629)
Current income tax expense	7,829	12,934
Other items	(3,028)	(5,606)
Income taxes paid	(13,140)	(6,077)
Changes in:		
Fees receivable	12,294	(12,596)
Loans receivable	23,943	33,574
Accounts payable, accrued liabilities and compensation payable	(11,251)	11,606
Other assets	(11,760)	10,322
Cash provided by operating activities	52,154	57,727
Investing Activities		
Purchase of investments	(61,282)	(111,448)
Sale of investments	90,033	123,564
Purchase of property and equipment	(860)	(915)
Deferred sales commissions paid	(165)	(686)
Purchase of intangible assets	—	(17,203)
Cash provided by (used in) investing activities	27,726	(6,688)
Financing Activities		
Acquisition of common shares for equity incentive plan	(7,982)	(4,473)
Acquisition of common shares for cancellation	(11,000)	—
Dividends paid	(28,999)	(29,720)
Cash used in financing activities	(47,981)	(34,193)
Effect of foreign exchange on cash balances	266	(513)
Net increase in cash and cash equivalents during the year	32,165	16,333
Cash and cash equivalents, beginning of the year	123,955	107,622
Cash and cash equivalents, end of the period	156,120	123,955
Cash and cash equivalents:		
Cash	156,108	116,695
Short-term deposits	12	7,260
	156,120	123,955
Supplementary disclosure of cash flow information		
Amount of interest received during the year	5,442	5,398

The accompanying notes form part of the financial statements

1. CORPORATE INFORMATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These annual audited consolidated financial statements for the years ended December 31, 2017 and 2016 ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

They have been authorized for issue by a resolution of the Board of Directors of the Company on March 1, 2018 and include all subsequent events up to that date.

Basis of presentation

These financial statements have been prepared on a going concern basis and on a historical cost basis, except for financial assets and financial liabilities classified as held-for-trading ("HFT"), designated as fair value through profit or loss ("FVTPL"), or available-for-sale ("AFS"), all of which have been measured at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000), except when indicated otherwise.

Principles of consolidation

These 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's and are based on accounting policies consistent with that of the Company.

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

The Company currently controls the following principal subsidiaries:

- Sprott Asset Management LP ("SAM");
- Sprott Private Wealth LP ("SPW");
- Sprott Consulting LP ("SC");
- Sprott Asia LP ("Sprott Asia") and Sprott Korea Corporation ("Sprott Korea");
- Sprott U.S. Holdings Inc. ("SUSHI"), parent of: (i) Rule Investments Inc. ("RII") (ii) Sprott Global Resource Investments Ltd. ("SGRIL"); (iii) Sprott Asset Management USA Inc. ("SAM US"); and (iv) Resource Capital Investment Corporation ("RCIC"). Collectively, the interests of SUSHI are referred to as "Global" in these financial statements;
- Sprott Resource Lending Corp. ("SRLC");
- Toscana Energy Corporation ("TEC") and Sprott Energy Holdco. (Collectively, "Sprott Toscana");
- Sprott Genpar Ltd.; and
- Sprott Inc. 2011 Employee Profit Sharing Plan Trust (the "Trust").

Recognition of income

Management fees are recognized on an accrual basis over the period during which the related services are rendered and are collected monthly, quarterly or annually.

Performance fee revenue is recognized when earned, according to agreements in the underlying funds, managed accounts and managed companies which is predominantly on the last day of the fiscal year. Fees arising from carried interest entitlements, and presented as performance fees, are recorded on an accrual basis when earned, which follows the expiry of any claw-back periods.

Trailer fee income and commission income are recognized on an accrual basis over the period during which the related service is rendered.

Interest income is recognized on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated rate in the loan or debenture documents. The effective interest rate is the rate required to discount the future value of all loan or debenture cash flows to their present value and is adjusted for the receipt of cash and non-cash items in connection with the loan.

Cash and cash equivalents

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

Proprietary investments

Proprietary investments are investments held with the primary intention of short-term liquidity and capital management.

Long-term investments

During 2017, we took steps to reposition our business and increase our focus on precious metals and real assets investments. As part of this strategic change, the Company engaged in a comprehensive review of its key investment holdings to determine whether the intentions around these holdings remain unchanged. It was concluded that some of the investments previously considered proprietary in nature will now be held for more than a year for strategic purposes rather than for short-term liquidity and capital management purposes. Consequently, these positions have been prospectively classified as non-current assets. The new long-term investments classification reflects strategic positions held with the intention of seeding and building the next generation of investment products and services consistent with the long-term strategic objectives of the Company. These investments primarily include co-investments in strategically important investment funds, joint-venture interests or equity stakes in other entities.

Valuation of Investments

Both Proprietary investments and Long-term investments include public equities, share purchase warrants, fixed income securities, mutual fund and alternative investment strategies, and private holdings. Public equities, share purchase warrants and fixed income securities are measured at fair value and are accounted for on a trade-date basis. Mutual fund and alternative investment strategy investments which are valued using the net asset value per unit of the fund, which represents the underlying net assets at fair values determined using closing market prices. These investments are generally made in the process of launching a new fund and are redeemed (if open-end) or sold (if closed-end) as third party investors subscribe. The balance represents the Company's maximum exposure to loss associated with the investments. Private holdings include the following:

Private company investments

Private company investments are classified as HFT and carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the private companies, which may include operating results, subsequent rounds of financing and other appropriate information. Any change in fair value is recognized on the consolidated statements of operations.

Energy sector investments

The Company has investments in gross overriding royalties and working interest properties. Interests in gross overriding royalties are accounted for as AFS investments, and thus, are fair valued through other comprehensive income, which is based on estimated future cash flows and expected return from future royalty payments. Working interest properties are accounted for in accordance with IAS 16 Property, Plant and Equipment. The initial cost of working interest assets consist of purchase price or construction costs, any costs directly attributable to bringing the asset into operation, including directly attributable general and administrative expenses, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs. All of these costs are initially capitalized as part of proprietary investments on the Company's balance sheets and are net of accumulated depletion and impairment charges, if any. When a development project moves into the production stage, the capitalization of certain construction/development costs ceases and costs are regarded as part of inventory or expensed, except for costs that qualify for capitalization relating to energy property asset additions, improvements, or new developments. Working interests at the development and production stage are depleted on a units-of-production basis over total proved developed and undeveloped energy reserves, as appropriate. The Company does not have oil and gas working interests in the exploration and evaluation stage.

Loans receivable

Precious metal loans

Precious metal loans are initially measured at fair value. After initial measurement, precious metal loans are designated as FVTPL or classified as Held to Maturity ("HTM"). All funds advanced to a borrower are first allocated to the value of any shares, warrants, commitment fees, etc. and are recognized as part of proprietary investments on the Company's balance sheet. The remaining funds are recognized as loan principal on the balance sheet. At each reporting period, precious metal loans designated as FVTPL are fair valued using published futures contract prices for precious metals and discount rates to reflect the time value of money. Discount rates are reviewed at each reporting period and adjusted as necessary for changes in credit risk of the borrower, or for changes in relevant market conditions. To assess market changes, the Company reviews yields to maturity for a group of comparable loans or borrowings trading in the market based on similar characteristics such as term to maturity, security rankings and business risks.

Resource loans

Resource loans and debentures are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value. After initial measurement, they are subsequently measured at amortized cost using the effective interest method, less impairment, if any.

Fees received for originating loans are considered an integral part of the yield earned on the loan and are recognized in interest income over the term of the loan using the effective interest method. Fees received may include cash payments and/or securities in the borrower.

Impairment of resource loans - Specific loan loss provisions and impairment charges

Loans invested in by the Company are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan or debenture, the estimated future cash flows have been affected.

At each reporting date, management assesses whether there are indicators that specific loan loss provisions are required based on factors that may include economic and market trends, the impairment status of loans or debentures, the quoted credit rating of the borrower, market value of the asset, and appraisals, if any, of the security underlying the loan or debenture. If these factors indicate that the carrying value may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value with the discounted present values of estimated future cash flows which are discounted using the original effective interest rate on the loan. To the extent that discounted estimated future cash flows are less than the carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income for which a specific loan loss provision exists, is calculated at the discount rate used in determining the provision, which may differ from the contractual rate of interest.

Should the cash flow assumptions used to determine the original specific loan loss provision or impairment charge change, the specific loan loss provision or impairment charge may be reversed. A specific loan loss provision is reversed only to the extent that the revised carrying value does not exceed its amortized cost that would have been recorded had no specific loan loss provision been recognized.

Impairment of resource loans - Collective loan loss assessments

Resource loans which are individually assessed and not determined to be impaired are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, resource loans are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors, as necessary.

The collective impairment allowance is determined by reviewing factors including, but not limited to: (1) historical loss experience, which takes into consideration historical probabilities of default and loss given default, in portfolios of similar credit risk characteristics; and (2) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the balance sheet date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Future cash flows for a group of loans are collectively evaluated for impairment on the basis of the contractual cash flows of the resource loans in the group and historical loss experience for resource loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on the current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based. Collectively-assessed impairment losses reduce the carrying amount of the aggregated resource loan position through an allowance account and the amount of the loss is recognized in the Loan loss provision line of the consolidated statements of operations.

Financial instruments

Financial instrument assets held by the Company are classified as HFT, designated as FVTPL, AFS, HTM or as loans and receivables. Financial instrument liabilities may be classified as either HFT or other. All financial instruments held by the Company are initially measured at fair value. After initial recognition, financial instruments classified as HFT, AFS or those designated as FVTPL are measured at fair value using quoted market prices in active markets where available or through the use of valuation techniques as appropriate. Precious metal loans are designated as FVTPL or classified as HTM. Changes in fair value of the Company's financial instruments are reflected in net income, with the exception of: (i) financial

instruments classified as HTM, loans and receivables and other financial liabilities, which are all measured at amortized cost using the effective interest rate method; and (ii) AFS investments that have their changes in fair value recorded in other comprehensive income. Transaction costs related to financial assets classified as HFT or designated as FVTPL are expensed as incurred.

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets classified as loans and receivables, AFS or HTM, is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets and it can be reliably estimated.

Financial instruments included in the Company's accounts have the following classifications:

- Cash and cash equivalents are classified as HFT;
- Fees receivable, proceeds receivable (part of other assets) and loans receivable (other than precious metal loans) are classified as loans and receivables;
- Precious metal loans are designated as FVTPL or classified as HTM;
- Proprietary investments and Strategic Long-Term Investments in financial instruments are classified as follows: (i) public equities and share purchase warrants are classified as HFT; (ii) mutual funds and alternative investment strategies are classified as HFT; (iii) fixed income securities are classified as HFT; (iv) private holdings are classified as HFT or AFS; and
- Accounts payable and accrued liabilities, loan payable and compensation payable are classified as other financial liabilities.

Fair value option

A financial instrument can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term. An instrument that is designated as FVTPL must have a reliably measurable fair value and satisfy one of the following criteria: (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing gains and losses on them on a different basis; (ii) it belongs to a group of financial assets or financial liabilities or both that are managed, evaluated, and reported to senior management on a fair value basis in accordance with the Company's documented investment or risk management strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or (iii) there is an embedded derivative in the financial or non-financial host contract and the embedded derivative can significantly modify the cash flows required under the contract. Financial instruments designated as FVTPL are recorded at fair value with any gain or loss being included with gains (losses) on proprietary investments. These financial instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Fair value hierarchy

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

Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means; and

Level 3: valuation techniques with significant unobservable market inputs.

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

Available-for-sale investments

AFS investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in other comprehensive income. When an AFS investment is sold, the cumulative gain or loss recorded in other comprehensive income is recycled into net income. At each reporting date, and more frequently when conditions warrant, the Company evaluates AFS investments to determine whether there is any objective evidence of impairment. If an AFS investment is impaired, the cumulative unrealized loss previously recognized in other comprehensive income is removed from equity and recognized in net income. Subsequent to impairment, further declines in fair value are recorded in net income, while increases in fair value are recognized in other comprehensive income until the AFS investment is sold.

Offsetting of financial instruments

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

Property and equipment

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

Deferred sales commissions

Sales commissions paid on the sale of mutual fund securities are recorded at cost and amortized on a straight-line basis over a maximum of three years. When redemptions occur, the actual investment period is shorter than expected, and the unamortized deferred sales commission related to the original investment in the funds is charged to net income and included in the amortization of deferred sales commissions.

Intangible assets

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment indicators at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. Intangible assets with finite lives are only tested for impairment if indicators of impairment exist at the time of an impairment assessment. The amortization period and the amortization

method for an intangible asset with a finite useful life is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense and any impairment losses on intangible assets with finite lives are recognized in the consolidated statements of operations.

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

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

Business combinations and goodwill

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

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

Discontinued Operations

Revenues and expenses from discontinued operations, as well as non-current assets held for sale, are reported separately on the consolidated statements of operations and consolidated statements of financial position respectively, once the sale of a business segment comprising distinct operations is considered highly probable. A business segment is considered to have distinct operations if the related cash flows have the same level of granularity as a Cash Generating Unit (“CGU”).

Given that the sale of the Canadian diversified funds business and non-core private wealth client business (collectively, "the Sale Transaction") comprised only a portion of the previous SAM CGU and SPW CGU respectively, the operations of that business do not qualify for discontinued operations accounting. Consequently, revenues and expenses generated after the sale became highly probable were not presented as discontinued on the consolidated statements of operations, and the non-current assets that were sold was not reclassified as held for sale on the statements of financial position.

Income taxes

Income tax is comprised of current and deferred tax.

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

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

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

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

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

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

Share-based payments

The Company uses the fair value method to account for equity settled share-based payments with employees and directors. Compensation expense is determined using the Black‑Scholes option valuation model for stock options. Compensation expense for the share incentive program is determined based on the fair value of the benefit conferred on the employee. Compensation expense for deferred stock units ("DSU") is determined based on the value of the Company's common shares at the time of grant. Compensation expense for earn-out shares is determined using appropriate valuation models. Compensation expense for the Trust is determined based on the value of the Company's common shares purchased by the Trust as of the grant date. Compensation expense is recognized over the vesting period with a corresponding increase to contributed surplus other than for the Company's DSUs where the corresponding increase is to liabilities. Stock options and common shares held by the Trust vest in installments which require a graded vesting methodology to account for these share-based awards. On the exercise of stock options for shares, the contributed surplus previously recorded with respect to the exercised options and the consideration paid is credited to capital stock. On the issuance of the earn-out shares, the contributed surplus previously recorded with respect to the issued earn-out shares is credited

to capital stock. On the vesting of common shares in the Trust, the contributed surplus previously recorded is credited to capital stock. On the exercise of DSUs, the liability previously recorded is credited to cash.

Earnings per share

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

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

Foreign currency translation

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

Segment reporting

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

Significant accounting judgments and estimates

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

Impairment of goodwill and intangible assets

All indefinite life intangible assets and goodwill are assessed for impairment, however, finite life intangibles are only tested for impairment to the extent indications of impairment exist at time of a quarterly assessment. In the case of goodwill and indefinite life intangibles, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates 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.

Impairment of energy sector assets

By their nature, estimates of discovered and probable energy reserves, as they pertain to royalties and working interests, including the estimates of future energy prices, costs, related future cash flows and the selection of a post-tax discount rate relevant to the assets in question are all subject to measurement uncertainty.

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. The use of unobservable inputs can involve significant judgment and materially affect the reported fair value of financial instruments.

Share-based payments

The Company measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including (in the case of options grants) the expected life of the option, volatility, and dividend yields, (and in the case of performance-based equity grants), the probability of a subsidiary or executive attaining certain performance targets, the future stock price of the Company and the future employment of senior employees.

Deferred tax assets

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

Provisions, including provisions for loan losses and debentures

Due to the nature of provisions (both specific and collective loan loss assessments), a considerable part of their determination is based on estimates and judgments, including assumptions concerning the likelihood of future events occurring. The actual outcome of these uncertain events may be materially different from provisions recorded on the Company's financial statements. With regard to loan loss provisions and debenture impairments, management exercises judgment to determine whether indicators of loan or debenture impairment exist (on either a specific or collective basis), and if so, management must estimate the timing and amount of future cash flows from loans receivable and debentures.

Investments in other entities

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

Future Accounting Standards

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 requires, among other things, financial instrument classification and related measurement practices to be based primarily on an entity's "business model objectives" when managing those financial assets and on the characteristics of their contractual cash flows. The standard also introduces a new "expected loss" impairment model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Based on current estimates, the adoption of IFRS 9 is not expected to have a material impact to our consolidated financial statements, aside from enhanced disclosure requirements. We continue to monitor and refine certain elements of IFRS 9 in advance of Q1 2018 reporting.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 establishes, among other things, a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Additionally, IFRS 15 requires the recognition of performance fees and carried interest after they are earned and any applicable claw-back period has expired. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

Based on current estimates, the adoption of IFRS 15 is not expected to have a material impact to our consolidated financial statements, aside from enhanced disclosure requirements. We continue to monitor and refine certain elements of our approach over IFRS 15 in advance of Q1 2018 reporting.

IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued by IASB in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 establishes principals for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model that requires, generally speaking, the recognition of most lease assets on the balance sheet as opposed to off-balance sheet in the financial statement notes.

Based on current estimates, the adoption of IFRS 16 is not expected to have a material impact to our consolidated financial statements.

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

Proprietary investments and Obligations related to securities sold short

Proprietary investments and obligations related to securities sold short consist of the following (in thousands $):

	Dec. 31, 2017	Dec. 31, 2016
Public equities and share purchase warrants	43,446	42,067
Mutual funds and alternative investment strategies	12,132	83,327
Fixed income securities	249	2,802
Private holdings*	8,737	19,349
Total proprietary investments	64,564	147,545
Obligations related to securities sold short**	24,993	29,810

* Private holdings consist of the following investments: (1) private company investments classified as HFT and AFS. HFT investments have their changes in fair value recorded in the consolidated statements of operations. AFS investments have their changes in fair value recorded as part of the consolidated statements of comprehensive income until such time the asset is either disposed of, or is assessed as being impaired; (2) energy royalties of $2.1 million (December 31, 2016 - $2.6 million) which are based on the estimated future cash flows and expected return from future royalty payments; and (3) working interests in energy properties of $2.4 million (December 31, 2016 - $4.0 million) which are recorded at cost, net of depletion and/or impairment charges. As at December 31, 2017, the Company assessed the carrying amount of its working interest in energy properties and its energy royalties by considering changes in future prices, future costs and reserves and identified an impairment of $0.9 million (December 31, 2016 - $nil)

** The Company may employ market-neutral investment strategies that involve an investment in our funds or other publicly listed entities and related securities short sales to hedge market risk. Currently, these strategies have employed $26.7 million (December 31, 2016 - $29.7 million) of long positions in investment strategies and $25.0 million (December 31, 2016 - $29.8 million) of short positions.

Long-term investments

Long-term investments consists of the following (in thousands $):

	Dec. 31, 2017	Dec. 31, 2016
Public equities and share purchase warrants	1,639	—
Mutual funds and alternative investment strategies	35,972	—
Private holdings*	12,152	—
Total long-term investments	49,763	—

* Private holdings consists of private company investments classified as HFT which have their changes in fair value recorded in the consolidated statements of operations.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following ($ in thousands):

	Artwork	Furniture and fixtures	Computer hardware and software	Leasehold improvements	Total
Cost					
At December 31, 2015	2,045	3,296	2,412	8,415	16,168
Additions	577	5	253	80	915
Net exchange differences	—	(46)	(13)	(16)	(75)
December 31, 2016	2,622	3,255	2,652	8,479	17,008
Disposal on Sale Transaction		(82)	(462)	(4,532)	(5,076)
Additions	374	10	465	11	860
Net exchange differences	—	(35)	(36)	(19)	(90)
December 31, 2017	2,996	3,148	2,619	3,939	12,702
Accumulated amortization					
At December 31, 2015	—	(2,974)	(2,288)	(4,562)	(9,824)
Charge for the year	—	(129)	(153)	(638)	(920)
Net exchange differences	—	19	24	4	47
December 31, 2016	—	(3,084)	(2,417)	(5,196)	(10,697)
Disposal on Sale Transaction	—	30	86	3,925	4,041
Charge for the year	—	(60)	(266)	(501)	(827)
Net exchange differences	—	37	33	10	80
December 31, 2017	—	(3,077)	(2,564)	(1,762)	(7,403)
Net book value at:					
December 31, 2016	2,622	171	235	3,283	6,311
December 31, 2017	2,996	71	55	2,177	5,299

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following (In $ thousands):

	Goodwill	Fund management contracts - indefinite life	Fund management contracts - finite life	Carried interests	Deferred sales commissions	Total
Cost						
At Dec. 31, 2015	182,819	13,858	31,505	45,613	9,485	283,280
Net additions and (disposals)	—	—	17,203	—	686	17,889
Transfers	—	(1,510)	1,510	—	—	—
Net exchange differences	(5,070)	—	(847)	(1,355)	—	(7,272)
At Dec. 31, 2016	177,749	12,348	49,371	44,258	10,171	293,897
Net additions and (disposals)	—	—	—	—	(10,171)	(10,171)
Net exchange differences	(10,867)	—	(1,955)	(3,127)	—	(15,949)
At Dec. 31, 2017	166,882	12,348	47,416	41,131	—	267,777
Accumulated amortization and impairment losses						
At Dec. 31, 2015	(156,321)	(9,342)	(23,409)	(45,613)	(7,129)	(241,814)
Amortization charge for the year	—	—	(4,941)	—	(1,560)	(6,501)
Net impairment charge for the year	—	(3,006)	—	—	—	(3,006)
Net exchange differences	4,282	—	556	1,355	—	6,193
At Dec. 31, 2016	(152,039)	(12,348)	(27,794)	(44,258)	(8,689)	(245,128)
Amortization charge for the period	—	—	(4,980)	—	(620)	(5,600)
Disposal of intangible assets	—	—	—	—	9,309	9,309
Net exchange differences	9,180	—	1,810	3,127	—	14,117
At Dec. 31, 2017	(142,859)	(12,348)	(30,964)	(41,131)	—	(227,302)
Net book value at:						
Dec. 31, 2016	25,710	—	21,577	—	1,482	48,769
Dec. 31, 2017	24,023	—	16,452	—	—	40,475

Impairment assessment of goodwill

During the year, the Company completed it strategic review and reorganization of the business which, in part, culminated in the sale of non-core assets that formed a material portion of one of its former CGUs. This fundamentally changed how the business is managed, viewed internally and reported externally, thereby requiring a change in the reporting of our CGUs.

Previously, the Company reported six CGUs for Goodwill impairment assessment and testing purposes:

- SAM
- Global
- Lending
- Corporate
- Consulting
- SPW

After the sale, the Company reorganized its CGUs as follows:

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

As at December 31, 2017, the Company had allocated $24.0 million (December 31, 2016 - $25.7 million) of goodwill on a relative value approach basis to the Exchange Listed Products and Alternative Asset Management 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. During the impairment testing process, there were no indicators of impairment in either the Exchange Listed Products CGU or the Alternative Asset Management CGU.

Impairment assessment of finite life fund management contracts

As at December 31, 2017, the Company had fixed-term limited partnerships within the Global CGU of $0.4 million (December 31, 2016 - $2.9 million) and exchange listed funds within the Exchange Listed Products CGU of $16.1 million (December 31, 2016 - $18.7 million). There were no indicators of impairment as at December 31, 2017.

Impairment assessment of deferred sales commissions

As part of the Sale Transaction, the Company sold $0.9 million of deferred sales commissions. As a result, as at December 31, 2017, the Company had no deferred sales commissions (December 31, 2016 - $1.5 million).

6. LOANS RECEIVABLE

Components of loans receivable

Loans are reported at their amortized cost using the effective interest method. Loans are reported net of any general or specific loan loss provisions on the Loan loss provisions line of the consolidated statements of operations. Total carrying value consists of the following (In thousands $):

	Dec. 31, 2017	Dec. 31, 2016
Loans		
Loan principal	53,272	78,814
Accrued interest	252	86
Deferred revenue	(4,851)	(6,229)
Amortized cost, before loan loss provisions	48,673	72,671
Loan loss provisions	—	(4,993)
Total carrying value of loans receivable	48,673	67,678
Less: current portion	(17,218)	(11,631)
Total carrying value of non-current loans receivable	31,455	56,047

Impaired loans and loan loss provisions

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

As at December 31, 2017, the Company performed a comprehensive review of each loan measured at amortized cost in its portfolio to determine the requirement for specific loan loss provisions. There were no credit events in the year. For the year ended December 31, 2017, the Company reversed a $5.0 million specific loan loss provision.

Interest income on impaired loans and the changes in loan loss provision are as follows (In thousands $):

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Interest on impaired loans	—	941
Loan loss provisions		
Balance, beginning of the year	4,993	9,217
Write-off of resource loans	—	(3,866)
General loan loss provision	—	(1,200)
Specific loan loss provision (recovery) on resource loan	(4,942)	941
Net exchange differences	(51)	(99)
Balance, end of period	—	4,993

Sector distribution of loan principal

The following table summarizes the distribution of all of the Company's outstanding loan principal balances by sector:

	Dec. 31, 2017		Dec. 31, 2016	
	Number of Loans	(in $ thousands)	Number of Loans	(in $ thousands)
Metals and mining	2	13,384	5	38,514
Energy and other	5	39,888	4	40,300
Total loan principal	7	53,272	9	78,814

Geographic distribution of loan principal

The following table summarizes the distribution of all of the Company's outstanding loan principal balances by geographic location of the underlying security:

	Dec. 31, 2017		Dec. 31, 2016	
	Number of Loans	(in $ thousands)	Number of Loans	($ in thousands)
Canada	2	8,578	2	24,765
United States of America	3	31,310	2	32,446
Chile	—	—	1	4,363
Brazil	—	—	1	964
Peru	1	1,505	1	1,880
Romania	—	—	1	2,275
South Africa	1	11,879	1	12,121
Total loan principal	7	53,272	9	78,814

Priority of security charges

As at December 31, 2017 and December 31, 2016, all of the Company's loans are senior secured.

Past due loans that are not impaired

Loans are considered past due once the borrower has failed to make payments within 30 days of the contractual due date. As at December 31, 2017 one loan had an interest payment past due and is expected to be paid during the first quarter of 2018. As at December 31, 2016, no loans were past due.

7. OTHER ASSETS, INCOME AND EXPENSES

Other assets

Other assets (both current and long term) consist of the following (in thousands $):

	Dec. 31, 2017	Dec. 31, 2016
Fund recoveries and investment receivables	17,168	9,557
Deferred CFCL acquisition charges (1)	4,751	1,402
Prepaid expenses	1,947	1,663
Other (2)	743	228
Total Other assets	24,609	12,850

(1) Includes legal, proxy, solicitation and investor relations costs

(2) Other includes miscellaneous third-party receivables

Other income

Other income consist of the following (in thousands $):

	Dec. 31, 2017	Dec. 31, 2016
Net proceeds from Sale Transaction (1)	31,691	—
Other investment income (2)	5,425	7,281
Foreign exchange losses	(7,416)	(3,474)
Total Other income (3)	29,700	3,807

(1) Gross proceeds of $41.3 million, net of transaction costs of $9.6 million

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

(3) Excludes royalty income of $1.6 million (December 31, 2016 - $1.8 million), which is presented net of operating, depletion and impairment charges below

Other expenses

Other expenses consist of the following (in thousands $):

	Dec. 31, 2017	Dec. 31, 2016
Costs (recoveries) related to energy assets (1)	888	(509)
Non-recurring expenses (2)	1,448	1,840
Total Other expenses	2,336	1,331

(1) Includes operating, depletion and impairment charges, net of royalty income of $1.6 million (December 31, 2016 - $1.8 million) which is presented as Other income on the Statement of Operations.

(2) Non-recurring expenses primarily includes costs related to the secondary offering

8. SHAREHOLDERS' EQUITY

Capital stock and contributed surplus

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

	Number of shares	Stated value (in $ thousands)
At Dec. 31, 2015	243,996,605	412,344
Issuance of share capital under dividend reinvestment program	10,262	26
Acquired for equity incentive plan	(1,850,000)	(4,473)
Released on vesting of equity incentive plan	1,033,426	3,334
At Dec. 31, 2016	243,190,293	411,231
Issuance of share capital under dividend reinvestment program	231,133	541
Issuance of share capital on conversion of RSU	755,413	1,728
Cancellation of repurchased shares	(5,000,000)	(11,000)
Acquired for equity incentive plan	(8,100,000)	(17,882)
Released on vesting of equity incentive plan	3,021,795	7,938
At Dec. 31, 2017	234,098,634	392,556

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, 2015	38,749
Expensing of Sprott Inc. stock options over the vesting period	2,477
Expensing of EPSP / EIP shares over the vesting period	3,910
Released on vesting of common shares for equity incentive plan	(3,334)
At Dec. 31, 2016	41,802
Expensing of Stock-based compensation over the vesting period	6,692
Issuance of share capital on conversion of RSUs and other share based considerations	(649)
Released on vesting of common shares for equity incentive plan	(7,938)
At Dec. 31, 2017	39,907

Stock option plan

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

No stock options were issued for the year ended December 31, 2017 (year ended December 31, 2016 - 8,250,000 options issued). There were 3,925,000 stock options forfeited during the year ended December 31, 2017 (year ended December 31, 2016 - nil)

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

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

	Number of options (in thousands)	Weighted average exercise price ($)
Options outstanding, December 31, 2015	2,650	9.71
Options exercisable, December 31, 2015	2,650	9.71
Options granted	7,250	2.33
Options granted	1,000	2.73
Options outstanding, December 31, 2016	10,900	4.16
Options exercisable, December 31, 2016	4,100	7.10
Options forfeited	(3,925)	2.42
Options outstanding, December 31, 2017	6,975	5.14
Options exercisable, December 31, 2017	5,625	5.79

Options outstanding and exercisable as at December 31, 2017 are as follows:

Exercise price ($)	Number of outstanding options (in thousands)	Weighted average remaining contractual life (years)	Number of options exercisable (in thousands)
10.00	2,450	0.3	2,450
6.60	150	2.9	150
2.33	4,250	8.1	2,900
2.73	125	8.4	125
2.33 to 10.00	6,975	5.3	5,625

Equity incentive plan

For employees in Canada, the Trust has been established and the Company will fund the Trust with cash, which will be used by the trustee to purchase: (1) on the open market, common shares of the Company that will be held in the Trust until the awards vest and are distributed to eligible members; or (2) from treasury, common shares of the Company that will be held in the Trust until the awards vest and are distributed to eligible employees; and (3) from time-to-time, purchases from 2176423 Ontario Ltd., a company controlled by Eric Sprott, pursuant to the terms and conditions of a previously announced share transaction. For employees in the U.S. under the EIP plan, the Company will allot common shares of the Company as either: (1) restricted stock; (2) unrestricted stock; or (3) restricted stock units ("RSUs"), the resulting common shares of which will be issued from treasury.

There were 755,413 RSUs issued during the year ended December 31, 2017 (December 31, 2016 - 258,389). The Trust purchased 8.1 million shares in the year ended December 31, 2017 (year ended December 31, 2016 - $1.85 million).

	Number of common shares
Common shares held by the Trust, December 31, 2015	4,471,178
Acquired	1,850,000
Released on vesting	(1,033,426)
Unvested common shares held by the Trust, December 31, 2016	5,287,752
Acquired	8,100,000
Released on vesting	(3,021,795)
Unvested common shares held by the Trust, December 31, 2017	10,365,957

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

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Stock option plan	(73)	2,477
EPSP / EIP	6,765	3,910
	6,692	6,387

Basic and diluted earnings per share

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

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Numerator ($ in thousands):		
Net income - basic and diluted	37,532	31,538
Denominator (Number of shares in thousands):		
Weighted average number of common shares	246,205	247,528
Weighted average number of unvested shares purchased by the Trust	(7,143)	(4,167)
Weighted average number of common shares - basic	239,062	243,361
Weighted average number of dilutive stock options	—	—
Weighted average number of unvested shares purchased by the Trust	7,143	4,167
Weighted average number of common shares - diluted	246,205	247,528
Net income per common share		
Basic	0.16	0.13
Diluted	0.15	0.13

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 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). SPW 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 December 31, 2017 and 2016, all entities were in compliance with their respective capital requirements.

9. INCOME TAXES

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

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Current income tax expense (recovery)		
Based on taxable income of the current period	9,003	12,846
Other	(1,174)	88
	7,829	12,934
Deferred income tax expense (recovery)		
Total deferred income tax expense	(2,055)	(6,629)
Income tax expense reported in the statements of operations	5,774	6,305

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

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Income before income taxes	43,306	37,843
Tax calculated at domestic tax rates applicable to profits in the respective countries	11,851	10,251
Tax effects of:		
Non-deductible stock-based compensation	1,815	942
Non-taxable capital (gains) and losses	(5,275)	(2,704)
Capital losses not benefited	27	201
Goodwill/Amortization of Intangibles	130	468
Adjustments in respect of previous periods	(1,356)	144
Other temporary differences not benefited	(1,425)	(480)
Non-capital losses not benefited	91	(2,800)
Rate differences and other	(84)	283
Tax charge	5,774	6,305

The weighted average statutory tax rate was 27.4% (December 31, 2016 - 27.1%). This increase was mainly due to increased profitability of our Global segment, which is U.S based, which are subject to a higher tax rate than the Canadian operations. The Company has $38 million of unused non-capital tax losses and $11 million of unused capital tax losses from prior years that will begin to expire in 2027 and 2019, respectively. The benefit of these capital and non-capital tax losses has not been recognized.

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

For the year ended December 31, 2017

	Dec. 31, 2016	Recognized in income	Recognized in other comprehensive income	Dec. 31, 2017
Deferred income tax assets				
Other stock-based compensation	4,223	(1,635)	—	2,588
Non-capital losses	553	267	—	820
Other	571	(86)	—	485
Total deferred income tax assets	5,347	(1,454)	—	3,893
Deferred income tax liabilities				
Fund management contracts	2,039	(1,547)	(61)	431
Deferred sales commissions	392	(392)	—	—
Unrealized gains	186	(667)	—	(481)
Proceeds receivable	993	(714)	—	279
Other	73	(189)	—	(116)
Total deferred income tax liabilities	3,683	(3,509)	(61)	113
Net deferred income tax assets	1,664	2,055	61	3,780

For the year ended December 31, 2016

	Dec. 31, 2015	Recognized in income	Recognized in other comprehensive income	Dec. 31, 2016
Deferred income tax assets				
Other stock-based compensation	3,721	502	—	4,223
Non-capital losses	190	363	—	553
Other	282	289	—	571
Total deferred income tax assets	4,193	1,154	—	5,347
Deferred income tax liabilities				
Fund management contracts	3,700	(1,542)	(119)	2,039
Deferred sales commissions	624	(232)	—	392
Unrealized gains	4	182	—	186
Transitional partnership income	3,680	(3,680)	—	—
Proceeds receivable	1,396	(403)	—	993
Other	(127)	200	—	73
Total deferred income tax liabilities	9,277	(5,475)	(119)	3,683
Net deferred income tax assets (liabilities)	(5,084)	6,629	119	1,664

10. FAIR VALUE MEASUREMENTS

The following tables present the Company's recurring fair value measurements within the fair value hierarchy. The Company did not have non-recurring fair value measurements as at December 31, 2017 and December 31, 2016 (in $ thousands).

Proprietary Investments

Dec. 31, 2017	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	37,845	5,600	—	43,445
Mutual funds and alternative investment strategies	9,571	2,561	—	12,132
Fixed income securities	—	249	—	249
Private holdings*	—	—	6,341	6,341
Obligations related to securities sold short	(24,993)	—	—	(24,993)
Total net recurring fair value measurements	22,423	8,410	6,341	37,174

Dec. 31, 2016	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	36,842	5,225	—	42,067
Mutual funds and alternative investment strategies	44,774	38,554	—	83,328
Fixed income securities	—	1,538	1,264	2,802
Private holdings*	—	—	15,395	15,395
Obligations related to securities sold short	(29,810)	—	—	(29,810)
Total net recurring fair value measurements	51,806	45,317	16,659	113,782

* Private holdings measured using fair value techniques include private company investments classified as HFT and foreclosed properties, which have their changes in fair value recorded on the statements of operations; and private holdings and energy royalties classified as AFS investments, which have their changes in fair value recorded as part of other comprehensive income.

Long-term investments

December 31, 2017	Level 1	Level 2	Level 3	Total
Public equities and share purchase warrants	—	1,639	—	1,639
Mutual funds and alternative investment strategies	—	35,972	—	35,972
Private holdings*	—	—	12,152	12,152
Total net recurring fair value measurements	—	37,611	12,152	49,763

*Private holdings measured using fair value techniques include private company investments classified as HFT which have their changes in fair value recorded on the statements of operations

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

Changes in the fair value of Level 3 measurements - Dec. 31, 2017					
	Dec. 31, 2016	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Dec. 31, 2017
Private holdings	15,395	273	(526)	3,351	18,493
Fixed income securities	1,264	—	(1,264)	—	—
	16,659	273	(1,790)	3,351	18,493

Changes in the fair value of Level 3 measurements - Dec. 31, 2016					
	Dec. 31, 2015	Purchases and reclassifications	Settlements	Net unrealized gains (losses) included in net income	Dec. 31, 2016
Private holdings	9,652	9,345	(4,898)	1,296	15,395
Fixed income securities	1,266	—	—	(2)	1,264
	10,918	9,345	(4,898)	1,294	16,659

During the year ended December 31, 2017, the Company transferred public equities of $2.9 million (Dec. 31, 2016 - $1.0 million) from Level 2 to Level 1 within the fair value hierarchy due to the release of trading restrictions by the issuer. The Company purchased level 3 investments of $3.6 million and transferred $3.3 million (Dec. 31, 2016 - $Nil) from Level 3 to Level 1 within the fair value hierarchy due to the initial public offering of an investment that was previously privately owned.

The following table presents the valuation techniques used by the Company in measuring Level 2 fair values:

Type	Valuation Technique
Public equities and share purchase warrants	Fair values are determined using pricing models which incorporate market-observable inputs.
Mutual funds and alternative investment strategies	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.

Financial instruments not carried at fair value

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

Loans receivable and debentures had a carrying value of $48.7 million (Dec. 31, 2016 - $67.7 million) and a fair value of $52.8 million (Dec. 31, 2016 - $74.1 million). Loans receivable and debentures lack an available trading market, are not typically exchanged, and have been recorded at amortized cost less impairment. The fair value of resource loans and debentures are measured based on changes in the market price of comparable bonds since the average date that the loans were originated. The Company adjusts the fair value to take into account any significant changes in credit risks using observable market inputs in determining counterparty credit risk. The fair value of loans are not necessarily representative of the amounts realizable upon immediate settlement. The significant inputs used to disclose the fair value of loans and debentures measured at amortized cost would fall under Level 3 of the fair value hierarchy.

11. RELATED PARTY TRANSACTIONS

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

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Fixed salaries and benefits	4,197	4,560
Variable incentive-based compensation	2,818	5,583
Share-based compensation	3,268	8,511
	10,283	18,654

The deferred stock unit ("DSU") plan for independent directors of the Company vests annually over a three-year period and may only be settled in cash upon retirement. DSU's issued in lieu of directors' fees and dividends vest immediately. There were 213,727 DSUs issued during the year (December 31, 2016 - 137,300). DSU expense is included in "compensation and benefits" line in the consolidated statements of operations and is recognized over the three-year vesting period with an offset to accrued liabilities.

On June 29, 2017, the Company participated in the secondary offering of 2176423 Ontario Ltd., a company beneficially owned by Mr. Eric Sprott. As part of the offering, the Sprott Inc. 2011 Employee Profit Sharing Trust purchased 7,500,000 shares for a total price of $16.5 million, of which $6.6 million was paid during the year ended December 31, 2017. As at December 31, 2017, the Company has an interest bearing note of $9.9 million with Mr. Eric Sprott which is payable over 4 years. The Company intends to pay off the note within 12 months.

As part of the secondary offering, the Company also purchased 5,000,000 shares for a total price of $11 million. Those shares were subsequently canceled.

12. DIVIDENDS

The following dividends were declared by the Company during the year ended December 31, 2017:

Record date	Payment Date	Cash dividend per share ($)	Total dividend amount (in $ thousands)
March 10, 2017 - regular dividend Q4 - 2016	March 27, 2017	0.03	7,457
May 18, 2017 - regular dividend Q1 - 2017	June 2, 2017	0.03	7,457
August 21, 2017 - regular dividend Q2 - 2017	September 5, 2017	0.03	7,313
November 17, 2017 - regular dividend Q3 - 2017	December 4, 2017	0.03	7,313
Dividends [1]			29,540

[1] Subsequent to the year-end, on March 1, 2018, a regular dividend of $0.03 per common share was declared for the quarter ended December 31, 2018. This dividend is payable on March 27, 2018 to shareholders of record at the close of business on March 12, 2018.

13. RISK MANAGEMENT ACTIVITIES

The Company's exposure to market, credit, liquidity and concentration risk is described below:

Market risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of an asset. The Company's financial instruments are classified as HFT, designated as FVTPL, HTM, AFS, or as loans and receivables. Therefore, certain changes in fair value or permanent impairment, if any, affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Company manages market risk through regular monitoring of its proprietary investments and loans receivable. 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 proprietary investments and long-term investments will result in changes in carrying value. If the market values of proprietary investments and long-term investments classified as HFT increased or decreased by 5%, with all other variables held constant, this would have resulted in an increase or decrease in net income of approximately $1.7 million for the year (December 31, 2016 - $5.6 million). For more details about the Company's proprietary investments and long-term investments, refer to Note 3.

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

Commodity price risk refers to uncertainty of future market values caused by a fluctuation in the price of a commodity. The Company may, from time to time: (i) hold certain investments linked to the market prices of precious metals or energy assets; and (ii) enter into certain precious metal loans, where the repayment is notionally tied to a specific commodity spot price at the time of the loan and downward changes to the price of the commodity can reduce the value of the loan and the amounts ultimately repaid to the Company.

As at December 31, 2017 and 2016 the Company did not hold any precious metal loans and was not exposed to price risk as the fair value of these loans is dependent on future gold prices.

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 SRLC segment, are exposed to volatility as a result of sudden changes in interest rates. As a mitigating factor, the Company from time-to-time sets minimum interest rates or an interest rate floor in its variable rate loans. As at December 31, 2017 the Company's loan portfolio consisted of both fixed-rate and floating-rate loans. The Company is also exposed to changes in the value of a loan when that loan's interest rate is at a rate other than current market rates.

As at December 31, 2017, the Company had 6 fixed-rate resource based loans and 1 floating-rate resource based loan (December 31, 2016 - 8 fixed-rate loans and 1 floating-rate loan) with an aggregate carrying value of $48.7 million (December 31, 2016 - $67.7 million). The Company's 7 resource loans range in maturity dates from less than 6 months to 3 years.

Foreign currency risk

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

The Global Companies' assets are all denominated in USD with their translation impact being reported as part of other comprehensive income in the financial statements. Excluding the impact of the Global Companies, as at December 31, 2017, approximately $59.6 million (December 31, 2016 - $66.0 million) of total Canadian assets were invested in proprietary investments priced in USD. A total of $55.5 million (December 31, 2016 - $50.9 million) of cash, $1.2 million (December 31, 2016 -$4.5 million) of accounts receivable, $42.1 million (December 31, 2016 - $60.1 million) of loans receivable and $10.9 million (December 31, 2016 - $1.2 million) of other assets were denominated in USD. As at December 31, 2017, if the exchange rate between USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease in net income would have been approximately $6.9 million for the year (December 31, 2016 - $7.5 million).

Credit risk

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

Loans receivable

The Company incurs credit risk primarily in the loan portfolio of SRLC. In addition to the relative default probability of SRLC borrowers, credit risk is also dependent on loss given default, which can increase credit risk if the values of the underlying assets securing the Company's loans decline to levels approaching or below the loan amounts. A decrease in real estate values or commodity or energy prices may delay the development of the underlying security or business plans of the borrower and will adversely affect the value of the Company's security. Additionally, the value of the Company's underlying security in a resource loan and resource debenture can be negatively affected if the actual amount or quality of the commodity proves to be less than that estimated, or the ability to extract the commodity proves to be more difficult or more costly than estimated. During the resource loan and resource debenture origination process, management takes into account a number of factors and is committed to several processes to ensure that this risk is appropriately mitigated. These include:

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

As at December 31, 2017, the Company's net exposure to on-balance sheet credit risk (net loans receivable) was $48.7 million (December 31, 2016 - $67.7 million) and the Company had no exposure to off-balance sheet credit risk (loan commitments) (December 31, 2016 - $nil). As at December 31, 2017, the largest loan in the Company's loan portfolio was a resource loan with a carrying value of $26.3 million or 54.0% of the Company's loans receivable (December 31, 2016 - $21.9 million or 32.3% of the Company's loans receivable). The Company will syndicate loans in certain circumstances if it wishes to reduce its exposure to a borrower or comply with loan exposure maximums. The Company reviews its policies regarding its lending limits on an ongoing basis. For precious metal loans, the Company performs the same due diligence procedures as it would for its resource loans and resource debentures.

Collectability of loans

Besides the above noted measures we take to manage credit risk, the Company will report on credit risk in the notes to the annual financial statements and records loan loss provisions (both specific and general) to ensure the loans are recorded at their estimated recoverable amount (i.e. net of impairment risk we believe to exist as at the balance sheet date and in accordance with IFRS). Actual losses incurred in the loan portfolio could differ materially from our provisions.

Proprietary investments

The Company incurs credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2017 and 2016, the Company's most significant proprietary investments counterparty was National Bank Correspondent Network Inc. ("NBCN"), the carrying broker of SPW, which also acts as a custodian for most of the Company's proprietary investments. NBCN is registered as an investment dealer subject to regulation by IIROC; as a result, it is required to maintain minimum levels of regulatory capital at all times.

Other

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

The Global Companies incur credit risk when entering into, settling and financing various proprietary transactions. As at December 31, 2017 and 2016, the Global Companies' most significant counterparty was RBC Capital Markets LLC ("RBCCM"), the carrying broker of SGRIL and custodian of the net assets of the Funds managed by RCIC. RBCCM is registered as a broker-dealer and registered investment advisor subject to regulation by FINRA and the SEC; as a result, it is required to maintain minimal levels of regulatory capital at all times.

Liquidity risk

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

The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. Additionally, the Company has access to a $35 million committed line of credit with its primary lender. As part of its cash management program, the Company primarily invests in short-term debt securities issued by the Government of Canada with maturities of less than three months. As at December 31, 2017, the Company had $156.1 million or 38.1% (December 31, 2016 - $124.0 million or 28.2%) of its total assets in cash and

cash equivalents. In addition, approximately $27.3 million or 69.0% (December 31, 2016 - $82.5 million or 70.1%) of proprietary investments held by the Company are readily marketable and are recorded at their fair value.

The Company's exposure to liquidity risk as it relates to loans receivable arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The Company manages its loan commitment liquidity risk through the ongoing monitoring of scheduled loan fundings and repayments. As at December 31, 2017, the Company had loan funding commitments of $9.9 million and $7.8 million in investment funding commitments (December 31, 2016 - $nil and $35.5 million respectively). Financial liabilities, including accounts payable and accrued liabilities and compensation and employee bonuses payable, are short-term in nature and are generally due within a year.

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

Concentration risk

The majority of the Company's AUM, as well as its proprietary investments and loans receivables are focused on the natural resource sector.

14. SEGMENTED INFORMATION

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

- Exchange Listed Products, 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.
- Alternative Asset Management, which provides asset management and sub-advisory services to the Company's branded funds and managed accounts;
- Global, which provides asset management services to the Company's branded funds and managed accounts in the U.S. and also provides securities trading services to its clients through the Company's U.S. broker-dealer;
- Lending, which provides lending activities through limited partnership vehicles as well as through direct lending activities using the Company's balance sheet;
- Consulting, which includes the operations of SC, Sprott Toscana and Sprott Korea, the Company's private equity and debt style investment management activities;
- Merchant Banking and Advisory Services, which includes the activities of Sprott Capital Partners, a division of SPW. Effective this year, the results of our Canadian broker-dealer are presented separately from Corporate.
- Corporate, which provides capital, balance sheet management and enterprise shared services to the Company's subsidiaries. Effective this year, the results of this segment are presented separately from Merchant Banking and Advisory Services.

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 and performance fees and performance fee related expenses (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 reportable segments (in $ thousands):

For the year ended December 31, 2017

	Exchange Listed Products	Alternative Asset Management	Global	Lending	Consulting	Merchant Banking & Advisory Services	Corporate	Eliminations	Consolidated
Total revenue	17,984	72,942	20,416	11,036	7,299	21,555	(5,768)	(1,253)	144,211
Total expenses	7,693	32,807	17,555	6,902	7,764	16,486	12,951	(1,253)	100,905
Pre-tax Income (loss)	10,291	40,135	2,861	4,134	(465)	5,069	(18,719)	—	43,306
Adjusted base EBITDA	12,255	7,614	5,655	16,962	167	5,699	(8,188)	—	40,164

For the year ended December 31, 2016

	Exchange Listed Products	Alternative Asset Management	Global	Lending	Consulting	Merchant Banking & Advisory Services	Corporate	Eliminations	Consolidated
Total revenue	18,241	90,536	18,092	19,804	5,717	9,746	7,223	(2,172)	167,187
Total expenses	7,428	76,213	16,517	6,313	6,450	6,969	11,626	(2,172)	129,344
Pre-tax Income (loss)	10,813	14,323	1,575	13,491	(733)	2,777	(4,403)	—	37,843
Adjusted base EBITDA	11,861	4,382	4,601	9,558	(62)	2,425	(8,705)	—	24,060

Inter-segment revenues and expenses are eliminated on consolidation and reflected in the Eliminations column.

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

	For the years ended	
	Dec. 31, 2017	Dec. 31, 2016
Canada	123,795	149,095
United States	20,416	18,092
	144,211	167,187

15. COMMITMENTS AND PROVISIONS

Besides the Company's long-term lease agreement, there may be commitments to provide loans arising from the Lending business or commitments to make investments in the proprietary investments portfolio of the Company. As at December 31, 2017, the Company had loan commitments of $9.9 million (December 31, 2016 - $nil) and $7.8 million of investment purchase commitments in the proprietary investments portfolio (December 31, 2016 - $35.5 million).

Future minimum annual rental payments under non-cancellable leases, including operating costs, are as follows ($ thousands):

2018	2,688
2019	2,711
2020	2,642
2021	2,348
2022	1,978
Thereafter	1,650
	14,017

Contingent loss provisions are recorded when it is probable that the Company will incur a loss and the amount of the loss can be reasonably estimated. The Company makes provisions based on current information and the probable resolution of any such proceedings and claims. As at December 31, 2017, no provisions were recognized.

16. EVENTS AFTER THE REPORTING PERIOD

On January 16, 2018, the Company successfully closed on the acquisition of Central Fund of Canada for total proceeds of $120 million.

Corporate Information

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

Annual General Meeting
Friday, May 11, 2018 12:00 pm
Baker & Mackenzie LLP
Brookfield Place, Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto, Ontario

Sprott

www.sprott.com