Sprott Resource Holdings Inc.

Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements, which consolidate the financial results of Sprott Resource Holdings Inc. (the "Company"), were prepared by management, who are responsible for the integrity and fairness of all information presented in the audited consolidated financial statements and management's discussion and analysis ("MD&A") for the years ended December 31, 2018 and 2017. The audited consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Financial information presented in the MD&A is consistent with that in the audited consolidated financial statements.

In management's opinion, the audited consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in note 2 of the audited consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the audited consolidated financial statements.

The board of directors (the "Board of Directors") of the Company appoints the Company's audit committee (the "Audit Committee") annually. Among other things, the mandate of the Audit Committee includes the review of the audited consolidated financial statements of the Company on a quarterly basis and the recommendation to the Board of Directors for approval. The Audit Committee has access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

PricewaterhouseCoopers LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. PricewaterhouseCoopers LLP had, and has, full and unrestricted access to management of the Company, the Audit Committee and the Board of Directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

(signed) "*Stephen Yuzpe*"

Stephen Yuzpe
President and Chief Executive Officer

(signed) "*Michael Staresinic*"

Michael Staresinic
Chief Financial Officer

March 6, 2019

Independent auditor's report

To the Shareholders of Sprott Resource Holdings Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sprott Resource Holdings Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017 and January 1, 2017;
- the consolidated statements of operations and comprehensive loss for the years ended December 31, 2018 and 2017;
- the consolidated statements of changes in equity for the years ended December 31, 2018 and 2017;
- the consolidated statements of cash flows for the years ended December 31, 2018 and 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Financial Position and Results of Operations.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Braunsteiner.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6, 2019

Sprott Resource Holdings Inc.
Consolidated Statements of Financial Position
As at December 31, 2018, December 31, 2017 and January 1, 2017
Amounts expressed in thousands of United States dollars except per share amounts and number of outstanding shares

	Note		**Dec. 31, 2018**		Dec. 31, 2017		Jan. 1, 2017
ASSETS							
Cash and cash equivalents		**$**	**13,500**	$	28,862	$	9,083
Trade and other receivables			**7,073**		847		303
Inventories	5		**20,571**		—		—
Other current assets			**729**		81		—
Portfolio investments	6		**14,899**		91,997		74,976
			56,772		121,787		84,362
Assets classified as held for sale	7		**14,013**		—		—
Total current assets			**70,785**		121,787		84,362
Mineral properties, plant and equipment	8		**74,485**		—		—
Exploration and evaluation asset	9		**1,442**		—		—
Intangible assets	10		**2,331**		—		—
Portfolio investments	6		**4,586**		—		—
Other			**825**		—		—
			83,669		—		—
Total assets		**$**	**154,454**	$	121,787	$	84,362
LIABILITIES							
Accounts payable and accrued liabilities	11	**$**	**19,824**	$	1,621	$	1,853
Deferred revenue			**2,925**		—		—
Current portion of loans and borrowings	12		**14,544**		—		—
			37,293		1,621		1,853
Liabilities classified as held for sale	7		**2,964**		—		—
Total current liabilities			**40,257**		1,621		1,853
Reclamation and other closure provisions	13		**4,759**		—		—
Loans and borrowings	12		**407**		—		—
Other non-current liabilities			**1,900**		—		—
			7,066		—		—
Total liabilities			**47,323**		1,621		1,853
SHAREHOLDERS' EQUITY							
Capital stock	14b		**303,990**		303,990		246,865
Common share purchase warrants	14c		**6,026**		6,026		—
Treasury stock	14e		**(200)**		(192)		(356)
Contributed surplus			**1,750**		1,675		2,436
Deficit			**(187,361)**		(157,227)		(125,452)
Accumulated other comprehensive loss	14f		**(38,656)**		(34,106)		(40,984)
Total equity attributable to owners of the Company			**85,549**		120,166		82,509
Non-controlling interest			**21,582**		—		—
			107,131		120,166		82,509
Total liabilities and shareholders' equity		**$**	**154,454**	$	121,787	$	84,362

Contingencies and Commitments 23

Approved by the Board of Directors

(signed) "Terrence Lyons"	(signed) "Lenard F. Boggio"
Chairman	Director

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

Amounts expressed in thousands of United States dollars except per share amounts and number of outstanding shares

		Year Ended	
	Note	**Dec. 31, 2018**	Dec. 31, 2017
Revenue	15	**$ 32,700**	$ —
Cost of sales	16	**(34,329)**	—
Gross loss		**(1,629)**	—
Expenses			
General and administrative expenses	17	**6,153**	3,830
Loss on portfolio investments	18	**22,603**	26,610
Finance expenses, net	19	**2,095**	—
Other loss (income)	20	**(2,764)**	1,260
Net loss from continuing operations		**(29,716)**	(31,700)
Net loss from discontinued operations	7	**(2,936)**	—
Net loss for the year		**$ (32,652)**	$ (31,700)
Net loss from continuing operations attributable to:			
Owners of the Company		**$ (28,673)**	$ (31,700)
Non-controlling interests		**(1,043)**	—
Net loss from continuing operations		**$ (29,716)**	$ (31,700)
Net loss attributable to:			
Owners of the Company		**$ (30,139)**	$ (31,700)
Non-controlling interests		**(2,513)**	—
Net loss for the year		**$ (32,652)**	$ (31,700)
Loss from continuing operations per share	22	**$ (0.88)**	$ (1.09)
Loss from discontinued operations per share	22	**$ (0.09)**	n/a
Basic and fully diluted net loss per share	22	**$ (0.97)**	$ (1.09)
Weighted average number of shares outstanding during the period			
Basic and fully diluted	22	**33,925,954**	29,131,398
Net loss for the year		**$ (32,652)**	$ (31,700)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net income (loss):			
Foreign currency translation differences		**(5,230)**	6,878
Total comprehensive loss		**$ (37,882)**	$ (24,822)
Comprehensive income (loss) attributable to:			
Owners of the Company		**$ (34,689)**	$ (24,822)
Non-controlling interests		**(3,193)**	—
Total comprehensive loss		**$ (37,882)**	$ (24,822)

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

Sprott Resource Holdings Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and December 31, 2017
Amounts expressed in thousands of United States dollars

	Capital Stock	Common Share Purchase Warrants	Treasury Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total	Non-controlling interest	Total Equity
Balance - January 1, 2017	**$ 246,865**	**$ —**	**$ (356)**	**$ 2,436**	**$ (125,452)**	**$ (40,984)**	**$ 82,509**	**$ —**	**$ 82,509**
Net loss for the period	—	—	—	—	(31,700)	—	(31,700)	—	(31,700)
Foreign currency translation differences	—	—	—	—	—	6,878	6,878	—	6,878
Securities issued on acquisition of ADI, net of issue costs	23,113	1,282	—	—	—	—	24,395	—	24,395
Securities issued on financing of Transaction, net of issue costs	10,456	635	—	—	—	—	11,091	—	11,091
Warrants issued on termination of profit distribution issued to a subsidiary of Sprott	—	710	—	(710)	—	—	—	—	—
Securities issued on Offering, net of issue costs	17,156	3,399	—	—	—	—	20,555	—	20,555
Securities issued for MTV investment	6,400	—	—	—	—	—	6,400	—	6,400
Stock-based compensation	—	—	—	369	—	—	369	—	369
Shares acquired for equity incentive plan	—	—	(331)	—	—	—	(331)	—	(331)
Shares released on vesting of equity incentive plan	—	—	495	(420)	(75)	—	—	—	—
Balance - December 31, 2017	**$ 303,990**	**$ 6,026**	**$ (192)**	**$ 1,675**	**$ (157,227)**	**$ (34,106)**	**$ 120,166**	**$ —**	**$ 120,166**
Balance - January 1, 2018	$ 303,990	$ 6,026	$ (192)	$ 1,675	$ (157,227)	$ (34,106)	$ 120,166	$ —	$ 120,166
Net loss for the period	—	—	—	—	(30,139)	—	(30,139)	(2,513)	(32,652)
Foreign currency translation differences	—	—	—	—	—	(4,550)	(4,550)	(680)	(5,230)
Deemed acquisition of MTV and Beretta	—	—	—	—	—	—	—	24,775	24,775
Change in other reserve	—	—	—	143	—	—	143	—	143
Stock-based compensation	—	—	—	293	—	—	293	—	293
Shares acquired for equity incentive plan	—	—	(364)	—	—	—	(364)	—	(364)
Shares released on vesting of equity incentive plan	—	—	356	(361)	5	—	—	—	—
Balance - December 31, 2018	**$ 303,990**	**$ 6,026**	**$ (200)**	**$ 1,750**	**$ (187,361)**	**$ (38,656)**	**$ 85,549**	**$ 21,582**	**$ 107,131**

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

Sprott Resource Holdings Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
Amounts expressed in thousands of United States dollars

	Note	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
Operating activities			
Net loss for the year		**$ (32,652)**	$ (31,700)
Items not affecting cash and other adjustments			
Loss from discontinued operations	7	**2,936**	—
Depreciation and amortization		**3,110**	—
Finance expense		**1,999**	—
Interest accretion on decommissioning liability	13	**75**	—
Loss on portfolio investments	18	**22,603**	26,610
Purchase of portfolio investments		**—**	(33,499)
Sale of portfolio investments		—	4,812
Stock-based compensation		**293**	369
Bargain purchase gain	4c	**—**	(194)
		(1,636)	(33,602)
Changes in non-cash operating working capital	25a	**(9,153)**	(1,259)
Cash used in operating activities of continuing operations		**(10,789)**	(34,861)
Cash flows from investing activities			
Additions to mineral properties, plant and equipment	8	**(6,590)**	—
Additions to exploration and evaluation assets	9	**(1,199)**	—
Additions to intangible assets	10	**(119)**	—
Purchase of portfolio investment	6	**(7,000)**	—
Capital and interest collected on portfolio investments	6	**3,101**	—
Cash acquired on MTV acquisition	4a	**2,956**	—
Cash used in investing activities of continuing operations		**(8,851)**	—
Cash flows from financing activities			
Proceeds from loans and borrowings		**10,955**	—
Loans and borrowings paid		**(3,825)**	—
Net proceeds from Transaction		**—**	11,091
Net proceeds from Offering		**—**	20,558
Acquisition of treasury stock	13e	**(364)**	(330)
Cash acquired on purchase of ADI	4c	**—**	20,072
Interest paid	25b	**(1,131)**	—
Cash provided by financing activities of continuing operations		**5,635**	51,391
Impact on foreign exchange on cash balances		**(1,357)**	3,249
Increase (decrease) in cash and cash equivalents of continuing operations		**(14,005)**	16,530
Cash and cash equivalents of continuing operations - Beginning of year		**28,862**	9,083
Cash and cash equivalents of continuing operations - End of year		**$ 13,500**	$ 28,862

Supplementary Cash Flow Information 25

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

1. Corporate Information

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

On February 9, 2017, Sprott Resource Corp. ("SRC"), at the time a publicly listed private equity company which invested in the natural resource sector, completed a Plan of Arrangement (the "Arrangement" - see Note 4) with ADI, a publicly listed company whose principal holdings were cash and its 40% investment in a joint venture, Lac Otelnuk Mining Ltd. ("Lac Otelnuk"), an entity established to continue the exploration of the Lac Otelnuk iron ore property in Quebec. Under the Arrangement, all existing SRC common shares were exchanged into ADI common shares at a ratio of 1:3. SRC became a wholly-owned subsidiary of ADI, which was renamed "Sprott Resource Holdings Inc."

The Company's current principal operating business is its 70% equity interest in the Chilean producing copper mine Minera Tres Valles SpA ("MTV"). MTV's main asset is the Minera Tres Valles mining project, in the Province of Choapa, Chile which includes fully integrated processing operations and two active mines. The active ore extraction operations include the Don Gabriel open pit mine ("Don Gabriel") and the Papomono underground mine ("Papomono"). MTV's objective is to carry out mining activities associated with exploiting and processing minerals for which it has a crushing and processing plant with nameplate capacity of 7,000 and 6,000 tonnes per day, respectively. The plant is designed to produce up to 18,500 tonnes per annum of copper cathodes. The first copper cathodes shipment took place in January 2011. The Company has consolidated MTV from the Transition Date and the net loss of the Company includes the net loss of MTV from the Transition Date.

On August 13, 2018, the Company completed a consolidation (the "Share Consolidation") of its share capital on the basis of twenty (20) existing common shares for one (1) new common share. As a result of the Share Consolidation, the 681,680,846 common shares issued and outstanding as at that date were consolidated to 34,082,992 common shares. It takes 20 common share purchase warrants to purchase 1 common share at a total exercise price of $6.66. The Share Consolidation was previously approved by the shareholders at a meeting held on May 10, 2018. All information in these Financial Statements (as defined below) is presented on a post-Share Consolidation basis.

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

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

These Financial Statements (as defined below) were approved for issue by the Board of Directors (the "Board") on March 6, 2019.

2. Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of these audited annual consolidated financial statements ("Financial Statements").

a. Basis of Preparation

These Financial Statements are prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 Farms Inc. ("Beretta") (Note 4).

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 fair value through profit or loss ("FVTPL").

Tabular amounts expressed in thousands of United States dollars except as noted

The Company's presentation currency is the United States ("USD") dollar. Reference herein of $ or USD is to USD dollars, CAD is to Canadian dollars and CLP refers to the Chilean peso. The Company changed its presentation currency from CAD to USD effective January 1, 2018 and comparative information has been adjusted accordingly, including the required presentation of the opening translated balance sheet as at January 1, 2017.

These Financial Statements have been prepared on a historical cost basis except for FVTPL which is measured at fair value.

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

The Arrangement with ADI is considered a business combination under IFRS with SRC being the acquirer for accounting purposes (Note 4). As such, the comparative information in these Financial Statements is the SRC comparative information, with the results of operations of ADI consolidated from February 9, 2017 (the "Acquisition Date").

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

Certain comparative figures have been reclassified to conform to the method of presentation adopted in the current year.

b. Basis of Consolidation

The Financial Statements of the Company consolidate the accounts of SRHI and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In many, but not all instances, control will exist when the Company owns more than one half of the voting rights of a corporation or 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%	—
ADI Mining Ltd. ("ADM")	Canada	100%	—
Sprott Resource Coal Holdings Corp. ("SRCHC")	Canada	100%	—
Beretta	Canada	49.98%	50.02%
2014 Employee Profit Sharing Plan (the "Trust")	Canada	—	—
SRH Chile SpA	Chile	100%	—
MTV	Chile	70%	30%

The Company is deemed to control the Trust which provides the Company with its equity incentive plan. Accounting policies of the subsidiaries have been conformed where necessary to ensure consistency with the policies adopted by the Company.

The Company is deemed to control Beretta as the remaining shareholder base of Beretta is widely held.

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).

c. Business Combinations

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

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

Effective the Transition Date, the Company no longer relied on Investment Entity Reporting. As a result, and on the Transition Date, the Company was deemed to acquire MTV and Beretta and required to apply the acquisition method of accounting to each of them (see Note 4).

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

Since the Company does not own 100% of its interests in MTV and Beretta, the portion attributable to non-controlling shareholders is reflected in non-controlling interests.

d. Non-Controlling Interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. The non-controlling interests' share of net income (loss) and comprehensive income (loss) is presented separately in the Consolidated Statements of Operations and Comprehensive Loss and directly in equity. Changes in the parent company's ownership interest in the subsidiaries that do not result in a loss of control are accounted for as equity transactions.

e. Assets Held For Sale and Discontinued Operations

Non-current assets are classified as assets held for sale when it is highly probable their value will be recovered principally through a sale rather than through continuing use. For the sale to be highly probable, management must be committed to, and have initiated a plan to, sell the assets; the assets must be available for immediate sale in their present condition and the sale must be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

Assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale. A component comprises operations and cash flows that can be clearly distinguished from the rest of the Company. To be classified as a discontinued operation, the component must (i) represent a major line of business or geographical area of operation; (ii) be part of a plan to dispose of a major line of business; or (iii) be a subsidiary acquired with a view to resell.

Accounting policies specific to the Company's discontinued operations are separately disclosed below in article "aa" of this *Accounting Policies* note.

f. Functional and Presentation Currency

The functional currency of each entity within the Company is the currency of the primary economic environment in which it operates. For each of the Company's entities, CAD is the functional currency other than for SRH Chile SpA and MTV where the functional currency is USD. The Company’s presentation currency is USD.

The Company changed its presentation currency from CAD to USD effective January 1, 2018. For comparative purposes, historical financial statements were translated into the reporting currency of USD whereby the asset and liabilities were translated at the closing rate in effect at the end of the comparative periods; expenses and cash flows were translated at the average rate in effect for the comparative periods; and equity transactions were translated at historical rates. The changes have been applied retrospectively and an opening balance sheet at January 1, 2017 has been presented.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the Consolidated Statements of Operations and Comprehensive Loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the Consolidated Statements of Operations and Comprehensive Loss. However, exchange differences arising on the translation of certain non-monetary items are recognized as a separate component of equity.

On disposal of a foreign operation, the historical, cumulative amount of exchange differences recognized as a separate component of equity is reclassified and recognized in the Consolidated Statements of Operations and Comprehensive Loss.

For the purpose of presenting the Financial Statements, the assets and liabilities of the Company's operations with a functional currency of CAD are translated into USD, which is the presentation currency of the group, at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions.

g. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Investments in equity instruments, derivatives and debt instruments that do not meet the criteria for amortized cost (see below) are classified as FVTPL. Financial assets are designated at FVTPL if it eliminates or significantly reduces an accounting mismatch. Upon initial recognition, these financial assets are recognized at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

A debt instrument is measured at amortized cost if (i) the objective of the Company's business model is to hold the instrument in order to collect contractual cash flows and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Alternatively, debt instruments that meet the criteria for amortized cost may be designated as FVTPL on initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Investments in equity instruments that are not held for trading may be irrevocably designated at fair value through other comprehensive income ("FVTOCI") on initial recognition. The Company has not designated any of its equity instruments or debt instruments as FVTOCI.

The Company recognizes purchases and sales of financial assets on the trade date, which is the date on which it commits to purchase or sell the asset. Transaction costs related to financial assets classified or designated as FVTPL are expensed as incurred. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially the risks and rewards of ownership of the asset.

Financial assets and liabilities measured at amortized cost, including the Company's cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings are recognized initially at the amount expected to be received or paid less, when material, a discount to reduce them to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method less a provision for impairment, if any. Impairment is recorded based on an expected credit loss impairment model that requires more timely recognition of expected credit losses. Due to their short-term nature and low credit risk, the fair values of these financial assets and liabilities approximate their carrying amounts.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of change in value.

i. Inventories

Finished product and ore stockpile inventories are valued at the lower of average cost and net realizable value.

Ore stockpiles include materials extracted from the mine and stockpiled before and after the crushing process. Finished product inventories include copper cathodes located at the mine, port facility or in transit. Ore stockpiles not expected to be processed in the next twelve months, are included in non-current inventory. Ore stockpiles and finished product inventory costs include all direct costs incurred in production including direct labour and materials, freight, depreciation and amortization, and directly attributable overhead costs. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. If the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

For work in progress and raw materials, the Company has engaged independent third parties to estimate the tonnes of copper contained in the leaching piles and in the pregnant leaching solution ("PLS") pools (both included in work in progress), for the purpose of adjusting the balances of inventory to the tonnes of copper estimated to be recovered in the final cathode production process. Physical units (tonnes) of work in progress are adjusted with a charge or credit to cost of sales, using a weighted average cost method. Materials and supplies are valued at average acquisition cost. An obsolescence provision is applied for material slow moving and obsolete items upon periodic review of the aging of inventory.

j. Mineral Properties, Plant and Equipment

Mineral properties, plant and equipment ("PP&E") are measured at acquisition or construction cost, including capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

The cost of mineral properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, development assets costs, deferred stripping costs and the exploration and evaluation costs.

i. Development assets

When economically viable reserves have been determined and the decision to proceed with development has been approved in line with a technically and commercially viable plan for the ore bodies, the expenditures related to development and construction are capitalized and classified as a component of PP&E. Costs associated with the commissioning of new assets incurred in the period before they are operating in the manner intended by management, are capitalized.

The Company determines the date for commencement of production based on when the asset is available for its intended use.

ii. Stripping assets

The costs of removing waste and overburden (stripping costs) to access ore prior to the commencement of mine operations are capitalized as pre-production stripping costs and classified as a component of PP&E.

Stripping costs after the commencement of operations are incurred both in relation to the production of inventory of that period and also for improved access to ore to be mined in the future. Stripping costs incurred relating to current ore production are included as part of inventory, while stripping costs incurred relating to improved access and future development are capitalized as a stripping activity asset.

Stripping costs benefiting future periods are identified by reference to the waste to ore stripping ratio. In periods when the life of a mining phase stripping ratio exceeds the average expected stripping ratio, the excess costs over the mine stripping ratio expected costs are capitalized as stripping activity assets.

Stripping activity assets are amortized on a unit of production ("UOP") basis over the proven and probable reserves over the remaining life of each mining phase to which they relate.

iii. Plant and equipment

Plant and equipment are recorded at cost less accumulated amortization. Costs for facilities under construction include all expenditures incurred directly in connection with project development.

Depletion and depreciation

The depreciation method for each asset is evaluated on a line-by-line basis. MTV has made the determination of which PP&E assets are to be depreciated on a UOP basis, taking into account the following:

- assets directly used in the mines or production whose annual production may vary considerably over their useful economic life;
- assets whose loss in value is more closely linked to the quantities of minerals produced or the life of mine than to the passage of time;

Certain of MTV's PP&E assets are used interchangeably at the Don Gabriel and Papomono operations and will be depleted on a UOP basis based on the aggregate depletable reserves of both mines.

Mineral properties and building and mining facility assets are amortized on a UOP basis over proven and probable reserves and a conversion of measured and indicated resources. Other office and information technology equipment is recorded at cost and amortized over their estimated useful lives on a straight-line basis. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required. Repairs and maintenance costs are expensed during the period in which they are incurred.

The following table outlines the methods used to amortize PP&E:

Asset	Depreciation Method
Mineral properties	Units of production
Buildings and infrastructure	Units of production
Mining facilities	Units of production
Mining machinery and equipment	Units of production
Vehicles	Units of production
Office and information technology equipment	Straight line

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the Consolidated Statements of Operations and Comprehensive Loss in the period in which they are incurred.

k. Exploration and Evaluation

Exploration expenditures relate to the initial search for a mineral deposit or the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. The exploration and evaluation ("E&E") stage commences when MTV board approval is obtained to further explore and evaluate a mineral deposit to determine the technical feasibility and commercial viability of mining the mineral property, at which point expenses are capitalized as E&E assets. Costs incurred prior to receiving MTV board approval to further explore and evaluate a mineral deposit are expensed as incurred.

When the E&E of a mineral property indicates that development of the mineral property is technically and commercially viable, the related costs are transferred from E&E assets and classified as a separate component of PP&E.

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired at every reporting date. The review is based on the Company's intentions for further exploration and development of the undeveloped property, results of drilling, commodity prices and other economic and geological factors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a property does not prove viable, all non-recoverable costs associated with the project, net of any previous impairment provisions, are written off.

l. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at every reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the Consolidated Statements of Operations and Comprehensive Loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statements of Operations and Comprehensive Loss when the asset is de-recognised.

Intangible assets with indefinite useful lives are not amortized, but assets for which there is an active market are tested annually for impairment. MTV has water rights under this category and according to Chilean law, this type of right is perpetual and can be commercialized.

m. Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

n. Impairment of Non-Financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In assessing fair value less costs of disposal, fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. For mining assets fair value less costs of disposal is typically estimated using a discounted cash flow approach. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. When an impairment loss exists it is recorded as an expense immediately.

Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the recoverable amount net of depreciation. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the Consolidated Statements of Operations and Comprehensive Loss in the period it is determined.

o. Leases

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

p. Reclamation and Other Closure Provisions

The Company has obligations for reclamation and other closure costs such as site restoration, decommissioning activities and end of mine life severance related to its mineral properties. These costs are a normal consequence of mining, and the majority of these expenditures are incurred at the end of the life of the mine.

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. Since 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 the obligations is based on future expectations, a number of assumptions are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company records the fair value of its reclamation and other closure provisions as a liability as incurred and records a corresponding increase in the carrying value of the related asset. The initial provision is recorded discounting risk adjusted cash flows using a current foreign exchange and risk free discount rate. Charges for accretion and reclamation expenditures are recorded as finance costs in the Consolidated Statements of Operations and Comprehensive Loss. Reclamation and other closure provisions are recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the Consolidated Statements of Operations and Comprehensive Loss to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

The liability is discounted and revalued at the end of each period using current discount and foreign exchange rates. Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of costs are recognized as an increase or decrease in the reclamation and other closure provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Consolidated Statements of Operations and Comprehensive Loss.

q. Deferred Revenue

Deferred revenue consists of an upfront cash payment received by the Company in exchange for the monetization of its rights to proceeds from future copper cathode production. The Company recognizes revenue based on the actual value of copper cathodes produced. Deferred revenue is measured at FVTPL.

r. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

s. Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from capital stock.

t. Common Share Purchase Warrants

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

u. Treasury Stock

Treasury shares are classified as equity. Treasury shares arise when the Trust purchases shares on the open market for the purpose of the equity incentive plan.

v. Revenue Recognition

Sale of Copper Cathodes

Sales of copper cathodes are recognized on a provisional pricing basis when control of the promised asset passes to the customer, which occurs upon shipment. Final pricing for copper cathodes sold is not determined at that time as it is contractually linked to market prices at a subsequent date. These pricing arrangements have the characteristics of a derivative instrument as the value of the accounts receivable or deferred revenue will vary as prices for the underlying commodities vary in the metal markets. These price adjustments result in gains in a rising price environment and losses in a declining price environment and are recorded as adjustments to revenues.

Ore Tolling Services

Revenue from toll-milling services which have not been monetized is recognized as material is processed over time in accordance with the specifics of the applicable toll-milling agreement. Revenue and accounts receivable are recorded as related costs are incurred, using billing formulas included in the applicable toll-milling agreement.

w. Gain (Loss) on Portfolio Investments

Realized and unrealized gains and losses arising on the disposition and remeasurement of portfolio investments at fair value, including foreign exchange gains and losses, are included in gain (loss) on portfolio investments in the Consolidated Statements of Operations and Comprehensive Loss.

x. Management Fees

Sprott Consulting Limited Partnership ("SCLP") provides management services to the Company, which entitle it to management fees of 0.50% of the Quarterly NAV (as defined in the Management Services Agreement ("MSA"), see Note 23) of SRHI, less the total compensation paid to management provided to SRHI under the MSA for such fiscal quarter. The fee is accrued each quarter.

y. Stock-based compensation

The Company uses the fair value method to account for equity settled share-based payments with employees and directors. Compensation expense is determined using the Black-Scholes option valuation model for stock options. Compensation expense for deferred stock units ("DSU") is determined based on the value of the Company's common shares at the time of grant. Compensation expense for the Company's Trust is determined based on the value of the Company's common shares on the grant date (see Note 14e). The amount of compensation expense is recognized over the vesting period with a corresponding increase to contributed surplus other than for the Company's DSUs where the corresponding increase or decrease is to liabilities. Stock options and common shares held by the Trust vest in installments which require a graded vesting methodology to account for these share-based awards. On the exercise of stock options for shares, the contributed surplus previously recorded with respect to the exercised options and the consideration paid is credited to capital stock. On the vesting of common shares in the Trust, the contributed surplus previously recorded is credited to treasury stock. On the exercise of DSUs, the liability previously recorded is credited to cash.

z. Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Consolidated Statements of Financial Position date.

Deferred income tax assets and liabilities are provided on all temporary differences at the Consolidated Statements of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are recognized for all taxable temporary differences except:

- When the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or taxable income or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, the timing of the reversal of the temporary difference can be controlled, it is probable that the temporary difference will not reverse in the foreseeable future and, for deferred income tax assets, taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each Consolidated Statements of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the Consolidated Statements of Financial Position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

aa. Earnings (Loss) per Share

Earnings (loss) per share are presented for basic and diluted earnings. Basic per share information is computed by dividing the net income or loss of the Company by the weighted average number of common shares outstanding during the period. The weighted average number of shares for fully diluted earnings per share information is calculated using the treasury stock method whereby it is assumed that (i) proceeds obtained upon exercise of options and warrants would be used to purchase common shares at the average market price during the period and (ii) all unvested treasury shares are deemed to have vested. Under the treasury stock method, options and warrants have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options and warrants (they are "in-the-money"). Exercise of in-the-money options and warrants is assumed at the beginning of the period or date of issuance, if later. Unvested treasury shares are assumed to have vested at the beginning of the period or date of issuance, if later. Should the Company have a loss for the period, options, warrants and unvested treasury shares would be anti-dilutive and therefore would have no effect on the determination of diluted loss per share.

Tabular amounts expressed in thousands of United States dollars except as noted

ab. Accounting Policies Specific to Assets Held for Sale and Discontinued Operations (Beretta)

i. Inventories

Branded inventories are available for immediate delivery and are recorded at the net realizable value (market price less point-of-sale costs) as the products have a reliable and realizable market price. Changes are recorded in cost of sales.

ii. Biological Assets

A biological asset is a living animal and an agricultural activity is the biological transformation of biological assets for sale into additional biological assets.

Livestock are valued at fair value less point-of-sale costs at the reporting date in accordance with International Accounting Standard (IAS) 41 *Agriculture*. Fair value is based on a number of factors including estimated weight, market prices, breeding status and age of cattle.

Livestock intended to be sold are classified as current biological assets. Livestock not intended to be sold consists of the breeding herd and replacements and are classified as non-current biological assets.

iii. Agriculture Property, Plant and Equipment

The major categories of agriculture property, plant and equipment are depreciated using the declining-balance method over the estimated useful life of the respective class of assets at the following rates:

Agriculture buildings and leasehold improvements	4 - 20%
Agriculture production machinery and equipment	10 - 20%

iv. Revenue Recognition

Revenue from livestock and retail product sales is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser and the customer controls the risks and rewards of ownership and the Company has a present right to payment for the product.

ac. 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 has reviewed agreements currently in place and has identified which agreements qualify under IFRS 16. The Company has completed its preliminary assessment and is currently finalizing its estimated adjustment to be made as at January 1, 2019.

3. Significant Judgments, Estimates and Assumptions

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

Areas where critical accounting estimates have the most significant effect on the amounts recognized in the Financial Statements include:

a. Determination of Financial Reporting Change

A 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 Company determined that its investment-related activities with subsidiaries, other than SRC, SRH Chile, SRCHC and ADM represented a separate substantial business activity and that fair value was no longer the primary measurement attribute used to monitor and evaluate substantially all of its investments.

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

b. Business Combinations

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

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

The acquisitions of MTV and Beretta are disclosed in Note 4.

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.

4. Business Combinations and Reverse Takeover

a. MTV Deemed Acquisition

On October 2, 2017, SRHI acquired the 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. A total of 2,559,592 SRHI common shares were issued to the Vecchiola Group in connection with this investment, providing SRHI with a 70% equity interest in MTV.

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

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

Tabular amounts expressed in thousands of United States dollars except as noted

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

b. Beretta Deemed Acquisition

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

The 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. Non-controlling interest was measured as the percentage of net assets held by non-controlling parties. Final valuations of assets and liabilities are subject to change due to the timing of the deemed acquisition. The deemed acquisition did not result in either goodwill or a bargain purchase gain.

Tabular amounts expressed in thousands of United States dollars except as noted

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

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

c. SRC Reverse Takeover of ADI

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

The acquisition of ADI was completed on the Acquisition Date. Pursuant to the Arrangement, SRC shareholders received 3.0 ADI shares for each SRC share outstanding at the Acquisition Date. On February 8, 2017, and as a condition of the Arrangement, ADI shareholders received one-quarter of a warrant in respect of each ADI share held, with each whole warrant (each, a "Warrant") having a five-year term. It takes 20 common share purchase warrants to purchase 1 common share at a total exercise price of CAD$6.66 per share.

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

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

The Company accounted for the acquisition of ADI as a business acquisition in accordance with IFRS 3, *Business Combinations.* Although legally ADI acquired 100% of the common shares of SRC and the ADI legal entity remains the top public entity in the corporate structure, SRC was determined to be the accounting acquirer, through completion of a reverse acquisition, as its shareholders retained majority control post-Arrangement, the composition of the Board reflected a majority of pre-Arrangement SRC Board members, and SRC retained key management functions of the combined business.

In the accounting for the reverse acquisition, the consideration was determined by reference to the fair value of the number of shares the legal subsidiary, being SRC, would have issued to the legal parent entity, being the Company, to obtain the same ownership interest in the combined entity. As a result, the capital stock consideration was measured at the value of 2,625,904 shares that would have been issued by SRC. Similarly, the consideration in respect of the Warrants was determined by reference to the fair value of the number of Warrants the legal subsidiary, being SRC, would have issued to the legal parent entity, being the Company, to obtain the same ownership interest in the combined entity. As a result, the Warrant consideration was measured at the value of 13,129,520 Warrants that would have been issued by SRC.

Tabular amounts expressed in thousands of United States dollars except as noted

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

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

The reverse takeover resulted in a bargain purchase gain of $194 thousand and is included as *Other income (loss)* in the Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2017.

5. Inventories

	As at		
	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Supplies and consumables	**$ 1,398**	$ —	$ —
Work in progress	**18,153**	—	—
Copper cathodes	**1,020**	—	—
	$ 20,571	$ —	$ —

Tabular amounts expressed in thousands of United States dollars except as noted

6. Portfolio Investments

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

	As at		
	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Mining	**$ 14,387**	$ 72,544	$ 38,014
Energy production and services	**5,098**	12,105	14,420
Agriculture	**—**	7,348	22,542
Total portfolio investments owned, at fair value	**$ 19,485**	$ 91,997	$ 74,976

	As at		
	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Portfolio investments included in current assets	**$ 14,899**	$ 91,997	$ 74,976
Amounts included in non-current assets	**4,586**	—	—
Total portfolio investments owned, at fair value	**$ 19,485**	$ 91,997	$ 74,976

The Company's portfolio investments are comprised of equity holdings as at December 31, 2018, December 31, 2017 and January 1, 2017.

Under Investment Entity Reporting, the Company was not required to classify its portfolio investments and reported them as current assets as at December 31, 2017 and January 1, 2017. As at December 31, 2018, all of the Company's portfolio investments that trade on a publicly listed exchange are classified as current assets.

Effective the Transition Date, the Company reports Beretta as held for sale and consolidates MTV. Prior to the Transition Date, both Beretta and MTV were portfolio investments reported at FVTPL under Investment Entity Reporting.

On July 9, 2018, the Company provided a short-term financing of $7.2 million, as part of a $17.5 million senior secured credit facility (the "Loan Investment") to a private royalty company to support their business plan. The Loan Investment was measured at amortized cost and matured on December 31, 2018 with the full amount paid on maturity. As at December 31, 2018, $4.2 million remained with Sprott Resource Lending Corp., as agent to the Company, and was received subsequent to December 31, 2018. This amount is included in Trade and other receivables at December 31, 2018.

7. Asset Classified as Held for Sale

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

	As at
	Dec. 31, 2018
Assets classified as held for sale	**$ 14,013**
Liabilities classified as held for sale	**(2,964)**
Non-controlling interest	**(5,527)**
	$ 5,522

Tabular amounts expressed in thousands of United States dollars except as noted

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

	Eleven months ended	
	Dec. 31, 2018	Dec. 31, 2017
Revenue	**$ 39,049**	$ —
Expenses	**(41,985)**	—
	(2,936)	—
Non-controlling interests	**1,469**	—
	$ (1,467)	$ —

Effective the Transition Date, the Company reported Beretta as held for sale. Prior to the Transition Date, Beretta was a portfolio investment reported at FVTPL under Investment Entity Reporting and therefore the Company is not required to retroactively restate its Financial Statements.

8. Mineral Properties, Plant and Equipment

Cost	Mineral properties	Land	Building and mining facilities	Machinery and equipment	**Total**
As at January 1, 2017, December 31, 2017 and January 31, 2018	$ —	$ —	$ —	$ —	**$ —**
Deemed acquisition of MTV on Transition Date	21,640	665	42,758	7,282	**72,345**
Additions	3,886	—	319	2,385	**6,590**
Disposals	—	—	(556)	—	**(556)**
As at December 31, 2018	**$ 25,526**	**$ 665**	**$ 42,521**	**$ 9,667**	**$ 78,379**

Accumulated depreciation	Mineral properties	Land	Building and mining facilities	Machinery and equipment	**Total**
As at January 1, 2017, December 31, 2017 and January 31, 2018	$ —	$ —	$ —	$ —	**$ —**
Deemed acquisition of MTV on Transition Date	—	—	—	—	**—**
Depreciation expense	(1,371)	—	(2,153)	(440)	**(3,964)**
Disposals	—	—	70		**70**
As at December 31, 2018	**$ (1,371)**	**$ —**	**$ (2,083)**	**$ (440)**	**$ (3,894)**

	Mineral properties	Land	Building and mining facilities	Machinery and equipment	**Total**
Net book value					
As at January 1, 2017, December 31, 2017 and January 31, 2018	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
As at December 31, 2018	**$ 24,155**	**$ 665**	**$ 40,438**	**$ 9,227**	**$ 74,485**

Tabular amounts expressed in thousands of United States dollars except as noted

As of December 31, 2018, included in *Machinery and equipment* is $1.3 million of assets held under finance leases. As of December 31, 2018, included in *Mineral properties* is $1.9 million of stripping assets and $0.8 million of reforestation assets.

9. Exploration and Evaluation Asset

Cost	**Engineering**	**Drilling**	**Total**
As at January 1, 2017, December 31, 2017 and January 31, 2018	$ —	$ —	**$ —**
Deemed acquisition of MTV on Transition Date	243	—	**243**
Additions	1,083	116	**1,199**
As at December 31, 2018	**$ 1,326**	**$ 116**	**$ 1,442**

10. Intangible Assets

	Easements	Water rights	Foundation	Other	**Total**
As at January 1, 2017, December 31, 2017 and January 31, 2018	$ —	$ —	$ —	$ —	**$ —**
Deemed acquisition of MTV on Transition Date	1,847	354	392	—	**2,593**
Additions	—	—	—	119	**119**
Amortization	(325)	—	(36)	(20)	**(381)**
As at December 31, 2018	**$ 1,522**	**$ 354**	**$ 356**	**$ 99**	**$ 2,331**

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

11. Accounts Payable and Accrued Liabilities

	As at		
	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Trade accounts payable	**$ 13,136**	$ 55	$ 614
Accrued liabilities	**5,299**	1,566	1,239
Reforestation provision	**1,289**	—	—
Foundation provision	**100**	—	—
	$ 19,824	$ 1,621	$ 1,853

Tabular amounts expressed in thousands of United States dollars except as noted

12. Loans and Borrowings

	As at		
	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Revolving credit facility (a)	**$ 14,276**	$ —	$ —
Finance leases	**675**	—	—
Total	**14,951**	—	—
Less: current portion	**14,544**	—	—
	$ 407	$ —	$ —

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

MTV agreed to the following security:

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

	Revolving credit facility (a)	**Finance leases**	**Total**
Opening balance, February 1, 2018	$ (7,146)	$ (280)	**$ (7,426)**
Less: principal payments	3,825	162	**3,987**
Less: interest payments	1,182	76	**1,258**
Add: interest accrued	(1,182)	(76)	**(1,258)**
Add: additions	(10,955)	(641)	**(11,596)**
Exchange rate difference	—	84	**84**
Closing balance, December 31, 2018	**$ (14,276)**	**$ (675)**	**$ (14,951)**

Finance leases have interest rates between 10.6% and 27.5% and a term of 2 and 3 years. The finance leases are secured by the equipment.

13. Reclamation and Other Closure Provisions

	As at
	Dec. 31, 2018
As at January 1, 2017, December 31, 2017 and January 31, 2018	**$ —**
Deemed acquisition of MTV on Transition Date	**5,254**
Accretion	**75**
Revaluation	**(570)**
	4,759

MTV estimated the cost of closure and rehabilitation of the mines, which will commence upon completion of ore mining operations and the production and sale of copper cathodes. This long-term obligation is discounted using an annual interest rate of 1.60%, and the interest accrued is presented in finance costs in the Consolidated Statements of Operations and Comprehensive Loss. The Company expects the liability to be settled between 2027 and 2029.

Tabular amounts expressed in thousands of United States dollars except as noted

14. Equity

a) Authorized

Unlimited common shares with no par value.

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

b) Issued and outstanding

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

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

On February 9, 2017, the Arrangement closed (see Note 4) resulting in the issuance of 14.5 million common shares and 39.4 million common share purchase warrants. All common share purchase warrants have an exchange ratio of 20 warrants for 1 common share and expire on February 9, 2022.

The fair value of the Warrants was determined to be $1.3 million using the following assumptions:

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

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

On February 9, 2017, (i) Sprott invested $10 million in ADI common shares at a price of $0.233 per share and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $5 million in units of ADI (each unit comprised of one ADI common share and one common share purchase warrant) at a price of $0.25 per unit ("Unit") (together, the "Transaction"). The Transaction resulted in the issuance of 3.1 million common shares and 20.0 million common share purchase warrants. All common share purchase warrants have an exchange ratio of 20 warrants for 1 common share and expire on February 9, 2022.

Tabular amounts expressed in thousands of United States dollars except as noted

The fair value of the common share purchase warrants was determined to be $0.6 million using the following assumptions:

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

The Company incurred $0.3 million in costs directly attributable to the issuance of the common shares and common share purchase warrants which was allocated between the fair values of the common shares and common share purchase warrants.

On February 9, 2017, a subsidiary of Sprott received 21.8 million common share purchase warrants as a long-term incentive to replace the profit distribution program that was previously in place and which was terminated upon completion of the Arrangement. All common shares purchase warrants have an exchange ratio of 20 warrants for 1 common shares and expire on February 9, 2022.

The fair value of the common share purchase warrants was determined to be $0.7 million using the following assumptions:

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

On April 18, 2017, the Company closed its previously announced "best efforts" marketed offering (the "Offering") resulting in the issuance of 6.0 million common shares and 120.0 million common share purchase warrants, raising gross proceeds of $17.2 million. All common share purchase warrants have an exchange ratio of 20 warrants for 1 common share and expire on February 9, 2022.

The fair value of the common share purchase warrants was determined to be $3.4 million using the following assumptions:

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

The Company incurred $1.9 million in costs directly attributable to the issuance of the common shares and common share purchase warrants which was allocated between the fair values of the common shares and common share purchase warrants. The Company also incurred other costs related to the Offering of $0.1 million which were expensed in the year ended December 31, 2017.

Tabular amounts expressed in thousands of United States dollars except as noted

c) Common share purchase warrants

Common share purchase warrants outstanding were as follows:

	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 December 31, 2018	**201,138,560**	**$**	**6,026**

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

d) Stock options

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

On February 9, 2017, the stock option plan of SRC was cancelled as a result of the Arrangement (see Note 4). The Option Plan of the Company remains in place.

The number of stock options outstanding as at December 31, 2018 was 175 thousand (December 31, 2017: 215 thousand) at a weighted average exercise price of CAD$3.74 (December 31, 2017: CAD$3.83). The exercise price ranges from CAD$3.40 per common share to CAD$3.80 per common share with expiry dates from May 2019 to November 2020. The continuity of stock options is as follows:

	Stock options (#)		Weighted average exercise price (per unit), CAD
Balance - January 1, 2017 [1]	**262,500**	**$**	**6.08**
Expired	(47,500)		16.25
Balance - December 31, 2017	**215,000**	**$**	**3.83**
Expired	(40,000)		4.21
Balance - December 31, 2018	**175,000**	**$**	**3.74**

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

Tabular amounts expressed in thousands of United States dollars except as noted

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

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

e) Treasury stock

The Trust purchased 187 thousand common shares for the year ended December 31, 2018 (for the year ended December 31, 2017: 136 thousand). During the year ended December 31, 2018, 166 thousand common shares (for the year ended December 31, 2017: 142 thousand) were released on vesting from the equity incentive plan.

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

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

f) Accumulated other comprehensive loss

Accumulated other comprehensive loss of $38.7 million arose as a result of the CAD to USD foreign exchange translation performed when the Company adopted USD as its presentation currency effective January 1, 2018, together with the foreign exchange impact of Canadian operations in Beretta for the eleven months ended December 31, 2018. The change to USD presentation currency required a retroactive restatement of the Company's Financial Statements (Note 2a).

15. Revenues

	Eleven months ended			
		Dec. 31, 2018		**Dec. 31, 2017**
Copper cathodes	**$**	**31,414**	$	—
Tolling		**1,286**		—
	$	**32,700**	$	—

Revenues from copper cathodes for the eleven months ended December 31, 2018 include $638 thousand of pricing adjustments due to timing differences for settlement of sales.

Tabular amounts expressed in thousands of United States dollars except as noted

16. Cost of Sales

	Eleven months ended	
	Dec. 31, 2018	Dec. 31, 2017
Salaries	**$ 8,165**	$ —
Direct mining and plant costs	**23,603**	—
Purchase of ore from third parties	**3,579**	—
Depreciation	**3,110**	—
Change in inventory	**(5,011)**	—
Other	**883**	—
	$ 34,329	$ —

17. General and Administrative Expenses

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

The *Bargain purchase gain* for the year ended December 31, 2017 has been reclassified out of *General and administrative expenses* to Other loss (income) (see Note 4).

Salaries and contracted services together with Other office expenses includes expenses from MTV since the Transition Date.

18. Loss on Portfolio Investments

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Realized loss on portfolio investments	**$ —**	$ 17,878
Change in unrealized loss on portfolio investments	**22,603**	8,732
	$ 22,603	$ 26,610

Tabular amounts expressed in thousands of United States dollars except as noted

19. Finance Expenses, net

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

Finance expense include expenses from MTV since the Transition Date.

20. Other income (loss)

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

Other income (loss) include amounts from MTV since the Transition Date.

21. Current and Deferred Income Taxes

a) Income tax expense

Income tax expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rate of 26.5% (December 31, 2017- 26.5%) to income (loss) before income taxes as shown in the following table:

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Net loss from continuing operations	**$ (29,716)**	$ (31,700)
Combined statutory federal and provincial income tax rate	**26.5%**	26.5%
Combined income taxes at statutory tax rate	**$ (7,875)**	$ (8,401)
Non-deductible and non-taxable items	**(800)**	(249)
Non-deductible (non-taxable) portion of capital losses	**—**	2,311
Non-deductible portion of unrealized (gains) losses on investments	**3,049**	1,323
Derecognition of deferred tax asset	**5,285**	5,016
Other	**341**	—
Tax expense as per consolidated statements of operations	**$ —**	$ —

Tabular amounts expressed in thousands of United States dollars except as noted

b) Deferred tax balance

The Company has recognized a deferred tax asset for tax losses only to the extent of its deferred tax liabilities, as listed below.

	As at	
	Dec. 31, 2018	**Dec. 31, 2017**
Mineral properties, plant and equipment	$ 12,230	$ —
Inventories	3,318	—
Total deferred tax liabilities - Chile	**15,548**	**—**
Intangible assets	(163)	—
Tax losses - Chile	(15,385)	—
Total deferred tax assets - Chile	**(15,548)**	**—**
Net deferred tax liabilities	**$ —**	**$ —**

The Company has tax losses and other deductible temporary differences, as listed below, the benefits of which have not been recognized in these financial statements, as management does not consider their utilization in the foreseeable future to be probable.

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

The Company has unrecognized deductible temporary differences of other years of $428.6 million available to be applied against future income of which $295.3 million have no expiry and relate to MTV.

22. Loss per Share

Loss per share is calculated by dividing the net loss of the Company by the weighted average number of shares outstanding during the year. SRHI retrospectively adjusted the loss per share to reflect the Share Consolidation.

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

(in thousands except per share amounts)		Year ended **Dec. 31, 2018**		Year ended Dec. 31, 2017
Net loss from continuing operations	**$**	**(29,716)**	$	(31,700)
Net loss from discontinued operations	**$**	**(2,936)**	$	—
Net loss for the year	**$**	**(32,652)**	$	(31,700)
Weighted average number of shares - basic and fully diluted		**33,925,954**		29,131,398
Basic and fully diluted loss from continuing operations per share	**$**	**(0.88)**	$	(1.09)
Basic and fully diluted loss from discontinuing operations per share	**$**	**(0.09)**		n/a
Basic and fully diluted loss per share	**$**	**(0.97)**	$	(1.09)

23. Contingencies and Commitments

Management Services Agreement ("MSA")

In connection with the Arrangement (as defined in Note 4), an MSA was entered into between SRHI and SCLP, an entity which is directly and indirectly wholly-owned by Sprott, replacing the old MSA (the "Old MSA") between SRC and SCLP. The MSA was amended on the Transition Date to reflect the Company's transition to a diversified holding company.

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

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

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

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

As at December 31, 2018, the Company has commitments for operating leases with total payments of $0.7 million to be paid between 2019 and 2020.

As of December 31, 2018, commitments to purchase (i) property, plant and equipment amounted to $1.6 million and (ii) mining operating supplies amounted to $9.9 million.

Tabular amounts expressed in thousands of United States dollars except as noted

24. Operating Segments

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

Significant information relating to reportable operating segments is summarized below:

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

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

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

Effective the Transition Date, the Company reported Beretta as held for sale and consolidates MTV. Prior to the Transition Date, both Beretta and MTV were portfolio investments reported at FVTPL under Investment Entity Reporting.

Effective the Transition Date, Beretta was reclassified as held for sale and all assets and liabilities of Beretta are presented separately in the Consolidated Statements of Financial Position as current assets and current liabilities respectively. See Note 7.

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

Tabular amounts expressed in thousands of United States dollars except as noted

25. Supplementary Cash Flow Information

a. Net Change in Working Capital

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Net (increase) decrease in:		
Trade and other receivables	**$ (1,002)**	$ (464)
Inventories	**(5,271)**	—
Other current assets	**(528)**	(25)
Other non-current assets	**(595)**	—
Net increase (decrease) in:		
Trade and other payables	**267**	(770)
Other non-current liabilities	**435**	—
Deferred revenue	**(2,459)**	—
Net change in working capital	**$ (9,153)**	$ (1,259)

b. Interest paid on loans and borrowings

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Interest paid on loans and borrowings	**$ (1,131)**	$ —

26. Related Party Transactions

a) Purchases of Services

The Company entered into the following transactions with related parties during the year ended December 31, 2017. Transactions with related parties are recorded at the price agreed between the parties. Transactions in the normal course of business are measured at the monetary amount, which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

(i) *Management Fees*

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

(ii) *Mine Contracting Services*

MTV utilizes contractors for several mining services.

Inversiones Genova S.A.

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

Tabular amounts expressed in thousands of United States dollars except as noted

Vecchiola S.A.

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

(iii) *MTV Management Loan*

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

(iv) *Sprott Resource Lending Corp.*

As at December 31, 2018, Sprott Resource Lending Corp. acted as an agent to the Company, holding funds receivable from a private royalty company, which were transferred to the Company subsequent to December 31, 2018.

b) Key Management Compensation

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

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

27. Fair Value Estimation

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

The Company has provided fair market disclosure for its portfolio of investments by three industry groups. The mining industry group consists of three mining companies (2017- three companies), one of which is in the exploration stage, one that is in the producing stage and another that is in care and maintenance. The energy production and services industry group consists of an oil and gas exploration and production investment (2017- two companies). For 2017 only, the agriculture group consisted of two agriculture-related companies. One company based in Uruguay and the other in Canada with both operations and risks linked to agriculture commodities. The companies in each of the three industry groups share similar risk profiles and have therefore been grouped together.

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

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

Tabular amounts expressed in thousands of United States dollars except as noted

As at December 31, 2017		Level 1		Level 2		Level 3		**Total**
Investments - mining	$	27,449	$	—	$	45,095	**$**	**72,544**
Investments - agriculture		—		—		7,348		**7,348**
Investments - energy production and services		10,974		—		1,131		**12,105**
	$	38,423	$	—	$	53,574	**$**	**91,997**

Effective the Transition Date, the Company reported Beretta as held for sale and consolidates MTV. Prior to the Transition Date, both Beretta and MTV were portfolio investments reported at FVTPL under Investment Entity Reporting.

The Company's policy is to recognize transfers to and from fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers between levels during the year ended December 31, 2018 and December 31, 2017.

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

The following presents the movement in Level 3 instruments for the year ended December 31, 2018 and the year ended December 31, 2017:

		Dec. 31, 2018		Dec. 31, 2017
Opening balance	**$**	**53,574**	$	26,445
Investments acquired on acquisition of ADI		**—**		5,195
Investment in MTV		**—**		39,900
Derecognition of Beretta and MTV as portfolio investments		**(47,570)**		—
Unrealized loss for the period		**(1,143)**		(19,152)
Foreign currency translation differences		**(275)**		1,186
Ending balance	**$**	**4,586**	$	53,574

Valuation Methodologies

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

The Company determines the fair values of its portfolio investments categorized in Level 3 using adjusted book value, earnings and revenue multiple methodologies, reference to recent transaction prices, public company comparables or a combination thereof. At least annually, each portfolio investment classified as a Level 3 investment is valued by an independent third-party professionally accredited valuator unless (i) there is sufficient external evidence, such as a recent third-party transaction, that would provide meaningful and supportable evidence to conclude on fair value or (ii) it is both uneconomical to perform and the range of fair values for the portfolio investment would not result in a material difference from any value within the range.

Where a recent investment has been made, either by the Company or by a third party in one of SRHI's portfolio investments, after considering the background of the underlying investment, this price will generally be used as the estimate of fair value, subject to consideration of changes in market conditions and company specific factors. Other methodologies may be used at any time if they are believed to provide a more accurate assessment of the fair value of the portfolio investment. The indicators that the price of a recent portfolio investment may no longer be appropriate include (but are not necessarily limited to) factors such as:

- significant under/over achievement of budgeted earnings;
- milestone achievements;
- concerns with respect to debt covenants or refinancing;
- significant movements in the market sector of the investment;
- lack of significant third party investment;

- regulatory changes in the industry; and,
- the passage of time.

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

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

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

28. Financial Risk Management

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

Market Risk

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

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

As at December 31, 2018, approximately $19.5 million or 38% (December 31, 2017: $65.5 million or 43%) of total assets were invested in proprietary investments priced in CAD, and approximately $11.6 million or 23% of total assets was held in CAD cash (December 31, 2017: $19.5 million or 16%). As at December 31, 2018, had the exchange rate between the USD and the Canadian dollar increased or decreased by 10%, with all other variables held constant, the increase or decrease, respectively, in net loss for the year ended December 31, 2018 would have amounted to approximately $4.2 million (year ended December 31, 2017: $9.4 million). As at December 31, 2018, had the exchange rate between the USD and CLP increased or decreased by 10%, with all other variables held constant, the increase or decrease, respectively, in net loss for the year ended December 31, 2018 would have amounted to approximately $1.1 million.

Commodity Price Risk

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

The Company is exposed to commodity price risk in respect of its revenues as nearly all of its revenues are generated from the sale of copper cathodes. In addition, several of its portfolio investments are exposed to commodity price risk since their revenues are dependent on the market price of metallurgical and thermal coal, petroleum or natural gas. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the portfolio companies to meet their obligations, capital spending targets or commitments, and expected operational results which in turn impacts their fair values as recorded by the Company. As at December 31, 2018, had the copper price increased or decreased by 10%, with all other variables held constant, the increase or decrease, respectively, in net loss for the year ended December 31, 2018 would have amounted to approximately $2.8 million.

Price Risk

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

A 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss in the amount of $1.9 million.

Credit Risk

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

The Company invests cash and cash equivalents with financial institutions that are financially sound based on their credit rating with the majority of the Company's cash held through large Canadian 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 for the year ended December 31, 2018 and which is considered low risk as it is an independent commodity trading company with operations throughout the world. The Company has not incurred any credit losses during the year ended December 31, 2018 nor does it have an allowance for doubtful accounts.

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

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

Liquidity Risk

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

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. A maturity analysis was performed for all financial liabilities in Note 23.

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.

29. Capital Management

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

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

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

30. Subsequent Event

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

Corporate Information

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Stock Information

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

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

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