

Sprott Resource Holdings Inc. 2018 First Quarter Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("**MD&A**") of the performance, financial condition and future prospects of Sprott Resource Holdings Inc. (formerly, Adriana Resources Inc., herein referred to as "**SRHI**" or the "**Company**"). This document is prepared as at May 9, 2018 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018, including the notes thereon (the "**Financial Statements**"). The Company prepares its Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All amounts are expressed in United States dollars ("**USD**") unless otherwise indicated. Additional information on the Company and its operations, including Technical Reports, can be accessed at www.sedar.com, and may also be found on the Company's website at www.sprottresource.com.

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

BUSINESS OVERVIEW

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

SRHI is a publicly-listed diversified resource holding company focused on owning cash-flowing businesses and businesses expected to cash flow in the natural resource sector. SRHI previously announced on February 9, 2017 that it was transitioning into a diversified resource holding company and on February 1, 2018 (the "**Transition Date**"), the Company completed this transition. SRHI is a member of the Sprott Group of Companies (Sprott Inc. and its subsidiaries and affiliates) and is managed by a team of resource professionals. SRHI's current businesses and portfolio investments are concentrated in the mining, energy and agriculture sectors. The Company's portfolio investments are non-controlling positions in commodities or companies that SRHI believes will provide positive returns. SRHI is committed to being a high-value partner to the management teams it backs and the co-investors who invest alongside SRHI.

Substantially all of the Company's operating activities are conducted through non-wholly owned subsidiaries, with the exception of the management of portfolio investments and of general administration expenses incurred within the parent company (SRHI).

The Company controls two businesses ("**Strategic Assets**"), one of which is held for sale, and an investment portfolio of minority positions ("**Tactical Assets**").

	Private/Public	Proportion of Ownership Interest
<i>Strategic Assets</i>		
Minera Tres Valles SpA (" MTV ")	Private	70.0%
Beretta Farms Inc. (" Beretta ")	Private	49.98%
<i>Tactical Assets</i>		
Corsa Coal Corp. (" Corsa Coal ")	Public	17.2%
InPlay Oil Corp. (" InPlay Oil ")	Public	11.3%
Virginia Energy Resources Inc. (" Virginia Energy ")	Public	16.5%
R.I.I. North America Inc. (" RII ")	Private	14.8%
Lac Otelnuk Mining Ltd. (" LOM ")	Private	40.0%

The Company's current principal Strategic Asset is its 70% equity interest in MTV, a producing copper mine that was acquired in October 2017. MTV's main asset is the Tres Valles mining complex, located in the Province of Choapa, Chile which includes fully integrated processing operations and two active mines. Mineralized material is extracted from the Don Gabriel open pit mine ("**Don Gabriel**") and the Papomono Massive

underground mine ("**Papomono Massive**"), both of which are located approximately 10 kilometers north of the town of Salamanca, Chile. MTV's heap leach pads and solvent-extraction and electrowinning processing ("**SX-EW**") plant (18,500 tonnes processing capacity) is located approximately 7 kilometers north of Salamanca. MTV extracts and processes mineralized material to produce copper cathodes. The first shipment of copper cathodes from MTV 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 since the Transition Date.

DIVERSIFIED HOLDING COMPANY

As a result of the Arrangement (See *Business Combinations and Reverse Takeover*), SRHI announced that it would transition from a private equity firm to a diversified holding company focused on holding businesses in the natural resource industry, and that the transition was expected to take less than 12 months.

Effective the Transition Date, the Company completed its previously announced transition to a diversified holding company resulting in the Company no longer relying on the reporting requirements applicable to it as an investment entity ("**Investment Entity Reporting**") under IFRS 10: *Consolidated Financial Statements*. As a result, and on the Transition Date, the Company was required to apply the acquisition method of accounting to its investments in MTV and Beretta.

As an investment entity, the Company was required to account for investments in subsidiaries (other than those that provide services to the entity) be accounted for at fair value through profit or loss ("**FVTPL**"), rather than by consolidating them ("**Investment Entity**"). SRHI viewed its investment-related activities as a separate substantial business activity and that fair value was the primary measurement attribute used to monitor and evaluate substantially all of its investments. As a diversified holding company, this is no longer the case.

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

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

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

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

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

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

HIGHLIGHTS

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

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

<i>Operating information</i> ¹	Two months ended	
	Mar. 31, 2018	
Copper (MTV Operations)		
Ore Processed (thousands of tonnes)	139	
Grade (% Cu)	0.91%	
Cu Production (tonnes)	922	
Cu Production (lbs)	2,032,660	
Cash cost of copper produced ² (USD per lb)	\$	2.43
Realized copper price (USD per lb)	\$	3.14
<i>Financial information (in thousands)</i>		
	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Revenue ¹	\$ 5,963	n/a
Gross profit ¹	\$ 254	n/a
Net loss from continuing operations	\$ (7,971)	\$ (14,400)
Net loss from discontinued operations ¹	\$ (736)	\$ —
Net loss for the period	\$ (8,707)	\$ (14,400)
Adjusted EBITDA from continuing operations ³	\$ (1,040)	\$ (659)
Loss on portfolio investments	\$ (6,392)	\$ (13,741)
Cash provided by (used in) operating activities before working capital changes	\$ 340	\$ (816)

¹ For the period February 1, 2018 to March 31, 2018.

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

³ Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and further adjusted to remove the Company's loss on portfolio investments. It is a non-IFRS performance measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.

(in thousands)	As at		
	Mar. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Cash and cash equivalents	\$ 29,142	\$ 28,862	\$ 9,083
Working capital ¹	\$ 44,789	\$ 120,166	\$ 82,509
Portfolio investments	\$ 37,109	\$ 91,997	\$ 74,976
Total equity attributable to owners of the Company	\$ 110,065	\$ 120,166	\$ 82,509
Non-controlling interest	\$ 23,976	n/a	n/a

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

Key corporate initiatives

- On March 29, 2018, SRHI filed a report entitled "NI 43-101 F1 Technical Report Mineral Resource Estimate, Chloride Leach Processing, and Don Gabriel Manto Pit Expansion", dated March 29, 2018 with an effective date of March 29, 2018 (the "**Technical Report**"):

Don Gabriel Manto Feasibility Study

- Don Gabriel Manto Feasibility Study almost triples production from current production rates, to levels of approximately 14 million pounds of copper per year over a six-year mineral reserve life
- Mine plan based on mineral reserves of 5.17 million tonnes at 0.81% CuT at a copper cut-off grade of 0.25%
- Vecchiola S.A. has been selected as the open pit mining contractor

Salt Leach Pre-Feasibility Study

- Potential to increase copper recoveries by 10%, reduce leaching cycle by up to 40% and reduce sulfuric acid consumption by up to 40%
- Estimated capital cost of USD\$6.9 million, which includes the activities from detailed engineering to the end of construction
- Implementation timeline of 11 months has an expected payback period of less than two years - expected completion is in mid-2019

Corporate Activity Highlights

- Wood plc (formerly AMEC Foster Wheeler), an independent consulting firm, has commenced a pre-feasibility level underground mining study on the Papomono Massive underground deposit and has also commenced a preliminary economic assessment ("**PEA**") level study on six of the seven ancillary deposits surrounding the Don Gabriel and Papomono Massive deposits

MTV operating performance for two months ended March 31, 2018

- Mined a total of 38 thousand tonnes of ore at a grade of 0.65% copper from the Don Gabriel Manto open pit
- Mined a total of 52 thousand tonnes of ore at a grade of 1.10% copper from the Papomono Massive underground deposit
- Revenue for the period of \$6.0 million was generated from the sale of 827 tonnes of copper and tolling charges for mineralized material supplied by Empresa Nacional de Minería ("**ENAMI**"), a Chilean state-owned minerals company
- Gross profit for the period was \$254 thousand
- Cash cost per pound of copper produced for the period (See Non-IFRS Measures) was \$2.43
- Realized price per pound of copper sold was \$3.14
- Total exploration and capital expenditures for the period totaled \$192 thousand focused on engineering services for the technical reports and purchases of equipment

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

- As at March 31, 2018, the Company had cash and cash equivalents of \$29.1 million and net working capital of \$44.8 million
- Net loss for the quarter was \$8.7 million or \$0.01 per share
- Adjusted EBITDA (See Non-IFRS Measures) from continuing operations for the quarter was negative \$1.0 million and the unrealized loss on portfolio investments was \$6.4 million

BUSINESS STRATEGY AND OUTLOOK

Business Strategy

The Company spent 2017 transforming itself into a diversified holding company, which was completed on the Transition Date. The Company is focused on furthering its progress through executing the following objectives in 2018:

i. Expanding production at MTV

MTV had previously defined an expansion plan incorporating production from seven different mineral deposits using open pit and underground methods. Prior to the close of the Company's acquisition of MTV, MTV initiated technical reports conforming with National Instrument 43-101- *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") for the expansion of the Don Gabriel deposit, adding a chlorine-oxidation (salt-leach) step to the existing SX-EW plant, extraction from the Papomono Massive mineral deposit, and production from several ancillary deposits proximate to the Don Gabriel and Papomono Massive mineral deposits.

The Technical Report presents a NI 43-101 compliant mineral resource estimate for the Don Gabriel and Papomono Massive mineral deposits and a mine plan for the expansion of Don Gabriel. The Technical Report supports improved performance from the salt-leach project along with capital associated for Don Gabriel expansion and salt-leach modifications.

After an open bidding process, MTV recently selected Vecchiola S.A., a related party to MTV's 30% owner, as mining contractor. The Company views this as a positive development for shareholders, as the new contractor owns a minority stake in MTV, which provides additional incentive to deliver strong and reliable service. As the MTV management team transitions to the new mining contractor at the end of the second quarter of this year, SRHI expects some production disruptions that will be evident in the Company's quarterly results and metrics with a higher cost of production in the second and third quarters. However, these disruptions will be temporary as the change in contractors is expected to meaningfully reduce the operating costs of MTV going forward.

MTV is currently sourcing the long-lead time items and an engineering procurement construction ("**EPC**") firm for the implementation of the salt-leach modification of the processing plant.

Wood plc have been engaged to produce pre-feasibility level mine plans for Papomono Massive, and PEA level mine plans for several ancillary deposits that will be mined contemporaneously with Papomono Massive and Don Gabriel. The report is expected to be completed in the third quarter of 2018.

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

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

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

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

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

Outlook

SRHI owns businesses and a portfolio of investments in the natural resource sector. As a result, the Company's operations are significantly impacted by price volatility of various commodities.

SRHI is well positioned for future growth with \$44.8 million in working capital, including \$29.1 million in cash, and a portfolio of strategic and tactical assets exposed to commodity sectors for which we have a positive long-term outlook. SRHI is concentrated in the mining and energy sectors with material exposure to copper (MTV), metallurgical coal (Corsa Coal) and light oil (InPlay Oil).

SRHI's positive view on copper, related to supply forecasts that reflect a lack of new large projects coming online in the next five year period and demand is driven by management's belief that Chinese appetite for the metal will remain strong, while the emergence of electric vehicles, battery and storage technologies and renewable energy products will create additional demand in the years ahead. Reports from the April 2018 CESCO meeting in Santiago, Chile indicated a cautious approach by major companies to build new mines versus capital expenditures to sustain or expand production from existing mines. According to BMO Research, in the first quarter of 2018, Chinese copper demand gained 11.6%, year over year, the strongest rate since the fourth quarter of 2014.

MTV expects to commence the Don Gabriel pit expansion, as recommended in the Technical Report, when the selected mining and haulage contractors arrive on site, which is expected to be in early July, 2018. A capital expenditure of \$5.7 million was defined for lay-back mining in 2018 and MTV expects to commence procurement of long-lead time items for the salt-leach project and select the EPC contractor in the second quarter of 2018. Capital expenditures of approximately \$7 million were defined over an 11-month period. MTV expects to receive Wood plc's technical report on the Papomono Massive and ancillary deposits in the third quarter of 2018 and will seek financing for the project once the capital and investment returns have been defined in the technical report.

Corsa Coal continues to record improving metallurgical coal sales, while also garnering improved pricing increases on a per ton basis. As oil prices have strengthened in the early months of 2018, InPlay Oil has a strong inventory of low-decline cardium locations in the heart of the Pembina Oil field that it should benefit from. The company is also currently drilling in the Willesden Green area.

BUSINESS COMBINATIONS AND REVERSE TAKEOVER

a. *MTV Deemed Acquisition*

On October 2, 2017, SRHI announced the successful completion of its previously announced investment in Chilean producing copper mine MTV from the Vecchiola Group for an aggregate purchase price of \$39.9 million, consisting of \$33.5 million in cash and \$6.4 million in SRHI common shares (51,191,847 SRHI common shares). As a result of the acquisition, SRHI owns a 70% equity interest in MTV.

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

The following table summarizes the deemed consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from MTV on the Transition Date. The deemed consideration paid reflects the fair value of the Company's interest in MTV as a portfolio investment immediately prior to the Transition Date. Final valuations of assets and liabilities are subject to change due to the timing of the deemed acquisition. The Company expects to finalize the determination of the fair values of the assets and liabilities acquired within 12 months of the Transition Date, which could result in material differences from the preliminary values presented in these Financial Statements. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

(in thousands)

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

b. Beretta Deemed Acquisition

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

The following table summarizes the deemed consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from Beretta on the Transition Date. The deemed consideration paid reflects the fair value of the Company's interest in Beretta as a portfolio investment immediately prior to the Transition Date. Final valuations of assets and liabilities are subject to change due to the timing of the deemed acquisition. The Company expects to finalize the determination of the fair values of the assets and liabilities acquired within 12 months of the Transition Date, which could result in material differences from the preliminary values presented in these Financial Statements. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

(in thousands)

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

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

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

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

Under the Arrangement, SRC became a wholly-owned subsidiary of ADI and holders of common shares of SRC ("**SRC Shareholders**") received 3.0 ADI common shares per common share of SRC (the "**Exchange Ratio**"). On February 8, 2017, ADI shareholders received one-quarter of a warrant in respect of each ADI share held, with each whole warrant (each, a "**Warrant**") having a five-year term and a strike price of CAD \$0.333 per share (the "**Warrant Distribution**"). The Warrants trade on the TSX under the symbol SRHI.WT.

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

Concurrent with the completion of the Arrangement, (i) Sprott Inc. ("**Sprott**") invested \$7.6 million in ADI common shares at a price of CAD\$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 \$3.8 million in units of ADI (each unit comprised of one ADI common share and one Warrant) at a price of CAD\$0.25 per unit ("**Unit**") (together, the "**Transaction**").

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

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

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

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

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

(in thousands)

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

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

RESULTS OF OPERATIONS

Operational Update

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

	Two months ended
	Mar. 31, 2018
Tonnes mined - underground mine	52,040
Tonnes mined - open pit mine	38,320
Total ore mined (tonnes)	90,360
Waste mined - open pit mine	89,600
MTV mine processed ore (tonnes)	93,580
Third-party processed ore (tonnes)	37,370
ENAMI ¹ tolling processed ore (tonnes)	7,950
Total processed ore (tonnes)	138,900
Underground ore recovery (%)	77.3%
Open pit recovery (%)	80.0%
Underground average ore grade (Cu%)	1.10%
Open pit average ore grade (Cu%)	0.65%
Copper cathode production (tonnes)	922
Copper cathode sales (tonnes)	827
Copper cathodes returned to ENAMI (tonnes)	152

¹ Empresa Nacional de Minería ("**ENAMI**"), a Chilean state-owned minerals company

Financial Update

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

Gross profit

<i>(in thousands)</i>	Two months ended	
	Mar. 31, 2018	
Revenue	\$	5,963
Cost of sales		(5,709)
Gross profit		254

Revenue

During the two months ended March 31, 2018, the Company recognized revenues of \$6.0 million which included revenue from copper cathodes of \$5.7 million and revenues from tolling services of \$233 thousand. Revenues were based on an average realized copper price of \$3.14 per pound.

Cost of sales

Cost of sales represent direct mining and plant costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. The cost of sales for the two months ended March 31, 2018, was \$5.7 million.

Expenses

General and administrative expenses

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Salaries and contracted services	\$ 242	\$ 41
Management fees	637	479
Public company reporting costs	403	235
Other office expenses	391	48
General and administrative expenses	\$ 1,673	\$ 803

Salaries and contracted services

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

Management fees

The increase in management fees for the three months ended March 31, 2018, compared with the three months ended March 31, 2017, is due to the increase in the average net asset value ("**NAV**") of the Company on which the fee is based (see the section *Management Fee* elsewhere in this MD&A). Included in management fees is certain stock-based compensation for the three months ended March 31, 2018 of \$96 thousand (three months ended March 31, 2017: \$15 thousand) in connection with the Company's equity incentive plan that was paid in lieu of cash compensation.

Public company reporting costs

Public company reporting costs include those items specific to being a reporting issuer listed on a recognized exchange such as director stock-based compensation of \$54 thousand for the three months ended March 31, 2018 (three months ended March 31, 2017: \$22 thousand).

Other office expenses

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

Loss on portfolio investments

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Realized loss on portfolio investments	\$ —	\$ (8)
Change in unrealized loss on portfolio investments	(6,392)	(13,733)
Loss on portfolio investments	\$ (6,392)	\$ (13,741)

Realized loss on portfolio investments

There were no dispositions of portfolio investments during the three months ended March 31, 2018. During the three months ended March 31, 2017, the Company disposed of one investment incurring a total realized loss of \$8 thousand.

Change in unrealized loss on portfolio investments

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

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
InPlay Oil	\$ (3,030)	\$ (107)
Virginia Energy	(187)	464
Corsa Coal	(3,340)	(13,621)
Beretta ¹	165	—
Union Agriculture Group (" Union Agriculture ")	—	(469)
Change in unrealized loss on portfolio investments	\$ (6,392)	\$ (13,733)

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

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

Finance expenses, net

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Finance income	\$ (16)	\$ —
Finance expense	261	—
	\$ 245	\$ —

Finance expense

Finance income and expense is a result of the inclusion of MTV's results effective the Transition Date. Finance expense includes asset retirement obligation accretion expense and interest from loans and borrowings of \$226 thousand.

Other income, net

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Transaction costs	\$ —	\$ (80)
Other income	103	222
Foreign currency translation loss (gain)	(18)	2
	\$ 85	\$ 144

Transaction costs

For the three months ended March 31, 2018, no transaction costs were incurred compared to \$80 thousand for the three months ended March 31, 2017. For the three months ended March 31, 2017, transaction costs were primarily a result of professional fees associated with the Arrangement and Transaction. These costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Other income

Interest income of \$85 thousand for the three months ended March 31, 2018 is included in *Other income* (three months ended March 31, 2017: \$28 thousand). For the three months ended March 31, 2017, *Other income* also includes the bargain purchase gain of \$194 thousand as a result of the Arrangement as more fully described in the section *Business Combinations and Reverse Takeover* located elsewhere in this MD&A.

Other comprehensive income (loss)

Other comprehensive income (loss) for the Company arises primarily upon the Company translating accounts held in a functional currency of CAD to a presentation currency of USD. Depending on future foreign exchange rates, these foreign currency translation differences may reverse. For the three months ended March 31, 2018, other comprehensive loss was \$2.1 million compared to other comprehensive income of \$0.3 million for the three months ended March 31, 2017.

Income taxes

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

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

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

Net loss and comprehensive loss

For the three months ended March 31, 2018, the Company reported net loss attributed to shareholders of \$8.3 million and comprehensive loss attributed to shareholders of \$10.4 million compared to net loss attributed to shareholders of \$14.4 million and comprehensive loss attributable to shareholders of \$14.1 million reported for the three months ended March 31, 2017. The components of these amounts are discussed in the explanations provided above.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2018, the Company held cash and cash equivalents of \$29.1 million. Cash and cash equivalents are primarily comprised of cash in deposit accounts held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Cash and cash equivalents increased by \$0.5 million in the three months ended March 31, 2018 generated primarily by:

- cash and cash equivalents acquired in the MTV transaction of \$3.0 million;
- proceeds from loans and borrowings at MTV of \$2.4 million partially offset by;
- cash and cash equivalents used in operating activities of \$4.1 million.

At March 31, 2018, the Company had working capital of \$44.8 million. Included in working capital is cash of \$29.1 million and its publicly traded portfolio investments of \$31.0 million. Liabilities included in working capital include accounts payable and accrued liabilities of \$17.9 million, deferred revenue of \$6.6 million and the current portion of loans and borrowings of \$9.6 million. The Company's intent is to expand mine operations at MTV which will require additional capital, the sourcing of which will be in the form of long-term debt. With this anticipated long-term debt capital, estimated future cash flows and existing working capital, the Company will have the adequate ability to service its ongoing obligations and cover anticipated development, exploration and corporate costs associated with its existing operations for the next 12 months.

The recent strength in US denominated commodity prices, and management's assumption that they will continue, should have a positive impact on the Company's operating results, increasing revenue, gross profit and cash generated from operating activities. This should serve the Company well as it undertakes to expand the mining operations at Papomono Massive, implement salt-leaching and increase throughput of the mine from its current sub-optimal 30% utilization. However, the current commodity price and exchange rate environment can be volatile and accordingly will have an impact on the Company's cash flows.

The Company has no material commitments for capital expenditures as at March 31, 2018, but expects this to change as it undertakes the recommendations of its recently received and to be received technical studies and PEA.

The Company's primary sources of capital resources are comprised of cash and cash equivalents, its portfolio investments and its loans and borrowings. The Company will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust such structure by issuing new common shares or new debt as necessary. As noted above, the Company intends to expand mine operations that will require the Company to successfully obtain additional loans and borrowings. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. The Company has sufficient working capital to maintain its planned operations and activities for 2018.

Certain loan agreements contain operating and financial covenants that could restrict the ability of MTV to, among other things, incur additional indebtedness needed to fund its operations, pay dividends or make other distributions, make investments, create liens, sell or transfer assets or enter into transactions with affiliates. There are no other restrictions or externally imposed capital requirements of the Company.

PORTFOLIO INVESTMENTS

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

Portfolio investments movement

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Opening portfolio investments, at fair value	\$ 91,997	\$ 74,976
Portfolio investments acquired as part of the Arrangement	—	4,948
Realizations ¹	—	(17)
Portfolio investment return ²	(6,392)	(13,741)
Deemed disposition of portfolio investments ³	(47,570)	—
Foreign currency translation differences	(926)	706
Closing portfolio investments, at fair value	\$ 37,109	\$ 66,872

¹ Includes gross proceeds from portfolio investment dispositions

² Represents the unrealized loss on portfolio investments

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

New Investments

There were no new portfolio investments made in the three months ended March 31, 2018 and March 31, 2017.

Realizations

Realizations for the three months ended March 31, 2017 amounted to \$17 thousand which was solely comprised of the gross proceeds received from the disposition of the Company's entire holdings in a passive investment acquired as part of the Arrangement. There were no realizations during the three months ended March 31, 2018.

Portfolio investment return

For the three months ended March 31, 2018, SRHI's portfolio investments decreased by \$6.4 million, comprised solely of unrealized losses on portfolio investments. The change in unrealized loss on portfolio investments is predominantly due to the decreased value of the Company's public investments in Corsa Coal and InPlay Oil.

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Realized loss on portfolio investments	\$ —	\$ (8)
Change in unrealized loss on portfolio investments	(6,392)	(13,733)
	\$ (6,392)	\$ (13,741)

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

Deemed disposition of portfolio investments

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

<i>(in thousands)</i>	Fair Value
MTV	\$ 39,900
Beretta	7,670
	\$ 47,570

Closing portfolio investments

<i>(in thousands)</i>	Sector	Public/Private	As at		
			Mar. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Strategic Assets					
MTV	Mining	Private	\$ —	\$ 39,900	\$ —
Beretta	Agriculture	Private	—	7,348	9,950
Tactical Assets					
Corsa Coal	Mining	Public	22,552	26,546	37,627
InPlay Oil	Energy production and services	Public	7,705	10,974	10,518
Virginia Energy	Mining	Public	696	903	387
LOM	Mining	Private	5,055	5,195	—
RII	Energy production and services	Private	1,101	1,131	3,902
Union Agriculture	Agriculture	Private	—	—	12,592
			\$ 37,109	\$ 91,997	\$ 74,976

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

OPERATING SEGMENTS

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

Significant information relating to reportable operating segments is summarized below:

	MTV	Corporate	Total
As at March 31, 2018			
Assets	\$ 96,709	\$ 64,512	\$ 161,221
Asset classified as held for sale	—	17,832	17,832
Total assets	\$ 96,709	\$ 82,344	\$ 179,053
Liabilities	\$ 39,984	\$ 1,104	\$ 41,088
Liabilities classified as held for sale	—	3,924	3,924
Total liabilities	\$ 39,984	\$ 5,028	\$ 45,012
Three Months Ended March 31, 2018			
Revenue	\$ 5,963	\$ —	\$ 5,963
Cost of sales	(5,709)	—	(5,709)
Gross profit	254	—	254
Expenses			
General and administrative expenses	442	1,231	1,673
Loss on portfolio investments	—	6,392	6,392
Finance expenses, net	245	—	245
Other income, net	(55)	(30)	(85)
Net loss from continuing operations	(378)	(7,593)	(7,971)
Net loss from discontinued operations	—	(736)	(736)
Net loss for the period	\$ (378)	\$ (8,329)	\$ (8,707)

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

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

For the period February 1, 2018 to March 31, 2018, 96% of the revenues (\$6.0 million) was from one customer based in Switzerland. As at March 31, 2018, there were no amounts outstanding from this customer in the trade and other receivables balance of \$2.8 million.

SUMMARY OF QUARTERLY RESULTS ¹

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

<i>(in thousands, except per share amounts)</i>	2018	2017				2016		
	Mar	Dec	Sept	Jun	Mar	Dec	Sept	Jun
Revenue	\$ 5,963	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gross profit	\$ 254	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gain (loss) on portfolio investments	\$ (6,392)	\$ 9,693	\$ (6,413)	\$ (16,150)	\$ (13,741)	\$ 5,651	\$ 9,578	\$ (12,529)
Net income (loss) from continuing operations	\$ (7,971)	\$ 8,444	\$ (8,424)	\$ (17,318)	\$ (14,400)	\$ 3,778	\$ 8,368	\$ (13,593)
Net income (loss)	\$ (8,707)	\$ 8,444	\$ (8,424)	\$ (17,318)	\$ (14,400)	\$ 3,778	\$ 8,368	\$ (13,593)
Other comprehensive income (loss)	\$ (2,069)	\$ (456)	\$ 4,343	\$ 2,673	\$ 318	\$ (1,885)	\$ (642)	\$ (122)
Basic and diluted earnings (loss) per share from continuing operations	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ 0.01	\$ 0.03	\$ (0.05)
Basic and diluted earnings (loss) per share from net income (loss)	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ 0.01	\$ 0.03	\$ (0.05)

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

The Company is not impacted materially by seasonality.

FINANCING ACTIVITIES BY THE COMPANY

It has been the Company's policy to preserve a financially strong company that has the capital available to support the growth of existing businesses and make new investments. In certain circumstances, the Company will provide loans or guarantees to its operating businesses in which it has significant ownership to further their respective business plans. There are no loans or guarantees to operating businesses at March 31, 2018.

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

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

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

Pursuant to the Offering, the Company sold 120 million Offered Units at a price of CAD\$0.25 per Offered Unit for gross proceeds of \$22.4 million. Each Offered Unit consists of one common share in the capital of SRHI (a "**Common Share**") and one Common Share purchase warrant in the capital of SRHI (an "**Offered Warrant**"). Each Offered Warrant will expire on February 9, 2022 and has a strike price of CAD\$0.333 per Common Share. The Offered Warrants trade on the TSX under the symbol SRHI.WT.

On October 2, 2017, the Company issued 51,191,847 common shares for \$6.4 million as part of the purchase price for its investment in MTV. See the section *Business Combinations and Reverse Takeover* elsewhere in this MD&A for additional details.

EQUITY DATA

Authorized capital:

Common shares, no par value, unlimited shares.

Issued and outstanding:

The Company had 681,680,846 common shares issued and outstanding as at March 31, 2018 and on the date hereof.

<i>(in thousands, except #)</i>	Common shares (#)	Amount
Balance - January 1, 2017 ¹	157,554,238 \$	246,865
Shares issued on Arrangement, net of issue costs	290,016,306	23,113
Shares issued on Transaction, net of issue costs	62,918,455	10,456
Shares issued on Offering, net of issue costs	120,000,000	17,156
Shares issued on MTV investment	51,191,847	6,400
Balance - December 31, 2017 and March 31, 2018 and May 9, 2018	681,680,846 \$	303,990

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

Outstanding warrants:

Common share purchase warrants outstanding are as follows:

<i>(in thousands, except #)</i>	Warrants (#)	Amount
Balance - January 1, 2017	— \$	—
Warrants issued on Arrangement, net of issue costs	39,388,560	1,282
Warrants issued on Transaction, net of issue costs	20,000,000	635
Warrants issued on termination of profit distribution issued to a subsidiary of Sprott	21,750,000	710
Warrants issued on Offering, net of issue costs	120,000,000	3,399
Balance - December 31, 2017 and March 31, 2018 and May 9, 2018	201,138,560 \$	6,026

All common share purchase warrants have an exercise price of \$0.333 per common share and expire on February 9, 2022. See the sections *Business Combinations and Reverse Takeover* and *Financing Activities by the Company* elsewhere in this MD&A for additional details.

Outstanding stock options:

The number of common shares available under the Company's stock option plan shall not exceed 10% of the issued and outstanding common shares of the Company as at the date of such grant (the "**Option Plan**").

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

The continuity of stock options is as follows:

	Stock options (#)	Weighted average exercise price (per unit), CAD
Balance - January 1, 2017	5,250,000 \$	0.30
Expired	(950,000)	0.81
Balance - December 31, 2017	4,300,000	0.19
Expired	(300,000)	0.20
Balance - March 31, 2018 and May 9, 2018	4,000,000 \$	0.19

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

Year of Expiry	Number of options outstanding	Weighted average exercise price (per unit), CAD	Weighted average remaining contractual life (years)	Number of exercisable options outstanding	Weighted average exercise price (per unit), CAD
2018	500,000	\$ 0.22	0.12	500,000	\$ 0.22
2019	500,000	0.17	1.12	500,000	0.17
2020	3,000,000	0.19	2.64	3,000,000	0.19
	4,000,000	\$ 0.19	2.14	4,000,000	\$ 0.19

Treasury stock

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

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

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

The Trust purchased 2.7 million common shares for the three months ended March 31, 2018 (for the year ended December 31, 2017: 2.7 million common shares). During the three months ended March 31, 2018, an additional 0.9 million common shares were released on vesting from the equity incentive plan.

	Common shares (#)	Amount
Unvested common shares held by the Trust, January 1, 2017 ¹	1,602,261 \$	356
Acquired for equity incentive plan	2,725,926	330
Released on vesting of equity incentive plan	(2,839,229)	(494)
Unvested common shares held by the Trust, December 31, 2017	1,488,958	192
Acquired for equity incentive plan	2,617,647	274
Released on vesting of equity incentive plan	(865,101)	(92)
Unvested common shares held by the Trust, March 31, 2018	3,241,504	374
Acquired for equity incentive plan	442,234	46
Released on vesting of equity incentive plan	(52,786)	(5)
Unvested common shares held by the Trust, May 9, 2018	3,630,952 \$	415

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

COMMITMENTS (as at May 9, 2018)

SRHI Management Services Agreement

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

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

	1 year	1 - 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	\$ 17,943	\$ —	\$ —	17,943
Line of credit	9,500	—	—	9,500
Capital lease	93	181	—	274
Other non-current liabilities	—	1,465	—	1,465
Reclamation and other closure provisions	—	—	5,998	5,998
As at March 31, 2018	\$ 27,536	\$ 1,646	\$ 5,998	35,180

In accordance with the Environmental Qualification Resolution obtained in 2009, MTV committed to contributing a total of \$1,000 payable in ten equal annual payments to finance Foundation Tres Valles (the "**Foundation**") for the development of the communities of Cárcamo, Manquehua and Chuchiñí. The payments began in 2014 and the remaining foundation obligation of \$565 thousand is included in Accounts payable and accrued liabilities and Other non-current liabilities.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the three months ended March 31, 2018.

(i) *Management Fees*

Management fees and employment compensation pursuant to the Cancelled MSA and MSA for the three months ended March 31, 2018 were \$637 thousand, (three months ended March 31, 2017: \$479 thousand). The employment compensation portion was paid directly by SRHI or one of its subsidiaries to employees and consultants provided by SCLP and the remainder was paid and payable to SCLP, an entity with directors and officers in common. As at March 31, 2018, there was \$479 thousand (December 31, 2017: \$248 thousand; January 1, 2017: \$183 thousand) payable to SCLP for management fees calculated pursuant to the MSA.

(ii) *Mine Contracting Services*

MTV utilizes contractors for several mining services. For the two months ended March 31, 2018, \$710 thousand was paid to Inversiones Genova S.A. for services provided to the Company and at March 31, 2018, a balance of \$817 thousand payable to Inversiones Genova S.A. remained outstanding. Inversiones Genova S.A. is affiliated with the minority shareholder of MTV.

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

MANAGEMENT FEE

January 1, 2016 to February 8, 2017

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

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

February 9, 2017 to January 31, 2018

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

Effective February 1, 2018

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

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

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

If and to the extent that SCLP is requested in writing by the directors of SRHI to render services to SRHI other than those required to be rendered pursuant to the MSA, such additional services and activities will be compensated for separately and will be on such terms that are generally no less favourable to SRHI than those available from arm's length parties (within the meaning of the Tax Act) for comparable services. In addition

to the Management Services Fee payable to SCLP pursuant to the MSA, SRHI will be responsible for paying all fees and expenses incurred in connection with the operation and administration of its business.

The Adjusted Annual Operating Expenses (as defined in the MSA) shall not exceed 3% of the Annual NAV of SRHI (as defined in the MSA) in respect of fiscal years commencing with SRHI's fiscal year ended December 31, 2018 and thereafter (the "**Maximum Adjusted Annual Operating Expenses**"). Where such Adjusted Annual Operating Expenses exceed the Maximum Adjusted Annual Operating Expenses (unless otherwise consented to by the Board), the Management Services Fee payable by SRHI to SCLP in respect of the last quarterly payment to be made in respect of such fiscal year shall be reduced to ensure the Adjusted Annual Operating Expenses are equal (or, in any case, do not exceed) the applicable Maximum Adjusted Annual Operating Expenses. For the period January 1, 2018 to March 31, 2018, the Company's annualized Adjusted Annual Operating expense was greater than 3%.

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

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

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

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

For the purposes of calculating management fees for the three months ended March 31, 2018, the reported NAV at December 31, 2017 of CAD \$150.8 million was used together with the NAV calculated at March 31, 2018 of CAD\$142.6 million. Management fees are calculated quarterly based on the average NAV of the current quarter and the prior quarter.

The NAV calculated at March 31, 2018 is as follows:

<i>(in thousands)</i>	As at	
	Mar. 31, 2018	
Cash and cash equivalents	\$	26,243
Trade, other receivables and other assets		1,163
Liabilities		(1,103)
Investments of SRHI, at fair value		
MTV	Private	39,900
Beretta	Private	7,312
RII	Private	1,101
LOM	Private	5,055
Corsa Coal	Public	22,552
InPlay Oil	Public	7,705
Virginia Energy	Public	696
NAV, at fair value (USD)	\$	110,624
NAV, at fair value (CAD)	\$	142,636

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

NAV and Share Value (all amounts in this table in CAD)

	As at				
	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
NAV (in thousands), based on fair values ¹	142,636	150,750	132,051	142,580	137,820
NAV per share, based on fair values ²	\$ 0.21	\$ 0.22	\$ 0.21	\$ 0.23	\$ 0.27
Closing price per share (TSX:SRHI)	\$ 0.13	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.20
Discount to NAV ³	40.3%	27.3%	28.6%	30.4%	25.9%
Number of common shares issued and outstanding	681,680,846	681,680,846	630,488,999	630,488,999	510,488,999

¹ NAV is equivalent to total equity attributable to shareholders of the Company as at December 31, 2017 and prior.

² Company's NAV divided by the number of the Company's common shares that are issued and outstanding ("NAV per share").

³ Discount to NAV is the discount between NAV per share and the Company's closing stock price (in CAD) on the TSX on the period-end date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have also designed or caused to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the Company's ICFR that occurred during the three months ended March 31, 2018, that have materially affected, or are reasonably likely to have materially affected, the Company's ICFR. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. The Company's previous ICFR provided for the complexities of consolidating controlled entities and during the three months ended March 31, 2018, was tailored to provide further assurance that the consolidation and reporting of MTV and Beretta as newly consolidated controlled entities was effected accordingly.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

a. Determination of Financial Reporting Change

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

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

b. Business Combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – *Business Combinations*. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of ADI on February 9, 2017 met the criteria for accounting as a business combination. In addition, effective the Transition Date, the Company completed its previously announced transition to a diversified holding company resulting

in the Company no longer relying on Investment Entity Reporting. As a result, and on the Transition Date, the Company was required to apply the acquisition method of accounting to its investments in MTV and Beretta.

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

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

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

c. Mineral Reserve Estimates Including Life of Mine Plan

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

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

d. Reclamation and Other Closure Provisions

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

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

e. Measurement of Fair Value

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

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

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

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

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

Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments,

management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities. The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets.

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

SCIENTIFIC AND TECHNICAL INFORMATION AND HISTORICAL ESTIMATES

Unless otherwise indicated, scientific or technical information in this MD&A relating to MTV is based on information prepared by Michael G. Hester, Vice President, IMC, M.S. Mining Engineering, Gabriel Vera, President, GV Metallurgy, Metallurgical Engineer and Enrique D. Quiroga Vega, Mining Engineer, Q & Q Ltda., each a "qualified person" ("**Qualified Person**") as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("**NI 43-101**"), and are included in the technical report filed in respect of MTV on March 29, 2018 (the "**MTV Technical Report**"). The MTV Technical Report has been filed under the Company's profile on SEDAR and can be found at www.sedar.com. Readers are encouraged to read the report in its entirety.

The disclosure of technical information in this MD&A was reviewed and approved by Michael G. Hester, Vice President, IMC, M.S. Mining Engineering, a Qualified Person.

RISK MANAGEMENT

The Company's activities expose it to certain financial risks during or at the end of the reporting period as described below. Please also refer to the Risk Management section of the Company as disclosed in the MD&A as at and for the year ended December 31, 2017.

Market Risk

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

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

Commodity Price Risk

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

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

Price Risk

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

Credit Risk

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

The Company invests cash and cash equivalents with financial institutions that are financially sound based on their credit rating with the majority of the Company's cash held through large Canadian financial institutions with credit ratings of AA or higher. The Company's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has one customer that represents 96% of revenue and which is considered low risk as it is an independent commodity trading company with operations throughout the world. The Company has not incurred any credit losses during the three months ended March 31, 2018 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 maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational costs.

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

IFRS 16 - *Leases* ("**IFRS 16**") was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its Financial Statements.

NON-IFRS PERFORMANCE MEASURES

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

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

C1 Cash costs per pound produced

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

	Two months ended
	Mar. 31, 2018
Cost of Sales	\$ 5,709
Depreciation	(278)
Net change in inventory	(330)
Transportation costs	(165)
C1 Cash costs of production	4,936
Pounds of copper produced (thousands)	2,033
Cash cost of copper produced (USD per lb)	\$ 2.43

Realized copper price

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

	Two months ended
	Mar. 31, 2018
Average realized copper price for the period (\$ per pound)	\$ 3.14

Working Capital

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

	As at		
	Mar. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Cash and cash equivalents	\$ 29,142	\$ 28,862	\$ 9,083
Trade and other receivables	2,837	847	303
Inventories	15,363	—	—
Other current assets	643	81	—
Portfolio investments	30,953	91,997	74,976
Current assets before assets held for sale	78,938	121,787	84,362
Current liabilities before liabilities held for sale	34,149	1,621	1,853
Working capital	\$ 44,789	\$ 120,166	\$ 82,509

EBITDA and Adjusted EBITDA

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

	Three months ended	
	Mar. 31, 2018	Mar. 31, 2017
Net loss from continuing operations	\$ (7,971)	\$ (14,400)
Add:		
Finance expense	261	—
Depreciation	278	—
EBITDA from continuing operations	(7,432)	(14,400)
Add:		
Loss on portfolio investments	6,392	13,741
Adjusted EBITDA from continuing operations	\$ (1,040)	\$ (659)

NAV and NAV per Share

NAV represents Net Asset Value and prior to the Transition Date was a key performance measure of the Company and represented total shareholders' equity. The metric continues to be a secondary performance measure of the Company given the Company's portfolio of investments carried at fair value and management's view of fair value of the Company.

NAV per Share represents NAV divided by the number of issued and outstanding common shares of the Company at the reporting date.

As at

	Mar. 31, 2018	Dec. 31, 2017
NAV (in thousands), based on fair values (CAD)	\$ 142,636	\$ 150,750
NAV per share, based on fair values (CAD)	\$ 0.21	\$ 0.22
Number of common shares issued and outstanding	681,680,846	681,680,846

ADVISORY

Forward-Looking Information

Certain statements in this MD&A, and in particular the "Business Strategy and Outlook" and "Liquidity and Capital Resources" sections, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the foregoing, this MD&A contains Forward-Looking Statements pertaining to: (i) SRHI owing businesses expected to cash flow in the natural resource sector; (ii) SRHI's belief that its portfolio investments are non-controlling positions in commodities or companies that will provide positive returns; (iii) key corporate initiatives; (iv) information from the Technical Report; (v) the two objectives of SRHI detailed under "Business Strategy" in the "Business Strategy and Outlook" section, the strategies it is undertaking to accomplish such objectives and the anticipated benefits from such objectives; (vi) expectations related to the change in mining contractors at MTV; (vii) SRHI is well position for future growth; (viii) commodity sector outlook; (ix) expectations regarding the copper market, including supply, demand, pricing and value drivers; (x) expectations regarding MTV, including the Don Gabriel pit expansion, procurement of long-lead time items for the salt-leach project, selection of the EPC contractor, technical reports and financing activities; (xi) expectations regarding Corsa Coal, including improved pricing and sales; (xii) expectations regarding InPlay Oil, including that it will benefit from a recovery in prices; (xiii) expectations regarding determination of the fair values of the assets and liabilities of Beretta acquired by the Company; (xiv) expectation that the Company will have the adequate ability to service its ongoing obligations and cover anticipated development, exploration and corporate costs associated with its existing operations for the next 12 months; (xv) impact of US denominated commodity results on the Company's operating results; (xvi) expectations regarding commitments for capital expenditures in the future; (xvii) the Company has sufficient working capital to maintain its planned operations and activities for 2018; (xviii) mineral reserves and mineral resources; and (xix) estimated future obligations for mine closure activities.

Although SRHI believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (i) natural resource markets and the price of various natural resources, including copper, oil and coal, in the future; (ii) the continued strength in US denominated commodity prices; (iii) the continued availability of quality management; (iv) the effects of regulation and tax laws of governmental agencies will not materially change; and (v) those estimates listed herein under the heading "Critical Accounting Estimates and Judgments". Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) general economic, market and business conditions; (ii) market volatility that would affect the ability to enter or exit investments; (iii) commodity price fluctuations and uncertainties; (iv) risks associated with the portfolio companies' industries; (v) those risks disclosed herein under the heading "Risk Management"; (vi) those risks described under the heading "Risk Management" in SRHI's Management's Discussion and Analysis for the year ended December 31, 2017; and (vii) those risks incorporated by reference into SRHI's Annual Information Form dated March 29, 2018. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRHI does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

ADDITIONAL INFORMATION

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