

Sprott Resource Holdings Inc. 2019 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. ("**SRHI**" or the "**Company**"). This document is prepared as at March 24, 2020 (unless otherwise stated) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2019, 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 a consolidated National Instrument 43-101 Standards of Disclosure for Mineral Projects ("**NI 43-101**") compliant technical report (the "**Technical Report**"), 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.

CURRENT EVENTS

The events currently unfolding in our global society are generational and moving at a pace unmatched in recent history. The outbreak of the Coronavirus (COVID-19) has created near-term copper price uncertainty and significant losses across the world's financial marketplace and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. Countries have closed borders, travel is all but fully banned, health care systems are threatened to be overrun and crucial medical supplies are in high demand. The Company and its primary operating subsidiary, Minera Tres Valles SpA ("**MTV**"), are not immune to this ongoing dynamic.

On March 18, 2020, Chile declared a state of catastrophe over the COVID-19 outbreak that restricts freedom of movement within the country. On March 21, 2020, officials of Salamanca formally requested MTV to temporarily halt or restrict operations as a measure to slow the advance of the pandemic and on March 23, 2020, the Company announced measures that will be immediately implemented at MTV. The extent of the effect of the COVID-19 pandemic on the Company's business activities is uncertain.

BUSINESS OVERVIEW

SRHI is a publicly-listed diversified resource holding company focused on the natural resource industry. SRHI is currently focused on expanding its copper mining operation in Chile and divesting of its Tactical Assets and assets held for sale. Based in Toronto, Ontario, Canada, SRHI is managed by a team of resource professionals and its businesses and portfolio investments are concentrated in the mining sector. 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.

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 a fully integrated processing operation and four active mines. Ore 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, 300 kilometers north of Santiago, Chile. MTV's objective is to carry out mining activities associated with exploiting and processing minerals for which it has a crushing and processing plant with nameplate capacity of 7,000 and 6,000 tonnes per day, respectively. MTV's heap leach pads and solvent-extraction and electrowinning processing ("**SX-EW**") plant (production capacity of 18,500 tonnes per year 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.

	Business Description	Private/ Public	Proportion of Ownership Interest
<i>Strategic Assets</i>			
Minera Tres Valles SpA (" MTV ")	Mining and copper cathode production	Private	70.0%
Beretta Farms Inc. (" Beretta ") - held for sale	Organic protein production and retail	Private	50.2%
<i>Tactical Assets</i>			
Corsa Coal Corp. (" Corsa Coal ")	Production and sales of metallurgical coal	Public	17.1%
R.I.I. North America Inc. (" RII ")	Oil extraction technology	Private	14.8%
Lac OtelnuK Mining Ltd. (" Lac OtelnuK ")	Development of iron ore asset	Private	40.0%
Uranium Royalty Corp. (" URC ")	Holder of uranium interests	Public	0.4%

SRHI completed its transition into a diversified resource holding company on February 1, 2018 (the "**Transition Date**"). 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. 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 fair value through profit or loss ("**FVTPL**").

On August 13, 2018, the Company completed a share consolidation (the "**Share Consolidation**") as approved by shareholders 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 20 common share purchase warrants are exercised at a price of CAD\$6.66 to purchase 1 common share. All information in this MD&A is presented on a post-Share Consolidation basis.

FINANCIAL AND OPERATIONAL SUMMARY

The Company reported as an Investment Entity under IFRS 10: *Consolidated Financial Statements* ("**Investment Entity Reporting**") 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, in some cases, comparative financial and operating information will only include the results subsequent to January 2018.

<i>Financial information (in thousands)</i>	Three months ended		Year ended		
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Revenue ¹	\$ 9,352	\$ 10,888	\$ 35,688	\$ 32,700	n/a
Gross loss ¹	\$ (4,454)	\$ (438)	\$ (13,376)	\$ (1,629)	n/a
Net loss from continuing operations	\$ (21,398)	\$ (13,631)	\$ (45,347)	\$ (29,716)	\$ (31,700)
Net loss from discontinued operations ¹	\$ (4,427)	\$ (517)	\$ (6,855)	\$ (2,936)	—
Net loss for the period	\$ (25,825)	\$ (14,148)	\$ (52,202)	\$ (32,652)	\$ (31,700)
Adjusted EBITDA from continuing operations ²	\$ (355)	\$ 271	\$ (5,038)	\$ (2,562)	\$ (5,090)
Loss on portfolio investments	\$ (1,358)	\$ (12,631)	\$ (9,936)	\$ (22,603)	\$ (26,610)
Impairment of non-current assets	\$ 13,666	\$ —	\$ 13,666	\$ —	n/a
Write-down of inventory	\$ (2,324)	\$ —	\$ (4,383)	\$ —	n/a
Cash provided by (used in) operating activities before working capital changes	\$ (19,174)	\$ 525	\$ (23,671)	\$ (1,636)	\$ (33,602)

¹ Comparative figures in the year ended column are 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 loss on portfolio investments, write-down of inventory and impairment of assets. It is a non-IFRS performance measure. Refer to Non-IFRS Performance Measures section of the MD&A for discussion.

<i>(in thousands)</i>	As at		
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	\$ 11,607	\$ 13,500	\$ 28,862
Working capital ¹	\$ 4,502	\$ 19,479	\$ 120,166
Portfolio investments	\$ 6,606	\$ 19,485	\$ 91,997
Total equity attributable to owners of the Company	\$ 47,309	\$ 85,549	\$ 120,166
Non-controlling interest	\$ 9,412	\$ 21,582	n/a

¹ Working capital is a non-IFRS performance measure. Refer to Non-IFRS Performance Measures section of the MD&A for discussion.

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

<i>Operating information</i>	Three months ended		Year ended		Eleven months ended
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018
Copper (MTV Operations)					
Total ore mined (thousands of tonnes)	313	235	1,210	737	
Total waste mined (thousands of tonnes)	1,678	816	6,196	1,696	
Ore Processed (thousands of tonnes)	364	298	1,433	968	
Grade (% Cu)	0.64%	0.60%	0.65%	0.69%	
Cu Production (tonnes)	1,879	1,596	7,055	5,381	
Cu Production (thousands of pounds)	4,142	3,518	15,555	11,864	
Inventory build (\$000s)	\$ 1,320	\$ 1,522	\$ 12,129	\$ 6,506	
Cash cost of copper produced ¹ (USD per pound)	\$ 2.82	\$ 2.27	\$ 2.66	\$ 2.37	
Realized copper price (USD per pound)	\$ 2.68	\$ 2.78	\$ 2.66	\$ 2.90	

¹ Cash cost per pound of copper produced includes 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 Measures section of the MD&A for discussion.

Key Corporate and Growth Initiatives

On November 2, 2018, the Company announced the results of a NI 43-101 technical report (the "Technical Report") by Wood plc detailing the basis for the Company's expansion plans for MTV.

Total material crushed in the year ended December 31, 2019 was 1,433 thousand tonnes primarily from operations at Don Gabriel and Rajo Norte open pit mines. This compares to 968 thousand tonnes in eleven months ended December 31, 2018.

Don Gabriel is the largest contributor of ore to MTV and together with other ancillary deposits, ore movement during the last six months increased to more than 100,000 tonnes per month, a first for MTV. The Rajo Norte and Cumbre open pit mines are two of the ancillary deposits that contribute to copper production as shown in the PEA case of the October 2018 Technical Report and demonstrates the flexibility in MTV's operations.

Ore production from the Papomono underground mine was approximately 300 tonnes per day for the three months ended December 31, 2019, extracting ore from resource blocks adjacent to the Papomono Massive deposit in advance of future block caving efforts. A large component of ore production growth is now expected in 2021 (instead of 2020) which will come from the higher-grade Papomono Massive deposit. MTV plans to extract ore using retreat mining during the second half of 2020 and is considering beginning the construction and development of the incline block caving of Papomono Massive later in 2020, at which point it is expected to ultimately generate underground production beyond 2,000 tonnes per day while halving unit-mining costs.

Production in the fourth quarter of 2019 was slightly lower than the third quarter due to operational challenges experienced by MTV resulting from Chile's worst drought in 60 years and the social unrest uprising that created issues with suppliers. In December, water shortages developed together with a lack of availability of acid from suppliers that impacted operational efficiency. MTV is currently assessing its options for mine

sequencing in 2020 given the Coronavirus (COVID-19) pandemic, Chile's recent declaration of a state of catastrophe and MTV's recent announcement to temporarily restrict operations at the request of Salamanca officials.

Cost per pound produced increased to \$2.66 for the year ended December 31, 2019 compared to \$2.37 for the eleven months ended December 31, 2018. The increase in cost per pound is driven by an increase in the strip ratio during 2019 (waste mined was 2.1 times greater than in 2018) as well as the cost and consumption of sulphuric acid. Over the past year, sulphuric acid production in Chile was significantly lower with the major smelters in Chile undergoing retrofit to meet new emission standards. At the end of 2018, MTV entered into a one year contract to ensure delivery from suppliers. MTV understands the smelters are back on line, and spot prices are trending downwards.

Following the pre-feasibility level estimates for Papomono in the Technical Report, detailed engineering was completed and MTV has selected the underground development contractor. Final approval for the required permits remain outstanding and is expected to coincide with when MTV plans on starting the development of access levels and draw points. Initial development is expected to take 10 months and be completed in 2021. Recent pricing pressure directly related to the USA-China trade dispute, and now the COVID-19 virus outbreak together with Chile's continued drought and social unrest have delayed expected production for 2020 and the Company is in the process of making significant changes to its mine plan sequencing and operations to accommodate these unforeseen operational pressures. It was recently announced, that at the request of Salamanca officials, MTV will temporarily restrict mining operations for a period of time. It is still expected that over time, production from Papomono Massive will ramp up to beyond 2,000 tonnes per day, compared to the current production levels of 500 tonnes per day with an increased grade.

In December 2019, MTV entered into a secured prepayment facility (the "**Facility**") with Anglo American Marketing Limited and a fund under investment management of Kimura Capital LP (referred to as the "**Lenders**"). Under the Facility, the Lenders made available to MTV a four-year term loan facility in an aggregate amount equal to \$45 million to be applied towards the financing or repayment of amounts payable or paid in respect of costs related to the MTV copper project. The Facility was, in part, used to repay MTV's \$20 million revolving credit facility, and a further \$7 million of cash is restricted under the terms of the Facility agreement.

MTV, the Company and the Lenders are currently in advanced discussions to amend the Facility to accommodate the operational impacts resulting from the lower copper price due to the USA-China trade dispute, and the recent COVID-19 outbreak that has resulted in Chile declaring a state of catastrophe and MTV temporarily restricting operations at the request of Salamanca officials. This is in addition to Chile's continuing drought and social unrest (see *Liquidity and Capital Resources* elsewhere in this MD&A).

Mineralized material supplied by ENAMI and local miners has increased in 2019 providing additional ore to the crusher given its current excess capacity. The processing of third party mineralized material has good margins, utilizes excess capacity, requires no capital spend and benefits local community members.

The implementation of chloride leaching ("**Salt Leach**") involves adding rock salt (NaCl) in the agglomeration stage of the crushing plant allowing the mixed sulphide and oxide material to cure on the heap for 15 to 30 days before commencing leaching. The accelerated oxidation of sulphide material in the heaps is expected to improve copper recoveries by approximately 8%, reduce acid consumption, and decrease the leach time by approximately 40%. These changes are expected to reduce cash costs and improve MTV's working capital position. The construction of the salt storage and dosing system to commence the Salt Leach was completed in June 2019 and MTV began adding salt at low levels near the end of the second quarter, nearly three months ahead of schedule. In mid-October, additional Salt Leach infrastructure was completed and the maximum dosages of salt have now begun. The total cost of the Salt Leach project is in line with the March 2018 pre-feasibility Technical Report estimate of \$7.1 million. Unfortunately, the drought conditions being experienced in Chile had a negative effect on MTV's leaching operations near the end of 2019 with the operation at suboptimal levels as there was not enough solution available to irrigate all the ore being placed on the lead pads.

2019 Guidance Results

SRHI's updated guidance published at the end of the third quarter of 2019 for copper production, cash cost per pound produced and capital expenditures reflected several factors both positive and negative, that collectively resulted in a reduced forecast for the remainder of 2019.

1. For the first half of 2019, at our Don Gabriel mine, 70% of the material delivered to the crushing plant was not in our reserve mine plan. Blast-hole drill assays determined that the material outside of the reserve mine plan was ore-grade material, and was mined and processed. The benefit of additional material above cut-off grade reduces reserve depletion, and is specific to the outer halo of the Don Gabriel deposit, although negatively impacts the contained copper production due to its lower grade, and reduces precision on forecasting production;
2. Mechanical issues, specifically the tertiary and quaternary crusher downtimes resulted in suboptimal crush size for the application of the Salt Leach extending the recovery curve;

3. Operating costs have increased through the year largely due to increasing input costs for diesel and reagents and elevated consumption of acid in 2019;
4. The delay in securing the Facility negatively impacted the deployment of capital expenditures and advancement of the current mine plan; and,
5. Lower equipment availability by contractors created compounding operational issues.

	Revised Guidance November 2019	2019 Results
Cu production (tonnes)	7,000 - 7,400	7,055
Cu production (millions of pounds)	15.4 - 16.3	15,555
Cash cost per pound produced ¹	\$2.50 - \$2.80	\$2.66
Capital expenditures (\$ millions)	\$15 - \$17	\$14

¹ See *Non-IFRS Performance Measures*

² Guidance is based on certain estimates and assumptions, including but not limited to, mineral reserve estimates, grade and continuity of interpreted geological formations and metallurgical performance. Please refer to the technical report prepared by AMEC Foster Wheeler, a Wood company, in respect of the Project filed on December 14, 2018 and the Company's SEDAR filings for complete risk factors.

Cash Position

Cash and cash equivalents decreased to \$11.6 million at December 31, 2019 from \$13.5 million at December 31, 2018 as the Company continues to support the operations at MTV that have resulted in an inventory build of \$12.1 million and capital expenditures of \$14.1 million during the year ended December 31, 2019.

In December 2019, MTV entered into the Facility and after the repayment of MTV's \$20 million revolving credit facility, costs of entering into the Facility and reserving a further \$7 million as restricted cash, MTV received proceeds of approximately \$10 million. These amounts were subsequently used to reduce amounts due to critical suppliers.

Capital Expenditures

Capital expenditures for the year ended December 31, 2019 amounted to \$14.1 million and were primarily pre-stripping waste rock at Don Gabriel in preparation of the next mining phases and costs relating to the Salt Leach project.

Investment Portfolio Divestment

The Company continues to work on its divestment strategies for its Tactical Assets. During the year, the Company completed selling its holdings in both InPlay Oil Corp. ("**InPlay Oil**") and Virginia Energy Resources Inc. ("**Virginia Energy**"). Management expects that the Tactical Assets and Beretta could be divested in 2020.

MTV operating performance for the year ended December 31, 2019

- Mined a total of 1,064,590 tonnes of ore at a grade of 0.61% copper from open pit operations
- Mined a total of 145,731 tonnes of ore at a grade of 0.97% copper from Papomono
- Produced 15.6 million pounds of 99.99% pure copper cathodes
- Revenue of \$35.7 million generated from (i) the sale of copper cathodes and (ii) tolling charges for mineralized material supplied by ENAMI
- Gross loss for the period was \$13.4 million
- Cash cost per pound of copper produced for the year (see *Non-IFRS Performance Measures*) was \$2.66 which is slightly above the upper end of the 2019 revised guidance
- Realized price per pound of copper sold was \$2.66 compared to \$2.90 for the eleven months ended December 31, 2018
- Inventory build was \$12.1 million for the period
- Total capital expenditures of \$14.1 million focused on capitalized stripping costs, costs associated with the Salt Leach project and Papomono front caving development costs which are separate from the Papomono incline block caving development and expansion
- Total exploration and evaluation expenditures for the period totaled \$0.8 million for engineering and drilling

Company financial performance for the year ended December 31, 2019

- Cash and cash equivalents of \$11.6 million included in working capital of \$4.5 million

- Net loss for the period was \$52.2 million or \$1.53 per share of which \$1.33 related to continuing operations and \$0.20 related to discontinued operations including an impairment of and inventory write-down charges totaling \$18.0 million (2018 - \$nil).
- Adjusted EBITDA (see Non-IFRS Measures) from continuing operations for the period was negative \$5.0 million which excludes the loss on portfolio investments of \$9.9 million, an impairment charge of \$13.7 million and a write-down of inventory of \$4.4 million

MTV operating performance for the three months ended December 31, 2019

- Mined a total of 284,251 tonnes of ore at a grade of 0.62% copper from open pit operations
- Mined a total of 28,945 tonnes of ore at a grade of 0.85% copper from Papomono
- Produced 4.1 million pounds of 99.99% pure copper cathodes
- Revenue of \$9.4 million generated from (i) the sale of copper cathodes and (ii) tolling charges for mineralized material supplied by ENAMI
- Gross loss for the quarter was \$4.5 million
- Cash cost per pound of copper produced for the period (see Non-IFRS Performance Measures) was \$2.82
- Realized price per pound of copper sold was \$2.68 compared to \$2.78 for the three months ended December 31, 2018

Company financial performance for the three months ended December 31, 2019

- Net loss for the quarter was \$25.8 million or \$0.76 per share
- Adjusted EBITDA (see Non-IFRS Measures) from continuing operations for the quarter was negative \$355 thousand which excludes the loss on portfolio investments of \$1.4 million, an impairment charge of \$13.7 million and a inventory write-down of \$2.3 million, which includes inventory obsolescence of \$0.3 million.

OUTLOOK

Outlook

Coronavirus (COVID-19)

The outbreak of the Coronavirus has created near-term copper price uncertainty and significant losses across the world's financial marketplace and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. On March 18, 2020, Chile declared a state of catastrophe over the COVID-19 outbreak that restricts freedom of movement within the country. Chile's armed forces are patrolling the nation collaborating with Chilean health officials. On March 21, 2020, officials of Salamanca formally requested MTV to temporarily halt or restrict operations as a measure to slow the advance of the pandemic and on March 23, 2020, the Company announced measures that will be immediately implemented at MTV. Salamanca and its surrounding areas supply over 70% of the MTV mine site's workforce. As of March 23, 2020, there was a single case of COVID-19 in Salamanca. The extent of the effect of the COVID-19 pandemic on the Company's business activities is uncertain. This has had a direct effect on MTV's budgeted cash flows and evolving mine plan for at least 2020, the extent of which cannot be accurately predicted at this time.

Social Unrest

In October 2019, social unrest in Chile erupted throughout the country. Deaths, vandalism and looting were reported in Santiago and also in mining jurisdictions. MTV reported a non-mining fatality and one incident of minor damage that resulted in no harm to its employees and no impact to its operations. As at December 31, 2019, the social unrest had briefly retreated but its impacts on Chile's economy continued with unexpected and unintended consequences. The short-term finance market in Chile has been severely affected by these continuing events and the pending constitutional plebiscite. This geopolitical uncertainty has reduced the attractiveness of Chile as an investment destination for capital providers resulting in a marked decrease in available short-term working capital finance solutions for MTV and its suppliers. The reduction in these finance solutions has put pressure on the mine operations, including the available supply of critical items such as sulphuric acid, diesel and electricity. Contractors and suppliers have also been affected by this issue and have transferred some of that stress to MTV.

Chile's Drought

The province of Coquimbo, where the mine is located, is suffering through a severe drought, the worst in 60 years, which is affecting fluid flow through the heaps and copper production. MTV owns and leases water rights that allow it to take up to 81 litres per second ("*l/s*") of water from various sources including the Choapa River, however the reduced flow does not meet current requirements of 12 l/s.

Water flow from snow-melt typically rises in October and November. With reduced snow and rain this past Chilean winter, there has not been sufficient recharge to the Choapa River. The Chilean government declared an agricultural emergency in September for livestock farmers in the region, however there was little indication that the expected rise in water flow would not occur.

In 2020, the water challenges intensified and MTV immediately instituted mitigating measures including exploring other sources of water through discussions with local community members and surveying MTV's property for probable well locations. Subsequently, MTV secured a portion of its water shortage and identified other sources of water on the MTV property that should yield the required water flows to maintain its revised planned operations. However, should MTV not secure these additional water amounts and/or the drought conditions exist for the foreseeable future, further adjustments to the operations at MTV will be required.

Revised Mine Plan

The combination of the aforementioned events has provided MTV with a challenging backdrop to conclude on a revised mine plan. MTV had proposed a revised mine plan which was still subject to approval by the board of directors (the "**Board**") of the Company. However, with recent escalating restrictions by government officials in Chile as a result of the COVID-19 pandemic, MTV management are refocusing their efforts to propose a further revision to the plan (the "**Plan**"). As part of this Plan, the Company and MTV announced on March 23, 2020 the following changes to its operations with additional actions continuing to be assessed.

- Temporarily halt the majority of all mining operations;
- Significantly reduce the employee base required to maintain minimal operations;
- Maintain the necessary staff to operate and monitor the leach pad;
- Maintain the necessary staff to operate its solvent-extraction and electrowinning processing plant where its copper cathodes are produced; and,
- Maintain the necessary staff to conduct preventative maintenance of key equipment

These events have contributed to increased financial stresses on MTV and its stakeholders are cooperatively working towards a fulsome solution. A significant part of the Plan that may be considered, and subject to the recovery of the copper price, is the development and construction of the Papomono Massive incline block caving in 2020 with expected completion in 2021. This is an important project given the high grade ore and low per tonne cost once in production. However, additional capital is now required to execute the Papomono Massive incline block caving and fund current expected operations and all stakeholders are participating in providing a funded solution to accomplish this (see *Liquidity and Capital Resources* elsewhere in this MD&A).

Expansion Projects

The Company continues to focus on completing the three expansion projects identified in the Technical Report; the Don Gabriel expansion, the Salt Leach project and the development and construction of the Papomono Massive incline block caving.

The expansion of Don Gabriel began in the second half of 2018 and has been supported by the Company's working capital and MTV's operational cash flows. This expansion has progressed well with \$1.9 million of capital expenditures incurred in 2018 for pre-stripping of phases 2, 3 and 5 (7 mining phases in total). In 2019, a further \$6.4 million of expenditures were incurred in phases 4, 5, 6 and 7. Starting in the first half of 2018, ore movement at Don Gabriel has more than tripled to average over 100,000 tonnes per month in 2019.

The Salt Leach project development and construction commenced in mid-2018, following the recommendations outlined in a Preliminary Feasibility Study filed in March 2018. Preliminary results were supportive of the expected increase in recoverable copper, reduced leaching time and reduced acid consumption. Mechanical issues during the third quarter of 2019 interrupted the initial leach cycle on the first ore under Salt Leach. During the three months ended December 31, 2019, MTV completed the Salt Leach infrastructure that allowed for an increased dosage of salt to its sulfide ore. There were five days of downtime at the plant in the fourth quarter of 2019 in order to install the tie-ins needed to complete the installation of the pumps and equipment for the Salt Leach. The final installation was completed in December 2019 with no interruption to the SX-EW plant operations. MTV is assessing alternatives to accelerate the application of Salt Leach to the entire leaching solution to realize its benefits sooner than initially planned.

In the fourth quarter of 2019, the configuration of the crusher was modified to a three-stage configuration where either the tertiary or quaternary crusher is utilized in the circuit depending on the type of ore being put through the SX-EW plant in order to optimize grind size. This application is expected to continue going forward producing efficiencies to the operation.

As outlined in the Technical Report, the development and construction of Papomono Massive and ancillary deposits provides for \$21 million in capital expenditures over 18 months. Although some of this amount has been incurred, the majority of these capital expenditures are expected to be completed in 2020, subject to the final approval of the Plan, with increased production at the higher-grade Papomono Massive underground project to commence in 2021.

Upon MTV completing the aforementioned capital projects, cash flows generated from this expansion should 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.

2020 Guidance

The Company is not in a position to provide guidance for 2020 given the broad level of uncertainty and, more particularly, the quickly developing issues impacting MTV. The current volatility in the copper price spot market together with continuing Chilean social unrest, Chile's prolonged drought and the lower copper price due to the escalating Coronavirus pandemic has created significant liquidity challenges for MTV, which SRHI cannot resolve on its own. MTV is currently working with its stakeholders (including the Company) to finalize a financial plan to support MTV through this period. Please see the section *Liquidity and Capital Resources* elsewhere in this MD&A for additional information.

Special Committee

On February 11, 2019, the Board of Directors of the Company formed a special committee of the Board ("**Special Committee**") comprised solely of the Company's four Independent Directors chaired by Terry Lyons, the current Chairman of the Board. The Special Committee was established to review and evaluate potential measures to address the Company's market valuation. The review was comprehensive and evaluated all measures to maximize shareholder value. The Special Committee engaged financial and legal advisors to assist in its evaluation.

The Company announced on February 18, 2020, that the Special Committee had been dissolved but its strategic review continues at the Board level. The conclusion of the Special Committee was to complete a transition to focus the Company's investment thesis as a pure-play copper-mining company, to continue to pursue alternatives to divesting its portfolio of investments in order to further support MTV and to continue to look for strategic alternatives for the Company.

CORPORATE STRUCTURE

The consolidated accounts of the Company 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	50.2%	49.8%
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 holds a 50.2% 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.

OPERATIONAL UPDATE

Year Ended December 31, 2019

The Company consolidated the accounts of MTV beginning on the Transition Date. Accordingly, in some cases, certain financial and operating information only include the results for the months of February 2018 to December 2018.

	Year ended Dec. 31, 2019	Eleven months ended Dec. 31, 2018
Tonnes mined - underground operations	145,731	163,976
Tonnes mined - open pit operations	1,064,590	572,556
Total ore mined (tonnes)	1,210,321	736,532
Waste mined - open pit operations (tonnes)	6,195,814	1,695,516
MTV mine processed ore (tonnes)	1,202,439	744,990
Third-party processed ore (tonnes)	154,596	168,062
ENAMI tolling processed ore (tonnes)	76,113	55,438
Total processed ore (tonnes)	1,433,148	968,490
Metallurgical recovery - underground material (%)	80.7%	80.0%
Metallurgical recovery - open pit material (%)	80.9%	81.3%
Underground average ore grade (Cu%)	0.97%	1.01%
Open pit average ore grade (Cu%)	0.61%	0.60%
Copper cathode production (tonnes)	7,055	5,381
Copper cathode sales (tonnes)	5,710	4,911
Toll processed and copper cathodes returned to ENAMI (tonnes)	1,108	749

Copper production for 2019 was a record year for MTV at over 7,000 tonnes, a 31% increase from 2018. This is largely driven by increased throughput at the crusher and MTV's increased mining operations. These levels of production were attained despite some equipment availability issues with contractors and unexpected downtime of the tertiary and quaternary crushers. Mine production has increased significantly compared to the prior year as a new mining contractor began work on site in July 2018. New phases of ore at Don Gabriel have been opened through extensive pre-stripping activity as the expansion at Don Gabriel continued to move forward providing additional ore to the crusher. Assays from the blast hole drilling revealed that a significant portion of material mined from Don Gabriel was outside of the 2019 mine plan and above cut off grade. Throughout 2019, the majority of ore from Don Gabriel material was unplanned. Based on historical reconciliation and conservative reserve modeling, it is possible that this trend could continue on the edges of this deposit.

Total ore and waste tonnes mined increased during the year since the new contractor began operating (617 thousand tonnes per month in the year ended December 31, 2019 compared to 221 thousand tonnes per month in the eleven months ended December 31, 2018). As a result of the higher mining rate, tonnes crushed also increased. The increase in tonnes crushed resulted in an increase in production through the year (588 tonnes per month in the year ended December 31, 2019 compared to 489 tonnes per month in the eleven months ended December 31, 2018).

Three Months Ended December 31, 2019

	Three months ended	
	Dec. 31, 2019	Dec. 31, 2018
Tonnes mined - underground operations	28,945	28,237
Tonnes mined - open pit operations	284,251	206,389
Total ore mined (tonnes)	313,196	234,626
Waste mined - open pit operations (tonnes)	1,678,096	816,020
MTV mine processed ore (tonnes)	313,091	236,234
Third-party processed ore (tonnes)	35,808	40,974
ENAMI tolling processed ore (tonnes)	15,206	20,616
Total processed ore (tonnes)	364,105	297,824
Metallurgical recovery - underground material (%)	81.6%	80.8%
Metallurgical recovery - open pit material (%)	82.9%	81.8%
Underground average ore grade (Cu%)	0.85%	0.86%
Open pit average ore grade (Cu%)	0.62%	0.57%
Copper cathode production (tonnes)	1,879	1,596
Copper cathode sales (tonnes)	1,504	1,700
Toll processed and copper cathodes returned to ENAMI (tonnes)	304	203

Ore extracted at mining operations at MTV maintained an average of over 100,000 tonnes per month of ore for the second quarter in a row. Less ore was received from third parties and ENAMI largely due to the depressed copper price. The expansion at Don Gabriel continued at a high strip ratio in the quarter and significant amounts of waste was mined providing additional ore to the crusher. Waste movement managed to increase quarter-over-quarter in 2019 despite some equipment availability issues with the contractors. MTV continues to find additional ore above cut-off grade on the margins of the Don Gabriel ore body and this incremental ore mined provided additional material to the crusher which had excess capacity. The configuration of the crusher was modified in the quarter to a three-stage configuration where either the tertiary or quaternary crusher was utilized in the circuit depending on the type of ore being put through the plant in order to optimize grind size. This application is expected to continue going forward producing efficiencies to the operation.

Total ore and waste tonnes mined have increased compared to the same quarter in the prior year since the new contractor began operating (1,991 thousand tonnes in the three months ended December 31, 2019 compared to 1,051 thousand tonnes in the three months ended December 31, 2018). As a result of the higher mining rate, tonnes crushed for the three months ended December 31, 2019 averaged over 121 thousand tonnes per month and waste mined averaged around 664 thousand tonnes per month. Copper cathode production is driven by the crusher throughput grade mined, crush size and metallurgy of the ore.

During the three months ended December 31, 2019, MTV completed the Salt Leach infrastructure that allowed for an increased dosage of salt to its sulfide ore. There were five days of downtime at the plant in the fourth quarter of 2019 in order to install the tie-ins needed to complete the installation of the pumps and equipment for the Salt Leach. The final installation was completed in December 2019 with no interruption to the SX-EW plant operations. MTV is assessing alternatives to accelerate the application of Salt Leach to the entire leaching solution to realize its benefits sooner than initially planned.

	Three months ended			
	Mar. 31, 2019	Jun. 30, 2019	Sept. 30, 2019	Dec. 31, 2019
Total ore mined (tonnes)	263,992	287,762	345,371	313,196
Waste mined - open pit mine (tonnes)	1,499,129	1,576,667	1,441,922	1,678,096
Copper cathode production (tonnes)	1,793	1,737	1,646	1,879

LIQUIDITY AND CAPITAL RESOURCES

Cash

At December 31, 2019, the Company held cash and cash equivalents of \$11.6 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 \$1.9 million in the year ended December 31, 2019 primarily as a result of cash and cash equivalents used in operating activities of \$14.3 million, capital expenditures of \$13.9 million, partially offset by the receipt of \$8.0 from the sale of portfolio investments, loans and borrowings repaid of \$21.0 million, restricted cash withheld of \$7.0 million and proceeds from loans and borrowings of \$48.1 million.

As a condition of the Facility, the Company has provided the Lenders with a \$10 million guarantee that represents the Company's only obligation to MTV.

Working Capital

At December 31, 2019, the Company had consolidated working capital of \$4.5 million. Included in the working capital is cash of \$11.6 million, trade and other receivables of \$2.6 million, inventories of \$14.1 million and Tactical Assets of \$6.6 million. Liabilities included in working capital include accounts payable and accrued liabilities of \$29.9 million, deferred revenue of \$0.2 million and the current portion of MTV's loans and borrowings of \$1.0 million. Excluding the MTV Segment, the Company had working capital of \$18.8 million.

Commodity price variability will impact the Company as it undertakes to expand the mining operations at Papomono and Don Gabriel and increase throughput of the plant from its current sub-optimal utilization. The commodity price and exchange rate environment is 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 Tactical Assets 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. 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.

The Company may seek additional capital at the Company or MTV level to complete development of its mineral properties and general working capital purposes. MTV currently operates in a high-cost environment as it expands production. Working capital stresses exist at MTV and additional sources of capital may be required to execute MTV's planned operations. Such financing, if sought, will depend on a number of unpredictable factors, which are often beyond the control of the Company and MTV. These would include the realized price of the actual copper produced from MTV's operating mines, and expected capital expenditures. There can be no assurance that capital will be available to the Company or MTV in the amount required at any particular time or for any particular period, or, if available, that such financing can be obtained on satisfactory terms. The Company and MTV are exposed to liquidity risk.

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.

On January 26, 2017, MTV entered into a line of credit financing contract (the "**LOC**") with an investment fund in the amount of \$9.5 million with an annual interest rate of LIBOR + 8.5%. In 2018, the LOC was renewed and extended to \$15 million. At that time, the Company became guarantor to the LOC replacing the former majority shareholder. The LOC further increased to \$20 million on September 27, 2019 and extended to November 30, 2019. The Company increased its guarantee to \$20 million at that time. On December 16, 2019, the LOC was repaid and the associated guarantee cancelled as a condition of the Facility.

In December 2019, MTV entered into the Facility with the Lenders. Under the Facility, the Lenders made available to MTV a four-year term loan facility in an aggregate amount equal to \$45 million to be applied towards the financing or repayment of amounts payable or paid in respect of costs related to the MTV copper project. Interest on the Facility is incurred at a rate equal to the three-month USD LIBOR plus (i) 8.00% per annum for up to the first twelve months depending on certain conditions and (ii) 6.25% per annum thereafter.

Repayment of the Facility will be made in twelve equal quarterly installments beginning fifteen months following December 16, 2019. MTV may prepay the whole, or any part, of the Facility (with a minimum amount of \$5 million) on not less than 45 days' prior notice.

The Facility also includes a copper price participation mechanism in favour of the Lenders beginning twelve months following December 16, 2019 (or earlier subject to certain conditions).

The Facility is secured by, *inter alia*, (i) a share pledge by the Company over its ownership in SRC, (ii) a share pledge by SRC over its ownership in the Company's Chilean subsidiary and (iii) a first charge on all equity interests of the Chilean subsidiaries and all assets of MTV including mining concessions, tenement, water rights, land rights, copper assets, plant, equipment and movable assets.

The Company issued a \$10 million guarantee in relation to the Facility.

The Facility was, in part, used to repay MTV's \$20 million LOC and a further \$7 million of cash is restricted under the terms of the Facility agreement.

The following embedded derivatives were identified in the Facility agreement:

- Voluntary Prepayment Option: this embedded derivative entitles MTV to prepay the whole or any part of the Facility with accrued interest on the amount prepaid at any time throughout the term without any premium or penalty.
- Kimura Repayment Rights: this is a mechanism available to Kimura to unilaterally demand repayment of its portion of the Facility under certain defined circumstances, and if so exercised, could trigger all or a portion of the \$10 million guarantee provided by the Company.
- Mandatory Repayment: In the event of default, the full amount of the Facility with accrued interest may immediately become payable on demand.

The value assigned to the aforementioned embedded derivatives upon the recognition of the Facility and as at December 31, 2019, was immaterial.

The Company and MTV are in compliance with all covenants as at December 31, 2019.

MTV Going Concern

MTV has incurred significant operating losses and negative cash flows from operations in recent years, and has a working capital deficiency. Whether and when MTV can attain profitability and positive cash flows has recently been challenged as a result of Chile's social unrest, continuing drought and Coronavirus impacts. On March 18, 2020, Chile declared a state of catastrophe over the COVID-19 outbreak that restricts freedom of movement within the country. On March 21, 2020, officials of Salamanca formally requested MTV to temporarily halt or restrict operations as a measure to slow the advance of the pandemic and on March 23, 2020, the Company announced measures that will be immediately implemented at MTV. Salamanca and its surrounding areas supply over 70% of the MTV mine site's workforce. The extent of the effect of the COVID-19 pandemic on the Company's business activities is uncertain. These uncertainties cast significant doubt upon MTV's ability to continue as a going concern.

The Company may need to raise capital in order to support MTV's operations. Raising capital may be adversely impacted by: a lack of normally available financing, current volatile market conditions, extended and unforeseen issues resulting from the current Coronavirus pandemic, ongoing and worsening drought conditions in Chile and ongoing geopolitical issues in Chile. To address its financing requirements, the Company may seek financing through joint venture agreements, debt and equity financings, asset sales, rights offerings to existing shareholders or restructuring MTV's debt and payment terms with critical suppliers. The outcome of these matters cannot be predicted at this time.

MTV has a working capital deficiency of \$12.0 million and negative equity. It has long-term debt of \$43.0 million and subordinated debt payable to the Company of \$16.5 million. MTV does not expect to have sufficient liquidity to fund its operations over the next twelve months. The working capital deficiency significantly limits MTV's ability to fund capital expenditures and operations. Although MTV is in compliance with all covenants as at December 31, 2019 and the date hereof, it is not unreasonable that non-compliance under the Facility could happen during 2020.

As a result, there is significant doubt about MTV's ability to continue as a going concern. The continuation of MTV as a going concern is dependent on ongoing discussions with its Lenders, shareholders (including the Company) and its critical suppliers to provide additional financial support through additional capital injections and revised supplier payment terms. This Plan is expected to be completed during the second quarter of 2020, and is expected to generate sufficient liquidity and flexibility to finance operations into 2021 when mining operations are expected to generate cash flow. Management believes that the Plan is likely to be completed, however there is no assurance that it will be. Without this Plan, MTV may be forced to further curtail its operations.

OPERATING SEGMENTS

The Company has two reportable segments. MTV is the Company's principal operating business. Corporate includes the Canadian corporate office which holds its Tactical Assets in the mining sector as well as an asset held for sale that reflects a 50.2% (2018 - 49.9%) interest in Beretta.

Significant information relating to reportable operating segments is summarized below:

As at December 31, 2019		MTV	Corporate	Total
Assets	\$	115,766	\$ 17,482	\$ 133,248
Assets classified as held for sale		—	9,908	9,908
Total assets	\$	115,766	\$ 27,390	\$ 143,156
Liabilities	\$	80,164	\$ 985	\$ 81,149
Liabilities classified as held for sale		—	5,286	5,286
Total liabilities	\$	80,164	\$ 6,271	\$ 86,435

As at December 31, 2018		MTV	Corporate	Total
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, 2019		MTV	Corporate	Total
Revenue	\$	35,688	\$ —	\$ 35,688
Cost of sales		(49,064)	—	(49,064)
Gross loss		(13,376)	—	(13,376)
Expenses				
General and administrative expenses		2,471	3,874	6,345
Loss on portfolio investments		—	9,936	9,936
Finance expenses, net		3,801	—	3,801
Other income		(1,438)	(339)	(1,777)
Impairment of non-current assets		13,666	—	13,666
Net loss from continuing operations		(31,876)	(13,471)	(45,347)
Net loss from discontinued operations		—	(6,855)	(6,855)
Net loss for the year	\$	(31,876)	\$ (20,326)	\$ (52,202)

Year Ended December 31, 2018	MTV¹	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)

¹MTV 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 Month Ended December 31, 2019	MTV	Corporate	Total
Revenue	\$ 9,352	\$ —	9,352
Cost of sales	(13,806)	—	(13,806)
Gross loss	(4,454)	—	(4,454)
Expenses			
General and administrative expenses	677	614	1,291
Unrealized loss on portfolio investments	—	1,358	1,358
Finance expenses, net	1,259	—	1,259
Other income	(365)	(265)	(630)
Impairment of non-current assets	13,666	—	13,666
Net loss from continuing operations	(19,691)	(1,707)	(21,398)
Net loss from discontinued operations	—	(4,427)	(4,427)
Net loss for the period	\$ (19,691)	\$ (6,134)	(25,825)

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 consolidates MTV. Prior to the Transition Date, both Beretta and MTV were portfolio investments reported at FVTPL under Investment Entity Reporting.

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. See Note 6 in the Financial Statements. During the year ended December 31, 2019, an impairment of \$2.1 million on the revaluation of Beretta to the lower of its carrying amount and its fair value less cost to sale was recognized.

For the year ended December 31, 2019, 94% of the revenues (\$35.7 million) was from one customer based in Switzerland. 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, 2019, there was \$0.5 million (December 31, 2018: \$0.4 million) outstanding in trade and other receivables.

FINANCIAL UPDATE

Year Ended December 31, 2019

The Company reported as an Investment Entity for the month ended January 31, 2018. For the year ended December 31, 2019 and 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 on portfolio investments*. Accordingly, in some cases, certain financial and operating information only include the results for the months of February 2018 to December 31, 2018.

Gross loss

<i>(in thousands)</i>	Year ended Dec. 31, 2019	Eleven months ended Dec. 31, 2018
Revenue	\$ 35,688	\$ 32,700
Cost of sales	(49,064)	(34,329)
Gross loss	\$ (13,376)	\$ (1,629)

Revenue

During the year ended December 31, 2019, the Company recognized revenues of \$35.7 million (eleven months ended December 31, 2018: \$32.7 million) which included revenue from the sale of 7,055 tonnes of copper cathodes for \$33.5 million (eleven months ended December 31, 2018: \$31.4 million for 5,381 tonnes) and revenues from tolling services of \$2.2 million (eleven months ended December 31, 2018: \$1.3 million). Revenues were based on an average realized copper price of \$2.66 per pound (eleven months ended December 31, 2018: \$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, reagents and electricity which increased in the year ended December 31, 2019 compared to the eleven months ended December 31, 2018. During the year ended December 31, 2019, it was determined that the book value of inventory exceeded its net realizable value and a write-down of \$4.4 million, which included \$0.3 million in inventory obsolescence, was recognized. The write-down of inventory stems primarily from a combination of (i) higher input costs (ii) increased depreciation resulting from operating in higher strip-ratio phases, and (iii) a decrease in the market price of copper. Cost of sales for the year ended December 31, 2019 also include an increase in depreciation and direct mining costs compared to the eleven months ended December 31, 2018 as a result of the expanded and growing operations at the mine sites.

Gross loss

The Company reported a gross loss of \$13.4 million for the year ended December 31, 2019 compared to a gross loss of \$1.6 million for the eleven months ended December 31, 2018. For the year ended December 31, 2019, the Company continued to be in an expansion phase of operations within a high cost environment and, coupled with a decreasing copper price, resulted in a gross loss for the period. During the expansion of mining operations at MTV, significant costs are incurred up front to mine, move and process ore. Depending on the metallurgy of the ore, the time from mining the ore to the production of copper cathodes can take up to one year to reach expected recovery of approximately 80%. With the Salt Leach now implemented, this one year period is expected to decrease by almost 50% once the full leaching solution attains its optimal salt concentration. The Company has invested significant working capital in the past year to expand its operations, including a significant build in inventory, that is expected to slowly and steadily increase copper cathode production in the future.

During 2019, \$20.6 million of work-in-process inventory was transferred from current work-in-process inventory to non-current inventory reflecting ore on the leach pads that is not expected to be processed in the twelve (12) months following the statement of financial position date. The Company recorded an impairment charge of \$1.9 million during 2019 related to the net realizable value of the non-current portion of inventory that is included in cost of sales.

Due to water constraints resulting from the current and ongoing drought in the region, the leaching operation was unable to run at full capacity in the latter part of 2019. Long-term plans to expand the current mining operation are still in place, however, adjustments to the near-term mine plan are being made to reflect the current challenges being experienced by MTV. MTV currently operates at less than 50% capacity, and it is expected that the Company's gross profit will improve as the operation is brought to full capacity in the future as solutions are implemented to increase the availability of water and the expected copper price recovers.

General and administrative expenses

	Year ended	
	Dec. 31, 2019	Dec. 31, 2018
Salaries and contracted services	\$ 1,545	\$ 1,210
Management fees	1,704	2,402
Public company reporting costs	1,288	1,000
Other office expenses	1,808	1,541
General and administrative expenses	\$ 6,345	\$ 6,153

General and administrative expenses ("G&A") include salaries and contracted services, management fees, public company reporting costs and other office expenses.

Salaries and contracted services

The Company's salaries and contracted services increased for the year ended December 31, 2019 compared with the year ended December 31, 2018 primarily as a result of increased severance expenses at MTV. Previous to the Transition Date and for the year ended December 31, 2018, salaries and contracted services related solely 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 decrease in management fees for the year ended December 31, 2019, compared with the year ended December 31, 2018, is due to the decrease in the average net asset value ("**NAV**") of the Company on which the fee is based together with the elimination of the Management Services Fee payable for the quarter ending December 31, 2019 (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, 2019 of \$21 thousand (year ended December 31, 2018: \$146 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 \$218 thousand for the year ended December 31, 2019 (year ended December 31, 2018: \$115 thousand). Total public company reporting costs for the year ended December 31, 2019 are higher compared to the year ended December 31, 2018 primarily as a result of costs related to the Special Committee of the Board and increased director stock based compensation.

Other office expenses

The Company's other office expenses increased for the year ended December 31, 2019 compared with the year ended December 31, 2018 primarily as a result of increased travel and withholding taxes expense.

Loss on portfolio investments

	Year ended	
	Dec. 31, 2019	Dec. 31, 2018
Loss on portfolio investments	\$ 9,936	\$ 22,603

During the year ended December 31, 2019, the Company disposed of its investments in InPlay Oil and Virginia Energy for gross proceeds of \$3.8 million. There were no dispositions of portfolio investments during the year ended December 31, 2018.

For the year ended December 31, 2019, the net change in unrealized loss on portfolio investments together with the realized loss on the sale of InPlay Oil and Virginia Energy was \$9.9 million. Decreases in the value of the Company's investments in Lac Otelnuk and Corsa Coal reflect the majority of the Loss on portfolio investments.

For the year ended December 31, 2018, the Loss on portfolio investments was \$22.6 million and was predominantly due to the unrealized loss in value of the Company's investment in Corsa Coal and InPlay Oil.

Finance expenses, net

	Year ended	
	Dec. 31, 2019	Dec. 31, 2018
Finance expenses, net	\$ 3,801	\$ 2,095

Finance expenses, net, primarily consists of interest on loans and the interest accretion on the decommissioning liability. The increase in finance expense is largely due to the higher average outstanding balance on the LOC for the year ended December 31, 2019 (\$16.8 million) compared to the year ended December 31, 2018 (\$11.1 million).

Other income

	Year ended	
	Dec. 31, 2019	Dec. 31, 2018
Interest and other income	\$ 503	\$ 944
Foreign currency translation gain	1,274	1,820
	\$ 1,777	\$ 2,764

Interest and other income

For the year ended December 31, 2019, Interest and other income is primarily composed of other income recognized reflecting the fair value of the URC units received. During 2019, the Company was provided units of URC as a condition of the loan investment it made in 2018 to a private royalty company. Upon the private royalty company going public, the Company was entitled to a fixed number of its units.

For the year ended December 31, 2018, Interest and other income 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

Foreign currency translation gain

For the year ended December 31, 2019, the foreign currency gain was generated by the strengthening of the US dollar over the year of approximately 2% compared to the Canadian dollar partially offset by the weakening of the Chilean peso. 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.

Impairment of non-current assets

During the year ended December 31, 2019, the Company recognized an impairment charge of mineral properties, plant and equipment of \$13.3 million and intangible assets of \$0.3 million. There was no such charge recorded in the year ended December 31, 2018. See the section *Impairment of MTV CGU* elsewhere in this MD&A.

Income taxes

The Company did not report any current income taxes for the year ended December 31, 2019 or for the year ended December 31, 2018.

As at December 31, 2019 and December 31, 2018, 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, 2019	Dec. 31, 2018
Canadian tax losses expiring 2036 - 2039	\$ 7,516	\$ 6,245
Chilean tax losses	310,424	295,299
Provision	14,544	11,596
Share issue costs and other	6,856	4,196
Capital losses	47,446	11,041
Portfolio investments	78,565	100,203
Unrecognized deductible temporary differences	\$ 465,351	\$ 428,580

Net loss and comprehensive loss

For the year ended December 31, 2019, the Company reported a net loss attributable to shareholders of \$39.8 million and comprehensive loss attributable to shareholders of \$38.5 million compared to a net loss attributable to shareholders of \$30.1 million and comprehensive loss attributable to shareholders of \$34.7 million reported for the year ended December 31, 2018. The components of these amounts are discussed in the explanations provided above.

Three Months Ended December 31, 2019

Gross loss

<i>(in thousands)</i>	Three months ended	
	Dec. 31, 2019	Dec. 31, 2018
Revenue	\$ 9,352	\$ 10,888
Cost of sales	(13,806)	(11,326)
Gross loss	\$ (4,454)	\$ (438)

Revenue

During the three months ended December 31, 2019, the Company recognized revenues of \$9.4 million (three months ended December 31, 2018: \$10.9 million) which included revenue from the sale of 1,879 tonnes of copper cathodes for \$8.9 million (three months ended December 31, 2018: \$10.4 million for 1,596 tonnes) and revenues from tolling services of \$0.5 million (three months ended December 31, 2018: \$0.5 million). Revenues were based on an average realized copper price of \$2.68 per pound (three months ended December 31, 2018: \$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. As at December 31, 2019, it was determined that the book value of inventory exceeded its net realizable value and an impairment in inventory of \$2.3 million was recognized, which included \$0.3 million in inventory obsolescence.

Gross loss

The Company reported a gross loss of \$4.5 million for the three months ended December 31, 2019 compared to a gross loss of \$0.4 million for the three months ended December 31, 2018. For the three months ended December 31, 2019, the Company continued to be in an expansion phase of operations within a high cost environment and, coupled with a decreasing copper price, resulted in a gross loss for the period. During the expansion of mining operations at MTV, significant costs are incurred up front to mine, move and process ore. Depending on the metallurgy of the ore, the time from mining the ore to the production of copper cathodes can take up to one year to reach expected recovery of approximately 80%. With the Salt Leach now implemented, this one year period is expected to decrease by almost 50% once the full leaching solution attains its optimal salt concentration. The Company has invested significant working capital in the past year to expand its operations, including a significant build in inventory, that is expected to slowly and steadily increase copper cathode production in the future.

In the fourth quarter of 2019, \$20.6 million of work-in-process inventory was transferred from current work-in-process inventory to non-current inventory reflecting ore on the leach pads that is not expected to be processed in the twelve (12) months following the statement of financial position date. The Company recorded an impairment charge of \$1.9 million during 2019 related to the net realizable value of the non-current portion of inventory that is included in cost of sales.

Due to water constraints resulting from the current and ongoing drought in the region, the leaching operation was unable to run at full capacity in the last quarter of 2019. Long-term plans to expand the current mining operation are still in place, however, adjustments to the near-term mine plan are being made to reflect the current challenges being experienced by MTV. MTV currently operates at less than 50% capacity, and it is expected that the Company's gross profit will improve as the operation is brought to full capacity in the future as solutions are implemented to increase the availability of water and the expected copper price recovers.

General and administrative expenses

	Three months ended	
	Dec. 31, 2019	Dec. 31, 2018
Salaries and contracted services	\$ 442	\$ 278
Management fees	82	610
Public company reporting costs	296	80
Other office expenses	471	390
General and administrative expenses	\$ 1,291	\$ 1,358

G&A include salaries and contracted services, management fees, public company reporting costs and other office expenses.

Salaries and contracted services

The Company's salaries and contracted services increased for the three months ended December 31, 2019 compared with the three months ended December 31, 2018 primarily as a result of the inclusion of increased severance expenses at MTV. 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 decrease in management fees for the three months ended December 31, 2019, compared with the three months ended December 31, 2018, is due to the decrease in the average net asset value ("**NAV**") of the Company on which the fee is based together with the elimination of the Management Services Fee payable for the quarter ending December 31, 2019 (see the section *Management Fee* elsewhere in this MD&A).

Public company reporting costs

The Company's public company reporting costs increased for the three months ended December 31, 2019 compared with the three months ended December 31, 2018 primarily as a result of additional costs related to the Special Committee of the Board and increased director stock based compensation. 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 \$55 thousand for the three months ended December 31, 2019 (three months ended December 31, 2018: \$46 thousand).

Other office expenses

The Company's other office expenses increased for the three months ended December 31, 2019 compared with the three months ended December 31, 2018 primarily as a result of increased legal expenses resulting from amounts incurred related to the Facility.

Loss on portfolio investments

	Three months ended	
	Dec. 31, 2019	Dec. 31, 2018
Loss on portfolio investments	\$ 1,358	\$ 12,631

There were no dispositions of portfolio investments during the three months ended December 31, 2019 and 2018. The decrease in the value of the Company's investment in Corsa Coal reflects the Loss on portfolio investments.

For the three months ended December 31, 2018, the change in unrealized loss on portfolio investments was \$12.6 million and was predominantly due to the decreased value of the Company's public investment in Corsa Coal and InPlay Oil.

Finance expenses, net

	Three months ended	
	Dec. 31, 2019	Dec. 31, 2018
Finance expenses, net	\$ 1,259	\$ 445

Finance expenses, net, primarily consists of interest on loans and the interest accretion on the decommissioning liability. The increase in finance expense is largely due to the higher average outstanding balance on the LOC for the three months ended December 31, 2019 (\$20.6 million) compared to the three months ended December 31, 2018 (\$14.2 million).

Other income

	Three months ended	
	Dec. 31, 2019	Dec. 31, 2018
Interest and other income	\$ 230	\$ 316
Foreign currency translation gain	400	925
Other income	\$ 630	\$ 1,241

Interest and other income

For the three months ended December 31, 2019, *Interest and other income* is primarily composed of other income recognized reflecting the fair value of the URC units received. In the fourth quarter of 2019, the Company was provided units of URC as a condition of the loan investment it made in 2018 to a private royalty company. Upon the private royalty company going public, the Company was entitled to a fixed number of its units.

For the three months ended December 31, 2018, *Interest and other income* is primarily composed of interest income generated from the Company's loan investment.

Foreign currency translation gain

During the three months ended December 31, 2019, the foreign currency gain was generated by the weakening of the US dollar of approximately 3% compared to the Canadian dollar partially offset by the weakening of the Chilean peso. 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.

Impairment of non-current assets

During the three months ended December 31, 2019, the Company recognized an impairment charge of mineral properties, plant and equipment of \$13.3 million and intangible assets of \$0.3 million. There was no such charge recorded in the three months ended December 31, 2018. See the section *Impairment of MTV CGU* elsewhere in this MD&A.

Income taxes

The Company did not report any current income taxes for the three months ended December 31, 2019 or for the three months ended December 31, 2018.

As at December 31, 2019 and December 31, 2018, 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, 2019, the Company reported a net loss attributable to shareholders of \$18.3 million and comprehensive loss attributable to shareholders of \$18.0 million compared to a net loss attributable to shareholders of \$13.7 million and comprehensive loss attributable to shareholders of \$16.3 million reported for the three months ended December 31, 2018. The components of these amounts are discussed in the explanations provided above.

IMPAIRMENT OF MTV CASH GENERATING UNIT ("CGU")

In the fourth quarter of 2019, the Company began its budgeting process that was completed in 2020 but is yet to be finalized. Management observed a decrease in MTV's future cash flows reflecting adjustments to key mine planning, water supply issues, cost and working capital assumptions and its future outlook on copper prices. Together, these adjustments to the MTV CGU resulted in a trigger for an impairment test.

The recoverable amount of the MTV CGU of \$72.5 million (en bloc value) was determined based on a discounted cash flow analysis of an indicative life of mine model adjusted for current market multiples of similar public companies. This life of mine model is management's best estimate of the recoverable amount of MTV's net assets at December 31, 2019.

The third-party prepared impairment test concluded that the recoverable amount of the MTV CGU was lower than its carrying value as at December 31, 2019. This resulted in an impairment charge of \$13.7 million to the consolidated statements of operations and comprehensive loss and a reduction in the carrying value of MTV's assets. This included an impairment charge of mineral property, plant and equipment of \$13.3 million and intangible assets of \$0.3 million.

Key Assumptions:

The key assumptions used in determining the recoverable amount of the MTV CGU include copper price, discount rate and the net asset value ("NAV") market multiple.

	2019 Test
Assumptions	
Copper price per pound - short to mid-term	\$2.85 - \$2.95
Copper price per pound - long-term	\$ 3.00
Discount rate	7.5%
NAV multiple	0.50x

Changes in copper price, the discount rate and NAV multiple assumptions can have a material impact on the recoverable value of the CGU. A significant change in copper prices will result in a reassessment of the life of mine plans, including the determination of reserves and resources which will impact the recoverable amount of the CGU.

The Company did an analysis of sensitivities on the fair value of the MTV CGU:

- a +/- 10% impact on the long-term price for copper has an impact of \$12.9 million
- a +/- 0.5% change in the discount rate has an impact of \$1.8 million
- a +/- 0.05x change in the NAV multiple has an impact of \$7.7 million

Copper Price - Estimated by considering the average of the most recent market commodity price forecasts from a number of recognized financial analysts.

Discount rate - A pre-tax discount rate was based on the Company's estimated weighted average cost of capital.

NAV multiple - A NAV multiple was determined after comparing similar public company price to NAV ratios.

Life of Mine - The life of mine was estimated using management's latest information including MTV's latest reserves and resources estimates as well as information gathered from the Technical Report.

Subsequent to year end, the COVID-19 pandemic began causing significant financial market declines and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The extent of the effect of the COVID-19 pandemic on the Company's business activities is uncertain. The Company's impairment test for the MTV CGU is based on fair value less cost to dispose model which are based on discounted cash flows from operations. Accordingly, as required by IFRS we have not reflected these subsequent conditions in the recoverable value estimate of the MTV CGU at December 31, 2019.

PORTFOLIO INVESTMENTS

The Company reported as an Investment Entity 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 on portfolio investments*.

Closing portfolio investments

<i>(in thousands)</i>	Sector	Public/Private	As at	
			Dec. 31, 2019	Dec. 31, 2018
Tactical Assets				
Corsa Coal	Mining	Public	\$ 4,065	\$ 8,693
InPlay Oil	Energy production and services	Public	—	5,098
Virginia Energy	Mining	Public	—	1,108
Lac Otelnuk	Mining	Private	2,308	4,586
URC	Mining	Public	233	—
			\$ 6,606	\$ 19,485

During 2019, the Company was provided units of URC as a condition of the loan investment it made in 2018 to a private royalty company. Upon the private royalty company going public, the Company was entitled to a fixed number of its units.

InPlay Oil trades on the Toronto Stock Exchange ("**TSX**") and Corsa Coal, URC 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

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.

<i>(in thousands, except per share amounts)</i>	2019				2018			
	Dec	Sept	Jun	Mar	Dec	Sept	Jun	Mar
Revenue	\$ 9,352	\$ 9,650	\$ 8,078	\$ 8,608	\$ 10,888	\$ 6,039	\$ 9,810	\$ 5,963
Gross profit (loss)	\$ (4,454)	\$ (4,259)	\$ (3,103)	\$ (1,560)	\$ (438)	\$ (1,449)	\$ 4	\$ 254
Gain (loss) on portfolio investments	\$ (1,358)	\$ (3,419)	\$ (6,821)	\$ 1,662	\$ (12,631)	\$ 2,597	\$ (6,177)	\$ (6,392)
Net loss from continuing operations	\$ (21,398)	\$ (8,619)	\$ (12,708)	\$ (2,622)	\$ (13,631)	\$ (1,149)	\$ (6,965)	\$ (7,971)
Net loss	\$ (25,825)	\$ (8,993)	\$ (13,245)	\$ (4,139)	\$ (14,148)	\$ (1,645)	\$ (8,152)	\$ (8,707)
Other comprehensive income (loss)	\$ 318	\$ (326)	\$ 544	\$ 1,029	\$ (2,935)	\$ 1,098	\$ (1,324)	\$ (2,069)
Basic and diluted loss per share from continuing operations	\$ (0.63)	\$ (0.25)	\$ (0.37)	\$ (0.08)	\$ (0.40)	\$ (0.03)	\$ (0.21)	\$ (0.23)
Basic and diluted loss per share from net loss	\$ (0.76)	\$ (0.26)	\$ (0.39)	\$ (0.12)	\$ (0.43)	\$ (0.05)	\$ (0.24)	\$ (0.26)

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.

See the sections *Liquidity and Capital Resources* and *Commitments* elsewhere in this MD&A for additional details.

BUSINESS COMBINATIONS

a. MTV Deemed Acquisition

On October 2, 2017, SRHI acquired the Chilean producing copper mine MTV for an aggregate purchase price of \$39.9 million, consisting of \$33.5 million in cash and \$6.4 million in SRHI common shares. A total of 2,559,592 SRHI common shares were issued to the purchaser in connection with this investment, providing SRHI with a 70% equity interest in MTV.

Effective the Transition Date, MTV was accounted for as a business acquisition in accordance with IFRS 3, *Business Combinations*.

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. Non-controlling interest was measured as the percentage of net assets held by non-controlling parties. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

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 accounted for as a business acquisition in accordance with IFRS 3, *Business Combinations*. 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.

The following table summarizes the deemed consideration paid and 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. Non-controlling interest was measured as the percentage of net assets held by non-controlling parties. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

Consideration		
Purchase price	\$	7,670
<hr/>		
Total consideration	\$	7,670
<hr/>		
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
		<hr/>
		19,114
<hr/>		
Fair value of liabilities and non-controlling interest acquired:		
Trade and other payables		3,586
Long-term debt		180
Non-controlling interest		7,678
		<hr/>
		11,444
<hr/>		
Net assets acquired	\$	7,670
<hr/>		

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.

EQUITY DATA

Authorized capital:

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the Board, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

Issued and outstanding:

	Common shares (#)	Amount
Balance - December 31, 2018, December 31, 2019 and March 24, 2020	34,082,992 \$	303,990

Outstanding warrants:

Common share purchase warrants outstanding were as follows:

	Warrants (#)	Amount
Balance - December 31, 2018, December 31, 2019 and March 24, 2020	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, with an equivalent exercise price of CAD\$6.66 per common share.

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 number of stock options vested and outstanding as at December 31, 2019 was 150 thousand (December 31, 2018: 175 thousand) at a weighted average exercise price of CAD\$3.80 (December 31, 2018: CAD\$3.74). During the year ended December 31, 2019, 25 thousand stock options with an exercise price of CAD\$3.40 expired. All remaining stock options expire on November 17, 2020.

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 21 thousand common shares for the year ended December 31, 2019 (for the year ended year ended December 31, 2018: 187 thousand common shares). During the year ended December 31, 2019, an additional 80 thousand common shares were released on vesting from the equity incentive plan. (year ended December 31, 2018: 166 thousand)

	Common shares (#)	Amount
Unvested common shares held by the Trust, January 1, 2018	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	20,600	23
Released on vesting of equity incentive plan	(80,124)	(149)
Unvested common shares held by the Trust, December 31, 2019 and March 24, 2020	35,716 \$	74

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**") and amended March 2, 2020. 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, 2019 are as follows:

	1 year	1 - 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	\$ 29,855	\$ —	\$ —	29,855
Facility	4,530	35,301	15,816	55,647
Leases	1,033	699	—	1,732
Other non-current liabilities	1,010	1,770	830	3,610
Reclamation and other closure provisions	—	—	5,110	5,110
As at December 31, 2019	\$ 36,428	\$ 37,770	\$ 21,756	95,954

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 \$551 thousand is included in Accounts payable and accrued liabilities and Other non-current liabilities.

As of December 31, 2019, commitments by MTV to purchase property, plant and equipment amounted to \$0.7 million.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the year ended December 31, 2019.

(i) *Management Fees*

Management fees and employment compensation pursuant to the Management Services Agreement for the year ended December 31, 2019 were \$1.7 million (year ended December 31, 2018: \$2.4 million). The employment compensation portion was paid directly to employees and consultants of SRHI provided by SCLP and the remainder was paid and payable to SCLP, an entity with some directors and officers in common.

As at December 31, 2019, there was \$0.4 million (December 31, 2018: \$0.9 million) 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, 2019	Dec. 31, 2018
Compensation paid by and on behalf of SRHI for executive management services provided to the Company (including stock-based compensation)	\$ 367	\$ 485
Directors fees and stock-based compensation	621	361
	\$ 988	\$ 846

(iii) *Mine Contracting Services*

MTV utilizes contractors for several mining services.

Inversiones Genova S.A.

For the year ended December 31, 2019, \$2.7 million (eleven months ended December 31, 2018: \$2.6 million) was paid to Inversiones Genova S.A. for services provided to the Company. As at December 31, 2019, a balance of \$0.7 million (December 31, 2018: \$0.2 million) 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 year ended December 31, 2019, \$9.4 million, was paid to Vecchiola S.A. (eleven months ended December 31, 2018: \$1.1 million), a mining contractor. As at December 31, 2019, a balance of \$5.4 million (December 31, 2018: \$0.9 million) payable to Vecchiola S.A. remained outstanding. Vecchiola S.A. is affiliated with the minority shareholder of MTV.

(iii) *MTV Management Loan*

On November 12, 2018, certain senior managers of MTV entered into a loan agreement with MTV whereby a loan facility of \$0.6 million 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 effective December 16, 2019 all principal and interest was subordinated to the Facility.

On January 9, 2019, certain senior managers of MTV entered into a loan agreement with MTV whereby a loan facility of \$0.4 million was granted to MTV. The unsecured loan has a minimum interest rate of 12% per annum payable on the outstanding principal and repayment of interest and effective December 16, 2019 all principal and interest was subordinated to the Facility.

As at December 31, 2019, \$1.0 million of principal and interest was outstanding (December 31, 2018: \$0.6 million).

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, 2019, 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		Year ended	Eleven months ended
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Cost of Sales ¹	\$ 13,806	\$ 11,326	\$ 49,064	\$ 34,329
Depreciation	(2,436)	(1,117)	(8,523)	(3,110)
Net change in inventory	475	(1,654)	1,429	(1,521)
Transportation costs	(148)	(568)	(538)	(1,580)
C1 Cash costs of production	11,697	7,987	41,432	28,118
Pounds of copper produced (thousands)	4,142	3,518	15,555	11,865
Cash cost of copper produced (USD per pound)	\$ 2.82	\$ 2.27	\$ 2.66	\$ 2.37

¹ includes inventory write-down of \$2.3 million and \$4.4 million for the three months ended and year ended December 31, 2019, respectively.

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		Year ended	Eleven months ended
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Average realized copper price for the period (\$ per pound)	\$ 2.68	\$ 2.78	\$ 2.66	\$ 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, 2019 and December 31, 2018.

	As at	
	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents	\$ 11,607	\$ 13,500
Trade and other receivables	2,600	7,073
Inventories	14,056	20,571
Other current assets	753	729
Portfolio investments	6,606	14,899
Current assets before assets held for sale	35,622	56,772
Current liabilities before liabilities held for sale	31,120	37,293
Working capital	\$ 4,502	\$ 19,479

¹ working capital does not include non-current inventory valued at \$18.6 million as this inventory is not expected to be processed during 2020.

² working capital for the Corporate segment is \$18.8 million and for the MTV segment there is a working capital deficiency of \$12.0 million.

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 write-down of inventory, impairment of non-current assets and gain or loss on portfolio investments.

	Three months ended		Year ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Net loss from continuing operations	\$ (21,398)	\$ (13,631)	\$ (45,347)	\$ (29,716)
Add:				
Finance expense	1,259	445	3,801	2,111
Depreciation	2,436	1,117	8,523	3,110
EBITDA from continuing operations	(17,703)	(12,069)	(33,023)	(24,495)
Write-down of inventory	2,324	—	4,383	—
Interest income from portfolio investments	—	(291)	—	(670)
Loss on portfolio investments	1,358	12,631	9,936	22,603
Impairment of non-current assets	13,666	—	13,666	—
Adjusted EBITDA from continuing operations	\$ (355)	271	\$ (5,038)	(2,562)

MANAGEMENT FEE

The MSA was most recently amended effective March 2, 2020, to update the then-current agreement dated February 1, 2018. Specifically, the Management Services Fee was temporarily eliminated and the notice period to terminate the MSA changed to three (3) months from twelve (12) months and in return the Company will bear some of the direct costs of SCLP-provided management.

Under the MSA, SCLP manages or, subject to certain restrictions, engages 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 (the "**Management Service Fee**") equal to 0.5% of the Quarterly NAV of SRHI (other than for each of the Corporation's fiscal quarter ended December 31, 2019, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020 where the Management Service Fee is reduced to only cover some of the direct costs of SCLP-management), 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. 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, 2019, the Company's annualized Adjusted Annual Operating expense was greater than 3% and the Management Service Fee payable for the three months ended December 31, 2019 was reduced to \$nil.

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 three (3) months' (previously twelve (12) months') 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 Inc. ("**Sprott**") and its subsidiaries and affiliates, 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 year ended December 31, 2019, the Corporation paid or accrued to SCLP a Management Services Fee in the amount of approximately \$1.7 million for services SCLP rendered to the Corporation in accordance with the terms of the applicable MSA (such amount includes the management compensation amount of approximately \$0.4 million).

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 valuers 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, 2019. There were no significant changes in the Company's internal controls over financial reporting that occurred during the three months ended December 31, 2019, 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.

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 (primarily equity investments) of the Company continue to be accounted for as financial assets valued at FVTPL.

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.

The acquisition of MTV and Beretta are further discussed in the *Business Combinations* 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.

f. Work-in-process inventory/ Production costs

The Company's management makes estimates of the amount and the expected timing of recovery of recoverable ounces in work-in-process inventory, which is used in the determination of the cost of sales during the period. Changes in these estimates can result in a change in the carrying amount of inventories and cost of sales in future periods. The Company monitors the recovery of copper cathodes from the leach pads and may refine its estimate based on these results. Assumptions used in inventory valuation include type of ore tonnes mined, salt leach application, pounds of copper per tonne, metallurgy of the ore, expected recovery rate based on the type of ore placed on the leach pads, timing of recovery, remaining costs of completion to bring inventory into copper cathodes, among others.

During 2019, the Company transferred \$20.6 million from current work-in-process inventory to non-current reflecting ore on leach pads at MTV that the Company did not expect to process in the twelve (12) months following the statement of financial position date. The Company recorded an impairment charge of \$1.9 million during 2019 related to the net realizable value of the non-current portion of work-in-process inventory. (see Note 4 to the Financial Statements).

g. Impairment of non-current assets - MTV CGU

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts determined by reference to estimated future operating results and discounted future cash flows. An impairment loss is recognized when the carrying amount of those assets is no longer considered recoverable. Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Calculating the estimated recoverable amount of the CGUs for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable reserves and resources, estimated future commodity prices, future production and sales volume, the expected future operating, capital and reclamation costs, discount rates and exchange rates. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets.

During 2019, the Company recognized an impairment charge of mineral properties, plant and equipment of \$13.3 million and intangible assets of \$0.3 million (see *Impairment of CGU* elsewhere in this MD&A).

h. Going concern assessment at MTV

Significant judgment is made when assessing the preparation of the Financial Statements and MTV accounts on the basis of accounting principles applicable to a going concern, which assumes that MTV will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. MTV is subject to numerous risks factors that may impact its ability to economically produce copper from its mines, such as, but not limited to, operation and regulatory risks inherent in the mining industry, and global economic and commodity price volatility. There is significant doubt about MTV's ability to continue as a going concern. The continuation of MTV as a going concern is dependent on ongoing discussions with its Lenders, shareholders (including the Company) and its critical suppliers to provide additional financial support through additional capital injections and revised supplier payment terms (see Note 27). As a condition of the Facility, the Company has provided the Lenders with a \$10 million guarantee that represents the Company's only obligation to MTV. The Financial Statements do not reflect the adjustments to the carrying values of MTV's assets and liabilities, the reported expenses, and the balance sheet classifications that would be necessary if MTV were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

SCIENTIFIC AND TECHNICAL INFORMATION

Unless otherwise noted or indicated, scientific and technical content contained in this MD&A related to MTV is based on information prepared 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 were independent qualified persons as defined by NI 43-101 at the time the Technical Report was prepared. 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.

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 or the Facility.

The Company has additional exposure to interest rate risk on the Facility, which is subject to a floating interest rate. Floating interest rates are based on USD LIBOR plus a fixed margin. The Company does not enter into derivative contracts to manage this risk. Given the Facility was entered into and fully drawn in December, a 0.1% change in LIBOR rates (10 basis points) would result in a nominal change in the Company's loss before income taxes in 2019.

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, 2019 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.

As at December 31, 2019, approximately \$6.6 million or 5% (December 31, 2018: \$19.5 million or 13%) of the total assets were invested in portfolio investments priced in CAD, and approximately \$4.5 million or 3% of total assets was held in CAD cash (December 31, 2018: \$11.6 million or 8%). As at December 31, 2019, had the exchange rate between the USD and the Canadian dollar increased or decreased by 10%, with all other variables held constant, the increase or decrease, respectively, in net loss for the year ended December 31, 2019 would have amounted to approximately \$1.1 million (year ended December 31, 2018: \$4.2 million). As at December 31, 2019, had the exchange rate between the USD and CLP increased or decreased by 10%, with all other variables held constant, the increase or decrease, respectively, in net loss for the year ended December 31, 2019 would have amounted to approximately \$3.7 million. (year ended December 31, 2018: \$1.1 million).

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. 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, its remaining operating portfolio investment is exposed to commodity price risk since its revenues are dependent on the market price of metallurgical and thermal coal. The price of this commodity is volatile and subject to fluctuations that may have a significant effect on the ability of the portfolio company to meet its obligations, capital spending targets or commitments, and expected operational results which in turn impacts their fair values as recorded by the Company. As at December 31, 2019, had the copper price increased or decreased by 10%, with all other variables held constant, the increase or decrease, respectively, in net loss for the year ended December 31, 2019 would have amounted to approximately \$3.3 million (year ended December 31, 2018: \$2.8 million).

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.

A 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss in the amount of \$0.7 million (year ended December 31, 2018: \$1.9 million).

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 and US 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 had one customer that represented 94% of revenue for the year ended December 31, 2019 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, 2019 nor does it have an allowance for doubtful accounts.

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 utilizing budgets and cash flow forecasts to assist the Company with maintaining sufficient cash to meet operating and capital obligations.

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. A maturity analysis was performed for all financial liabilities in Note 21.

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.

The Company may need to raise capital in order to support MTV's operations including development of its mineral properties and general working capital purposes. MTV currently operates in a high-cost environment as it expands production. Working capital stresses exist at MTV and additional sources of capital may be required to execute MTV's planned operations. Such financing, if sought, will depend on a number of unpredictable factors, which are often beyond the control of the Company and MTV. Raising capital may be adversely impacted by: a lack of normally available financing, current volatile market conditions, extended and unforeseen issues resulting from the current Coronavirus pandemic, ongoing and worsening drought conditions in Chile and ongoing geopolitical issues in Chile. To address its financing requirements, the Company may seek financing through joint venture agreements, debt and equity financings, asset sales, rights offerings to existing shareholders or restructuring MTV's debt and payment terms with critical suppliers. The outcome of these matters cannot be predicted at this time and there can be no assurance that capital will be available to the Company or MTV in the amount required at any particular time or for any particular period, or, if available, that such financing can be obtained on satisfactory terms. The Company and MTV are exposed to liquidity risk.

MTV has incurred significant operating losses and negative cash flows from operations in recent years, and has a working capital deficiency. Whether and when MTV can attain profitability and positive cash flows has recently been challenged as a result of Chile's social unrest, continuing drought and Coronavirus impacts. These uncertainties cast significant doubt upon MTV's ability to continue as a going concern.

See the section *Liquidity and Capital Resources* elsewhere in this MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, the Company had no off-balance sheet arrangements.

ADOPTION OF ACCOUNTING STANDARDS

As at January 1, 2019, the Company adopted IFRS 16 *Leases*.

The Company has adopted IFRS 16 following the modified retrospective basis approach from January 1, 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing standard are therefore recognized in the opening balance sheet on January 1, 2019.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the operating lease commitments on January 1, 2019 was between 3.5% and 3.8% depending on the length of the lease.

The following table reconciles the Company's operating lease obligation as at December 31, 2018 as previously disclosed in the Company's consolidated financial statements, to the new obligation recognized on adoption of IFRS 16 of January 1, 2019.

Operating lease commitments disclosed as at December 31, 2018	\$	723
Add: Embedded leases		1,195
Less: Discount		(133)
<hr/>		
Discounted operating lease commitments using the lessee's incremental borrowing rate as at January 1, 2019	\$	1,785
Add: finance lease liabilities recognized as at December 31, 2018		675
<hr/>		
Lease liability recognised as at January 1, 2019	\$	2,460

Lease liabilities included in current portion of loans and borrowings	\$	925
Non-current lease liabilities included in non-current portion of loans and borrowings		1,535
<hr/>		
Lease liability recognised as at January 1, 2019	\$	2,460

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

		As at
		<u>Jan 1, 2019</u>
<hr/>		
Machinery and equipment	\$	1,384
Building and mining facilities		401
<hr/>		
Right-of-use asset recognized as at January 1, 2019	\$	1,785

The impact of adopting the policy only impacted the MTV segment and had no material effect on earnings per share. The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The Company has applied the following practical expedients permitted by IFRS 16:

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company's leasing activities and how these are accounted for

Until the 2018 financial year, assets financed by leasing agreements that give rights approximating ownership (finance leases) are capitalized at fair value. The capital elements of future obligations under finance leases are included as liabilities in the Consolidated Statements of Financial Position and the interest element is charged to the Consolidated Statements of Operations and Comprehensive Loss. Annual payments under other lease arrangements, known as operating leases, are charged to the Consolidated Statements of Operations and Comprehensive Loss on a straight-line basis.

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net earnings on a straight-line basis over the term of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

ADVISORY

Forward-Looking Information

Certain statements in this MD&A, and in particular the "Outlook" (including with respect to social unrest and drought in Chile and the Coronavirus (COVID-19)) 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) expectations regarding the costs, timing and benefits of the Salt Leach; (v) key corporate and growth initiatives; (vi) the Company's 2019 guidance for MTV, including copper production, cash cost per pound produced and capital expenditures; (vii) expectations regarding MTV production; (viii) expectations regarding the MTV mine expansion and processing capacity, including the anticipated expansion methods, costs, timing and the benefits derived from the expansion; (ix) expectations and requirements for additional capital; (x) expectations regarding monetization of legacy / Tactical assets; (xi) expectations detailed in the "Liquidity and Capital Resources" section, including the Company may seek additional capital to complete development of MTV's mineral properties and general working capital; expected repayment of the Facility and the timing thereof, compliance with debt covenants; MTV's ability to continue as a going concern and the successful completion of discussions and a plan in respect thereof, as well as the timing and terms of such plan; (xii) the economic and study parameters of MTV; (xiii) mineral resource and mineral reserve estimates; (xiv) the cost and timing of development of MTV; (xv) the proposed mine plan and mining methods; (xvi) dilution and extraction recoveries; (xvii) processing method and rates and production rates; (xviii) projected metallurgical recovery rates; (xix) additional infrastructure requirements or infrastructure modifications; (xx) capital, operating and sustaining cost estimates; (xxi) the projected life of mine and other expected attributes of MTV; (xxii) the NPV and IRR and payback period of capital; (xxiii) future metal prices; (xxiv) changes to MTV's configuration that may be requested as a result of stakeholder or government input; (xxv) government regulations and permitting timelines; (xxvi) estimates of reclamation obligations and expectations regarding future obligations for mine closure activities; (xxvii) environmental risks; (xxviii) future

purchasing of mineralized material; (xxix) continued purchasing of mineralized material from a large number of small-scale third-party miners and toll milling mineralized material from ENAMI; (xxx) expectations regarding the copper market, including supply, demand, pricing and value drivers; (xxxi) expectations regarding imposed tariffs on economic growth; (xxxii) continued unrest in Chile; and (xxxiii) 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 variability; (xiii) critical accounting estimates; 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; (xi) those risks disclosed herein under the heading "Risk Management"; and (xii) those risks disclosed under the heading "Risk Factors" or incorporated by reference into SRHI's Annual Information Form dated March 24, 2020. 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.