Sprott Resource Holdings Inc. 2018 Annual Report

Management's Discussion and Analysis
of Financial Position and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following is management's discussion and analysis ("**MD&A**") of the performance, financial condition and future prospects of Sprott Resource Holdings Inc. (formerly, Adriana Resources Inc. ("**ADI**"), herein referred to as "**SRHI**" or the "**Company**"). This document is prepared as at March 6, 2019 (unless otherwise stated) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2018, including the notes thereon (the "**Financial Statements**"). The Company prepares its Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All amounts are expressed in United States dollars ("**USD**") unless otherwise indicated. Additional information on the Company and its operations, including Technical Reports, can be accessed at www.sedar.com, and may also be found on the Company's website at www.sprottresource.com.*

Forward-looking statements and information are used throughout this document. See the Forward-Looking Information section at the end of this document highlighting the caution that a reader should place on all forward-looking information.

BUSINESS OVERVIEW

SRHI acquires and grows a portfolio of cash-flowing businesses and businesses expected to cash flow in the natural resource sector. Based in Toronto, SRHI is part of the Sprott Group of Companies (Sprott Inc. ("**Sprott**") and its subsidiaries and affiliates) and seeks to deploy capital to provide our investors with exposure to attractive commodities.

SRHI is managed by a team of resource professionals and its businesses and portfolio investments are concentrated in the mining and energy sectors. The Company controls two businesses ("**Strategic Assets**"), one of which is held for sale, and an investment portfolio of minority positions ("**Tactical Assets**"). The Company's portfolio investments are non-controlling positions in commodities or companies that SRHI believes will provide positive returns. SRHI is committed to being a high-value partner to the management teams it backs and the co-investors who invest alongside SRHI.

The Company's head office is based in Toronto, Ontario, Canada. Effective February 9, 2017, the common shares trade under the symbol "SRHI" on the Toronto Stock Exchange ("**TSX**") as a result of the Arrangement (See *Business Combinations and Reverse Takeover* elsewhere in this MD&A). The Company previously traded under the symbol "ADI".

SRHI previously announced on February 9, 2017 that it was transitioning into a diversified resource holding company and on February 1, 2018 (the "**Transition Date**"), the Company completed this transition. On August 13, 2018, the Company completed a consolidation (the "**Share Consolidation**") of its share capital on the basis of twenty (20) existing common shares for one (1) new common share. As a result of the Share Consolidation, the 681,680,846 common shares issued and outstanding as at that date were consolidated to 34,082,992 common shares. The listed common share purchase warrants were not consolidated and it instead takes 20 common share purchase warrants to purchase 1 common share at a total exercise price of $6.66. The Share Consolidation was previously approved by the shareholders at a meeting held on May 10, 2018. All information in these Financial Statements is presented on a post-Share Consolidation basis.

	Business Description	Private/ Public	Proportion of Ownership Interest
Strategic Assets			
Minera Tres Valles SpA ("**MTV**")	Copper mining and cathode production	Private	70.0%
Beretta Farms Inc. ("**Beretta**")	Organic protein production and retail	Private	49.98%
Tactical Assets			
Corsa Coal Corp. ("**Corsa Coal**")	Production and sales of metallurgical coal	Public	17.1%
InPlay Oil Corp. ("**InPlay Oil**")	Exploration, development and production of light oil assets	Public	10.5%
Virginia Energy Resources Inc. ("**Virginia Energy**")	Development of uranium asset	Public	16.5%
Lac Otelnuk Mining Ltd. ("**Lac Otelnuk**")	Development of iron ore asset	Private	40.0%

The Company's current principal Strategic Asset is its 70% equity interest in MTV, a producing copper mine that was acquired in October 2017. MTV's main asset is the Minera Tres Valles mining complex, located in the Province of Choapa, Chile which includes fully integrated processing operations and two active mines. Mineralized material is extracted primarily from the Don Gabriel open pit mine ("**Don Gabriel**") and the Papomono underground mine ("**Papomono**"), both of which are located approximately 10 kilometers north of the town of Salamanca, Chile. MTV's heap leach pads and solvent-extraction and electrowinning processing ("**SX-EW**") plant (18,500 tonnes per year of processing capacity of copper cathodes) are located approximately 7 kilometers north of Salamanca. The first shipment of copper cathodes from MTV took place in January 2011. The Company has consolidated MTV from the Transition Date and the results of the Company include the results of MTV since the Transition Date.

HIGHLIGHTS

The Company reported as an Investment Entity under IFRS 10: *Consolidated Financial Statements* ("**Investment Entity Reporting**") for the comparative periods and for the month ended January 31, 2018. As at February 1, 2018, the Company no longer reported as an Investment Entity and instead consolidated the accounts of MTV and Beretta. Accordingly, comparative information, although provided, is not meaningful in the majority of circumstances and in some cases, the comparative financial and operating information did not apply to the Company and therefore is noted as not applicable.

The following operating and financial highlights are for the year ended December 31, 2018 with comparative information, where appropriate. In some cases, information is provided for the eleven months ended December 31, 2018 reflecting the information of MTV since its deemed acquisition on the Transition Date.

	Three months ended		Year ended		
Financial information (in thousands)	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016
Revenue [1]	**$ 10,888**	n/a	**$ 32,700**	n/a	n/a
Gross profit (loss) [1]	**$ (438)**	n/a	**$ (1,629)**	n/a	n/a
Net loss from continuing operations	**$ (13,631)**	$ 8,443	**$ (29,716)**	$ (31,700)	$ (2,220)
Net loss from discontinued operations [1]	**$ (517)**	$ —	**$ (2,936)**	$ —	$ —
Net loss for the period	**$ (14,148)**	$ 8,443	**$ (32,652)**	$ (31,700)	$ (2,220)
Adjusted EBITDA from continuing operations [2]	**$ 271**	$ (1,251)	**$ (2,562)**	$ (5,090)	$ 5,214
Gain (loss) on portfolio investments	**$ (12,631)**	$ 9,694	**$ (22,603)**	$ (26,610)	$ 7,434
Cash provided by (used in) operating activities before working capital changes	**$ 525**	$ (31,844)	**$ (1,636)**	$ (33,602)	$ (4,854)

[1] *For the period February 1, 2018 to December 31, 2018.*

[2] *Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and further adjusted to remove the Company's gain (loss) on portfolio investments. It is a non-IFRS performance measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.*

	As at		
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017	Jan. 1, 2017
Cash and cash equivalents	**$ 13,500**	$ 28,862	$ 9,083
Working capital [1]	**$ 19,479**	$ 120,166	$ 82,509
Portfolio investments	**$ 19,485**	$ 91,997	$ 74,976
Total equity attributable to owners of the Company	**$ 85,549**	$ 120,166	$ 82,509
Non-controlling interest	**$ 21,582**	n/a	n/a

[1] *Working capital is a non-IFRS performance measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion. Working capital at December 31, 2018 includes $4.2 million of cash receivable from the Company's agent for it's Loan Investment that is not included in cash and cash equivalents*

The following operating metrics are specific to MTV's operations.

Operating information [1]	Three months ended			Eleven months ended		
		Dec. 31, 2018	Dec. 31, 2017		**Dec. 31, 2018**	Dec. 31, 2017
Copper (MTV Operations)						
Total ore mined (thousands of tonnes)		**235**	n/a		**737**	n/a
Total waste mined (thousands of tonnes)		**816**	n/a		**1,696**	n/a
Ore Processed (thousands of tonnes)		**298**	n/a		**968**	n/a
Grade (% Cu)		**0.60%**	n/a		**0.69%**	n/a
Cu Production (tonnes)		**1,596**	n/a		**5,381**	n/a
Cu Production (thousands of pounds)		**3,518**	n/a		**11,864**	n/a
Cash cost of copper produced [2] (USD per pound)	**$**	**2.27**	n/a	**$**	**2.37**	n/a
Realized copper price (USD per pound)	**$**	**2.78**	n/a	**$**	**2.90**	n/a

[1] *For the period February 1, 2018 to December 31, 2018.*

[2] *Cash cost per pound of copper produced include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges. It is a non-IFRS financial measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.*

Key Corporate Initiatives

- On July 9, 2018, the Company provided a short-term financing of $7.2 million, as part of a $17.5 million senior secured credit facility (the "**Loan Investment**") to a private royalty company to support their business plan. The Loan Investment was measured at amortized cost and matured on December 31, 2018 with the full amount paid on maturity. As at December 31, 2018, $4.2 million remained with Sprott Resource Lending Corp., as agent to the Company, and was received subsequent to December 31, 2018. This amount is included in Trade and other receivables at December 31, 2018.
- On August 13, 2018, the Company completed a consolidation (the "**Share Consolidation**") of its share capital on the basis of twenty (20) existing common shares for one (1) new common share. As a result of the Share Consolidation, the 681,680,846 common shares issued and outstanding as at that date were consolidated to 34,082,992 common shares. The Share Consolidation was previously approved by the shareholders at a meeting held on May 10, 2018.
- On November 2, 2018 the Company announced that AMEC Foster Wheeler, a Wood company ("**Wood**"), an independent consulting firm, completed technical studies ("**Technical Studies**") on MTV which was reported in a consolidated National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") compliant technical report (the "**Technical Report**") released on December 14, 2018. The Technical Studies completed over the past 10 months include a:
    - Mineral Resource and Mineral Reserve estimate for the Don Gabriel and Papomono deposits;
    - Preliminary Feasibility Study ("**PFS**") for the implementation of chloride leaching ("**Salt Leach**");
    - Feasibility Study ("**FS**") for the expansion of the Don Gabriel Manto open pit;
    - PFS for the underground exploitation of the Papomono Masivo zone; and,
    - Preliminary Economic Assessment ("**PEA**") on a subset of MTV's mineral resources.
- On February 11, 2019 the Company announced it had formed a Special Committee of the Board comprised solely of the Company's four Independent Directors which is chaired by Terry Lyons, the current Chairman of the Board. The purpose of the Special Committee will be to review and evaluate potential measures to address the Company's market valuation. This review will be comprehensive and will look at all measures to maximize shareholder value. The Special Committee has engaged financial and legal advisors to assist in its evaluation.

Technical Studies Highlights

Low Capital Cost to Triple Production with Short Payback Period

- Low project capital requirement of $15 million for the base case mine plan (the "**Base Case**") and $21 million for the PEA (the "**PEA Case**") to ramp-up operation to approximately 18,000 tonnes per annum of copper cathodes within 24 months

- Low capital intensity
- Short payback of 2.0 years for the Base Case and and 1.2 years for the PEA Case

Positive project economics demonstrated by economic analysis confirms SRHI's investment thesis

- Base Case pre-tax and post-tax net present value discounted at 8% per annum of $87 million and an internal rate of return of 93% based on copper price of $2.75 per pound
- PEA Case pre-tax and post-tax net present value discounted at 8% per annum of $129 million and an internal rate of return of 131% based on copper price of $2.75 per pound
- Average annual copper cathode production (2019 - 2025) of 24 million pounds per annum for the Base Case and 34 million pounds per annum for the PEA Case
- 6.5 year life of mine ("**LOM**") for the Base Case and 7.5 year LOM for the PEA Case with opportunity to extend through exploration on 44,000 hectares of land
- Attractive LOM operating cash costs estimate of $1.66 per pound of finished copper for the Base Case and $1.65 per pound of finished copper for the PEA Case
- Base Case demonstrates potential to generate cash flow of $23 million in 2020 with peak cash flow of $45 million in 2022
- PEA Case demonstrates potential to generate cash flow of $34 million in 2020 with peak cash flow of $45 million in 2022
- Completion of Technical Studies and related Technical Report is key to advancing currently ongoing project financing discussions

The Technical Studies comprise a Base Case based on the exploitable mineral reserves from the Don Gabriel Manto open pit and the Papomono Masivo incline block cave underground deposits. These studies were completed at a FS level for Don Gabriel Manto and a PFS level for Papomono Masivo and the Salt Leach project. Wood has also completed a PEA Case for the exploitation of the Don Gabriel and Papomono deposits and eight additional mining zones within the Don Gabriel and Papomono deposits which will utilize different mining methods such as sub-level caving and sub-level stoping. These additional eight mining zones will require additional drilling and engineering work to increase the confidence level and provide geotechnical information for mine planning. The PEA Case illustrates the property-wide production potential for MTV.

The PEA Case is preliminary in nature and is partly based on inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA Case based on these mineral resources will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

ENAMI and Third Party Material Treatment

As part of MTV's toll processing strategy, MTV purchases mineralized material from third-party miners that operate near and on the MTV property and toll treat mineralized material from Empresa Nacional de Minería ("**ENAMI**"), the Chilean state owned enterprise supporting small and artisanal miners under the provisions of a long-term tolling contract. This strategy of purchasing mineralized material from a large number of small-scale third-party miners and toll milling mineralized material from ENAMI is expected to continue going forward.

The mineralized material from ENAMI and the small scale third-party miners has not been subject to any technical study, and is therefore not included by Wood in the Base Case or the PEA Case mine plan and economic analysis contained in the Technical Studies, apart from the toll treatment revenue which serves to reduce the processing and general and administrative unit cost. Since SRHI's acquisition in October 2017, MTV has purchased an average of 16,000 tonnes of mineralized material per month at a copper grade of 1.14%. Since SRHI's acquisition in October 2017, ENAMI has delivered an average of 4,800 tonnes of mineralized material per month at a copper grade of 2.23%.

Additional information about the Technical Studies can be found in the Company's press release dated November 2, 2018 and in the Technical Report which are both available on SEDAR and the Company's website.

Economic Analysis Highlights

	Base Case	PEA Case
Pre-tax Net Present Value (NPV) (8%) (in millions)	$87	$129
After-tax Net Present Value (NPV) (8%) (in millions)	$87	$129
Pre-tax Internal Rate of Return (IRR)	93%	131%
After-tax Internal Rate of Return (IRR)	93%	131%
Payback (years)	2.0	1.2
Average Annual Copper Cathode Production (2019-2025) (in millions of pounds)	24	34
Total Copper Cathode Production (LOM) (in millions of pounds)	177	250
2020 Cash Flow (in millions)	$23	$34
Life of Mine	6.5 years	7.5 years
Operating Cash Cost (per pound of finished copper)	$1.66	$1.65
Upfront Capital Cost (in millions)	$15	$21
LOM Capital Cost (in millions)	$32	$52

Notes:

1. Base Case includes only the Don Gabriel Manto open pit, Papomono Masivo underground and ENAMI tolling revenues. The PEA Case includes the Don Gabriel Manto, Papomono Masivo, Don Gabriel Vetas, Papomono Norte, Manto Norte, Epitermal, Papomono Cumbre, Papomono Mantos Conexión and Papomono Sur. The PEA Case also includes ENAMI tolling revenues.
2. The PEA Case is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have the economic considerations applied to them. There is no certainty the PEA Case will be realized.
3. Base Case capital cost estimate was completed at a cost accuracy of +/- 25%. PEA Case capital cost estimate was completed at a cost accuracy of +/- 50%.
4. Based on long-term flat copper price forecast of US$2.75/lb.
5. Includes revenue from long-term tolling contract with ENAMI of minimum of 15,000 t/month and a tolling rate of US$27.50/t of material received. MTV delivers copper cathodes produced from supplied feed material to ENAMI, on the basis of a contractual metallurgical recovery of 78%.
6. MTV has tax losses available to apply that will shelter any tax payable on operating profits, due to capital costs and operating losses sustained by prior operators. MTV is subject to a sliding scale copper royalty payable to the Chilean government.
7. Does not include copper production from purchasing of mineralized material from small scale third party miners and any additional copper production pursuant to excess recovery from the ENAMI toll milled material.
8. NPV is calculated based on monthly discounting using a reference date of July 2018.
9. Average copper recovery is estimated at about 87% for the Don Gabriel Manto and Don Gabriel Vetas. The copper recovery for the various Papomono deposits range from 85% for the Epitermal to 90% for Papomono Masivo.
10. It is assumed that Don Gabriel Manto, Papomono Norte and a portion of Papomono Cumbre will be mined by open pit methods by a mining contractor. Estimated contract mining costs are $2.35 and $2.15/t for mineralization and waste respectively. The plant feed haulage cost is estimated at $2.21/t for Don Gabriel and $1.76/t for Papomono and is based on a contractor quote.
11. Independent Mining Consultants, Inc. does not believe that there are significant risks to the mineral resource estimates based on environmental, permitting, legal, title, taxation, socio-economic, marketing, or political factors other than discussed in the described Technical Report.
12. Further information, including key assumptions, parameters and methods used to estimate mineral reserves and mineral resources will be described in the Technical Report to be published within 45 days of the November 2, 2018 press release announcing the Technical Studies.
13. Mineral resources on which the PEA Case is based are inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resources for proposed open pit deposits are constrained within an economic pit shell. For further details on the Base Case and PEA Case and the results of the Technical Studies, see SRHI's press release dated November 2, 2018.

MTV operating performance for the three months ended December 31, 2018

- Mined a total of 206,389 tonnes of ore at a grade of 0.57% copper from open pit operations
- Mined a total of 28,237 tonnes of ore at a grade of 0.86% copper from Papomono
- Production for the period was 3.5 million pounds of 99.99% pure copper cathodes
- Revenue for the period of $10.9 million was generated from (i) the sale of copper and (ii) tolling charges for mineralized material supplied by ENAMI
- Loss for the period was $0.4 million
- Cash cost per pound of copper produced for the period (see Non-IFRS Measures) was $2.27
- Realized price per pound of copper sold was $2.78 compared to $2.61 for the three months ended September 30, 2018
- Total capital expenditures for the period totaled $2.7 million focused on expansion projects outlined to the Technical Studies
- Total exploration and evaluation expenditures for the period totaled $0.5 million for engineering and drilling

MTV operating performance for the eleven months ended December 31, 2018

- Mined a total of 572,556 tonnes of ore at a grade of 0.60% copper from open pit operations
- Mined a total of 163,976 tonnes of ore at a grade of 1.01% copper from Papomono
- With the arrival of the new contractor for Don Gabriel, MTV's average monthly tonnes crushed for the second half of 2018 exceeded 100,000 tonnes per month; volumes not reached at the mine since 2013
- Production for the period was 11.9 million pounds of copper cathodes
- Revenue for the period of $32.7 million was generated from (i) the sale of copper and (ii) tolling charges for mineralized material supplied by ENAMI
- Loss for the period was $1.6 million
- Cash cost per pound of copper produced for the period (see Non-IFRS Measures) was $2.37
- Realized price per pound of copper sold was $2.90
- Total capital expenditures for the period totaled $6.6 million focused on development costs, capital stripping costs, Technical Studies and purchases of equipment
- Total exploration and evaluation expenditures for the period totaled $1.2 million for engineering and drilling

Company financial performance for the three months ended December 31, 2018

- As at December 31, 2018, the Company had cash and cash equivalents of $13.5 million and net working capital of $19.5 million, $4.2 million of which was cash receivable from the Company's agent for its Loan Investment
- Net loss for the quarter was $14.1 million or $0.43 per share
- Adjusted EBITDA (see Non-IFRS Measures) from continuing operations for the quarter was negative $0.3 million which excludes an unrealized loss on portfolio investments of $12.6 million

Company financial performance for the year ended December 31, 2018

- Net loss for the period was $32.7 million or $0.97 per share
- Adjusted EBITDA (see Non-IFRS Measures) from continuing operations was negative $2.6 million which excludes an unrealized loss on portfolio investments of $22.6 million

BUSINESS STRATEGY AND OUTLOOK

Business Strategy

The Company set the following objectives for 2018:

i. *Expanding production at MTV*

MTV had previously defined an expansion plan incorporating production from seven different mineral deposits using open pit and underground methods. Prior to the close of the Company's acquisition of MTV, MTV initiated technical work conforming with NI 43-101 for the expansion of the Don Gabriel deposit, adding a Salt Leach step to the existing SX-EW plant, bulk extraction from the Papomono Masivo mineral deposit, and production from several ancillary deposits proximate to the Don Gabriel and Papomono Masivo mineral deposits.

Wood completed the Technical Studies in late October 2018 comprised of feasibility study level mine plan for Don Gabriel, preliminary feasibility level mine plans for Papomono Masivo and PEA level mine plans for several ancillary deposits that the Company anticipates will be mined contemporaneously with Papomono Masivo and Don Gabriel. The Company issued a press release on November 2, 2018 announcing the results of the Technical Studies that validated the Company's initial due diligence and investment thesis.

The Technical Studies support improved performance from the Salt Leach project along with increased capital for Don Gabriel and Papomono expansions and Salt Leach modifications.

During the second quarter of 2018 and after an open bidding process, MTV selected Vecchiola S.A., a related party to MTV's 30% owner, as mining contractor. The Company views this as a positive development for shareholders, as the new contractor is related to the owner of the minority stake in MTV, which provides additional incentive to deliver strong and reliable service. Since the change, MTV has crushed an average of over 100,000 tonnes of ore per month; volumes not seen since 2013.

MTV has initiated the purchase of many long-lead time items and selected an engineering procurement construction ("**EPC**") firm for the implementation of the Salt Leach.

SRHI benefits from more than $250 million spent at MTV by its previous owners. The crushing plant has capacity to process 7,000 tonnes of ore per day, the SX-EW plant has capacity to produce 18,500 tonnes of copper cathodes per year, and MTV is defining an expansion plan to maximize utility of this infrastructure to gain efficiencies of scale and optimize production.

ii. *Advancing divestment opportunities of non-core investments or businesses*

SRHI may determine to pursue an exit of a portfolio investment or business for any number of reasons including, but not limited to, as a result of determining that the investment or business has advanced sufficiently that SRHI's objectives have been met, that SRHI's objectives can no longer be expected to be realized, or that the investment or business is no longer aligned with SRHI's business strategy or model.

The time to exit is not necessarily predictable and the expected proceeds from any such an exit may be substantially different from what was previously thought.

Realizing dispositions of non-core investments or businesses will provide liquidity to help sustain SRHI's operations, acquire new businesses and / or investments and support existing businesses.

Although we expected to have exited several non-core investments or businesses by the end of 2018, there have been no dispositions to date. However, progress has been made and we expect to report divestments for some, if not all, of our non-core investments or businesses during 2019.

Outlook

SRHI maintains its positive view on copper from both a supply and demand perspective. Our supply view forecasts reflect a lack of new large projects coming online in the next five year period with demand driven by SRHI's belief that Chinese and other developing countries' appetite for the metal will remain strong, while the emergence of electric vehicles, battery and storage technologies and renewable energy products will create additional demand in the years ahead. The recent upward pricing move in copper reflects our strong conviction that copper prices will trend higher over the next several years which is in line with market consensus. We believe that the expansion plans ongoing at MTV is at an ideal time to take advantage of this expected rise in the copper price. SRHI maintains that recent downward pressure on the copper price reflects concerns that recently imposed tariffs will slow economic growth globally. Global inventories are at very low levels, and recent backwardation reflects tight inventories, despite the imposition of tariffs.

The expansion of the Don Gabriel pit began in the second half of 2018, as recommended in the Technical Studies, with the selected mining and haulage contractors arriving on site during August, 2018. This expansion has progressed well with $1.9 million of capital expenditures incurred in 2018 for phases 2, 3 and 5 (7 mining phases in total). A total of $5.9 million was defined for pre-stripping mining which is expected to be fully utilized by the end of 2019.

MTV also commenced procurement of long-lead time items in 2018 for the Salt Leach and finalized the selection of the EPC contractor. Capital expenditures of approximately $7 million were defined over an 11-month period and it is expected that the Salt Leach will be fully implemented and operational by the end of 2019. The Technical Studies which includes the Papomono Masivo and ancillary deposits provides for $21 million in capital expenditures over 18 months which is intended to begin in 2019. MTV and SRHI are working with providers for debt financing of the project and expect to have debt financing in place in the first half of 2019 to fund this expansion.

Upon MTV completing the aforementioned capital projects, cash flows generated from this expansion will provide MTV the ability to exploit the exploration upside of its significant land package of over 44,334 hectares of mineral rights and more than 100 copper occurrences identified that require more exploration effort.

The Company's 2019 guidance for MTV is as follows:

Cu production (tonnes)	8,250 - 8,750
Cu production (millions of pounds)	18.2 - 19.3
Cash cost per pound produced	$2.20 - $2.50
Capital expenditures ($ millions)	$25 - $30

The Company has initiated its marketing plan and expects to continue this during 2019, subject to its marketing blackout periods, providing awareness to the investment community of the positive developments at MTV.

On February 11, 2019, the Board of Directors of the Company formed a Special Committee of the Board comprised solely of the Company's four Independent Directors which is chaired by Terry Lyons, the current Chairman of the Board. The purpose of the Special Committee is to review and evaluate potential measures to address the Company's market valuation. This review will be comprehensive and will look at all measures to maximize shareholder value. The Special Committee has engaged financial and legal advisors to assist in its evaluation.

CORPORATE STRUCTURE

The consolidated accounts of the Company now include (i) SRHI's three wholly-owned subsidiaries; Sprott Resource Corp. ("**SRC**"), Adriana Mining Ltd. ("**ADM**"), and Sprott Resource Coal Holding Corp. ("**SRCHC**"); (ii) SRC's wholly-owned subsidiary, SRH Chile SpA ("**SRH Chile**"); (iii) MTV, which owns the Chilean copper producing mine; (iv) Beretta, a Toronto, Canada based vertically integrated food business focused on natural and organic protein-based food production and retail; and (v) the Company's equity incentive plan vehicle, the Trust (defined below).

The subsidiaries of SRHI are listed below. Each of the entities has a December 31 year end.

Entity	Location	Proportion of Ownership Interest	Non-Controlling Interest
SRC	Canada	100%	—
ADM	Canada	100%	—
SRCHC	Canada	100%	—
Beretta	Canada	49.98%	50.02%
2014 Employee Profit Sharing Plan (the "**Trust**")	Canada	—	—
SRH Chile	Chile	100%	—
MTV	Chile	70%	30%

The Company is deemed to control the Trust which provides the Company with its equity incentive plan. The Company is also deemed to control Beretta as the remaining shareholder base of Beretta is widely held.

The Company holds a 49.98% interest in Beretta. Effective the Transition Date, Beretta is referred to as an asset held for sale and/or discontinued operations throughout this MD&A.

CHANGES IN FINANCIAL REPORTING

Effective the Transition Date, the Company no longer relied on the reporting requirements applicable to it under Investment Entity Reporting and instead was required to apply the acquisition method of accounting to its investments in MTV and Beretta. As an investment entity, the Company accounted for investments at fair value through profit or loss ("**FVTPL**").

The resulting financial reporting change was significant to the Company. Effective the Transition Date, the Company recognized MTV and Beretta as controlled entities and consolidated their respective financial accounts with those of the Company. This resulted in the introduction of MTV's and Beretta's assets, liabilities, and a non-controlling interest to the Consolidated Statements of Financial Position of the Company. All income and expenses of MTV and Beretta are reported on the Company's Consolidated Statements of Operations and Comprehensive Loss together with the non-controlling interest's share of operations. Previously, MTV and Beretta were accounted for as portfolio investments and reported at fair value. The remaining investments (all equity investments) of the Company continue to be accounted for as portfolio investments (financial assets) valued at FVTPL.

Furthermore, the Company adopted the USD as its presentation currency which was applied retroactively to its financial statements. This specific accounting policy change required the Company to present a USD restated balance sheet as of January 1, 2017, the third column on the Company's Statement of Consolidated Financial Position. The following table summarizes the more impacting changes to the Company's financial presentation.

	Application	2018 Issued	2018 Comparative (2017 Results)	2017 Issued	2017 Comparative (2016 Results)
Currency	Retroactive	USD	USD	CAD	CAD
Strategic Assets					
MTV	Prospective	Consolidated*	FVTPL	FVTPL	FVTPL
Beretta	Prospective	Consolidated*	FVTPL	FVTPL	FVTPL
Tactical Assets					
Corsa Coal	Unchanged	FVTPL	FVTPL	FVTPL	FVTPL
InPlay Oil	Unchanged	FVTPL	FVTPL	FVTPL	FVTPL
Virginia Energy	Unchanged	FVTPL	FVTPL	FVTPL	FVTPL
RII	Unchanged	FVTPL	FVTPL	FVTPL	FVTPL
Lac Otelnuk	Unchanged	FVTPL	FVTPL	FVTPL	FVTPL

* effective February 1, 2018

As a result of the significant changes in retroactive and prospective accounting policies adopted by the Company on the Transition Date, readers are cautioned that the comparative information in this MD&A at times is either not meaningful or did not apply to the Company at the specified date or during the specified period.

OPERATIONAL UPDATE

Eleven months ended December 31, 2018

The Company consolidated the accounts of MTV beginning on the Transition Date. Accordingly, certain comparative information is neither applicable nor meaningful and is therefore not provided.

	Eleven months ended Dec. 31, 2018
Tonnes mined - underground mine	163,976
Tonnes mined - open pit mine	572,556
Total ore mined (tonnes)	736,532
Waste mined - open pit mine (tonnes)	1,695,516
MTV mine processed ore (tonnes)	744,990
Third-party processed ore (tonnes)	168,062
ENAMI tolling processed ore (tonnes)	55,438
Total processed ore (tonnes)	968,490
Metallurgical recovery - underground material (%)	80.0%
Metallurgical recovery - open pit material (%)	81.3%
Underground average ore grade (Cu%)	1.01%
Open pit average ore grade (Cu%)	0.60%
Copper cathode production (tonnes)	5,381
Copper cathode sales (tonnes)	4,911
Toll processed and copper cathodes returned to ENAMI (tonnes)	749

Mine production increased significantly during the second half of the year as the new mining contractor, Vecchiola S.A., began work on site. Unexpected pockets of ore that were originally planned as waste were proven to be economical and therefore processed. The incremental ore mined provided additional ore to the crusher which had excess capacity and aided in the increased production for the year. Total ore and waste tonnes mined increased through the year since the new contractor began operating (115 thousand tonnes per month in the five months ended September 30, 2018 compared to 310 thousand tonnes per month in the six months ended December 31, 2018). As a result of the higher mining rate, tonnes crushed also increased averaging over 100 thousand tonnes per month in the second half of 2018. The increase in tonnes crushed resulted in an increase in production through the year (465 tonnes per month in the five months ended June 30, 2018 compared to 510 tonnes per month in the six months ended December 31, 2018).

	Three months ended		
	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018
Total ore mined (tonnes)	157,763	253,783	234,626
Waste mined - open pit mine (tonnes)	238,966	551,930	816,020
Copper cathode production (tonnes)	1,401	1,462	1,596

Three Months Ended December 31, 2018

The Company consolidated the accounts of MTV beginning on the Transition Date. Accordingly, certain comparative information is neither applicable nor meaningful and is therefore not provided.

	Three months ended Dec. 31, 2018
Tonnes mined - underground mine	28,237
Tonnes mined - open pit mine	206,389
Total ore mined (tonnes)	234,626
Waste mined - open pit mine (tonnes)	816,020
MTV mine processed ore (tonnes)	236,234
Third-party processed ore (tonnes)	40,974
ENAMI tolling processed ore (tonnes)	20,616
Total processed ore (tonnes)	297,824
Metallurgical recovery - underground material (%)	80.8%
Metallurgical recovery - open pit material (%)	81.8%
Underground average ore grade (Cu%)	0.86%
Open pit average ore grade (Cu%)	0.57%
Copper cathode production (tonnes)	1,596
Copper cathode sales (tonnes)	1,700
Toll processed and copper cathodes returned to ENAMI (tonnes)	203

Mine production increased significantly during the second half of the year as the new mining contractor, Vecchiola S.A., began work on site. Unexpected pockets of ore that were originally planned as waste were proven to be economical and therefore processed. The incremental ore mined provided additional ore to the crusher which had excess capacity and aided in the increased production for the quarter. Total ore and waste tonnes mined increased quarter over quarter since the new contractor began operating (806 thousand tonnes in the three months ended September 30, 2018 compared to 1,051 thousand tonnes in the three months ended December 31, 2018). As a result of the higher mining rate, tonnes crushed also increased averaging over 100 thousand tonnes per month in the second half of 2018. The increase in tonnes crushed resulted in an increase in production quarter over quarter through the year (1,462 tonnes in the three months ended September 30, 2018 compared to 1,596 tonnes in the fourth quarter ended December 31, 2018).

LIQUIDITY AND CAPITAL RESOURCES

Cash

At December 31, 2018, the Company held cash and cash equivalents of $13.5 million. Cash and cash equivalents are primarily comprised of cash in deposit accounts held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less, in accordance with the Company's cash investment policy. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Cash and cash equivalents decreased by $14.0 million in the year ended December 31, 2018 primarily as a result of cash and cash equivalents used in operating activities of $10.8 million, the purchase of the Loan Investment for $7.0 million, capital expenditures of $7.8 million, proceeds (net of repayments) from loans and borrowings at MTV of $7.2 million partially offset by $3.0 million of cash and cash equivalents acquired in the MTV transaction and repayments of $2.8 million from the Loan Investment.

Working Capital

At December 31, 2018, the Company had working capital of $19.5 million. Included in working capital is cash of $13.5 million, principal and interest receivable from the Loan Investment of $4.2 million, inventories of $20.6 million and the publicly traded portfolio of investments of $14.9 million. Liabilities included in working capital include accounts payable and accrued liabilities of $19.8 million, deferred revenue of $2.9 million and the current portion of MTV's loans and borrowings of $14.5 million.

The Company's intent is to expand mine operations at MTV which will require additional capital, the sourcing of which is expected to be in the form of long-term debt. With this anticipated long-term debt capital, it is expected that the current portion of loans and borrowings of $14.5 million will be converted to long-term debt improving the Company's working capital. With the estimated future cash flows from expanded mine operations and existing and projected improvements in working capital, the Company will have the adequate ability to service its ongoing obligations and cover anticipated development, exploration and corporate costs associated with its existing operations for the next 12 months. The long-term debt for MTV is expected to be secured before the end of the second quarter of 2019.

It is management's assumption that commodity prices vary over time and the current price environment is not reflective of long-term future prices. This will have an impact on the Company as it undertakes to expand the mining operations at Papomono and Don Gabriel, implement Salt-Leaching and increase throughput of the mine from its current sub-optimal utilization. The current commodity price and exchange rate environment can be volatile and accordingly will have an impact on the Company's cash flows.

Capital Resources

The Company’s primary sources of capital resources are comprised of cash and cash equivalents, divestment of its portfolio investments and its loans and borrowings. In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. The Company continuously monitors its capital structure and, based on changes in operations and economic conditions, may adjust such structure by issuing new common shares or new debt as necessary. As noted above, the Company intends to expand mine operations that will require the Company to successfully obtain additional loans and borrowings. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. In the event that additional loans and borrowings cannot be secured to expand mine operations at MTV, the Company may have to revise its planned operations and activities for 2019 for MTV.

The Company continues to review its near-term operating plans and take steps to reduce costs and maximize cash flow from operations, while growing copper cathode production.

Certain loan agreements contain operating and financial covenants that could restrict the ability of MTV to, among other things, incur additional indebtedness needed to fund its operations, pay dividends or make other distributions, make investments, create liens, sell or transfer assets or enter into transactions with affiliates. In July 2018, the Company agreed to guarantee (replacing the previous majority shareholder) the line of credit provided to MTV from an investment fund in the amount of $15 million on the same terms as the prior guarantor, which includes:

- All copper cathode stock, both in its finished state, as ore and any product still undergoing processing;
- The naming of investment fund as the beneficiary of insurance proceeds from any theft of copper cathodes;
- The naming of investment fund as the main beneficiary of risk for the transport of copper cathodes; and,
- First priority interest over certain assets including plant and machinery.

The guarantee together with the line of credit expire on June 24, 2019. There are no other restrictions or externally imposed capital requirements of the Company.

The Company entered into certain commitments as at December 31, 2018 to (i) purchase property, plant and equipment amounting to $1.6 million and (ii) mining operating supplies amounting to $9.9 million.

OPERATING SEGMENTS

The Company has two reportable segments. MTV is the Company's principal operating business. Corporate includes the Canadian corporate office which holds portfolio investments in the mining and energy sectors as well as an asset held for sale that reflects a 49.98% interest in Beretta which was previously reflected as a portfolio investment in prior periods. During 2017, the Company had only one segment and as a result, comparatives are not presented.

Significant information relating to reportable operating segments is summarized below:

	MTV	Corporate	Total
As at December 31, 2018			
Assets	$ 103,007	$ 37,434	**$ 140,441**
Assets classified as held for sale	—	14,013	**14,013**
Total assets	$ 103,007	$ 51,447	**$ 154,454**
Liabilities	$ 43,100	$ 1,259	**$ 44,359**
Liabilities classified as held for sale	—	2,964	**2,964**
Total liabilities	$ 43,100	$ 4,223	**$ 47,323**

Year Ended December 31, 2018	MTV[1]	Corporate	Total
Revenue	$ 32,700	$ —	**$ 32,700**
Cost of sales	(34,329)	—	**(34,329)**
Gross loss	(1,629)	—	**(1,629)**
Expenses			
General and administrative expenses	2,204	3,949	**6,153**
Unrealized loss on portfolio investments	—	22,603	**22,603**
Finance expenses, net	2,095	—	**2,095**
Other income (loss)	685	(3,449)	**(2,764)**
Net loss from continuing operations	(6,613)	(23,103)	**(29,716)**
Net loss from discontinued operations	—	(2,936)	**(2,936)**
Net loss for the year	$ (6,613)	$ (26,039)	**$ (32,652)**

[1] MTV was deemed to be acquired on the Transition Date and as a result, the operations of MTV are for the eleven months ended December 31, 2018.

Three Months Ended December 31, 2018	MTV	Corporate	Total
Revenue	$ 10,888	$ —	**$ 10,888**
Cost of sales	(11,326)	—	**(11,326)**
Gross loss	(438)	—	**(438)**
Expenses			
General and administrative expenses	602	756	**1,358**
Unrealized loss on portfolio investments	—	12,631	**12,631**
Finance expenses, net	445	—	**445**
Other loss (income)	1,605	(2,846)	**(1,241)**
Net loss from continuing operations	(3,090)	(10,541)	**(13,631)**
Net loss from discontinued operations	—	(517)	**(517)**
Net loss for the period	$ (3,090)	$ (11,058)	**$ (14,148)**

Effective the Transition Date, the Company reported Beretta as held for sale and consolidated MTV. Prior to the Transition Date, both Beretta and MTV were portfolio investments reported at FVTPL under Investment Entity Reporting. As a result, the results of MTV and net loss from discontinued operations in the above table are for the eleven months ended December 31, 2018.

Effective the Transition Date, Beretta was reclassified as held for sale and all assets and liabilities of Beretta are presented separately in the Consolidated Statements of Financial Position as current assets and current liabilities respectively.

For the period February 1, 2018 to December 31, 2018, 96% of the revenues ($32.7 million) was from one customer based in Switzerland. As at December 31, 2018, there was $0.4 million outstanding in trade and other receivables.

FINANCIAL UPDATE

Year Ended December 31, 2018

The Company reported as an Investment Entity for the month ended January 31, 2018 and for the comparative periods. For the eleven months ended December 31, 2018, the Company did not report as an Investment Entity and instead consolidated the accounts of MTV and Beretta which were both previously reported at fair value with changes in fair value reported in the Consolidated Statements of Operations and Comprehensive Loss as *Loss (gain) on portfolio investments*. Accordingly, comparative information, although provided, is not meaningful in the majority of circumstances and in some cases, the comparative financial and operating information did not apply to the Company and therefore is noted as not applicable.

Gross loss

	Year ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017
Revenue	**$ 32,700**	n/a
Cost of sales	**(34,329)**	n/a
Gross loss	**$ (1,629)**	n/a

Revenue

During the eleven months ended December 31, 2018, the Company recognized revenues of $32.7 million which included revenue from the sale of 5,381 tonnes of copper cathodes for $31.4 million and revenues from tolling services of $1.3 million. Revenues were based on an average realized copper price of $2.90 per pound.

Cost of sales

Cost of sales represent direct mining and plant costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. Cost of sales include elevated input costs for diesel and reagents which increased throughout the year. These elevated costs are expected to continue through 2019. The cost of sales for the eleven months ended December 31, 2018, was $34.3 million.

Expenses

General and administrative expenses

	Year ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017
Salaries and contracted services	**$ 1,210**	$ 211
Management fees	**2,402**	2,233
Public company reporting costs	**1,000**	971
Other office expenses	**1,541**	415
General and administrative expenses	**$ 6,153**	$ 3,830

Salaries and contracted services

The Company's salaries and contracted services increased for the year ended December 31, 2018 compared with the year ended December 31, 2017 as a result of the inclusion of MTV's results effective the Transition Date. Previous to the Transition Date and for the year ended December 31, 2017, salaries and contracted services were solely those related to the Corporate Segment. Salaries and contracted services include non-mine site related office salaries and contracted services at MTV and similar costs in the Corporate Segment that are not provided for in the MSA. See the sections *Commitments* and *Operating Segments* elsewhere in this MD&A.

Management fees

The increase in management fees for the year ended December 31, 2018, compared with the year ended December 31, 2017, is due to the increase in the average net asset value ("**NAV**") of the Company on which the fee is based (see the section *Management Fee* elsewhere in this MD&A). Included in management fees is certain stock-based compensation for the year ended December 31, 2018 of $146 thousand (year ended December 31, 2017: $190 thousand) in connection with the Company's equity incentive plan that was paid in lieu of cash compensation.

Public company reporting costs

Public company reporting costs include those items specific to being a reporting issuer listed on a recognized exchange such as director stock-based compensation of $115 thousand for the year ended December 31, 2018 (year ended December 31, 2017: $186 thousand). As would be expected, total public company reporting costs for the year ended December 31, 2018 are consistent with the year ended December 31, 2017.

Other office expenses

The Company's other office expenses increased for the year ended December 31, 2018 compared with the year ended December 31, 2017 as a result of the inclusion of MTV's results effective the Transition Date. Previous to the Transition Date and for the year ended December 31, 2017, other office expenses were solely those related to the Corporate Segment. See the section *Operating Segments* elsewhere in this MD&A.

Loss on Portfolio Investments

(in thousands)		Year ended Dec. 31, 2018		Dec. 31, 2017
Realized loss on portfolio investments	**$**	**—**	$	(17,878)
Change in unrealized gain (loss) on portfolio investments		**(22,603)**		(8,732)
Loss on Portfolio Investments	**$**	**(22,603)**	$	(26,610)

Realized loss on portfolio investments

On July 9, 2018, the Company provided the $7.2 million Loan Investment that matured on December 31, 2018 with the full amount paid on maturity. As at December 31, 2018, $4.2 million remained with Sprott Resource Lending Corp., as agent to the Company, and was received subsequent to December 31, 2018. This amount is included in Trade and other receivables at December 31, 2018. The Company did not realize a gain or loss on its Loan Investment but recorded interest income of $670 thousand for the year ended December 31, 2018 that is included in *Other income (loss)*.

During the year ended December 31, 2017, the Company disposed of its entire holdings of Union Agriculture Group ("**Union Agriculture**") incurring a total realized loss of $17.9 million.

Change in unrealized gain (loss) on portfolio investments

Change in unrealized gain (loss) on portfolio investments is comprised of (i) reversal of previously recorded unrealized gain (loss) on portfolio investments, (ii) change in unrealized gain (loss) on portfolio investments and (iii) change in unrealized foreign exchange gain (loss) on investments.

(in thousands)		Year ended Dec. 31, 2018		Dec. 31, 2017
InPlay Oil	**$**	**(5,187)**	$	(124)
Virginia Energy		**304**		456
Corsa Coal		**(16,577)**		(12,647)
LOM		**(197)**		—
Beretta [1]		**165**		(3,080)
MTV		**—**		126
RII		**(1,111)**		(3,048)
Union Agriculture		**—**		9,585
Change in unrealized loss on portfolio investments	**$**	**(22,603)**	$	(8,732)

[1] *Change in unrealized gain immediately prior to the Transition Date*

Additional information about the portfolio investments of the Company are discussed in the section *Portfolio Investments* located elsewhere in this MD&A.

Finance expenses, net

(in thousands)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Finance income	**$ (16)**	$ —
Finance expense	**2,111**	—
Finance expenses, net	**$ 2,095**	$ —

Finance expense

Finance income and expense is a result of the inclusion of MTV's results effective the Transition Date. Finance expense includes interest from loans and borrowings of approximately $1.7 million.

Other income (loss)

(in thousands)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Transaction costs	**$ —**	$ (1,170)
Interest and other income (loss)	**944**	603
Foreign currency translation gain (loss)	**1,820**	(693)
Other income (loss)	**$ 2,764**	$ (1,260)

Transaction costs

For the year ended December 31, 2018, no transaction costs were incurred compared to $1.2 million for the year ended December 31, 2017. For the year ended December 31, 2017, transaction costs were primarily a result of professional fees associated with the Arrangement, Transaction and Offering together with costs associated with the evaluation of potential new investments including MTV. These costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Interest and other income (loss)

For the year ended December 31, 2018, *Interest and other income (loss)* is primarily composed of interest income generated by the Company's Loan Investment and cash and cash equivalents invested in accordance with the Company's cash investment policy (year ended December 31, 2017: $353 thousand). For the year ended December 31, 2017, *Interest and other income (loss)* also includes the bargain purchase gain of $194 thousand as a result of the Arrangement as more fully described in the section *Business Combinations and Reverse Takeover* located elsewhere in this MD&A.

Foreign currency translation gain (loss)

During fiscal 2018, the foreign currency gain was generated by the strengthening of the US dollar over the year of approximately 9% compared to the Canadian dollar partially offset by the weakening of the Chilean peso. In fiscal 2017, the US dollar weakened by approximately 6% creating a foreign exchange loss.

Other comprehensive income (loss)

Other comprehensive income (loss) for the Company arises primarily upon the Company translating accounts held in a functional currency of CAD to a presentation currency of USD. Depending on future foreign exchange rates, these foreign currency translation differences may reverse. For the year ended December 31, 2018, other comprehensive loss was $5.2 million compared to other comprehensive income of $6.9 million for the year ended December 31, 2017. The loss for the year ended December 31, 2018 was generated by the weakening of the Canadian dollar during 2018 while the gain for the year ended December 31, 2017 was generated by the strengthening of the Canadian dollar in 2017.

Income taxes

The Company did not report any current income taxes for the year ended December 31, 2018 or for the year ended December 31, 2017.

As at December 31, 2018 and December 31, 2017, management determined that the Company did not meet the criteria as set out in International Accounting Standard 12: *Income Taxes* to recognize a deferred tax asset.

As a result of the Arrangement, the majority of all income tax losses available to shelter future income taxes for both SRC and ADI expired.

The Company, and specifically MTV, have sizable non-capital losses that are available to be applied against taxable income of future years. Upon the successful execution of MTV's mine expansion, it is expected that taxable income will begin to be generated at MTV to utilize its tax loss carryforwards.

	As at	
	Dec. 31, 2018	**Dec. 31, 2017**
Canadian tax losses expiring 2036 - 2038	**$ 6,245**	$ 4,767
Chilean tax losses	**295,299**	—
Provision	**11,596**	—
Share issue costs and other	**4,196**	2,580
Capital losses	**11,041**	17,437
Portfolio investments	**100,203**	77,729
Unrecognized deductible temporary differences	**$ 428,580**	$ 102,513

Net loss and comprehensive loss

For the year ended December 31, 2018, the Company reported a net loss attributable to shareholders of $30.1 million and comprehensive loss attributable to shareholders of $34.7 million compared to a net loss attributable to shareholders of $31.7 million and comprehensive loss attributable to shareholders of $24.8 million reported for the year ended December 31, 2017. The components of these amounts are discussed in the explanations provided above.

Three Months Ended December 31, 2018

For the three months ended December 31, 2018, the Company consolidated the accounts of MTV and Beretta which were both previously reported at fair value with changes in fair value reported in the Consolidated Statements of Operations and Comprehensive Loss as *Loss (gain) on portfolio investments*. Accordingly, comparative information, although provided, is not meaningful in the majority of circumstances and in some cases, the comparative financial and operating information did not apply to the Company and therefore is noted as not applicable.

Gross loss

	Three months ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017
Revenue	**$ 10,888**	n/a
Cost of sales	**(11,326)**	n/a
Gross loss	**$ (438)**	**n/a**

Revenue

During the three months ended December 31, 2018, the Company recognized revenues of $10.9 million which included revenue from the sale of 1,596 tonnes of copper cathodes for $10.4 million and revenues from tolling services of $0.5 million. Revenues were based on an average realized copper price of $2.78 per pound.

Cost of sales

Cost of sales represent direct mining and plant costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. Cost of sales include elevated input costs for diesel and reagents which increased in the three months ended December 31, 2018 compared to the three months ended September 30, 2018. The cost of sales for the three months ended December 31, 2018, was $11.3 million.

Expenses

General and administrative expenses

	Three months ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017
Salaries and contracted services	**$ 278**	$ 123
Management fees	**610**	588
Public company reporting costs	**80**	272
Other office expenses	**390**	125
General and administrative expenses	**$ 1,358**	$ 1,108

Salaries and contracted services

The Company's salaries and contracted services increased for the three months ended December 31, 2018 compared with the three months ended December 31, 2017 as a result of the inclusion of MTV's results effective the Transition Date. Previous to the Transition Date and for the three months ended December 31, 2017, salaries and contracted services were solely those related to the Corporate Segment. Salaries and contracted services include non-mine site related office salaries and contracted services at MTV and similar costs in the Corporate Segment that are not provided for in the MSA. See the section *Operating Segments* elsewhere in this MD&A.

See the section *Operating Segments* elsewhere in this MD&A.

Management fees

The increase in management fees for the three months ended December 31, 2018, compared with the three months ended December 31, 2017 is due to the increase in average NAV of the Company on which the fee is based (see the section *Management Fee* elsewhere in this MD&A). Included in management fees is certain stock-based compensation for the three months ended December 31, 2018 of $16 thousand (three months ended December 31, 2017: $33 thousand) in connection with the Company's equity incentive plan that was paid in lieu of cash compensation.

Public company reporting costs

Public company reporting costs include those items specific to being a reporting issuer listed on a recognized exchange such as director stock-based compensation of $46 thousand for the three months ended December 31, 2018 (three months ended December 31, 2017: $123 thousand).

Other office expenses

The Company's other office expenses increased for the three months ended December 31, 2018 compared with the three months ended December 31, 2017 as a result of the inclusion of MTV's results effective the Transition Date. Previous to the Transition Date and for the three months ended December 31, 2017, other office expenses were solely those related to the Corporate Segment. See the section *Operating Segments* elsewhere in this MD&A.

Gain (loss) on portfolio investments

(in thousands)		Three months ended Dec. 31, 2018	Dec. 31, 2017
Realized loss on portfolio investments	$	**—** $	(13,881)
Change in unrealized gain (loss) on portfolio investments		**(12,631)**	23,575
Gain (loss) on portfolio investments	**$**	**(12,631)** $	9,694

Realized loss on portfolio investments

On July 9, 2018, the Company provided the $7.2 million Loan Investment that matured on December 31, 2018 with the full amount paid on maturity. As at December 31, 2018, $4.2 million remained with Sprott Resource Lending Corp., as agent to the Company, and was received subsequent to December 31, 2018. This amount is included in Trade and other receivables at December 31, 2018. The Company did not realize a gain or loss on its Loan Investment but recorded interest income of $291 thousand for the three months ended December 31, 2018 that is included in *Other income (loss)*.

During the three months ended December 31, 2017, the Company disposed of its final holdings of Union Agriculture incurring a total realized loss of $13.9 million.

Change in unrealized gain (loss) on portfolio investments

Change in unrealized gain (loss) on portfolio investments is comprised of (i) reversal of previously recorded unrealized loss on portfolio investments, (ii) change in unrealized gain (loss) on portfolio investments and (iii) change in unrealized foreign exchange loss on investments.

(in thousands)		Three months ended Dec. 31, 2018	Dec. 31, 2017
InPlay Oil	$	**(3,547)** $	1,452
Virginia Energy		**(644)**	—
Corsa Coal		**(8,243)**	8,050
LOM		**(197)**	—
MTV		**—**	126
Union Agriculture		**—**	13,947
Change in unrealized gain (loss) on portfolio investments	**$**	**(12,631)** $	23,575

Additional information about the portfolio investments of the Company are discussed in the section *Portfolio Investments* located elsewhere in this MD&A.

Finance expenses, net

(in thousands)		Three months ended Dec. 31, 2018	Dec. 31, 2017
Finance income	$	**—**	n/a
Finance expense		**445**	n/a
Finance expenses, net	**$**	**445**	n/a

Finance income and expense is a result of the inclusion of MTV's results effective the Transition Date. Finance expense includes interest from loans and borrowings of $0.3 million.

Other income (loss)

(in thousands)	Three months ended Dec. 31, 2018	Dec. 31, 2017
Transaction costs	**$ —**	$ (298)
Interest and other income (loss)	**316**	97
Foreign currency translation gain	**925**	58
Other income (loss)	**$ 1,241**	$ (143)

Transaction costs

For the three months ended December 31, 2018, no transaction costs were incurred compared to $0.3 million for the three months ended December 31, 2017. For the three months ended December 31, 2017, transaction costs were primarily a result of professional fees associated with the Arrangement, Transaction and Offering, together with costs associated with the evaluation of potential new investments including MTV. These costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Interest and other income (loss)

For the three months ended December 31, 2018, *Interest and other income (loss)* is primarily composed of interest income generated from the Company's Loan Investment (three months ended December 31, 2017: interest income of $92 thousand).

Foreign currency translation gain (loss)

During three months ended December 31, 2018, the foreign currency gain was generated by the strengthening of the US dollar over the year of approximately 5% compared to the Canadian dollar partially offset by the weakening of the Chilean peso. During the three months ended December 31, 2017, the change in the foreign exchange rate was not impacting to the Company.

Other comprehensive income (loss)

Other comprehensive income (loss) for the Company arises primarily upon the Company translating accounts held in a functional currency of CAD to a presentation currency of USD. Depending on future foreign exchange rates, these foreign currency translation differences may reverse. For the three months ended December 31, 2018, other comprehensive loss was $2.9 million compared to other comprehensive income of $0.5 million for the three months ended December 31, 2017. The loss for the year ended December 31, 2018 was generated by the weakening of the Canadian dollar over the period while the gain for the year ended December 31, 2017 was generated by the strengthening of the Canadian dollar over the period.

Income taxes

The Company did not report any current income taxes for the three months ended December 31, 2018 or for the three months ended December 31, 2017.

As at December 31, 2018 and December 31, 2017, management determined that the Company did not meet the criteria as set out in International Accounting Standard 12: *Income Taxes* to recognize a deferred tax asset.

Net loss and comprehensive loss

For the three months ended December 31, 2018, the Company reported net loss attributed to shareholders of $13.7 million and comprehensive income attributed to shareholders of $16.3 million compared to net loss attributed to shareholders of $8.4 million and comprehensive loss attributable to shareholders of $8.0 million reported for the three months ended December 31, 2017. The components of these amounts are discussed in the explanations provided above.

PORTFOLIO INVESTMENTS

The Company reported as an Investment Entity for the comparative periods and for the month ended January 31, 2018. For the eleven months ended December 31, 2018, the Company did not report as an Investment Entity and instead consolidated the accounts of MTV and Beretta which were both previously reported at fair value with changes in fair value reported in the Consolidated Statements of Operations and Comprehensive Loss as *Loss (gain) on portfolio investments*. Accordingly, comparative information, although provided, is not meaningful in the majority of circumstances and in some cases, the comparative financial and operating information did not apply to the Company and therefore is noted as not applicable.

Portfolio investments movement

	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Opening portfolio investments, at fair value	**$ 37,825**	$ 45,436	**$ 91,997**	$ 74,976
Portfolio investments acquired as part of the Arrangement	**—**	—	**—**	4,948
New investments	**—**	39,900	**7,000**	39,900
Realizations [1]	**(4,697)**	(2,760)	**(7,670)**	(4,811)
Portfolio investment return [2]	**(12,340)**	9,694	**(21,933)**	(26,610)
Deemed disposition of portfolio investments [3]	**—**	—	**(47,570)**	—
Foreign currency translation differences	**(1,303)**	(273)	**(2,339)**	3,594
Closing portfolio investments, at fair value	**$ 19,485**	$ 91,997	**$ 19,485**	$ 91,997

1 *Includes gross proceeds from portfolio investment dispositions*

2 *Represents the change in unrealized loss on portfolio investments in 2018 and realized loss on portfolio investments and change in unrealized loss on portfolio investments in 2017.*

3 *Represents the fair value of MTV and Beretta immediately before their deemed acquisition by the Company*

New investments

On July 9, 2018, the Company provided the Loan Investment to a private royalty company to support their business plan. The Loan Investment was measured at amortized cost and matured on December 31, 2018 with the full amount paid on maturity. In the fourth quarter of 2017 and reporting under Investment Entity Reporting, the Company invested $39.9 million for the purchase of MTV. Effective the Transition Date, MTV was treated as a consolidated subsidiary and not as a portfolio investment.

Realizations

During the year ended December 31, 2018, the Loan Investment was repaid in full including all interest and fees. As at December 31, 2018, $4.2 million remained with Sprott Resource Lending Corp., as agent to the Company. This amount was subsequently received and as at December 31, 2018, is included in Trade and other receivables. For the three months and year ended December 31, 2017, the Company disposed of its entire investment in Union Agriculture for gross proceeds of $2.8 million and $4.8 million respectively.

Portfolio investment return

For the three months ended December 31, 2018, SRHI's portfolio investment return decreased by $12.6 million, comprised solely of unrealized losses on portfolio investments. The change in unrealized loss on portfolio investments is predominantly due to the decrease in value of the Company's public investment in Corsa Coal. For the three months ended December 31, 2017, SRHI's portfolio investment return increased by $9.7 million, represented primarily by an unrealized gain on the Company's public investment in Corsa Coal and by the reversal of previously recorded unrealized losses on its investment in Union Agriculture.

For the year ended December 31, 2018, SRHI's portfolio investment return decreased by $22.6 million, comprised solely of unrealized losses on portfolio investments. The change in unrealized loss on portfolio investments is predominantly due to the decreased value of the Company's public investments in Corsa Coal and InPlay Oil. For the year ended December 31, 2017, SRHI's portfolio investment return increased by $26.6 million, represented primarily by an unrealized loss on the Company's public investment in Corsa Coal and by the reversal of previously recorded unrealized losses on its investment in Union Agriculture.

(in thousands)	Three months ended Dec. 31, 2018	Three months ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Realized loss on portfolio investments	**$ —**	$ (13,881)	**$ —**	$ (17,878)
Change in unrealized gain (loss) on portfolio investments	**(12,631)**	23,575	**(22,603)**	(8,732)
	$ (12,631)	$ 9,694	**$ (22,603)**	$ (26,610)

During the three months and year ended December 31, 2017, the Company disposed of its entire investment in Union Agriculture resulting in a realized loss of $13.9 million and $17.9 million, respectively.

Specifics of the change in unrealized loss on portfolio investments for the three months and year ended December 31, 2018 and the three months and year ended December 31, 2017 are detailed in the *Results of Operations - Financial Update* sections elsewhere in this MD&A.

Deemed disposition of portfolio investments

Effective the Transition Date, the Company was deemed to acquire its portfolio investments in MTV and Beretta at fair value. This resulted in both MTV's and Beretta's removal as a portfolio investment and redesignated as consolidated controlled entities.

(in thousands)	Deemed Acquisition Fair Value
MTV	**$ 39,900**
Beretta	**7,670**
	$ 47,570

Closing portfolio investments

(in thousands)	Sector	Public/Private	As at Dec. 31, 2018	As at Dec. 31, 2017	As at Jan. 1, 2017
Strategic Assets					
MTV	Mining	Private	$ —	$ 39,900	$ —
Beretta	Agriculture	Private	—	7,348	9,950
Tactical Assets					
Corsa Coal	Mining	Public	8,693	26,546	37,627
InPlay Oil	Energy production and services	Public	5,098	10,974	10,518
Virginia Energy	Mining	Public	1,108	903	387
Lac Otelnuk	Mining	Private	4,586	5,195	—
RII	Energy production and services	Private	—	1,131	3,902
Union Agriculture	Agriculture	Private	—	—	12,592
			$ 19,485	$ 91,997	74,976

InPlay Oil trades on the TSX and Corsa Coal and Virginia Energy trade on the TSX Venture Exchange. Given their public company status, significant amounts of information on each of these public portfolio investments is available as a result of their respective required continuous disclosure obligations. Readers are encouraged to obtain this information in order to best assess the financial position, results of operations, future prospects and risks associated with each of these portfolio investments of the Company. Additional information relating to these portfolio investments is available through their respective SEDAR filings and websites but such additional information is not incorporated by reference herein.

SUMMARY OF QUARTERLY RESULTS [1]

The following table contains selected quarterly financial information derived from the Company's financial statements and should be read in conjunction with the consolidated condensed quarterly financial statements reported under IFRS applicable to interim financial reporting.

	2018				**2017**			
(in thousands, except per share amounts)	**Dec**	Sept	Jun	Mar	Dec	Sept	Jun	Mar
Revenue	**$ 10,888**	$ 6,039	$ 9,810	$ 5,963	n/a	n/a	n/a	n/a
Gross profit (loss)	**$ (438)**	$ (1,449)	$ 4	$ 254	n/a	n/a	n/a	n/a
Gain (loss) on portfolio investments	**$ (12,631)**	$ 2,597	$ (6,177)	$ (6,392)	9,694	$ (6,413)	$ (16,150)	$ (13,741)
Net income (loss) from continuing operations	**$ (13,631)**	$ (1,149)	$ (6,965)	$ (7,971)	8,443	$ (8,424)	$ (17,319)	$ (14,400)
Net income (loss)	**$ (14,148)**	$ (1,645)	$ (8,152)	$ (8,707)	8,443	$ (8,424)	$ (17,319)	$ (14,400)
Other comprehensive income (loss)	**$ (2,935)**	$ 1,098	$ (1,324)	$ (2,069)	(456)	$ 4,343	$ 2,673	$ 318
Basic and diluted earnings (loss) per share from continuing operations	**$ (0.40)**	$ (0.03)	$ (0.21)	$ (0.23)	$ 0.25	$ (0.27)	$ (0.57)	$ (0.70)
Basic and diluted earnings (loss) per share from net income (loss)	**$ (0.43)**	$ (0.05)	$ (0.24)	$ (0.26)	$ 0.25	$ (0.27)	$ (0.57)	$ (0.70)

[1] Financial information includes the results of operations of ADI consolidated from February 9, 2017. As such, the comparative information is the SRC comparative information and the per share amounts reflect post-Arrangement ratio of 3.0 ADI shares for each SRC share and the 20:1 Share Consolidation.

The Company is not impacted materially by seasonality.

FINANCING ACTIVITIES BY THE COMPANY

It has been the Company's policy to preserve a financially strong company that has the capital available to support the growth of existing businesses and make new investments. In certain circumstances, the Company will provide loans or guarantees to its operating businesses in which it has significant ownership to further their respective business plans.

On January 26, 2017, MTV entered into a line of credit financing contract with an investment fund in the amount of $9.5 million with an annual interest rate of 10%. In 2018, the credit financing contract was renewed and extended to $15 million. At that time, the Company became guarantor to the credit facility replacing the former majority shareholder. The guarantee together with the line of credit expire on June 24, 2019.

On February 9, 2017, SRC and ADI closed their previously announced Arrangement where SRC became a wholly-owned subsidiary of ADI and holders of common shares of SRC received 3.0 ADI common shares per common share of SRC. See the section *Business Combinations and Reverse Takeover* elsewhere in this MD&A for additional details.

On February 9, 2017, (i) Sprott invested $7.6 million in ADI common shares and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $3.8 million in units of ADI. See the section *Business Combinations and Reverse Takeover* elsewhere in this MD&A for additional details.

On April 18, 2017, SRHI closed their previously announced "best efforts" marketed offering ("**Offering**") of units (the "**Offered Units**") made pursuant to an agency agreement dated April 3, 2017 between the Company and a syndicate of agents led by Sprott Capital Partners, a division of Sprott Private Wealth LP, and including Haywood Securities Inc.

Pursuant to the Offering, the Company sold 6 million Offered Units for gross proceeds of $22.4 million. Each Offered Unit consists of one common share in the capital of SRHI (a "**Common Share**") and one Common Share purchase warrant in the capital of SRHI (an "**Offered Warrant**"). It takes 20 Offered Warrants to purchase 1 common share at a total exercise price of $6.66, expiring on February 9, 2022.

On October 2, 2017, the Company issued 2.6 million common shares for $6.4 million as part of the purchase price for its investment in MTV. See the section *Business Combinations and Reverse Takeover* elsewhere in this MD&A for additional details.

BUSINESS COMBINATIONS AND REVERSE TAKEOVER

a. MTV Deemed Acquisition

On October 2, 2017, SRHI announced the successful completion of its previously announced investment in Chilean producing copper mine MTV from the Vecchiola Group for an aggregate purchase price of $39.9 million, consisting of $33.5 million in cash and $6.4 million in SRHI common shares (2,559,592 SRHI common shares). As a result of the acquisition, SRHI owns a 70% equity interest in MTV.

Effective the Transition Date, MTV was deemed to be acquired by the Company and was treated as a business combination in accordance with IFRS 3, *Business Combinations. A*s such, the Company accounted for MTV in accordance with this standard using the acquisition method with SRHI as the acquirer.

The following table summarizes the deemed consideration paid and the fair values of identified assets acquired and liabilities assumed from MTV on the Transition Date. The deemed consideration paid reflects the fair value of the Company's interest in MTV as a portfolio investment immediately prior to the Transition Date. Final valuations of assets and liabilities have been made and there are no changes from the Company's preliminary assessment of asset and liability valuations. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

(in thousands)		
Consideration		
Purchase price	$	39,900
Total consideration	**$**	**39,900**
Fair value of assets acquired:		
Cash and cash equivalents	$	2,956
Trade and other receivables		1,324
Inventories		14,065
Mineral properties, plant and equipment		72,588
Intangible assets		2,593
Other		349
		93,875
Fair value of liabilities and non-controlling interest acquired:		
Trade and other payables		18,251
Deferred revenue		5,383
Reclamation and other closure provisions		5,254
Loans and borrowings		7,987
Non-controlling interest		17,100
		53,975
Net assets acquired	**$**	**39,900**

b. Beretta Deemed Acquisition

Effective the Transition Date, Beretta was deemed to be acquired by the Company and was treated as a business combination in accordance with IFRS 3, *Business Combinations*. As such, the Company accounted for Beretta in accordance with this standard using the acquisition method with SRHI as the acquirer.

The following table summarizes the deemed consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from Beretta on the Transition Date. The deemed consideration paid reflects the fair value of the Company's interest in Beretta as a portfolio investment immediately prior to the Transition Date. Final valuations of assets and liabilities have been made and there are no changes from the Company's preliminary assessment of asset and liability valuations. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

(in thousands)		
Consideration		
Purchase price	$	7,670
Total consideration	**$**	**7,670**
Fair value of assets acquired:		
Cash and cash equivalents	$	3,230
Trade and other receivables		4,177
Inventories		1,855
Biological assets		4,218
Property, plant and equipment		5,548
Other		86
		19,114
Fair value of liabilities and non-controlling interest acquired:		
Trade and other payables		3,586
Long-term debt		180
Non-controlling interest		7,678
		11,444
Net assets acquired	**$**	**7,670**

The assets and liabilities of Beretta acquired by the Company are presented as assets and liabilities held for sale and subsequent results of operations as discontinued operations. See Note 7 of the Financial Statements for additional information.

c. Sprott Resource Corp. Reverse Takeover of Adriana Resources Inc.

On February 9, 2017 ("**Acquisition Date**"), SRC and ADI closed their previously announced business combination pursuant to a plan of arrangement under the Canada Business Corporations Act ("**Arrangement**").

Under the Arrangement, SRC became a wholly-owned subsidiary of ADI and holders of common shares of SRC ("**SRC Shareholders**") received 3.0 ADI common shares per common share of SRC (the "**Exchange Ratio**"). On February 8, 2017, ADI shareholders received one-quarter of a warrant in respect of each ADI share held, with each whole warrant (each, a "**Warrant**") having a five-year term and a strike price of CAD$6.66 per share (the "**Warrant Distribution**"). The Warrants trade on the TSX under the symbol SRHI.WT.

As part of the Arrangement, ADI shareholders approved a name change of ADI to "Sprott Resource Holdings Inc." together with the TSX approving the graduation of ADI from the TSX Venture Exchange to the TSX. SRHI trades on the TSX under the symbol SRHI.

Concurrent with the completion of the Arrangement, (i) Sprott invested $7.6 million in ADI common shares and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $3.8 million in units of ADI (each unit comprised of one ADI common share and one Warrant) (together, the "**Transaction**").

A subsidiary of Sprott received 21,750,000 share purchase warrants as a long-term incentive to replace the profit distribution program which was terminated upon completion of the Arrangement.

Immediately following the completion of the Arrangement, the board of directors of SRHI was reconstituted and is now majority comprised of the former members of the board of directors of SRC (the "**Board**").

Following the completion of the Arrangement, SRC became a wholly-owned subsidiary of SRHI. The Company has determined that the acquisition of ADI was a business combination in accordance with IFRS 3, *Business Combinations*, and as such has accounted for it in accordance with this standard using the acquisition method with SRC as the acquirer. As such, the comparative information in these Financial Statements is the SRC comparative information, with the results of operations of ADI consolidated from February 9, 2017.

Although the previous ADI legal entity remains the top public entity in the corporate structure, SRC was determined to be the acquirer, through completion of a reverse acquisition, as its shareholders retain majority control post-Arrangement, the composition of the Board reflects a majority of pre-Arrangement SRC Board members, and SRC has retained key management functions of the combined business.

The following table summarizes the fair value of the consideration paid and the finalized fair values of identified assets acquired and liabilities assumed from ADI.

(in thousands)		
Consideration		
Issuance of SRC common shares	$	23,151
Issuance of Warrants		1,284
Total consideration	**$**	**24,435**
Fair value of assets acquired:		
Cash and cash equivalents	$	20,072
Other current assets		148
Investment in Lac Otelnuk		4,953
		25,173
Fair value of liabilities acquired:		
Accounts payable and accrued liabilities		544
Net assets acquired	**$**	**24,629**
Bargain purchase gain	**$**	**194**

The reverse takeover resulted in a bargain purchase gain of $194 thousand which is included in *Other loss (income)* on the Consolidated Statements of Operations and Comprehensive Loss.

EQUITY DATA

Authorized capital:

Common shares, no par value, unlimited shares.

Issued and outstanding:

The Company had 34,082,992 common shares issued and outstanding as at December 31, 2018 and on the date hereof.

(in thousands, except #)	**Common shares (#)**		**Amount**
Balance - January 1, 2017 [1]	**7,876,662**	**$**	**246,865**
Shares issued on Arrangement, net of issue costs	14,500,815		23,113
Shares issued on Transaction, net of issue costs	3,145,923		10,456
Shares issued on Offering, net of issue costs	6,000,000		17,156
Shares issued on MTV investment	2,559,592		6,400
Balance - December 31, 2017, December 31, 2018 and March 6, 2019	**34,082,992**	**$**	**303,990**

[1] *Number of common shares is reflected post-Arrangement ratio of 3.0 ADI shares for each SRC share and the Share Consolidation*

Outstanding warrants:

Common share purchase warrants outstanding are as follows:

(in thousands, except #)	**Warrants (#)**		**Amount**
Balance - January 1, 2017	—	$	—
Warrants issued on Arrangement, net of issue costs	39,388,560		1,282
Warrants issued on Transaction, net of issue costs	20,000,000		635
Warrants issued on termination of profit distribution issued to a subsidiary of Sprott	21,750,000		710
Warrants issued on Offering, net of issue costs	120,000,000		3,399
Balance - December 31, 2017, December 31, 2018 and March 6, 2019	**201,138,560**	**$**	**6,026**

All common share purchase warrants have an exchange ratio of 20 warrants for 1 common share and expire on February 9, 2022. See the sections *Business Combinations and Reverse Takeover* and *Financing Activities by the Company* elsewhere in this MD&A for additional details.

Outstanding stock options:

The number of common shares available under the Company's stock option plan shall not exceed 10% of the issued and outstanding common shares of the Company as at the date of such grant (the "Option Plan"). The Company may grant options to directors, officers, employees or consultants of the Company. The exercise price per share is determined by the Company at the time the option is granted but, in any event, shall not be less than the closing price of the shares on the TSX on the trading day immediately preceding the date of the grant of the option, unless the grant of the option occurs during a blackout period, in which case the exercise price per share shall not be less than the closing price of the shares on the TSX on the second trading day immediately following the expiry of the blackout period. Options granted pursuant to the Option Plan have a ten year term and shall vest and become exercisable by an optionee in three tranches: one third of the number of options vesting each of six, twelve and eighteen months following the date of grants.

The Company did not grant any stock options in the year ended December 31, 2018. SRC's stock option plan was cancelled on February 9, 2017 on the completion of the Arrangement and all SRC stock options expired as a result. The Option Plan of the Company remains in place.

The continuity of stock options is as follows:

	Stock options (#)		Weighted average exercise price (per unit), CAD
Balance - December 31, 2017	**215,000**		**3.83**
Expired	(40,000)		4.21
Balance - December 31, 2018 and March 6, 2019	**175,000**	**$**	**3.74**

[1] *Number of stock options is reflected post Share Consolidation*

The following table summarizes the options outstanding as at December 31, 2018:

Number of options	Number of exercisable options	Exercise price (per unit), CAD	Weighted average remaining contractual life (years)	Expiry date
25,000	25,000	3.40	0.36	May 12, 2019
150,000	150,000	3.80	1.88	November 17, 2020
175,000	**175,000**		**1.66**	

Treasury stock

On May 21, 2014, SRC adopted an equity incentive plan (the "**Plan**") for employees and directors of SRC and as a result of the Arrangement, effective February 9, 2017, the Plan continued as if it was the Plan of SRHI. The Trust continues to operate purchasing shares of the Company in the open market.

The Plan has been established and the Company funds the Trust with cash, which is used by the independent trustee to purchase common shares of the Company on the open market. The shares are held in the Trust and the Company can request the Trust to set aside the shares it holds for the benefit of directors and employees (individually the "**Beneficiary**") until certain conditions are satisfied, at which time the Trust may allocate and issue those shares to the Beneficiary or, if requested, dispose of them and remit the receipts to the Beneficiary. The shares set aside for employees in the Trust form a part of total compensation that was historically paid as cash and is not incremental compensation. The shares set aside for directors in the Trust cannot be monetized or removed from the Trust until the director retires or otherwise leaves the Board. A portion of the common shares purchased by the Trust was a result of certain employees and consultants foregoing base compensation historically paid in cash for common shares of the Company purchased through the Trust.

The shares held by the Trust are accounted for as treasury stock and reflected as a separate component of shareholders' equity. As the rights to receive the shares vest to the Beneficiary, the grant date fair value of the shares is recorded as stock-based compensation expense with a corresponding entry to contributed surplus. There is no change in the amount of the Company's issued and outstanding common shares as a result of either the purchase by the Trust or the granting and vesting of the shares to employees or directors.

The Trust purchased 187 thousand common shares for the year ended December 31, 2018 (for the year ended December 31, 2017: 136 thousand common shares). During the year ended December 31, 2018, an additional 166 thousand common shares were released on vesting from the equity incentive plan.

	Common shares (#)		Amount
Unvested common shares held by the Trust, January 1, 2017 [1]	**80,114**	**$**	**356**
Acquired for equity incentive plan	136,254		331
Released on vesting of equity incentive plan	(141,962)		(495)
Unvested common shares held by the Trust, December 31, 2017	**74,406**		**192**
Acquired for equity incentive plan	187,028		364
Released on vesting of equity incentive plan	(166,194)		(356)
Unvested common shares held by the Trust, December 31, 2018	**95,240**	**$**	**200**
Acquired for equity incentive plan	10,905		11
Released on vesting of equity incentive plan	(10,905)		(11)
Unvested common shares held by the Trust, March 6, 2019	**95,240**		**200**

[1] *Number of common shares is reflected post-Arrangement ratio of 3.0 ADI shares for each SRC share and the Share Consolidation*

COMMITMENTS

SRHI Management Services Agreement

Effective February 1, 2018, the management service agreement between SRHI and SCLP entered into on February 9, 2017 was cancelled ("**Cancelled MSA**") and a new management service agreement was entered into effective February 1, 2018 between SRHI and SCLP (the "**MSA**"). The terms of the MSA are substantially the same as the Cancelled MSA with further detail of the MSA provided in the *Management Fee* section located elsewhere in this MD&A.

Contractual obligations of the Company as at December 31, 2018 are as follows:

		1 year		1 - 3 years		More than 3 years		Total
Accounts payable and accrued liabilities	$	19,824	$	—	$	—	$	19,824
Line of credit		14,276		—		—		14,276
Finance lease		362		462		—		824
Other non-current liabilities		—		2,051		—		2,051
Reclamation and other closure provisions		—		—		5,362		5,362
As at December 31, 2018	**$**	**34,462**	**$**	**2,513**	**$**	**5,362**	**$**	**42,337**

In accordance with the Environmental Qualification Resolution obtained in 2009, MTV committed to contributing a total of $1.0 million payable in ten equal annual payments to finance Foundation Tres Valles for the development of the communities of Cárcamo, Manquehua and Chuchiñí. The payments began in 2014 and the remaining foundation obligation of $473 thousand is included in Accounts payable and accrued liabilities and Other non-current liabilities.

The Company entered into certain commitments as at December 31, 2018 to (i) purchase property, plant and equipment amounting to $1.6 million and (ii) mining operating supplies amounting to $9.9 million.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the year ended December 31, 2018.

(i) *Management Fees*

Management fees and employment compensation pursuant to the Cancelled MSA and MSA for the year ended December 31, 2018 were $2.4 million (year ended December 31, 2017: $2.2 million). The employment compensation portion was paid directly by SRHI or one of its subsidiaries to employees and consultants provided by SCLP and the remainder was paid and payable to SCLP, an entity with directors and officers in common. As at December 31, 2018, there was $876 thousand (December 31, 2017: $248 thousand; January 1, 2017: $183 thousand) payable to SCLP for management fees calculated pursuant to the MSA.

(ii) Key Management Compensation

Compensation for services paid or payable to executive officers and independent directors of the Company is shown below:

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Compensation paid by and on behalf of SRHI for executive management services provided to the Company (including stock-based compensation)	**$ 485**	$ 923
Directors fees and stock-based compensation	**361**	361
	$ 846	$ 1,284

(iii) *Mine Contracting Services*

MTV utilizes contractors for several mining services.

Inversiones Genova S.A.

For the eleven months ended December 31, 2018, $2.6 million was paid to Inversiones Genova S.A. for services provided to the Company, which included $552 thousand for ore purchases. For the three months ended December 31, 2018, $476 thousand was paid to Inversiones Genova S.A. for services provided to the Company, which included $108 thousand for ore purchases. As at December 31, 2018, a balance of $246 thousand payable to Inversiones Genova S.A. remained outstanding. Inversiones Genova S.A. is affiliated with the minority shareholder of MTV.

Vecchiola S.A.

For the eleven months ended December 31, 2018, $1.1 million was paid to Vecchiola S.A., the new mining contractor. For the three months ended December 31, 2018, $1.1 million was paid to Vecchiola S.A. As at December 31, 2018, a balance of $0.9 million payable to Vecchiola S.A. remained outstanding. Vecchiola S.A. is affiliated with the minority shareholder of MTV.

Transactions with related parties are recorded at the price agreed between the parties. Transactions in the normal course of business are measured at the monetary amount, which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

(iv) *Management Loan to MTV*

On November 12, 2018, certain senior managers of MTV entered into a loan agreement with MTV whereby a loan facility of $552 thousand was granted to MTV. The unsecured loan has an interest rate of 12% per annum payable on the outstanding principal and repayment of interest and principal is due May 12, 2019. As at December 31, 2018, $560 thousand of principal and interest was outstanding.

(v) Sprott Resource Lending Corp.

As at December 31, 2018, Sprott Resource Lending Corp., acting as an agent to the Company, held the final funds received for the Loan Investment, which were transferred to the Company subsequent to December 31, 2018.

MANAGEMENT FEE

January 1, 2016 to February 8, 2017

The management services agreement in place during this period may be accessed at www.sedar.com.

The calculation of management fees payable to SCLP is determined in respect of each fiscal quarter - 0.5% of the quarterly net asset value ("**Quarterly NAV**") of SRC (2% per annum) where Quarterly NAV of SRC means, the average of the NAV of SRC as at the end of such fiscal quarter and the NAV of SRC as at the end of the immediately preceding fiscal quarter. NAV of SRC, means, in respect of a particular date, SRC's total assets less its total liabilities less its non-controlling interest, all as at such date as set forth in SRC's consolidated financial statements prepared as at such date.

February 9, 2017 to January 31, 2018

Effective February 9, 2017, the Cancelled MSA was entered into effective February 9, 2017 between SRHI and SCLP and replaced by the MSA effective February 1, 2018.

Effective February 1, 2018

Effective February 1, 2018, the MSA was entered into between SRHI and SCLP replacing the Cancelled MSA. The MSA was amended to reflect the change in financial reporting of SRHI as a result of its completed transition to a diversified holding company. All terms of the MSA are consistent with the Cancelled MSA with certain terminology updated to continue the calculation of the management fees payable to SCLP to be based on the fair value of the Company's net assets.

Under the MSA, SCLP manages or, subject to certain restrictions, engage others to manage, all of the undertaking, affairs and assets of SRHI and provides all necessary or advisable administrative services and facilities.

In consideration for the management and administrative services provided by SCLP to SRHI under the MSA, SRHI will pay to SCLP, in respect of each fiscal quarter, a management services fee equal to 0.5% of the Quarterly NAV of SRHI (as defined in the MSA) for such fiscal quarter, less the total remuneration paid directly by SRHI to all persons nominated by SCLP as employees, officers or directors of SRHI who provide investment management services to SRHI, but excluding any expenses recorded as a result of the granting of stock options under SRHI's stock option plan for such fiscal quarter (the "**Management Services Fee**"). To the extent the Quarterly NAV of SRHI for a fiscal quarter is in excess of CAD$1 billion, the Management Services Fee payable in respect of such excess amount will be reduced to 0.375%.

If and to the extent that SCLP is requested in writing by the directors of SRHI to render services to SRHI other than those required to be rendered pursuant to the MSA, such additional services and activities will be compensated for separately and will be on such terms that are generally no less favourable to SRHI than those available from arm's length parties (within the meaning of the Tax Act) for comparable services. In addition to the Management Services Fee payable to SCLP pursuant to the MSA, SRHI will be responsible for paying all fees and expenses incurred in connection with the operation and administration of its business.

The Adjusted Annual Operating Expenses (as defined in the MSA) shall not exceed 3% of the Annual NAV of SRHI (as defined in the MSA) in respect of fiscal years commencing with SRHI's fiscal year ended December 31, 2018 and thereafter (the "**Maximum Adjusted Annual Operating Expenses**"). Where such Adjusted Annual Operating Expenses exceed the Maximum Adjusted Annual Operating Expenses (unless otherwise consented to by the Board), the Management Services Fee payable by SRHI to SCLP in respect of the last quarterly payment to be made in respect of such fiscal year shall be reduced to ensure the Adjusted Annual Operating Expenses are equal (or, in any case, do not exceed) the applicable Maximum Adjusted Annual Operating Expenses. For the year ended December 31, 2018, the Company's annualized Adjusted Annual Operating expense was greater than 3% and the Management Services Fee payable by SRHI to SCLP was reduced accordingly.

SCLP shall, and shall ensure that its nominees shall, exercise the powers granted and discharge its, and their, duties under the MSA honestly, in good faith and in the best interests of SRHI and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager, or Person, would exercise in comparable circumstances.

The MSA will continue in full force and effect until it is terminated by either SRHI or SCLP giving at least one year prior written notice (or such shorter period as the parties may mutually agree upon) to the other party of such termination. If the MSA is terminated by SRHI, other than for the reasons set out in the paragraph immediately below, SRHI shall pay to SCLP within 5 business days of such termination, a termination payment equal to 1% of the NAV of SRHI (as defined in the MSA).

SRHI may terminate the MSA at any time if SCLP breaches any of its material obligations under the MSA and such breach has not been cured within 30 days following notice thereof from SRHI. Notwithstanding the foregoing, the MSA will terminate immediately where a winding-up, liquidation, dissolution, bankruptcy, sale of substantially all assets, sale of business or insolvency proceeding has been commenced or is being contemplated by SCLP, and will be terminated upon the completion of any such proceeding by SRHI. In addition, in the event that a Person or group of Persons, acting jointly or in concert, acquires control over at least 50% of the voting securities of SRHI (a "**Change of Control**"), SCLP may elect, in its sole discretion, to terminate the MSA by giving SRHI written notice of such termination within 90 days after the Change of Control. In the event that SCLP terminates the MSA upon a Change of Control, SRHI will (a) call a meeting of its shareholders to approve the change of SRHI's name to remove any reference to "Sprott", and (b) pay to SCLP within five business days of such termination, a termination fee equal to 3% of the NAV of SRHI, plus (if and to the extent applicable) an amount equal to 20% of the amount by which the market capitalization of SRHI exceeds the NAV of SRHI, all determined as at the termination date. Any change of SCLP (other than by assignment to its successor or affiliate) will require SRHI's approval. SRHI may, in its sole discretion, terminate and replace SCLP where it deems it to be in the best interests of SRHI.

SRHI acknowledges and agrees under the MSA that SCLP, for and on behalf of Sprott, reserves all right, title and interest in or to the name or designation, or reference to "Sprott" in the name or designation of any of SRHI's affiliates or, if applicable, SRHI. Upon termination of the MSA, SRHI will forthwith upon written request of SCLP call a meeting of its shareholders to approve an amendment of its articles to change the name of SRHI or any of its affiliates to one which does not include the word "Sprott" or any words similar thereto, and to cause to be executed and delivered all instruments necessary to evidence such change of name.

For the purposes of calculating management fees for the year ended December 31, 2018, the reported NAV at September 30, 2018 of CAD $158.3 million was used together with the NAV calculated at December 31, 2018 of CAD$143.2 million. Management fees are calculated quarterly based on the average NAV of the current quarter and the prior quarter.

The valuation of private companies is inherently difficult. The Company has the expertise to determine the fair value of its private investments yet acknowledges the value in sourcing outside expertise. As a result, the Company has adopted a valuation policy that includes engaging independent external valuators to perform an assessment of fair value of each material private investment on at least an annual basis unless (i) there is sufficient external evidence, such as a recent third-party transaction, that would provide meaningful and supportable evidence to conclude on fair value or (ii) it is both uneconomical to perform and the range of fair values for the investment would not result in a material difference from any value within the range.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") have designed or caused to be designed under management's supervision, disclosure controls and procedures that provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. In conducting this evaluation, management has considered, among other things, the corporate charter and policies of the Company, including the Company's disclosure policy.

The Company's CEO and CFO have also designed internal controls over financial reporting which are designed, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has engaged an independent advisory and accounting firm to assist management in conducting the evaluation and suggest best practices when they are not being applied and also to test the key controls within the material financial cycles. This evaluation is done under the supervision of, and with the participation of the CEO and CFO.

The officers of the Company do not expect that the disclosure controls and procedures of internal controls over financial reporting will prevent all errors and fraud, based on their evaluation. The CEO and CFO have concluded that the Company's disclosure controls and procedures and internal controls over financial reporting were effective as at December 31, 2018. There were no significant changes in the Company's internal controls over financial reporting that occurred during the three months ended December 31, 2018, that have materially affected, or are reasonably likely to have materially affected, the Company's internal controls over financial reporting. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

On February 1, 2018, MTV and Beretta were deemed to be acquired by the Company. The Company has limited the scope of design and effectiveness of its disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of MTV and Beretta. This scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109 which allows an issuer to limit its design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period to which this MD&A relates.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments by management represent an integral component of the Financial Statements prepared in conformity with IFRS. The estimates made in the Financial Statements reflect management's judgments based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time the Financial Statements were prepared. Other than explained below, please refer to Note 3 of the Financial Statements for details on critical accounting estimates.

a. Determination of Financial Reporting Change

The most significant judgment made in preparing the Financial Statements is the determination that the Company no longer qualified as an Investment Entity effective February 1, 2018. In accordance with IFRS 10, an Investment Entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In determining its revised status as at February 1, 2018, the most significant judgments made included the determination by the Company that its investment-related activities with subsidiaries, other than SRC, SRH Chile, SRCHC and ADM represented a separate substantial business activity and that fair value was no longer the primary measurement attribute used to monitor and evaluate substantially all of its investments.

The resulting financial reporting change was significant to the Company. Effective the Transition Date, the Company recognized MTV and Beretta as controlled entities and consolidated their respective financial accounts with those of the Company. This resulted in the introduction of MTV's and Beretta's assets, liabilities, and a non-controlling interest to the Consolidated Statements of Financial Position of the Company. All income and expenses of MTV and Beretta are reported on the Company's Consolidated Statements of Operations and Comprehensive Loss together with the non-controlling interest's share of operations. The remaining investments (all equity investments) of the Company continue to be accounted for as financial assets valued at FVTPL other than one loan receivable which is valued at amortized cost.

b. Business Combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – *Business Combinations*. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of ADI on February 9, 2017 met the criteria for accounting as a business combination. In addition, effective the Transition Date, the Company completed its previously announced transition to a diversified holding company resulting in the Company no longer relying on Investment Entity Reporting. As a result, and on the Transition Date, the Company was required to apply the acquisition method of accounting to its investments in MTV and Beretta.

The allocation of the purchase price of acquisitions and deemed acquisitions requires estimates as to the fair market value of acquired assets and liabilities. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of mineral reserves and mineral resources and exploration potential of the assets acquired, future operating costs and capital expenditures, discount rates to determine fair value of assets acquired and future metal prices and long term foreign exchange rates.

Changes to the preliminary measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the Transition Date.

The acquisition of MTV and Beretta are further discussed in the *Business Combinations and Reverse Takeover* section elsewhere in this MD&A.

c. Mineral Reserve Estimates Including Life of Mine Plan

The Company estimates its mineral reserves and mineral resources based on information prepared by or under the supervision of qualified persons (as such term is defined in NI 43-101). Mineral reserves are used in the calculation of depreciation, impairment assessments and for forecasting the timing of payment of mine closure and rehabilitation costs. There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the estimation methodology, forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in changes in the mineral reserves.

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable mineral reserve tonnes processed, depending on the use of the asset. Changes to estimates of recoverable quantities of base metals, mineral reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depreciation and depletion rates and may result in impairment charges.

d. Reclamation and Other Closure Provisions

The Company has obligations for reclamation and other closure activities related to its mineral properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the country in which the mine operates, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mineral assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

e. Measurement of Fair Value

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data, as much as possible. Fair values are classified into different levels in a hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 – inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs that are unobservable for the asset and liability.

Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities. The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets.

When applicable, additional information on the assumptions used in the fair value calculations are disclosed in the specific notes of the corresponding asset or liability.

SCIENTIFIC AND TECHNICAL INFORMATION AND HISTORICAL ESTIMATES

Unless otherwise noted or indicated, scientific and technical content contained in this MD&A related to MTV has been reviewed, verified and approved by Dr Antonio Luraschi, RM CMC, Manager of Metallurgic Development and Senior Financial Analyst, Wood, Mr Sergio Navarrete, RM CMC, Mining Engineer, Wood, Mr Alfonso Ovalle, RM CMC, Mining Engineer, Wood, Mr Michael G. Hester, FAusIMM, Vice President and Principal Mining Engineer, Independent Mining Consultants, Inc., Mr Enrique Quiroga, RM CMC, Mining Engineer, Q&Q Ltda, Mr Gabriel Vera, RM CMC, Metallurgical Process Consultant, GVMetallurgy, and Mr Sergio Alvarado, RM CMC, Consultant Geologist, General Manager and Partner, Geoinvestment Sergio Alvarado Casas E.I.R.L. all of whom are independent qualified persons as defined by NI 43-101. The Technical Report was filed by SRHI on SEDAR on December 14, 2018 at www.sedar.com. Readers are encouraged to read the Technical Report in its entirety.

RISK MANAGEMENT

The Company's activities expose it to certain financial risks during or at the end of the reporting period as described below.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rates and changes in foreign currency rates.

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents and any interest paid on floating rate borrowings. Management reduces interest rate risk exposure by entering into loans and borrowings with fixed rates of interest. All of the Company's current loans and borrowings are fixed rate.

Cash and cash equivalents are invested on a short-term basis to ensure minimal interest rate risk and to adequately provide liquidity for payment of operational and capital expenditures. To date, no interest-rate management products, such as swaps, are used in relation to cash and cash equivalents.

Foreign Currency Risk

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency for results and financial position of Canadian entities is CAD while for Chilean entities is USD. The presentation currency for the Financial Statements is USD.

The Company incurs expenditures in CAD other than through its subsidiary, MTV, whose expenditures are primarily in USD. The Company's exposure to foreign currency risk at December 31, 2018 arises primarily from those transactions carried out at MTV in CLP rather than USD and that have a direct effect on the operating results, such as wages.

Commodity Price Risk

Commodity price risk is the risk that the fair values or cash flows associated with the Company's revenues and portfolio investments will vary due to changes in the prices of a particular commodity, e.g. copper, metallurgical coal, oil, natural gas liquids or natural gas. The Company does not engage in programs to mitigate its copper commodity exposure.

The Company is exposed to commodity price risk in respect of its revenues as nearly all of its revenues are generated from the sale of copper cathodes. In addition, several of its portfolio investments are exposed to commodity price risk since their revenues are dependent on the market price of metallurgical and thermal coal, petroleum or natural gas. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the portfolio companies to meet their obligations, capital spending targets or commitments, and expected operational results which in turn impacts their fair values as recorded by the Company.

Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk, interest rate risk or commodity price risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. The Company is subject to price risk through its public equity portfolio investments. The Company's private portfolio investments are also subject to price risk as they are impacted by many general and specific market variables.

Credit Risk

Credit risk is the risk that a third party will fail to meet its contractual obligations, which could result in the Company incurring a loss and arises primarily from the Company's receivables from customers and its cash and cash equivalents deposited with financial institutions.

The Company invests cash and cash equivalents with financial institutions that are financially sound based on their credit rating with the majority of the Company's cash held through large Canadian financial institutions with credit ratings of AA or higher. The Company’s exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has one customer that represents 96% of revenue and which is considered low risk as it is an independent commodity trading company with operations throughout the world. The Company has not incurred any credit losses during the year ended December 31, 2018 nor does it have an allowance for doubtful accounts.

As at December 31, 2018, the Company had the final payment of a senior secured loan receivable in a private royalty company of $4.2 million with its lending agent, Sprott Resource Lending Corp. The full amount was received from the agent in January 2019.

The carrying value of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk associated with the difficulties that the Company may have meeting the obligations associated with financial liabilities that are settled with cash payments or with another financial asset. The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational costs.

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis.

The Company invests in securities of public and private companies. In some cases, the Company may be restricted by contract or by applicable securities laws from selling such securities for a period of time. The inability to sell such securities may impair the Company's ability to exit these portfolio investments when the Company considers it appropriate.

If necessary, the Company may seek financing for capital projects or general working capital purposes. Such financing, if required, will depend on a number of unpredictable factors, which are often beyond the control of the Company. These would include the realized price of the actual copper produced from the Company's operating mines, and expected capital expenditures.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2018, the Company had no off-balance sheet arrangements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the 2018 Consolidated Financial Statements. No significant changes in accounting policies have occurred other than the implementation of new IFRS as issued by the IASB.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. These estimates and judgments are based upon management's best knowledge of the relevant facts and circumstances, taking into account previous experience. Actual results may differ materially from the amounts included in the financial statements as these estimates require management to make subjective and/or complex judgments about matters that are inherently uncertain. Estimating future cash flows for the valuation of certain long-term assets is reliant on but not limited to the estimation of future metal prices, foreign exchange rates, production volumes and future operating costs.

Recently issued but not adopted accounting guidance includes IFRS 16 Leases.

IFRS 16 - *Leases* ("**IFRS 16**") was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company has reviewed agreements currently in place and has identified which agreements qualify under IFRS 16. The Company has completed its preliminary assessment and is currently finalizing its estimated adjustment to be made as at January 1, 2019.

Critical accounting estimates and judgments are disclosed in Note 2 "Basis of Presentation and Significant Accounting Policies" of the Company's Financial Statements for the year ended December 31, 2018.

NON-IFRS PERFORMANCE MEASURES

This document includes certain non-IFRS performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Financial Statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-IFRS measures to the most directly comparable IFRS measure.

The following non-IFRS performance measures are for the year ended December 31, 2018, with comparative information, where appropriate. In some cases, information is provided for the eleven months ended December 31, 2018 reflecting the information of MTV since its deemed acquisition on the Transition Date.

C1 Cash costs per pound produced

C1 Cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges such as trucking charges capitalized to inventory. Site cash costs per pound produced are calculated by dividing the aggregate of the applicable costs by copper pounds produced. These measures are calculated on a consistent basis for the periods presented.

	Three months ended		Eleven months ended	
	Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Cost of Sales	$ 11,326	n/a	$ 34,329	n/a
Depreciation	(1,117)	n/a	(3,110)	n/a
Net change in inventory	(1,654)	n/a	(1,521)	n/a
Transportation costs	(568)	n/a	(1,580)	n/a
C1 Cash costs of production	**7,987**	**n/a**	**28,118**	**n/a**
Pounds of copper produced (thousands)	3,518	n/a	11,864	n/a
Cash cost of copper produced (USD per pound)	**$ 2.27**	**n/a**	**$ 2.37**	**n/a**

Realized copper price

Realized copper price is calculated as total revenue from sale of copper cathodes divided by pounds of copper cathodes sold.

	Three months ended	Eleven months ended
	Dec. 31, 2018	**Dec. 31, 2018**
Average realized copper price for the period ($ per pound)	**$ 2.78**	**$ 2.90**

Working Capital

Working capital is determined based on current assets and current liabilities as reported in the Financial Statements. The Company uses working capital as a measure of the Company's short-term financial health and operating efficiency. The following table provides a calculation of working capital based on amounts presented in the Financial Statements as at December 31, 2018, December 31, 2017 and January 1, 2017.

		As at	
	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Cash and cash equivalents	**$ 13,500**	$ 28,862	$ 9,083
Trade and other receivables	**7,073**	847	303
Inventories	**20,571**	—	—
Other current assets	**729**	81	—
Portfolio investments	**14,899**	91,997	74,976
Current assets before assets held for sale	**56,772**	121,787	84,362
Current liabilities before liabilities held for sale	**37,293**	1,621	1,853
Working capital	**$ 19,479**	$ 120,166	$ 82,509

EBITDA and Adjusted EBITDA

EBITDA represents earnings before interest, income taxes and depreciation. Adjusted EBITDA includes further adjustments for non-recurring items and items not indicative to the operating performance of the Company. The Company believes adjusted EBITDA is a more appropriate supplemental measure of debt service capacity and performance of its operations. Adjusted EBITDA is calculated by removing the gain or loss on portfolio investments.

	Three months ended		Year ended	
	Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Net loss from continuing operations	$ (13,631)	$ 8,443	$ (29,716)	$ (31,700)
Add:				
Finance expense	445		2,111	—
Depreciation	1,117	—	3,110	—
EBITDA from continuing operations	**(12,069)**	**8,443**	**(24,495)**	**(31,700)**
Interest income from portfolio investments	(291)	—	(670)	—
Loss (gain) on portfolio investments	12,631	(9,694)	22,603	26,610
Adjusted EBITDA from continuing operations	**$ 271**	**$ (1,251)**	**$ (2,562)**	**$ (5,090)**

ADVISORY

Forward-Looking Information

Certain statements in this MD&A, and in particular the "Highlights", "Business Strategy and Outlook" and "Liquidity and Capital Resources" 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) SRHI's portfolio investments are business expected to cash flow; (ii) SRHI's belief that its portfolio investments are non-controlling positions in commodities or companies that will provide positive returns; (iii) expectations regarding the review conducted by the Special Committee; (iv) the economic and study parameters of MTV; (v) mineral resource and mineral reserve estimates; (vi) the cost and timing of development of MTV; (vii) the proposed mine plan and mining methods; (viii) dilution and extraction recoveries; (ix) processing method and rates and production rates; (x) projected metallurgical recovery rates; (xi) additional infrastructure requirements or infrastructure modifications; (xii) capital, operating and sustaining cost estimates; (xiii) the projected life of mine and other expected attributes of MTV; (xiv) the NPV and IRR and payback period of capital; (xv) availability of capital; (xvi) future metal prices; (xvii) changes to MTV's configuration that may be requested as a result of stakeholder or government input; (xviii) government regulations and permitting timelines; (xix) estimates of reclamation obligations and expectations regarding future obligations for mine closure activities; (xx) requirements for additional capital, including debt financing for MTV; (xxi) environmental risks; (xxii) future purchasing of mineralized material; (xxiii) expansion of mine operations and the expected benefits therefrom; (xxiv) requirements for additional capital, including the ability to secure long-term debt for MTV and the timing upon which such debt will be secured; (xxv) continued purchasing of mineralized material from a large number of small-scale third-party miners and toll milling mineralized material from ENAMI; (xxvi) the two objectives of SRHI detailed under "Business Strategy" in the "Business Strategy and Outlook" section, the strategies it is undertaking to accomplish such objectives and the anticipated benefits from such objectives; (xxvii) expectations regarding the copper market, including supply, demand, pricing and value drivers; (xxviii) expectations regarding imposed tariffs on economic growth; (xxix) expectations regarding the Salt Leach; (xxx) the Company's 2019 guidance for MTV; (xxxi) the Company's expected marketing plan; (xxxii) expectations detailed in the "Liquidity and Capital Resources" section, including that the conversion of the current portion of loans and borrowings into long-term debt improving the Company's working Capital; that the Company will have the adequate ability to service its ongoing obligations and cover anticipated development, exploration and corporate costs associated with its existing operations for the next 12 months; capital requirements, including securing long-term debt for MTV before the second quarter of 2019; the expected impact of commodity prices and exchange rates; and near-term operating plans; (xxxiii) expectations regarding Corsa Coal; (xxxiv) expectations regarding InPlay Oil; and (xxxv) and general business and economic conditions.

Although SRHI 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) there being no significant disruptions affecting the development and operation of MTV; (ii) the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the Technical Studies; (iii) labour and materials costs being approximately consistent with assumptions in the Technical Studies; (iv) fixed operating costs being approximately consistent with assumptions in the Technical Studies;(v) permitting and arrangements with stakeholders being consistent with current expectations as outlined in the Technical Studies; (vi) certain tax rates, including the allocation of certain tax attributes, being applicable to MTV; (vii) the availability of financing for MTV's planned development activities; (viii) assumptions made in mineral resource and mineral reserve estimates and the financial analysis based on the mineral reserve estimate and in the case of the PEA, the mineral resource estimate, including (as applicable), but not limited to, geological interpretation, grades, commodity price assumptions, extraction and mining recovery rates, hydrological and hydrogeological assumptions, capital and operating cost estimates; (ix) natural resource markets and the price of various natural resources, including copper, oil and coal, in the future; (x) the continued availability of quality management; (xi) the effects of regulation and tax laws of governmental agencies will not materially change; (xii) commodity prices vary over time and the current price environment is not reflective of long term future prices; (xiii) those estimates listed herein under the heading "Critical Accounting Estimates and Judgments"; and (xiv) general marketing, political, business and economic conditions. 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) possible variations in grade or recovery rates; (ii) commodity price fluctuations and uncertainties, including for copper; (iii) delays in obtaining governmental approvals or financing; (iv) risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to mineral reserves, production, costs and expenses; and labour, health, safety and environmental risks) and risks associated with the other portfolio companies' industries in general; (v) performance of the counterparty to the ENAMI Tolling Contract; (vi) risks associated with investments in emerging markets; (vii) general economic, market and business conditions; (viii) market volatility that would affect the ability to enter or exit investments; (ix) failure to secure financing in the future on terms acceptable to the Company, if at all; (x) commodity price fluctuations and uncertainties; (x) those risks disclosed herein under the heading "Risk Management"; (xi) those risks described under the heading “Risk Management” in SRHI’s Management’s Discussion and Analysis for the year ended December 31, 2018; and (xii) those risks incorporated by reference into SRHI’s Annual Information Form dated March 6, 2019. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRHI 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.

Cautionary Note to United States Investors Concerning Estimates of measured, indicated and inferred mineral resources

This MD&A may use the terms "measured", "indicated" and "inferred" mineral resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

ADDITIONAL INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.SEDAR.com and on the Company's website at www.sprottresource.com.