Sprott Resource Holdings Inc.

Condensed Interim Consolidated Financial Statements
Second Quarter Ended June 30, 2017
(Unaudited - Expressed in Canadian dollars)

Sprott Resource Holdings Inc.
Interim Consolidated Statements of Financial Position
As at June 30, 2017 and December 31, 2016
Unaudited - Amounts expressed in thousands of Canadian dollars

	Note	Jun. 30, 2017	(Audited) Dec. 31, 2016
Assets			
Cash and cash equivalents		$ 76,010	$ 12,196
Trade and other receivables		697	407
Investments owned, at fair value	*4*	67,287	100,669
Total assets		**$ 143,994**	$ 113,272
Liabilities			
Trade and other payables		$ 1,415	$ 2,487
Total liabilities		1,415	2,487
Equity			
Capital stock	*5b*	347,930	280,902
Warrants	*5b*	7,997	—
Treasury stock	*5d*	(461)	(437)
Contributed surplus		2,456	3,307
Deficit		(215,343)	(172,987)
Total equity attributable to shareholders of the Company		142,579	110,785
Total liabilities and equity		**$ 143,994**	$ 113,272

Subsequent Event *11*

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.

Sprott Resource Holdings Inc.
Interim Consolidated Statements of Operations
For the three and six-months ended June 30, 2017 and 2016
Unaudited - Amounts expressed in thousands of Canadian dollars except per share amounts and number of outstanding shares

			Three-Months Ended		Six-Months Ended	
	Note		**Jun. 30, 2017**	Jun. 30, 2016	**Jun. 30, 2017**	Jun. 30, 2016
Investment loss						
Net loss on investments	*6*	$	(21,719) $	(16,143) $	(39,909) $	(9,644)
			(21,719)	(16,143)	(39,909)	(9,644)
Expenses						
General and administrative expenses	7		351	396	481	912
Management fees and compensation			791	522	1,426	1,105
Transaction costs			431	23	537	103
Finance expense			—	433	—	716
			1,573	1,374	2,444	2,836
Net loss and comprehensive loss attributable to shareholders		**$**	**(23,292)** $	(17,517) **$**	**(42,353)** $	(12,480)
Basic and diluted loss per share		**$**	**(0.04)** $	(0.06) **$**	**(0.08)** $	(0.04)
Weighted average shares outstanding during the period						
Basic and fully diluted			**606,403,119**	287,762,109	**510,409,145**	288,252,800

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

Unaudited - Amounts expressed in thousands of Canadian dollars

	Capital Stock	Warrants	Treasury Stock	Contributed Surplus	Deficit	Total
Balance - January 1, 2016	$ 280,902	$ —	$ (705)	$ 3,351	$ (176,221)	$ 107,327
Income for the period	—	—	—	—	(12,480)	(12,480)
Stock-based compensation	—	—	—	309	—	309
Shares acquired for equity incentive plan	—	—	(479)	—	—	(479)
Shares released on vesting of equity incentive plan	—	—	84	(78)	(6)	—
Balance - June 30, 2016	$ 280,902	$ —	$ (1,100)	$ 3,582	$ (188,707)	$ 94,677
Balance - July 1, 2016	$ 280,902	$ —	$ (1,100)	$ 3,582	$ (188,707)	$ 94,677
Loss for the period	—	—	—	—	15,964	15,964
Stock-based compensation	—	—	—	173	—	173
Shares acquired for equity incentive plan	—	—	(29)	—	—	(29)
Shares released on vesting of equity incentive plan	—	—	692	(448)	(244)	—
Balance - December 31, 2016	$ 280,902	$ —	$ (437)	$ 3,307	$ (172,987)	$ 110,785
Balance - January 1, 2017	$ 280,902	$ —	$ (437)	$ 3,307	$ (172,987)	$ 110,785
Loss for the period	—	—	—	—	(42,353)	(42,353)
Securities issued on acquisition of ADI, net of issue costs	30,341	1,683	—	—	—	32,024
Securities issued on financing of Transaction, net of issue costs	13,726	833	—	—	—	14,559
Warrants issued on termination of Profit Distribution	—	933	—	(933)	—	—
Shares issued on Offering, net of issue costs	22,961	4,548	—	—	—	27,509
Stock-based compensation	—	—	—	139	—	139
Shares acquired for equity incentive plan	—	—	(84)	—	—	(84)
Shares released on vesting of equity incentive plan	—	—	60	(57)	(3)	—
Balance - June 30, 2017	**$ 347,930**	**$ 7,997**	**$ (461)**	**$ 2,456**	**$ (215,343)**	**$ 142,579**

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

Sprott Resource Holdings Inc.
Interim Consolidated Statements of Cash Flows
For the six-months ended June 30, 2017 and 2016
Amounts expressed in thousands of Canadian dollars

	Note		Six-Months Ended Jun. 30, 2017		Six-Months Ended Jun. 30, 2016
Cash flows from operating activities					
Net income loss attributable to shareholders		$	(42,353)	$	(12,480)
Items not affecting cash					
Net loss on investments			39,909		9,644
Stock-based compensation			139		309
Bargain purchase gain	3		(255)		—
			(2,560)		(2,527)
Purchase of investments			—		(2,661)
Sale of investments			23		13,139
Changes in non-cash operating working capital					
Trade and other receivables			(127)		(12,056)
Trade and other payables			(1,911)		277
Accrued interest on credit facility			—		621
			(2,015)		(680)
Cash used in operating activities			(4,575)		(3,207)
Cash flows from financing activities					
Proceeds from credit facility			—		4,500
Repayments of credit facility			—		(1,045)
Acquisition of treasury stock			(84)		(479)
Cash and cash equivalents received on Arrangement, net of issue costs	3, 5		26,283		—
Net proceeds from Transaction	5		14,559		—
Net proceeds from Offering	5		27,631		—
Cash provided by financing activities			68,389		2,976
Change in cash and cash equivalents			63,814		(231)
Cash and cash equivalents - Beginning of year			12,196		674
Cash and cash equivalents - End of period		**$**	**76,010**	$	443
Supplemental Cash Flow Information:					
Interest paid on credit facility[1]		$	—	$	1,045

[1] Amounts are included in the operating activities

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 invest in the natural resource sector. The Company currently has investments in mining, agriculture and energy production and services and has initiated its transition from a private equity firm to a diversified resource holding company.

On February 9, 2017, Sprott Resource Corp. ("SRC"), at the time a publicly listed private equity company which invested in the natural resource sector, completed a Plan of Arrangement (the "Arrangement" - see Note 3) with ADI, a publicly listed company whose principal holdings were cash and its 40% investment in a joint venture company, Lac Otelnuk Mining Ltd. ("LOM"), an entity established to continue the exploration of the Lac Otelnuk iron ore property in Nunavik, Quebec. Under the Arrangement, all existing SRC common shares were exchanged into ADI common shares at a ratio of 1:3. SRC became a wholly-owned subsidiary of ADI, which was renamed "Sprott Resource Holdings Inc."

SRHI invests in the natural resource sector primarily through Sprott Resource Partnership ("SRP"), a partnership formed pursuant to an amended and restated partnership agreement (the "Partnership Agreement") between SRC and Sprott Resource Consulting Limited Partnership (the "Managing Partner"), an affiliate of Sprott Consulting Limited Partnership ("SCLP") which is directly and indirectly wholly-owned by Sprott Inc. ("Sprott"). The majority of the current holdings of SRHI are held in SRP. The only assets not held in SRP are its investment in LOM and those assets necessary to administer the (i) public company and (ii) equity incentive plan of the Company (see Note 5d).

The Company, through SRC, holds all voting SRP units, entitling the Company to control the strategic, operating, financing and investing activities of SRP. The Managing Partner holds all non-voting SRP units and, within the terms and conditions established by the Company, manages SRP's investment activities and assets, and administers the day-to-day operations of SRP. The Managing Partner may be removed as the managing partner of SRP by way of a Special Resolution (as defined in the Partnership Agreement) approved by no less than two thirds of the votes cast by the holders of the voting partnership units who vote on the resolution.

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 1, 2017.

2. Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements ("Financial Statements") and are on a basis consistent with the accounting policies disclosed in the unaudited condensed consolidated financial statements as at and for the three-months ended March 31, 2017.

a. Basis of Preparation

These Financial Statements are prepared on a going concern basis in accordance with IAS 34, *Interim Financial Reporting*. Consequently, they should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Arrangement with ADI is considered a business combination under IFRS with SRC being the acquirer for accounting purposes (Note 3). As such, the comparative information in these Financial Statements is the SRC comparative information, with the results of operations of ADI consolidated from February 9, 2017 (the "Acquisition Date").

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

b. Consolidation

The Financial Statements of the Company include 100% of the accounts of SRHI, SRC, SRP, ADI Mining Ltd. ("ADM") and the Sprott Resource Holdings Inc. 2014 Employee Profit Sharing Plan (the "Trust"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In many, but not all instances, control will exist when the Company owns more than one half of the voting rights of a corporation, partnership or trust. The Company does not control any entities for which it owns less than one half of the voting rights of an entity, other than the Trust, which the Company is deemed to control.

As an investment entity, the Company accounts for its subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9, with the exception of SRC, SRP and ADM that provides services related to the Company's investment activities and the Trust, which provides the Company with its equity incentive plan. Subsidiaries providing such services are fully consolidated from the date on which control is obtained, and no longer consolidated from the date on which control ceases. Accounting policies of SRC, SRP, ADM and the Trust have been conformed where necessary to ensure consistency with the policies adopted by the Company.

c. Business Combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that consist of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the acquisition date. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets at the acquisition date transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date. Acquisition related costs are expensed as incurred.

d. Warrants

Warrants are classified as equity. Incremental costs directly attributable to the issuance of warrants are recognized as a deduction from warrants. The Company engages in equity financing transactions to obtain the funds necessary to invest in the natural resource sector and for general working capital purposes. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the share purchase warrants are exercisable into additional common shares prior to expiry at a price stipulated by the equity financing agreement. Share purchase warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in equity with the common shares that were concurrently issued.

e. Critical Accounting Estimates and Judgments

Estimates 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.

Warrants

The Company engages in equity financing transactions which may involve issuance of equity units which are comprised of common shares and warrants. Share purchase warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model which requires management to make certain estimates in fair valuing the warrants.

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 judgements 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.

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

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

3. Business Combination

The acquisition of ADI was completed on the Acquisition Date. Pursuant to the Arrangement, SRC shareholders received 3.0 ADI shares for each SRC share outstanding at the Acquisition Date. On February 8, 2017, and as a condition of the Arrangement, ADI shareholders received one-quarter of a warrant in respect of each ADI share held, with each whole warrant (each, a "Warrant") having a five-year term and a strike price of $0.333 per share.

On closing of the Arrangement and Transaction (see Note 5b), the Company had 510,488,999 common shares issued and outstanding with approximately 57% of the common shares being held by former shareholders of SRC, 31% by former shareholders of ADI, 8% by Sprott and 4% by a fund managed by a subsidiary of Sprott together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV, a director and chief investment officer of the Company).

As part of the Arrangement, ADI shareholders approved a name change of ADI to "Sprott Resource Holdings Inc." together with the TSX approving the graduation of the Company from the Toronto Venture Exchange to the TSX.

The Company has determined that the acquisition of ADI was a business combination in accordance with IFRS 3, *Business Combinations*, and as such has accounted for it in accordance with this standard using the acquisition method with SRC as the acquirer. Although legally ADI acquired 100% of the common shares of SRC and the ADI legal entity remains the top public entity in the corporate structure, SRC was determined to be the accounting acquirer, through completion of a reverse acquisition, as its shareholders retain majority control post-Arrangement, the composition of the Board reflects a majority of pre-Arrangement SRC Board members, and SRC has retained key management functions of the combined business. The Company incurred transaction costs of $1.8 million related to the Arrangement, with $1.6 million expensed in the year ended December 31, 2016 and $0.2 million expensed in 2017 in accordance with IFRS 3, *Business Combinations*. The Company also incurred $0.1 million of share issue costs which were netted against share capital and warrants.

In the accounting for the reverse acquisition, the consideration is determined by reference to the fair value of the number of shares the legal subsidiary, being SRC, would have issued to the legal parent entity, being the Company, to obtain the same ownership interest in the combined entity. As a result, the capital stock consideration is measured at the value of 52,518,079 shares that would have been issued by SRC. Similarly, the consideration in respect of the Warrants is determined by reference to the fair value of the number of Warrants the legal subsidiary, being SRC, would have issued to the legal parent entity, being the Company, to obtain the same ownership interest in the combined entity. As a result, the Warrant consideration is measured at the value of 13,129,520 Warrants that would have been issued by SRC.

As per the Company's accounting polices in accordance with IFRS 3, *Business Combinations*, changes to the preliminary measurements of assets and liabilities acquired are retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the Acquisition Date. During the second quarter of 2017, the Company identified amended fair values of certain assets acquired and liabilities assumed as part of the acquisition of ADI resulting in a bargain purchase gain of $255 thousand compared to the bargain purchase gain of $70 thousand reported at March 31, 2017, a difference of $185 thousand. The $185 thousand increase in the bargain purchase gain and the adjustments to the assets acquired and liabilities assumed have been retrospectively recorded as at the Acquisition Date.

The following table summarizes the fair value of the consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from ADI with a comparative to the preliminary results presented in the March 31, 2017 Condensed Interim Consolidated Financial Statements. The Company expects to finalize the determination of the fair values of the assets and liabilities acquired within 12 months of the Acquisition Date, which could result in material differences from the preliminary values presented in these Financial Statements.

		Revised based on new information		As reported at March 31, 2017
Consideration				
Issuance of SRC common shares	$	30,460	$	30,460
Issuance of Warrants		1,690		1,690
Total consideration	**$**	**32,150**	**$**	**32,150**
Preliminary fair value of assets acquired:				
Cash and cash equivalents	$	26,409	$	26,409
Other current assets		195		443
Investment in LOM		6,517		5,755
		33,121		32,607
Preliminary fair value of liabilities acquired:				
Accounts payable and accrued liabilities		716		387
Net assets acquired	**$**	**32,405**	**$**	**32,220**
Bargain purchase gain	**$**	**255**	**$**	**70**

The reverse takeover resulted in a bargain purchase gain of $255 thousand which is included as a reduction of General and Administrative Expenses on the Consolidated Statements of Operations. Had the acquisition of ADI taken place on January 1, 2017, the total pro forma consolidated revenue and earnings for the Company would not be materially different for the six-months ended June 30, 2017.

4. Investments

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

		As at		
(in thousands)		**Jun. 30, 2017**		Dec. 31, 2016
Mining	$	32,159	$	51,040
Agriculture		19,102		30,268
Energy production and services		16,026		19,361
Total investments owned, at fair value	**$**	**67,287**	$	100,669

The Company's investments are solely comprised of equity holdings as at June 30, 2017 and December 31, 2016.

Unaudited - Tabular amounts expressed in thousands of Canadian dollars except per share amounts which are in Canadian dollars

For the three-months ended June 30, 2017, the Company did not dispose of any investments (three-months ended June 30, 2016: disposed of two investments for gross proceeds of approximately $12.0 million). In July 2017, the Company made a partial disposition of an investment for gross proceeds of USD$2.0 million (see Note 11).

As an investment entity, the Company accounts for all of its investments at FVTPL, including investments in subsidiaries (other than those which provide services related to the Company's investing activities) and associates. Further information about the Company's associate and subsidiary is as follows:

Name	Type	Principal place of business	Country of Incorporation	Ownership Interest %	Voting Rights %
LOM	Iron ore exploration company	Canada	Canada	40.00%	40.00%
One Earth Farms Corp. ("OEF")	A vertically integrated healthy food company	Canada	Canada	49.98%	49.98%

5. 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 of the Company, 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, 2015 and December 31, 2016 [1]	157,554,238	$ 280,902
Shares issued on Arrangement, net of issue costs	290,016,306	30,341
Shares issued on Transaction, net of issue costs	62,918,455	13,726
Shares issued on Offering, net of issue costs	120,000,000	22,961
Balance - June 30, 2017	**630,488,999**	**$ 347,930**

[1] Number of common shares is reflected post-Arrangement ratio of 3.0 ADI shares for each SRC share

On February 9, 2017, the Arrangement closed (see Note 3) resulting in the issuance of 290.0 million common shares and 39.4 million Warrants. Each Warrant is exercisable until February 9, 2022 at an exercise price of $0.333 per common share.

The fair value of the Warrants was determined to be $1.7 million using the following assumptions:

Share price	$0.19
Risk-free rate	0.95%
Expected dividend yield	—%
Expected volatility	42.8%
Warrant life in years	5.0

The Company incurred $0.1 million in costs directly attributable to the issuance of the common shares and Warrants which was allocated between the fair values of the common shares and Warrants.

Unaudited - Tabular amounts expressed in thousands of Canadian dollars except per share amounts which are in Canadian dollars

On February 9, 2017, (i) Sprott invested $10 million in ADI common shares at a price of $0.233 per share and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $5 million in units of ADI (each unit comprised of one ADI common share and one Warrant) at a price of $0.25 per unit ("Unit") (together, the "Transaction"). The Transaction resulted in the issuance of 62.9 million common shares and 20.0 million Warrants. Each Warrant is exercisable until February 9, 2022 at an exercise price of $0.333 per common share.

The fair value of the Warrants was determined to be $0.8 million using the following assumptions:

Share price	$0.19
Risk-free rate	0.95%
Expected dividend yield	—%
Expected volatility	42.8%
Warrant life in years	5

The Company incurred $0.4 million in costs directly attributable to the issuance of the common shares and Warrants which was allocated between the fair values of the common shares and Warrants.

On February 9, 2017, the Managing Partner received 21,750,000 Warrants as a long-term incentive to replace the Profit Distribution program that was in place at SRP and which was terminated upon completion of the Arrangement.

The fair value of the Warrants was determined to be $0.9 million using the following assumptions:

Share price	$0.19
Risk-free rate	0.95%
Expected dividend yield	—%
Expected volatility	42.8%
Warrant life in years	5.0

On April 18, 2017, the Company closed its previously announced "best efforts" marketed offering (the "Offering") resulting in the issuance of 120.0 million common shares and 120.0 million Warrants (together, a unit) at a price of $0.25 per unit. Each Warrant is exercisable until February 9, 2022 at an exercise price of $0.333 per common share.

The fair value of the Warrants was determined to be $4.5 million using the following assumptions:

Share price	$0.195
Risk-free rate	1.00%
Expected dividend yield	—%
Expected volatility	42.3%
Warrant life in years	4.8

The Company incurred $2.5 million in costs directly attributable to the issuance of the common shares and Warrants which was allocated between the fair values of the common shares and Warrants. The Company also incurred other costs related to the transaction of $0.2 million which was expensed in the three and six months ended June 30, 2017.

Unaudited - Tabular amounts expressed in thousands of Canadian dollars except per share amounts which are in Canadian dollars

Common share purchase warrants outstanding are as follows:

	Warrants (#)		Amount
Balance - January 1, 2016 and January 1, 2017	—	$	—
Warrants issued on Arrangement, net of issue costs	39,388,560		1,683
Warrants issued on Transaction, net of issue costs	20,000,000		833
Warrants issued on termination of Profit Distribution	21,750,000		933
Warrants issued on Offering, net of issue costs	120,000,000		4,548
Balance - June 30, 2017	**201,138,560**	**$**	**7,997**

All common share purchase warrants have an exercise price of $0.333 per common share and expire on February 9, 2022.

c) *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.

On February 9, 2017, the stock option plan of SRC was cancelled as a result of the Arrangement (see Note 3). The Option Plan of the Company remains in place.

The number of stock options outstanding as at June 30, 2017 is 4.3 million (December 31, 2016: 5.3 million) at a weighted average exercise price of $0.19 (December 31, 2016: $0.30). The exercise price ranges from $0.17 per common share to $0.22 per common share with expiry dates from May 2018 to November 2020. The continuity of stock options is as follows:

	Stock options (#)		Weighted average exercise price
Balance - December 31, 2016	5,250,000	$	0.30
Expired	(950,000)		0.81
Balance - June 30, 2017	**4,300,000**	**$**	**0.19**

The following table summarizes the stock options outstanding as at June 30, 2017:

Year of Expiry	Number of options outstanding		Weighted average exercise price	Weighted average remaining contractual life (years)	Number of exercisable options outstanding		Weighted average exercise price
2018	650,000		0.22	0.87	650,000		0.22
2019	650,000		0.17	1.87	650,000		0.17
2020	3,000,000		0.19	3.39	3,000,000		0.19
	4,300,000	$	0.19	2.78	4,300,000	$	0.19

d) Treasury stock

On May 21, 2014, SRC adopted an equity incentive plan for its employees and directors which was assigned to the Company effective the date of the Arrangement. The Trust has been established and the Company funds the Trust with cash, which is used by the trustee to purchase common shares of the Company on the open market and held in the Trust by the trustee until the awards vest and are allocated to eligible members. Vesting of the awards are at the discretion of the Board.

The Trust purchased 456 thousand common shares for the six-months ended June 30, 2017 (for the year ended December 31, 2016: 2.7 million). During the six-months ended June 30, 2017, 327 thousand common shares were released on vesting from the equity incentive plan.

	Common shares (#)		Amount
Unvested common shares held by the Trust, December 31, 2016 [1]	1,602,261	$	437
Acquired for equity incentive plan	456,436		84
Released on vesting of equity incentive plan	(327,299)		(60)
Unvested common shares held by the Trust, June 30, 2017	**1,731,398**	**$**	**461**

[1] Number of common shares is reflected post-Arrangement ratio of 3.0 ADI shares for each SRC share

For the three and six-months ended June 30, 2017, the Company recorded stock-based compensation expense of $90 thousand and $139 thousand, respectively (three and six-months ended June 30, 2016: $122 thousand and $309 thousand, respectively), of which $61 thousand and $81 thousand for the three and six-months ended June 30, 2017, respectively (three and six-months ended June 30, 2016: $47 thousand and $159 thousand, respectively) has been recorded in management fees and compensation and $29 thousand and $58 thousand for the three and six-months ended June 30, 2017, respectively (three and six-months ended June 30, 2016: $75 thousand and $150 thousand, respectively) has been recorded in general and administrative expense with a corresponding increase to contributed surplus during the year.

		Three-months ended				Six-months ended		
(in thousands)		**Jun. 30, 2017**		Jun. 30, 2016		**Jun. 30, 2017**		Jun. 30, 2016
Stock option plan	$	—	$	—	$	—	$	—
Trust		90		122		139		309
	$	**90**	$	122	**$**	**139**	$	309

6. Net Gain (Loss) on Investments

		Three-months ended				Six-months ended		
(in thousands)		**Jun. 30, 2017**		Jun. 30, 2016		**Jun. 30, 2017**		Jun. 30, 2016
Net realized loss on investments	$	—	$	(136,335)	$	(10)	$	(150,110)
Reversal of previously recorded unrealized loss on investments[1]		—		136,335		10		150,110
Change in unrealized loss on investments		(20,016)		(15,030)		(37,947)		(4,821)
Change in unrealized foreign exchange loss on investments		(1,703)		(1,113)		(1,962)		(4,823)
Net loss on investments	**$**	**(21,719)**	$	(16,143)	**$**	**(39,909)**	$	(9,644)

[1] Amounts resulting from accounting reversals of investments sold in the period

7. General and Administrative Expenses

	Three-months ended		Six-months ended	
(in thousands)	**Jun. 30, 2017**	Jun. 30, 2016	**Jun. 30, 2017**	Jun. 30, 2016
Professional fees	$ 90	$ 64	$ 156	$ 138
Public company reporting costs	327	243	594	507
Office expenses	77	89	159	268
Interest income	(143)	—	(173)	(1)
Bargain purchase gain	—	—	(255)	—
	$ 351	$ 396	**$ 481**	$ 912

Included in public company reporting costs are $13 thousand and $56 thousand of Director stock-based compensation for the three and six-months ended June 30, 2017, respectively (three and six-months ended June 30, 2016: $93 thousand and $171 thousand, respectively).

During the second quarter of 2017, the Company identified amended fair values of certain assets acquired and liabilities assumed as part of the acquisition of ADI resulting in a bargain purchase gain of $255 thousand compared to the bargain purchase gain of $70 thousand reported at March 31, 2017, a difference of $185 thousand. The $185 thousand increase in the bargain purchase gain and the adjustments to the assets acquired and liabilities assumed have been retrospectively recorded as at the Acquisition Date.

8. 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, 2017 and three and six-months ended June 30, 2016. 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 and Compensation

Management fees and employment compensation pursuant to the Management Services Agreement for the three and six-months ended June 30, 2017 were $0.8 million and $1.4 million, respectively (three and six-months ended June 30, 2016: $0.5 million and $1.1 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 directors and officers in common. As at June 30, 2017, there was $0.5 million (December 31, 2016: $0.2 million) payable to SCLP for management fees calculated pursuant to the MSA.

(ii) Equity Issuance Costs

Commissions paid to Sprott Capital Partners ("SCP") and Sprott Global Resource Investments Ltd. ("Sprott Global") in connection with the Transaction and Offering for the three and six-months ended June 30, 2017 were $1.8 million and $2.1 million, respectively (three and six-months ended June 30, 2016: $nil). SCP and Sprott Global are affiliates of SCLP.

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**	
(in thousands)	**Jun. 30, 2017**	Jun. 30, 2016	**Jun. 30, 2017**	Jun. 30, 2016
Compensation paid by and on behalf of SRHI for executive management services provided to the Company (including stock-based compensation)	$ 229	$ 314	$ 465	$ 476
Directors fees	81	90	166	180
Directors stock-based compensation	13	93	56	171
	$ 323	$ 497	**$ 687**	$ 827

9. Fair Value Estimation

All of the Company's investments are carried at fair value. SRHI includes investments in private companies in Level 3 of the fair value hierarchy (see Note 2) because they trade infrequently and have limited observable inputs. The Company's exchange-traded investments that are quoted in active markets are measured at fair value using closing prices.

The Company has provided fair market disclosure for its portfolio of investments by three industry groups. The mining industry group consists of three mining 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 agriculture industry group consists of two agriculture-related companies. One company is based in Uruguay and the other in Canada with both operations and risks linked to agricultural commodities. The energy production and services industry group consists of (i) one oil and gas exploration and production ("E&P") investment and (ii) one technology company for the benefit of oil and gas E&P companies. The companies in each of the three 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, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments - mining	$ 25,642	$ —	$ 6,517	$ 32,159
Investments - agriculture	—	—	19,102	19,102
Investments - energy production and services	10,787	—	5,239	16,026
	$ 36,429	$ —	$ 30,858	**$ 67,287**

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments - mining	$ 51,040	$ —	$ —	$ 51,040
Investments - agriculture	—	—	30,268	30,268
Investments - energy production and services	14,122	—	5,239	19,361
	$ 65,162	$ —	$ 35,507	**$ 100,669**

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 three-months ended June 30, 2017.

Unaudited - Tabular amounts expressed in thousands of Canadian dollars except per share amounts which are in Canadian dollars

The following presents the movement in Level 3 instruments for the six-months ended June 30, 2017 and for the year-ended December 31, 2016:

	Jun. 30, 2017	Dec. 31, 2016
Opening balance	$ 35,507	$ 71,084
Investments acquired on acquisition of ADI	6,517	—
Transfer of investment to Level 1	—	(8,602)
Unrealized losses in the year	(11,166)	(26,976)
Ending balance	**$ 30,858**	$ 35,507

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 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 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 investment would not result in a material difference from any value within the range. The Company staggers the third-party valuation process over four quarters such that each Level 3 investment is independently valued within a 12-month period (unless determined otherwise as previously discussed).

Where a recent investment has been made, either by the Company or by a third party in one of SRHI's 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 investment. The indicators that the price of a recent investment may no longer be appropriate include (but are not necessarily limited to) factors such as:

- significant under/over achievement of budgeted earnings;
- 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 investment have not yet generated meaningful positive cash flows, after considering the background of the underlying 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.

Unaudited - Tabular amounts expressed in thousands of Canadian dollars except per share amounts which are in Canadian dollars

Quantitative information about fair value measurements as at June 30, 2017 using significant unobservable inputs (Level 3) is as follows:

Description	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs
Investments - mining			
LOM	Adjusted net assets	Expected rate of return applied to mineral properties	6% - 12%
Investments - energy production and services			
RII	Recent transaction price	Discount rate applied to recent capital raise	40% - 60% discount
Investments - agriculture			
Union Agriculture Group	Recent transaction price	not applicable	not applicable
OEF	Adjusted net assets	Biological asset fair value	Midpoint of third-party Canadian index for commodity beef[1]

[1] *Biological assets at OEF are predominantly organic and natural cattle for which a third party Canadian index is not available.*

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 and trade and other payables. 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 investments consist of investments in the (i) energy production and services, (ii) mining sectors and (iii) agriculture sectors. The sensitivity of these investments' fair values is highly correlated to numerous unobservable inputs, the interrelationships of which are difficult to determine.

10. 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.

Concentration Risk

Concentration risk is the risk that any single or group of exposures will have the potential to produce losses large enough to threaten the ability of an entity to continue operating as a going concern. The Company's investment portfolio is concentrated in the following segments as at:

	Jun. 30, 2017	Dec. 31, 2016
Mining	22.6%	46.1%
Agriculture	13.4%	27.3%
Energy production and services	11.2%	17.5%
Cash, trade and other receivables less total liabilities	52.8%	9.2%
Total equity attributable to shareholders of the Company	**100%**	100%

One mining investment represents approximately 76% of the Mining segment above and approximately 17% of total equity attributable to shareholders of the Company.

11. Subsequent Event

Partial Disposition of Investment

On July 10, 2017, the Company sold approximately 25% of its investment in Union Agriculture Group for gross proceeds of USD$2.0 million (USD$2.25 per share).