

Sprott Resource Holdings Inc.

Condensed Interim Consolidated Financial Statements

Second Quarter Ended June 30, 2019

(Unaudited - Expressed in United States dollars)

	Note	Jun. 30, 2019	Dec. 31, 2018
ASSETS			
Cash and cash equivalents		\$ 4,576	\$ 13,500
Trade and other receivables		2,562	7,073
Inventories	5	28,593	20,571
Other current assets		1,546	729
Portfolio investments	6	12,280	14,899
		49,557	56,772
Assets classified as held for sale	7	15,001	14,013
Total current assets		64,558	70,785
Mineral properties, plant and equipment	8	79,286	74,485
Exploration and evaluation asset	9	1,852	1,442
Intangible assets		2,292	2,331
Portfolio investments	6	2,291	4,586
Other		1,200	825
		86,921	83,669
Total assets		\$ 151,479	\$ 154,454
LIABILITIES			
Accounts payable and accrued liabilities		\$ 25,565	\$ 19,824
Deferred revenue		4,742	2,925
Current portion of loans and borrowings	10	15,980	14,544
		46,287	37,293
Liabilities classified as held for sale	7	5,573	2,964
Total current liabilities		51,860	40,257
Reclamation and other closure provisions		5,083	4,759
Loans and borrowings	10	1,090	407
Other non-current liabilities		2,021	1,900
		8,194	7,066
Total liabilities		60,054	47,323
SHAREHOLDERS' EQUITY			
Capital stock	11b	303,990	303,990
Common share purchase warrants	11c	6,026	6,026
Treasury stock	11e	(200)	(200)
Contributed surplus		1,856	1,750
Deficit		(201,198)	(187,361)
Accumulated other comprehensive loss		(37,299)	(38,656)
Total equity attributable to owners of the Company		73,175	85,549
Non-controlling interest		18,250	21,582
		91,425	107,131
Total liabilities and shareholders' equity		\$ 151,479	\$ 154,454

Contingencies and Commitments 15

Approved by the Board of Directors

(signed) "Terrence Lyons"

Chairman

(signed) "Lenard F. Boggio"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

	Note	Three Months Ended		Six Months Ended	
		Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Revenue	12	\$ 8,078	\$ 9,810	\$ 16,686	\$ 15,773
Cost of sales	13	(11,181)	(9,806)	(21,349)	(15,515)
Gross profit (loss)		(3,103)	4	(4,663)	258
Expenses					
General and administrative expenses		1,749	1,494	3,481	3,167
Loss on portfolio investments		6,821	6,177	5,159	12,569
Finance expenses, net		738	451	1,461	696
Other loss (income)		297	(1,153)	566	(1,238)
Net loss from continuing operations		(12,708)	(6,965)	(15,330)	(14,936)
Net loss from discontinued operations	7	(537)	(1,187)	(2,054)	(1,923)
Net loss for the period		\$ (13,245)	\$ (8,152)	\$ (17,384)	\$ (16,859)
Net loss from continuing operations attributable to:					
Owners of the Company		\$ (10,981)	\$ (7,003)	\$ (12,809)	\$ (14,894)
Non-controlling interests		(1,727)	38	(2,521)	(42)
Net loss from continuing operations		\$ (12,708)	\$ (6,965)	\$ (15,330)	\$ (14,936)
Net loss attributable to:					
Owners of the Company		\$ (11,250)	\$ (7,596)	\$ (13,836)	\$ (15,855)
Non-controlling interests		(1,995)	(556)	(3,548)	(1,004)
Net loss for the period		\$ (13,245)	\$ (8,152)	\$ (17,384)	\$ (16,859)
Net loss from continuing operations per share	14	\$ (0.37)	\$ (0.21)	\$ (0.45)	\$ (0.44)
Net loss from discontinued operations per share	14	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ (0.06)
Basic and fully diluted net loss per share	14	\$ (0.39)	\$ (0.24)	\$ (0.51)	\$ (0.50)
Weighted average number of shares outstanding during the period					
Basic and fully diluted	14	33,987,405	33,902,639	33,987,405	33,950,542
Net loss for the period		\$ (13,245)	\$ (8,152)	\$ (17,384)	\$ (16,859)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net loss:					
Foreign currency translation differences		544	(1,324)	1,573	(3,393)
Total comprehensive loss		\$ (12,701)	\$ (9,476)	\$ (15,811)	\$ (20,252)
Comprehensive loss attributable to:					
Owners of the Company		\$ (10,802)	\$ (8,341)	\$ (12,479)	\$ (18,766)
Non-controlling interests		(1,899)	(1,135)	(3,332)	(1,486)
Total comprehensive loss		\$ (12,701)	\$ (9,476)	\$ (15,811)	\$ (20,252)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Sprott Resource Holdings Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2019, December 31, 2018 and June 30, 2018
Unaudited - Amounts expressed in thousands of United States dollars

	Capital Stock	Common Share Purchase Warrants	Treasury Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total	Non- controlling interest	Total Equity
Balance - January 1, 2018	\$ 303,990	\$ 6,026	\$ (192)	\$ 1,675	\$ (157,227)	\$ (34,106)	\$ 120,166	\$ —	\$ 120,166
Loss for the period	—	—	—	—	(15,855)	—	(15,855)	(1,004)	(16,859)
Foreign currency translation differences	—	—	—	—	—	(2,911)	(2,911)	(482)	(3,393)
Deemed acquisition of MTV and Beretta	—	—	—	—	—	—	—	24,775	24,775
Stock-based compensation	—	—	—	231	—	—	231	—	231
Shares acquired for equity incentive plan	—	—	(330)	—	—	—	(330)	—	(330)
Shares released on vesting of equity incentive plan	—	—	110	(113)	3	—	—	—	—
Balance - June 30, 2018	\$ 303,990	\$ 6,026	\$ (412)	\$ 1,793	\$ (173,079)	\$ (37,017)	\$ 101,301	\$ 23,289	\$ 124,590
Balance - July 1, 2018	\$ 303,990	\$ 6,026	\$ (412)	\$ 1,793	\$ (173,079)	\$ (37,017)	\$ 101,301	\$ 23,289	\$ 124,590
Loss for the period	—	—	—	—	(14,284)	—	(14,284)	(1,509)	(15,793)
Foreign currency translation differences	—	—	—	—	—	(1,639)	(1,639)	(198)	(1,837)
Change in other reserve	—	—	—	143	—	—	143	—	143
Stock-based compensation	—	—	—	62	—	—	62	—	62
Shares acquired for equity incentive plan	—	—	(34)	—	—	—	(34)	—	(34)
Shares released on vesting of equity incentive plan	—	—	246	(248)	2	—	—	—	—
Balance - December 31, 2018	\$ 303,990	\$ 6,026	\$ (200)	\$ 1,750	\$ (187,361)	\$ (38,656)	\$ 85,549	\$ 21,582	\$ 107,131
Balance - January 1, 2019	\$ 303,990	\$ 6,026	\$ (200)	\$ 1,750	\$ (187,361)	\$ (38,656)	\$ 85,549	\$ 21,582	\$ 107,131
Loss for the period	—	—	—	—	(13,836)	—	(13,836)	(3,548)	(17,384)
Foreign currency translation differences	—	—	—	—	—	1,357	1,357	216	1,573
Stock-based compensation	—	—	—	128	—	—	128	—	128
Shares acquired for equity incentive plan	—	—	(23)	—	—	—	(23)	—	(23)
Shares released on vesting of equity incentive plan	—	—	23	(22)	(1)	—	—	—	—
Balance - June 30, 2019	\$ 303,990	\$ 6,026	\$ (200)	\$ 1,856	\$ (201,198)	\$ (37,299)	\$ 73,175	\$ 18,250	\$ 91,425

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Sprott Resource Holdings Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2019 and 2018
Unaudited - Amounts expressed in thousands of United States dollars

		Six Months Ended	
	Note	Jun. 30, 2019	Jun. 30, 2018
Operating activities			
Net loss for the period		\$ (17,384)	\$ (16,859)
Items not affecting cash and other adjustments			
Loss from discontinued operations	7	2,054	1,923
Depreciation and amortization		3,111	913
Finance expense		1,422	696
Interest accretion on decommissioning liability		39	31
Loss on portfolio investments		5,159	12,569
Stock-based compensation		128	231
Write-down of inventory		865	—
		(4,606)	(496)
Changes in non-cash operating working capital	17a	(1,333)	(9,906)
Cash used in operating activities of continuing operations		(5,939)	(10,402)
Cash flows from investing activities			
Additions to mineral properties, plant and equipment	8	(6,827)	(1,868)
Additions to exploration and evaluation assets	9	(410)	—
Additions to intangible assets		(170)	(119)
Capital and interest collected on portfolio investment	6	4,161	—
Proceeds from sale of portfolio investments	6	362	—
Cash acquired on MTV acquisition	4	—	2,956
Cash provided by (used in) investing activities of continuing operations		(2,884)	969
Cash flows from financing activities			
Proceeds from loans and borrowings	10	724	2,356
Loans and borrowings paid	10	(492)	—
Acquisition of treasury stock	11e	23	(330)
Interest paid	17b	(856)	(488)
Cash provided by (used in) financing activities of continuing operations		(601)	1,538
Decrease in cash and cash equivalents from continuing operations		(9,424)	(7,895)
Impact on foreign exchange on cash balances		500	(523)
Cash and cash equivalents of continuing operations - Beginning of period		13,500	28,862
Cash and cash equivalents from continuing operations - End of period		\$ 4,576	\$ 20,444

Supplementary Cash Flow Information

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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Corporate Information

Sprott Resource Holdings Inc. (formerly Adriana Resources Inc. or "ADI") (together with its subsidiaries, "SRHI" or the "Company") was incorporated under the laws of British Columbia and continued under the *Canada Business Corporations Act* ("CBCA"). The primary purpose of the Company is to own cash-flowing businesses and businesses expected to cash flow in the natural resource sector. The Company currently holds a strategic control position in a business in the mining sector and a legacy control position in an agriculture business, along with other non-controlling equity investments in the mining and energy production sectors. The Company completed its transition from a publicly listed private equity company to a diversified resource holding company on February 1, 2018 (the "Transition Date") resulting in the Company consolidating the financial results of its controlled equity investments from that date.

The Company's current principal operating business is its 70% equity interest in the Chilean producing copper mine Minera Tres Valles SpA ("MTV"). MTV's main asset is the Minera Tres Valles mining project, in the Province of Choapa, Chile which includes fully integrated processing operations and its two active main mines. The major active ore extraction operations include the Don Gabriel open pit mine ("Don Gabriel") and the Papomono underground mine ("Papomono"). The first copper cathodes shipment took place in January 2011. The Company has consolidated MTV from the Transition Date and the net loss of the Company includes the net loss of MTV from the Transition Date.

The Company is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "SRHI".

The Company's head office is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2600, Toronto, Ontario, Canada, M5J 2J1.

These Financial Statements (as defined below) were approved for issue by the Board of Directors (the "Board") on August 9, 2019.

2. Accounting Policies

a. Basis of Preparation

These unaudited condensed interim consolidated financial statements ("Financial Statements") of the Company have been prepared on a going concern basis in accordance with International Accounting Standard 34 - *Interim Financial Reporting*, and, accordingly, they do not contain all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Therefore, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

The Company's presentation currency is the United States ("USD") dollar. Reference herein of \$ or USD is to USD dollars, CAD is to Canadian dollars and CLP refers to the Chilean peso.

These Financial Statements have been prepared on a historical cost basis except for fair value through profit or loss ("FVTPL") which is measured at fair value.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

Due to rounding, numbers presented may not add up precisely to totals provided.

New and amended accounting standards adopted

The accounting policies followed in these Financial Statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2018 except for the adoption of IFRS 16 *Leases* which became applicable for the current reporting period. The impact of the adoption of the leasing standard is disclosed in part (b) below.

b. Accounting Standard Adopted

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)
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
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
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 Jan 1, 2019
Machinery and equipment	\$ 1,384
Building and mining facilities	401
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

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 the Company is 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.

3. Significant Judgments, Estimates and Assumptions

The preparation of these Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. These estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the Financial Statements.

In preparing these Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

4. Business Combinations

MTV Deemed Acquisition

Effective the Transition Date, MTV was accounted for as a business acquisition in accordance with IFRS 3, *Business Combinations*. As such, the Company accounted for MTV in accordance with this standard using the acquisition method with SRHI as the acquirer.

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 (See Note 7).

Details of these business combinations were disclosed in note 4 of the Company's annual financial statements for the year ended December 31, 2018.

5. Inventories

	As at	
	Jun. 30, 2019	Dec. 31, 2018
Supplies and consumables	\$ 1,455	\$ 1,398
Work in progress	24,395	18,153
Copper cathodes	2,743	1,020
	\$ 28,593	\$ 20,571

As at June 30, 2019, work in progress inventory and copper cathodes inventory were written down to the lower of cost and net realizable value. Included in cost of sales (see Note 13) for the three and six months ended June 30, 2019 is an expense of \$865 thousand (three and six months ended June 30, 2018 - \$nil) for a write-down of inventories.

6. Portfolio Investments

The Company has a portfolio of investments in securities of public and private companies. The following is a summary of the Company's portfolio investments and their fair values:

	As at	
	Jun. 30, 2019	Dec. 31, 2018
Mining	\$ 11,603	\$ 14,387
Energy production and services	2,968	5,098
Total portfolio investments owned, at fair value	\$ 14,571	\$ 19,485

	As at	
	Jun. 30, 2019	Dec. 31, 2018
Portfolio investments included in current assets	\$ 12,280	\$ 14,899
Amounts included in non-current assets	2,291	4,586
Total portfolio investments owned, at fair value	\$ 14,571	\$ 19,485

The Company's portfolio investments are comprised of equity holdings as at June 30, 2019 and December 31, 2018.

As at June 30, 2019 and December 31, 2018, all of the Company's portfolio investments that trade on a publicly listed exchange are classified as current assets.

In January 2019, proceeds of \$4.2 million from the maturity of a senior secured credit facility investment were received. This amount was included in Trade and other receivables at December 31, 2018.

During the three months ended June 30, 2019, the Company sold a portion of its investments in InPlay Oil Corp. and Virginia Energy Resources Inc. for gross proceeds of \$0.4 million resulting in a realized loss on portfolio investments of \$4.6 million that is included in *Loss on portfolio investments* in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss.

7. Asset Classified as Held for Sale

The Company holds a 49.98% interest in Beretta, a Canadian company. Effective the Transition Date, the Company reclassified its equity investment as an asset classified as held for sale.

	As at	
	Jun. 30, 2019	Dec. 31, 2018
Assets classified as held for sale	\$ 15,001	\$ 14,013
Liabilities classified as held for sale	(5,573)	(2,964)
Non-controlling interest	(4,716)	(5,527)
	\$ 4,712	\$ 5,522

Loss from discontinued operations related to Beretta is comprised of the following:

	Three months ended		Six months ended	Five months ended
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Revenue	\$ 9,834	\$ 10,859	\$ 18,511	\$ 19,627
Expenses	(10,371)	(12,046)	(20,565)	(21,550)
	(537)	(1,187)	(2,054)	(1,923)
Non-controlling interests	269	594	1,028	962
	\$ (268)	\$ (593)	\$ (1,026)	\$ (961)

8. Mineral Properties, Plant and Equipment

Cost	Mineral properties	Land	Building and mining facilities	Machinery and equipment	Total
As at January 1, 2018	\$ —	\$ —	\$ —	\$ —	\$ —
Deemed acquisition of MTV on Transition Date	21,640	665	42,758	7,282	72,345
Additions	3,886	—	319	2,385	6,590
Disposals	—	—	(556)	—	(556)
As at December 31, 2018	25,526	665	42,521	9,667	78,379
Adjustment for change in accounting policy - IFRS 16	—	—	401	1,384	1,785
Additions	4,205	—	637	1,985	6,827
Foreign exchange impact	288	—	—	—	288
As at June 30, 2019	\$ 30,019	\$ 665	\$ 43,559	\$ 13,036	\$ 87,279

Accumulated depreciation	Mineral properties	Land	Building and mining facilities	Machinery and equipment	Total
As at January 1, 2018	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation expense	(1,371)	—	(2,153)	(440)	(3,964)
Disposals	—	—	70	—	70
As at December 31, 2018	(1,371)	—	(2,083)	(440)	(3,894)
Depreciation expense	(1,721)	—	(1,821)	(557)	(4,099)
As at June 30, 2019	\$ (3,092)	\$ —	\$ (3,904)	\$ (997)	\$ (7,993)

	Mineral properties	Land	Building and mining facilities	Machinery and equipment	Total
Net book value					
As at December 31, 2018	\$ 24,155	\$ 665	\$ 40,438	\$ 9,227	74,485
As at June 30, 2019	\$ 26,927	\$ 665	\$ 39,655	\$ 12,039	79,286

As of June 30, 2019, included in *Machinery and equipment* is \$1.2 million of assets held under leases (December 31, 2018: \$1.3 million - prior to adopting IFRS 16). As of June 30, 2019, included in *Mineral properties* is \$4.5 million (December 31, 2018: \$1.9 million) of stripping assets and \$0.7 million (December 31, 2018: \$0.8 million) of reforestation assets.

9. Exploration and Evaluation Asset

Cost	Engineering	Drilling	Total
As at January 1, 2018	\$ —	\$ —	—
Deemed acquisition of MTV on Transition Date	243	—	243
Additions	1,083	116	1,199
As at December 31, 2018	1,326	116	1,442
Additions	257	153	410
As at June 30, 2019	\$ 1,583	\$ 269	1,852

10. Loans and Borrowings

	As at	
	Jun. 30, 2019	Dec. 31, 2018
Revolving credit facility (a)	\$ 15,000	\$ 14,276
Leases	2,070	675
Total	17,070	14,951
Less: current portion	15,980	14,544
	\$ 1,090	\$ 407

- a. On January 26, 2017, MTV entered into a line of credit financing contract with an investment fund in the amount of \$9.5 million with an annual interest rate of LIBOR + 8.5%. In 2018, the credit financing contract was renewed and extended to \$15 million. At that time, the Company became guarantor to the credit facility replacing the former majority shareholder. The facility was extended until September 30, 2019 from its maturity date of June 24, 2019.

MTV agreed to the following security:

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

	Revolving credit facility (a)	Leases	Total
Balance, February 1, 2018	\$ 7,146	\$ 280	\$ 7,426
Less: principal payments	(3,825)	(162)	(3,987)
Less: interest payments	(1,182)	(76)	(1,258)
Add: interest accrued	1,182	76	1,258
Add: additions	10,955	641	11,596
Exchange rate difference	—	(84)	(84)
Balance, December 31, 2018	14,276	675	14,951
Adjustment for change in accounting policy - IFRS 16	—	1,785	1,785
Opening balance, January 1, 2019	14,276	2,460	16,736
Less: principal payments	—	(492)	(492)
Less: interest payments	(815)	(41)	(856)
Add: interest accrued	815	65	880
Add: additions	724	—	724
Exchange rate difference	—	78	78
Balance, June 30, 2019	15,000	2,070	17,070
Less: current portion	(15,000)	(980)	(15,980)
	\$ —	\$ 1,090	\$ 1,090

Leases have interest rates between 3.5% and 27.5%, a term of 2 and 3 years and are secured by the equipment.

11. Equity

a) Authorized

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.

b) Issued and outstanding

	Common shares (#)	Amount
Balance - December 31, 2018 and June 30, 2019	34,082,992	\$ 303,990

c) Common share purchase warrants

Common share purchase warrants outstanding were as follows:

	Warrants (#)	Amount
Balance - December 31, 2018 and June 30, 2019	201,138,560	\$ 6,026

All common share purchase warrants have an exchange ratio of 20 warrants for 1 common share and expire on February 9, 2022, with an equivalent exercise price of CAD\$6.66 per common share.

d) *Stock options*

The number of stock options outstanding as at June 30, 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 three months ended June 30, 2019, 25 thousand stock options with an exercise price of CAD\$3.40 expired.

The following table summarizes the stock options outstanding as at June 30, 2019:

Number of options	Number of exercisable options	Exercise price (per unit), CAD	Weighted average remaining contractual life (years)	Expiry date
150,000	150,000	\$ 3.80	1.39	November 17, 2020

e) *Treasury stock*

	Common shares (#)	Amount
Unvested common shares held by the Trust ⁽¹⁾ , December 31, 2017	74,406	\$ 192
Acquired for equity incentive plan	187,028	364
Released on vesting of equity incentive plan	(166,194)	(356)
Unvested common shares held by the Trust, December 31, 2018 and June 30, 2019	95,240	\$ 200

⁽¹⁾ The Company's long-term incentive plan structure (the "Trust")

12. Revenues

	Three months ended		Six months ended	Five months ended
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Copper cathodes	\$ 7,454	\$ 9,484	\$ 15,506	\$ 15,214
Tolling	624	326	1,180	559
	\$ 8,078	\$ 9,810	\$ 16,686	\$ 15,773

Revenues from copper cathodes for the three months ended June 30, 2019 include \$308 thousand (three months ended June 30, 2018: \$43 thousand) of pricing adjustments due to timing differences for settlement of sales.

Revenues from copper cathodes for the six months ended June 30, 2019 include \$301 thousand (five months ended June 30, 2018: \$88 thousand) of pricing adjustments due to timing differences for settlement of sales.

13. Cost of Sales

	Three months ended		Six months ended	Five months ended
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Salaries	\$ 2,432	\$ 2,201	\$ 4,908	\$ 3,751
Direct mining and plant costs	9,286	6,181	18,046	9,921
Purchase of ore from third parties	985	1,061	1,889	1,958
Depreciation	1,509	415	3,111	693
Change in inventory	(4,210)	(330)	(7,987)	(1,203)
Write-down of inventory	865	—	865	—
Other	314	278	517	395
	\$ 11,181	\$ 9,806	\$ 21,349	\$ 15,515

14. Loss per Share

Loss per share is calculated by dividing the net loss of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The potentially dilutive shares of the Company relate to warrants, stock options and treasury stock. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the exercise prices of outstanding stock options and warrants. The number of shares calculated as described in the preceding sentence is compared with the number of shares that would have been issued assuming the exercise of the stock options and warrants. All unvested treasury shares are deemed to have vested at the beginning of the period or date of issuance, if later.

	Three months ended		Six months ended	
(in thousands except per share amounts)	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Net loss from continuing operations	\$ (12,708)	\$ (6,965)	\$ (15,330)	\$ (14,936)
Net loss from discontinued operations	\$ (537)	\$ (1,187)	\$ (2,054)	\$ (1,923)
Net loss for the period	\$ (13,245)	\$ (8,152)	\$ (17,384)	\$ (16,859)
Weighted average number of shares - basic and fully diluted	33,987,405	33,902,639	33,987,405	33,950,542
Basic and fully diluted loss from continuing operations per share	\$ (0.37)	\$ (0.21)	\$ (0.45)	\$ (0.44)
Basic and fully diluted loss from discontinuing operations per share	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ (0.06)
Basic and fully diluted loss per share	\$ (0.39)	\$ (0.24)	\$ (0.51)	\$ (0.50)

15. Contingencies and Commitments

Management Services Agreement ("MSA")

An MSA was entered into, effective February 8, 2017, between SRHI and SCLP, an entity which is directly and indirectly wholly-owned by Sprott, replacing the old MSA (the "Old MSA") between SRC and SCLP. The MSA was amended on the Transition Date to reflect the Company's transition to a diversified holding company.

Under the MSA, management for SRHI are provided and have the power and authority to transact the business of SRHI and to deal with and in SRHI's assets for the use and benefit of SRHI, except as limited by any direction of the Board, and subject to certain limits on authority established from time to time by the Board.

Within the terms and conditions established by the Company, the management provided under the MSA will manage SRHI's investment activities and assets, and administer the day-to-day operations of SRHI.

Contractual obligations of the Company as at June 30, 2019 are as follows:

		1 year	1 - 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	\$	25,565	\$ —	\$ —	25,565
Revolving credit facility		15,490	—	—	15,490
Leases		1,053	1,117	—	2,170
Other non-current liabilities		—	1,975	100	2,075
Reclamation and other closure provisions		—	—	5,552	5,552
As at June 30, 2019	\$	42,108	\$ 3,092	\$ 5,652	\$ 50,852

As of June 30, 2019, commitments to purchase (i) property, plant and equipment amounted to \$4.4 million and (ii) mining operating supplies amounted to \$5.9 million.

16. Operating Segments

The Company has two reportable segments. MTV is the Company's principal operating business. Corporate includes the Canadian corporate office which holds portfolio investments in the mining and energy sectors as well as an asset held for sale that reflects a 49.98% interest in Beretta which was previously reflected as a portfolio investment in prior periods.

Significant information relating to reportable operating segments is summarized below:

As at June 30, 2019		MTV		Corporate	Total
Assets	\$	116,903	\$	19,575	\$ 136,478
Assets classified as held for sale		—		15,001	15,001
Total assets	\$	116,903	\$	34,576	\$ 151,479
Liabilities	\$	53,737	\$	744	\$ 54,481
Liabilities classified as held for sale		—		5,573	5,573
Total liabilities	\$	53,737	\$	6,317	\$ 60,054

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

Six Months Ended June 30, 2019	MTV	Corporate	Total
Revenue	\$ 16,686	\$ —	\$ 16,686
Cost of sales	(21,349)	—	(21,349)
Gross loss	(4,663)	—	(4,663)
Expenses			
General and administrative expenses	1,245	2,236	3,481
Loss on portfolio investments	—	5,159	5,159
Finance expenses, net	1,461	—	1,461
Other loss (income)	616	(50)	566
Net loss from continuing operations	(7,985)	(7,345)	(15,330)
Net loss from discontinued operations	—	(2,054)	(2,054)
Net loss for the period	\$ (7,985)	\$ (9,399)	\$ (17,384)
Six Months Ended June 30, 2018	MTV¹	Corporate	Total
Revenue	\$ 15,773	\$ —	\$ 15,773
Cost of sales	(15,515)	—	(15,515)
Gross profit	258	—	258
Expenses			
General and administrative expenses	893	2,274	3,167
Loss on portfolio investments	—	12,569	12,569
Finance expenses, net	696	—	696
Other income, net	(944)	(294)	(1,238)
Net loss from continuing operations	(387)	(14,549)	(14,936)
Net loss from discontinued operations	—	(1,923)	(1,923)
Net loss for the period	\$ (387)	\$ (16,472)	\$ (16,859)

¹MTV was deemed to be acquired on the Transition Date and as a result, the operations of MTV are for the five months ended June 30, 2018.

Three Months Ended June 30, 2019		MTV	Corporate	Total
Revenue	\$	8,078	\$	8,078
Cost of sales		(11,181)		(11,181)
Gross loss		(3,103)	—	(3,103)
Expenses				
General and administrative expenses		622	1,127	1,749
Loss on portfolio investments		—	6,821	6,821
Finance expenses, net		738	—	738
Other loss (income)		444	(147)	297
Net loss from continuing operations		(4,907)	(7,801)	(12,708)
Net loss from discontinued operations		—	(537)	(537)
Net loss for the period	\$	(4,907) \$	(8,338) \$	(13,245)

Three Months Ended June 30, 2018		MTV	Corporate	Total
Revenue	\$	9,810 \$	— \$	9,810
Cost of sales		(9,806)	—	(9,806)
Gross profit		4	—	4
Expenses				
General and administrative expenses		451	1,043	1,494
Loss on portfolio investments		—	6,177	6,177
Finance expenses, net		451	—	451
Other income, net		(889)	(264)	(1,153)
Net loss from continuing operations		(9)	(6,956)	(6,965)
Net loss from discontinued operations		—	(1,187)	(1,187)
Net loss for the period	\$	(9) \$	(8,143) \$	(8,152)

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 7.

For the six months ended June 30, 2019, 92% of the revenues (\$15.5 million) was from one customer based in Switzerland. For the period February 1, 2018 to June 30, 2018, 96% of the revenues (\$15.2 million) was from one customer based in Switzerland. As at June 30, 2019, there was \$nil (December 31, 2018: \$0.4 million) outstanding in trade and other receivables.

17. Supplementary Cash Flow Information

a. Net Change in Working Capital

	Six months ended	
	Jun. 30, 2019	Jun. 30, 2018
Net (increase) decrease in:		
Trade and other receivables	\$ 1,020	\$ (608)
Inventories	(7,691)	(1,358)
Other current assets	(815)	(759)
Other non-current assets	(374)	(796)
Net increase (decrease) in:		
Trade and other payables	4,589	(3,972)
Other non-current liabilities	120	772
Deferred revenue	1,818	(3,185)
Net change in working capital	\$ (1,333)	\$ (9,906)

b. Interest paid on loans and borrowings

	Six months ended	
	Jun. 30, 2019	Jun. 30, 2018
Interest paid on loans and borrowings	\$ (856)	\$ (488)

18. Related Party Transactions

a) Purchases of Services

The Company entered into the following transactions with related parties during the three and six months ended June 30, 2019. Transactions with related parties are recorded at the price agreed between the parties. Transactions in the normal course of business are measured at the monetary amount, which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

(i) Management Fees

Management fees and employment compensation pursuant to the Management Services Agreement for the three and six months ended June 30, 2019 were \$0.5 million and \$1.1 million respectively (three and six months ended June 30, 2018: \$0.6 million and \$1.2 million respectively). 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 June 30, 2019, there was \$0.5 million (December 31, 2018: \$0.9 million) payable to SCLP for management fees calculated pursuant to the MSA.

(ii) Mine Contracting Services

MTV utilizes contractors for several mining services.

Inversiones Genova S.A.

For the six months ended June 30, 2019, \$1.2 million (five months ended June 30, 2018: \$1.6 million) was paid to Inversiones Genova S.A. for services provided to the Company, which included \$0.2 million (five months ended June 30, 2018: \$0.4 million) for ore purchases. For the three

months ended June 30, 2019, \$0.7 million (three months ended June 30, 2018: \$0.9 million) was paid to Inversiones Genova S.A. for services provided to the Company, which included \$0.1 million (three months ended June 30, 2018: \$0.4 million) for ore purchases.

As at June 30, 2019, a balance of \$0.9 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 three and six months ended June 30, 2019, \$0.4 million and \$2.9 million respectively, was paid to Vecchiola S.A. (three and five months ended June 30, 2018: \$13 thousand), a mining contractor.

As at June 30, 2019, a balance of \$3.8 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 principal is due May 12, 2019.

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 principal is due November 30, 2019.

As at June 30, 2019, \$1.0 million of principal and interest was outstanding (December 31, 2018: \$0.6 million).

b) *Key Management Compensation*

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

	Three months ended		Six months ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Compensation paid by and on behalf of SRHI for executive management services provided to the Company (including stock-based compensation)	\$ 94	\$ 180	\$ 217	\$ 425
Directors fees and stock-based compensation	164	126	280	239
	\$ 258	\$ 306	\$ 497	\$ 664

19. Fair Value Estimation

All of the Company's portfolio investments are carried at fair value. SRHI includes portfolio investments in private companies in Level 3 of the fair value hierarchy because they trade infrequently and have limited observable inputs. The Company's exchange-traded portfolio investments that are quoted on active markets are measured at fair value using closing prices.

The Company has provided fair market disclosure for its portfolio of investments by two industry groups. The mining industry group consists of three mining companies (2018 - three companies), one of which is in the exploration stage, one that is in the producing stage and another that is in care and maintenance. The energy production and services industry group consists of an oil and gas exploration and production investment (2018 - one company). The companies in each of the two industry groups share similar risk profiles and have therefore been grouped together.

The following table presents the classification within the levels of the fair value hierarchy.

As at June 30, 2019	Level 1	Level 2	Level 3	Total
Investments - mining	\$ 9,312	\$ —	\$ 2,291	11,603
Investments - energy production and services	2,968	—	—	2,968
Deferred revenue	—	4,742	—	4,742
	\$ 12,280	\$ 4,742	\$ 2,291	19,313

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Investments - mining	\$ 9,801	\$ —	\$ 4,586	14,387
Investments - energy production and services	5,098	—	—	5,098
Deferred revenue	—	2,925	—	2,925
	\$ 14,899	\$ 2,925	\$ 4,586	22,410

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.

The Company's policy is to recognize transfers to and from fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers between levels during the six months ended June 30, 2019 and June 30, 2018.

The fair value measures of the biological assets (\$2.5 million) in the Asset held for sale as at June 30, 2019 (December 31, 2018: \$1.3 million) have been categorized as a Level 2 fair value based on observable quoted prices for breeding herd carrying values and quantities.

The following presents the movement in Level 3 instruments for the six months ended June 30, 2019 and the year ended December 31, 2018:

	Jun. 30, 2019	Dec. 31, 2018
Opening balance	\$ 4,586	\$ 53,574
Derecognition of Beretta and MTV as portfolio investments	—	(47,570)
Unrealized loss for the period	(2,436)	(1,143)
Foreign currency translation differences	141	(275)
Ending balance	\$ 2,291	\$ 4,586

Valuation Methodologies

The Company's management team is responsible for determining fair value measurements included in the Financial Statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Chief Executive Officer and Chief Financial Officer at least once every quarter, in line with the Company's quarterly reporting dates.

The Company determines the fair values of its portfolio investments categorized in Level 3 using adjusted book value, earnings and revenue multiple methodologies, reference to recent transaction prices, public company comparables or a combination thereof. At least annually, each portfolio investment classified as a Level 3 investment is valued by an independent third-party professionally accredited valuator 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 portfolio investment would not result in a material difference from any value within the range.

Where a recent investment has been made, either by the Company or by a third party in one of SRHI's portfolio investments, after considering the background of the underlying investment, this price will generally be used as the estimate of fair value, subject to consideration of changes in market conditions and company specific factors. Other methodologies may be used at any time if they are believed to provide a more accurate

assessment of the fair value of the portfolio investment. The indicators that the price of a recent portfolio investment may no longer be appropriate include (but are not necessarily limited to) factors such as:

- significant under/over achievement of budgeted earnings;
- milestone achievements;
- concerns with respect to debt covenants or refinancing;
- significant movements in the market sector of the investment;
- lack of significant third party investment;
- regulatory changes in the industry; and,
- the passage of time.

If active business operations in an SRHI portfolio investment have not yet generated meaningful positive cash flows, after considering the background of the underlying portfolio investment, an adjusted book value approach is typically utilized adjusting the reported book value of those assets and liabilities required in operations to their respective fair values, subject to consideration of changes in market conditions and company specific factors.

Financial assets and liabilities that are not measured at fair value in the Consolidated Statements of Financial Position are represented by cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings. Due to their short-term nature and low credit risk, the fair values of these financial assets and liabilities approximate their carrying amounts.

The Company's Level 3 portfolio investments consist of investments in the (i) energy production and (ii) mining sectors. The sensitivity of these investments' fair values is highly correlated to numerous unobservable inputs, the interrelationships of which are difficult to determine.

20. Financial 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 revolving credit facility.

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 June 30, 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.

Commodity Price Risk

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

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

Price Risk

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

Credit Risk

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

The Company invests cash and cash equivalents with financial institutions that are financially sound based on their credit rating with the majority of the Company's cash held through large Canadian financial institutions with credit ratings of AA or higher. The Company's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has one customer that represents 92% of revenue for the six months ended June 30, 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 three and six months ended June 30, 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 15.

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 is seeking debt financing at the MTV level to complete development of its mineral properties and general working capital purposes. Such financing, if successful, 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 financing will be available to 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 may also seek financing for other capital projects, investments or general working capital purposes. Such financing, if required, will depend on a number of unpredictable factors, which are often beyond the control of the Company. There can be no assurance that financing will be available to the Company 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 is exposed to liquidity risk.

21. Capital Management

The Company defines capital as shareholders' equity, being its net assets. The Company's corporate office is responsible for capital management. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The primary capital management objective of the Company is to ensure adequate working capital is available to adequately fund the Board-approved business plans which include those of MTV such as the costs of mining operations, capital commitments and corporate overhead costs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's operating, administrative and capital expenditure requirements are met. To maintain or adjust capital structure, the Company may attempt to issue new shares, repurchase for cancellation outstanding shares, acquire or dispose of assets, incur short-term or long-term debt or adjust the amount of cash and cash equivalents and portfolio investments.

22. Subsequent Event

Subsequent to quarter end, the Company entered into an investment committee approved mandate letter with Anglo American Marketing Limited and a fund under the investment management of Kimura Capital LLP ("**Kimura**") to provide a US\$45 million secured prepayment facility and offtake agreement to be utilized for the mine expansion at MTV and to replace the existing US\$15 million revolving credit facility managed by Kimura.

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Stock Information

Sprott Resource Holdings Inc. common shares are traded on the Toronto Stock Exchange under the symbol "SRHI"

Sprott Resource Holdings Inc. warrants are traded on the Toronto Stock Exchange under the symbol "SRHI.WT"



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