Sprott | ETFs

2024 Year-End Distributions

We are pleased to provide the following information that summarizes the 2024 year-end distributions for the Sprott exchange traded funds (ETFs). This is not intended to be a statement for official tax reporting purposes or any form of tax advice. We encourage shareholders to consult their tax advisers to better understand the potential tax implications of these distributions.

If you have any questions concerning this information or the Sprott ETFs in general, please call 888.622.1813 between 9:00 am and 5:30 pm ET, Monday through Friday.

Sprott ETF	Ticker	Record Date	Ex-Date	Payable Date	Short-Term Capital Gains Per Share	Long-Term Capital Gains Per Share	Ordinary Income Per Share	Total Distributions Per Share
Sprott Gold Miners ETF	SGDM	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$0.29	$0.29
Sprott Junior Gold Miners ETF	SGDJ	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$2.18	$2.18
Sprott Critical Materials ETF	SETM	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$0.31	$0.31
Sprott Uranium Miners ETF	URNM	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$1.28	$1.28
Sprott Junior Uranium Miners ETF	URNJ	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$0.81	$0.81
Sprott Copper Miners ETF	COPP	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$0.53	$0.53
Sprott Junior Copper Miners ETF	COPJ	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$2.15	$2.15
Sprott Lithium Miners ETF	LITP	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$0.44	$0.44
Sprott Nickel Miners ETF	NIKL	12/12/2024	12/12/2024	12/19/2024	$0.00	$0.00	$0.37	$0.37

Sprott ETFs Invest in PFICs

Sprott ETFs own shares in foreign corporations that qualify for treatment as Passive Foreign Investment Companies (PFICs) under the Internal Revenue Code. The "Ordinary Income per Share" distributions from Sprott ETFs, as shown in the table above, are primarily driven by mark-to-market gains on PFIC holdings within the ETFs.

Understanding PFICs and Their Tax Impact on ETFs

What Is a PFIC?

A PFIC is a foreign corporation that meets certain criteria related to its income or assets. Specifically, a PFIC is any foreign corporation that derives 75% or more of its gross income from passive sources, including interest and dividends, or at least 50% of its invested assets produce passive income, including but not limited to dividends, interest and rents.

PFICs are generally companies whose primary revenue comes from investments rather than business operations. Non-U.S. corporations that invest in mines that are not yet operational are often treated as PFICs.

The Impact of PFICs on U.S. Investors

According to U.S. tax regulations, distributions from PFICs and gains derived from the sale of shares in PFICs do not qualify for preferential capital gains or qualified dividend tax rates. Instead, these earnings are taxed at **ordinary income** rates, which are typically higher. Additionally, gains from PFICs cannot be offset by capital losses, presenting further tax challenges.

The tax implications of owning PFICs can vary depending on whether an investor holds individual PFICs or invests in ETFs that include PFIC holdings.

To the extent an ETF invests in PFICs, it generally intends to make a "mark-to-market" election at the end of each taxable year. By making this election, the ETF's unrealized gains are recognized as ordinary income and passed through to shareholders. All distributions from PFIC-related income and gains are essentially treated as ordinary income.[1]

[1] In some cases, however, an ETF may make a qualified electing fund ("QEF") election with respect to an investment in a PFIC. Please note that Sprott Uranium Miners ETF will likely make a QEF election with respect to its investments in the Sprott Physical Uranium Trust, which is expected to be treated as a PFIC.

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Prevalence of PFIC Income Distributions in ETFs

The frequency of PFIC income distributions within ETFs will generally vary depending on what the ETF is invested in. Certain sectors, like mining, can be susceptible to PFIC tax implications. For example, many mining companies operate as early-stage ventures focused on exploration and initial production, often without significant revenue. Given that the mineral deposits are located internationally, funds investing in these miners might have considerable PFIC exposure.

Furthermore, in a strong market, funds with substantial PFIC holdings might need to distribute significant amounts of income due to the mark-to-market treatment of unrealized gains. Additionally, a portion of these distributions may be related to unrealized mark-to-market gains that were generated during the last two months of the year before the distribution, which is called a spillover dividend.

Planning for PFIC Income Distributions

PFIC exposure within an ETF can be challenging. Funds collaborate with auditors and tax professionals annually to determine PFIC exposure and calculate distributions. Investors may not be aware of a PFIC income distribution until it is declared.

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